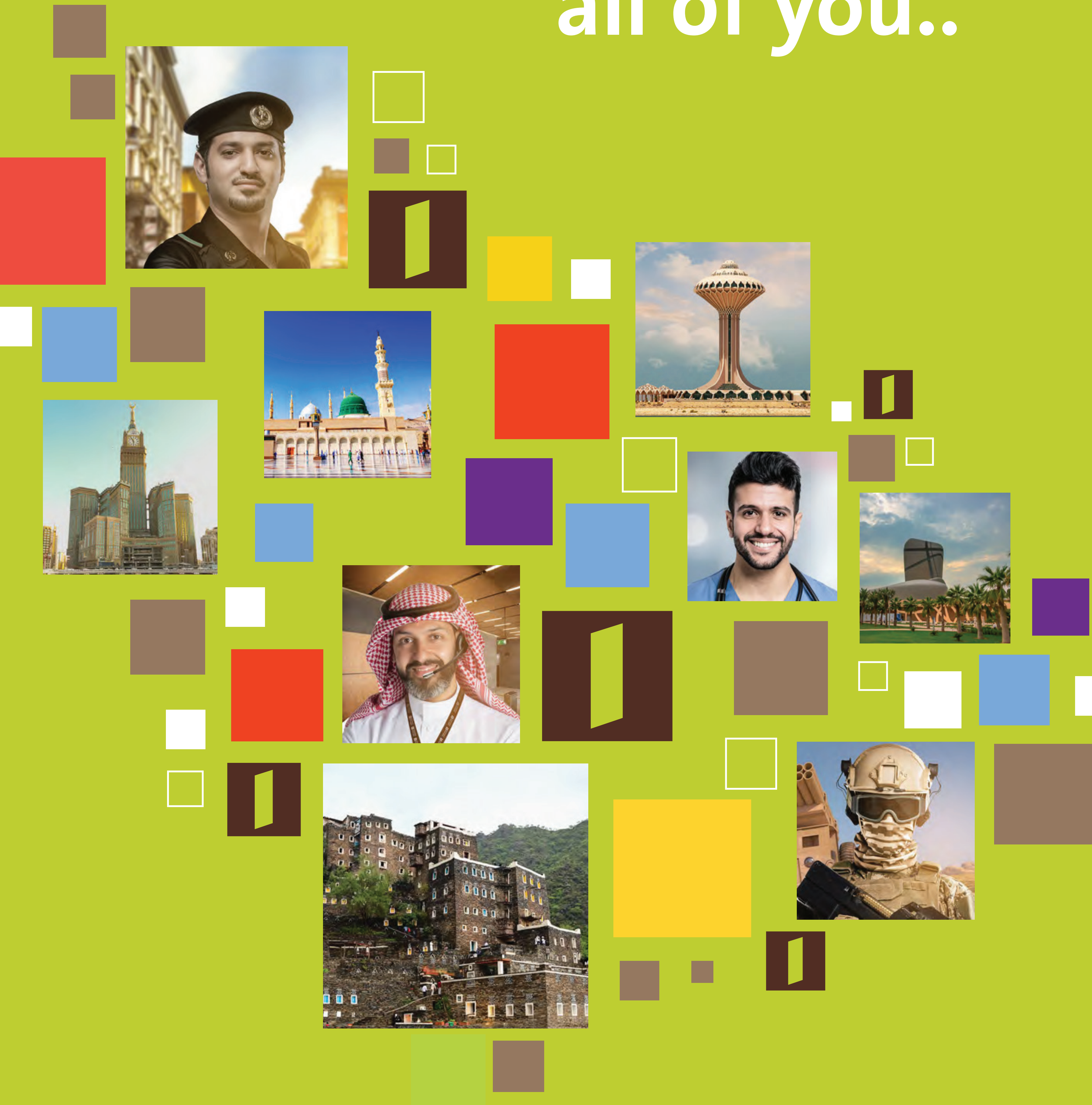
Annual Report 2020

مصرف الإنماء
alinma bank

Thanks to all of you..



بسم الله الرحمن الرحيم

The Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud

Vice President of the Council of Ministers and Minister of Defense

Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud

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Greetings

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Alinma Bank has continued to focus on infrastructure expansion, digital transformation, and creativity and excellence in the service of its partners. This focus, along with the efforts exerted by bank employees to execute on Alinma's mission and vision, have resulted in significant accomplishments.

Additionally, addressing partner needs and aspirations remains at the forefront of Alinma's partner-centric approach. And by leveraging the latest in banking industry technology and practices, Alinma has been successful in delivering a unique banking experience that Alinma partners value and appreciate.

Over the past year, Alinma Bank has made noteworthy progress — progress that the bank is committed to continuing going forward. For partners, this will mean ever more innovative products and services, and a level of service excellence that is second to none in the Saudi banking sector.

Alinma Bank ... For Our Growth

The Bank's Values

The bank has established a work environment based on clear values to which all Alinma employees should commit:

- Taking Initiative
- Serving the Community
- Serving Customers
- Strengthening Relationships
- Honesty
- Striving to Lead
- Respect for All
- Innovation

Vision Mission Values

The Bank's Vision

To be your preferred financial partner.

The Bank's Mission

To provide our partners with total Shariah-compliant financial solutions through the best workplace that achieves sustainable development and participates in serving our community.

Establishment

Establishment

Alinma Bank was established under Royal Decree No. M/15, dated 28 Safar 1427, corresponding to March 28, 2006, and under Commercial Registration No. 1010250808 dated 21 Jumada Al-Ula 1429, corresponding to May 26, 2008. The bank has been authorized to engage in all aspects of Shariah-compliant banking and investment services.

Capital

The bank was established with SAR 15,000,000,000 in capital, divided into 1,500,000,000 ordinary shares, each with a nominal value of SAR 10.

Founders

The founding shareholders of the bank are as follows: the Public Investment Fund, the Public Pension Agency and the General Organization for Social Insurance. Upon the establishment of the bank, 10% of its shares were allocated to each of the founding shareholders. The remaining 70% of the shares were offered for public subscription during Rabie II 1429 (April 2008).

Members of the Board of Directors

Mr. Abdulmohsen bin Abdulaziz Al-Fares
Managing Director & CEO

H.E. Dr. Hamad bin Suliman Al-Bazai
Vice Chairman

Dr. Abdulmalik bin Abdullah Al-Hogail
Chairman

Mr. Mohammd bin AbdulRahman Bin Dayel
Member

Engr. Mutlaq bin Hamad Al-Morished
Member

Mr. Abdulmohsen bin Abdulaziz Al-Hussain
Member

Mr. Hytham bin Rashid Al-AlShaikh Mubarak
Member

Dr. Saud bin Mohammad Al-Nemer
Member

Mr. Abdulrahman bin Mohammed Addas
Member

Message from the Chairman of the Board of Directors

It is my pleasure to present to you, on behalf of myself and my colleagues on the Alinma Bank Board of Directors, the annual report for the fiscal year that ended on December 31, 2020. The report highlights the results of the key activities of the bank, operational results, and audited financial statements for the same year.

During the 2020 fiscal year, Alinma Bank achieved positive financial and operational results. Net profit amounted to approximately SAR 2 billion. The bank's assets increased by 19% and reached SAR 157 billion. The financing portfolio amounted to SAR 111 billion on December 31, 2020, an increase of 17%. Partner (customer) deposits at the end of 2020 reached SAR 119 billion, an increase of 17% compared with the 2019 fiscal year.

Alinma Bank continued to serve its partners with the latest technological infrastructure in the Saudi banking sector, which contributed to numerous achievements and reflected positively on the bank's results. Achievements included an increase in the number of branches and ATMs, expansion of products and services (including enhancement of self-service banking and the launch of digital cards), the launch of a guaranteed financing program for micro, small and medium-sized enterprises, a children's savings service, the AlinmaPay wallet application for smart devices, and the launch Alinma operations in a number of regions of the kingdom, which contributed to the growth of the partner base and banking operations.

I am particularly proud of Alinma's achievements, including its ability to sustain financial strength, given the great challenges that the world faced in 2020 as a result of the coronavirus pandemic, including economic pressures. Despite these challenges, Alinma was able to perform admirably, and it will continue in its mission to provide the very best Shariah-compliant banking products and services.

I would like to take this opportunity to thank my colleagues on the Board of Directors, as well as all Alinma staff members, for their effort and hard work during the 2020 fiscal year. I would like to take this opportunity to extend my thanks to Mr. Abdulmohsen Al-Fares, former Managing Director and CEO, who resigned at the beginning of 2021, after fourteen years of success.

In conclusion, I would like to express my gratitude to the Custodian of the Two Holy Mosques, King Salman Ibn Abdulaziz Al Saud, and HRH the Crown Prince, Deputy Prime Minister, and Minister of Defense, Mohammed Ibn Salman Ibn Abdulaziz Al Saud, for their ongoing support of the economy and development of the kingdom, including supporting and enhancing the banking sector, which represents a core pillar of our national economy. I would further like to recognize the Ministry of Finance, the Ministry of Commerce and Investment, the Saudi Central Bank (SAMA), the Capital Market Authority (CMA), and other related government authorities for their support of the banking sector and the national economy.

Abdulmalik Bin Abdullah Al-Hogail

Chairman of the Board of Directors

Message from the Managing Director/CEO

The 2020 fiscal year was unprecedented in terms of the social and economic challenges presented by the coronavirus pandemic. The government of the Custodian of the Two Holy Mosques implemented precautionary measures in order to minimize the negative impacts of the pandemic, including a travel ban and both targeted and broad-based lockdowns. These measures resulted in limiting the spread and negative effects of the pandemic. The government also pursued economic relief Policies within the banking sector, including postponing financing installment payments for borrowers, enhancing liquidity, and encouraging and stimulating financing.

The beginning of the 2020 fiscal year witnessed a reduction in interest rates by 125 basis points. The Saudi financial sector managed to overcome this crisis, as many preventive measures were taken, and the sector contributed efficiently and effectively in supporting and strengthening the national economy in light of these unusual circumstances.

Alinma Bank's response to the crisis was comprehensive and included health and safety measures (e.g. social distancing, mask mandates, sanitization), which proved effective in limiting the spread of the virus. Other measures adopted included enhancing automated systems and electronic channels, as well as raising awareness among bank partners of self-service banking options.

New products and services were also launched to address partner needs and enhance the partner experience. These included:
(1) Online account opening for multi-owner companies through the Ministry of Commerce's platform.
(2) Electronic issuance and approval of promissory notes though integration with the Nafiz platform.
(3) Instant Savings service.
(4) Kids Savings service.
(5) Alinma smart device application upgrades.
(6) Issuance of digitally authenticated certificates.
(7) Digital issuance of cards.
(8) Addition of 21 new currencies to the Traveler Card.
(9) Launch of the Alinma UnionPay credit card (a first in Saudi Arabia).
(10) Traveler Cash Service.
(11) Lead management system.
(12) Enhanced 24/7 self-service banking.
(13) Launch of a flexible corporate Murabaha product.
(14) Wa'ad foreign exchange product.
(15) Automated confirmations.

(16) E-trade electronic services.
(17) Integration with the Saudi Company for Electronic Information Exchange (Tabadul) to verify the validity of bank guarantees.
(18) Integration with the Kafalah program to facilitate access of SMEs to subsidized financing.
(19) Launch of three new digital branches .
(20) Addition of "digital zones" in seven branches across the kingdom that provide 24/7 self-service banking, bringing the total number of digital branches and zones to 11 at the end of 2020.

Community service continued to be a focus for Alinma Bank in 2020. Initiatives included supporting the Health Endowment Fund with more than SAR 8 million, supporting the Community Fund for coronavirus relief with more than SAR 5 million, providing free international transfers for citizens and residents, donating SAR one million to the Enaya Association for kidney dialysis, and regularly sterilizing Alinma ATMs and branches.

Additionally, Alinma Bank supported a number of social efforts that included exhibitions of the Two Holy Mosques in Makkah, and a SAR 5 million partnership with the King Abdulaziz House and the General Presidency for the Affairs of the Grand Mosque and the Prophet's Mosque, which allows visitors to learn about the history of the Two Holy Mosques.

Other business related service initiatives in 2020 included:
(1) Operating more than 90 branches during coronavirus closures.
(2) Providing comprehensive 24/7 electronic channel services.
(3) Simplified financing for SMEs.
(4) Exempting stores from POS and e-commerce fees.
(5) Postponing SME financing installment payments for six months.
(6) Raising the purchase limit for the Atheer service.
(7) Waiving banking and e-services fees for corporate and retail partners for six months .
(8) Postponing financing installment payments for healthcare workers for three months without any additional costs.
(9) Exempting establishments from Kafalah program costs.
(10) Redemption of currency exchange differences on cancelled travel reservations during the travel ban.
(11) Postponing financing installment payments of private sector employees whose jobs were affected by the pandemic.
(12) Provision of re-financing without fees.
(13) Exemption from a number of other service fees.

I would like to take this opportunity to extend my thanks and appreciation to Alinma Bank staff members for the efforts they exerted throughout a challenging 2020 fiscal year. I would also like to express my thanks and appreciation for the bank's partners for their continued trust in Alinma Bank.

In conclusion, I would like to express my gratitude to the Custodian of the Two Holy Mosques, King Salman Ibn Abdulaziz Al Saud, and HRH Crown Prince Mohammed Ibn Salman Ibn Abdulaziz Al Saud, for their efforts to serve and safeguard the kingdom.

I would also like to thank the chairman and members of the Alinma Bank Board of Directors for their support and leadership, the Shariah Committee for their continued support and valuable contributions to Alinma's Shariah-compliant banking mission, and the Saudi Central Bank an all other supervisory and regulatory authorities.

Abdulmohsen Bin Abdulaziz Al-Fares

Managing Director/CEO

Key Accomplishments of 2020

Alinma Bank: Growth and Progress

Achievement	Growth vs. 2018
Number of partners (Retail)	16%
Number of partners (Corporate)	65%
Percentage of partners with financing products (Retail)	13%
Percentage of partners with financing products (Corporate)	66%
Partner deposits	17%
Asset growth	19%
Financing portfolio growth	17%
Number of cards issued to partners	15%
Number of partners registered with Alinma Phone, Alinma Internet, Alinma Mobile	32%
Number of transactions executed via Alinma Internet	6%
Number of transactions executed through the Alinma smart device applications	53%

Human Capital: Continuous Investment in Individuals

As part of its strategy to attract promising Saudi talent, the bank worked throughout 2020 to increase its Saudization rate and to maintain a leadership position among Saudi banks in this regard. The bank also worked to develop new, to improve existing and to automate numerous HC internal procedures.

Regarding staff training and development efforts, the following was accomplished in 2020:

- Launch of the Alinma Academy for Education and Development, containing 3 halls with a capacity of 100 individuals
- Graduation of the fourth class of the Alqawi Alameen program, which provides training and development services through in-person and e-learning instruction (1060 theoretical training days, 2,700 practical training days, and 484 e-learning hours)
- 1,565 total training days for 429 participants, including knowledge, skill, and behavioral courses in banking, financial, legal, and administrative and IT subjects. Other courses were also provided on technical systems as well as products and services offered by the bank. The courses were offered by a number of specialized training providers. Total training days conducted by the bank since its inception reached 82,780 training days attended by 19,040 participants.
- Graduation of 33 employees from the Hadaf leadership program in cooperation with the Human Resources Fund (Hadaf). This program prepares staff for future leadership in the financial sector.
- Development of 65 e-learning aids, on subjects that include banking products, information security, business continuity, information technology and compliance. 90% of employees availed themselves of these materials.
- 107 co-op training programs in partnership with Saudi universities. The total number of trainees reached 1174 students.

Retail Banking: Modern Products and Services

The Retail Banking Group contributed significantly to Alinma Bank's overall achievements and growth in 2020, including the following::

- Launching seven new branch locations (4 branches for men, 3 branches for women) and 75 ATMs, bringing total branches and ATMs at the end of 2020 to 175 (98 for men, 73 for women and 4 sales centers) and 1551, respectively.
- Launching three new digital branches, along with seven new in-branch 24/7 digital zones across the kingdom, bring the total number of digital branches and zones to 11 at the close of 2020.

2020 also saw the continued development of a number of digital banking products and services intended to bring ease and convenience to partners' lives. Such development efforts contributed to the growth of various partner segments, with more than 380,000 new partners opening accounts with Alinma in 2020, bringing total retail banking partners to more than 2.82 million.

Digital transformation continued in 2020 as well, resulting in 60% of retail and 50% of corporate operations taking place through digital transformation. Likewise, more than 30 million financial transactions were executed through e-channels (an increase of 44% over the previous year) and overall e-channel use increased by more than 144% over the previous year. Moreover, Alinma maintained the reliability and availability of its ATM network, achieving a performance rate of 98.67%, surpassing Saudi Central Bank targets. Sales of financing products also grew, exceeding SAR 10 billion by the end of the year.

Product and service development continued in 2020, with a special focus on improving partner experience and making products and services available through digital channels. The bank launched online account opening for multi-owner companies through the Ministry of Commerce platform, provided electronic issuance of promissory notes by integrating with the Nafiz platform, upgraded the Alinma smart device application, and launched the following: Instant Savings service, Kids savings service, digitally authenticated certificates, digital cards, the Alinma UnionPay credit card, cash deposit cards, the Traveler Cash service, a leads management system, and a self-service kiosk for digital branches and digital zones. Additionally, 21 new currencies were added to the Traveler Card.

Shared Services

1. Information Technology (IT):

In 2020, Alinma Bank continued its development of secure, industry-leading banking systems in service of the bank's vision to become the preferred financial partner for all and to align with Vision 2030. The bank also improved the performance and availability of existing systems to address significant increases in partner base, branches and ATMs. This positively affected the bank's 2020 achievements in terms of modern systems and applications.

First: New Systems and Services

Several new products and services were developed, the most important of which were:

1. **Instant Savings:** a service that allows bank partners to automatically deduct a fixed amount or a percentage of a transaction amount with each use of their Alinma mada cards and to transfer this amount/percentage to a savings account or charity.
2. **Kids Savings:** a service that enables the bank's partners to set a motivational sum that will be transferred automatically to their children's accounts in the event that they meet monthly savings goals.
3. **Self-service Banking Kiosks:** kiosks dedicated to self-service banking, installed in Alinma's digital branches and in digital zones of standard branches.
4. **Gulf Digital Currency (Aber):** the bank participated in the implementation of the "Aber" digital currency project, which is based on the implementation of financial transfers between the Kingdom of Saudi Arabia and the United Arab Emirates using the digital currency based on the blockchain technology.
5. **Debt Rescheduling (4 DBR) for the Ministry of Housing Products:** this allows partners to reschedule debts and installments for post-retirement age. This service is to be added to a number of services previously developed to support Ministry of Housing products.

6. **Alinma Real Estate Platform:** a platform developed on the bank's website to enable partners to access a variety of real estate options and financing solutions provided by the bank in cooperation with the Ministry of Housing and the Real Estate Development Fund.
7. **Electronic Personal Financing:** a service that enables partners to obtain personal financing through the bank's e-channels without the need to visit the bank's branches.
8. **Digital Cards:** a service that allows the partner to instantly issue Alinma cards (mada and Traveler cards) in digital format and add them to e-wallets (Apple Pay or mada Pay) to be used in POS purchases or online payments.
9. **International Emergency Cash Service:** a service that enables partners to obtain cash from their accounts anywhere in the world without using a debit card.
10. **Corporate Cash Deposit Card:** a service that enables the bank's corporate partners to issue a cash deposit card designated for corporate representatives. It contributes to reducing waiting time at branches and thus provides a better service to the partners.
11. **Using Application Programming Interface (API) Technology in the Direct Link Services System with Corporate Systems (B2B):** to facilitate the direct linking of the bank's corporate partners with the bank's systems and reduce necessary technical requirements and expertise.
12. **The Flexible Corporate Murabaha Product:** a service that enables the bank's corporate partners to obtain financing through a forward sale at a flexible and competitive profit rate.
13. **Branch Appointment Booking through Alinma Internet and the Alinma app**
14. **Integration with the Saudi Central Bank to launch the third phase of the "Tanfeez" system.**
15. **Integration with Elm on the Nazir Service:** integration and linking with Elm was completed in order to benefit from the Nazir service, which monitors the Iqama status of expatriates, and updates them automatically, linking them with account status and banking services.
16. **Integration with the Saudi Company for Electronic Exchange of Information (Tabadul):** integration and linking were made with the Wethaq platform to verify the validity of bank guarantees.
17. **Integration with Kafalah Program:** to facilitate SME partners in the process of obtaining subsidized financing.
18. **New Version of the Alinma Application for Smart Devices:** the design focuses on improving the user experience and providing a number of banking services that previously required a branch visit.

Second: Infrastructure Updates and Improvements

Alinma's endeavors to keep pace with the latest technologies in the field of infrastructure continued in 2020 in order to raise system efficiency and improve performance, as well as to raise standards of security protection and reduce operational costs.

Additionally, infrastructure was modernized and technical requirements were provided in record time to cope with the impacts of the coronavirus pandemic on work, and to ensure the ability of employees to effectively continue working remotely.

Transition to the virtual environment (virtual technology) was completed for approximately 95% of the bank's systems, which contributed to performance improvements and the continuous availability of services, even during maintenance periods.

Third: Technical Support

Service level agreements with various bank groups and departments were executed and problems reported were resolved within the specified time and to the agreed level.

A new application performance monitoring system (APM) was also implemented with the aim of improving the electronic services performance monitoring system and ensuring the level of service provided in accordance with performance measures. This improved partners' satisfaction with bank services and increased their confidence in such services.

2. Operations Sector:

Efficiency, cost reduction, and risk mitigation were key themes of operations in 2020, with a focus on implementation and automation. Main initiatives included:

1. Launch of the Jazan cash center.
2. Launch of the Murabaha floating product for Shariah-compliant financing operations, with the aim to increase the bank's competitive opportunities and to facilitate Shariah-compliant corporate financing operations.
3. Launch of the Wa'ad foreign exchange product and automation of all confirmations, contributing to the flexibility of execution of promise to purchase operations for treasury operations.
4. The electronic services project for e-trade finance operations including additional services on the electronic portal.
5. Activation of automatic shipment tracking from departure to arrival in Saudi Arabia, along with managing and disbursing documentary credits.
6. Activation of electronic signatures for authorized persons for letters of guarantee issued by the bank, as well for those authorized to sign Shariah-compliant financing and investment contracts.
7. Automation of several work procedures, including the pricing the Ijarah product for financing and investment operations, the mechanism for reversing accounting entries for Musharaka credits, repo and reverse repo input operations, and the Sukuk system for the principal Mudareb operations product.

3. Engineering Management

Maintenance and expansion of the physical infrastructure was a critical part of Alinma's 2020 effort. In this regard, the following accomplishments were achieved:

1. Completion and operation of the Call Center premises, Alinma Academy for Education and Development, and the Alinma Club in Riyadh.
2. Construction and launch of 12 new branches.
3. Construction of 3 digital branches.
4. Installation of 65 ATMs across the kingdom.
5. Resolution of 5,926 maintenance requests for branches and ATMs.

4. Business Continuity Management

Efforts continued to address risks and threats that may affect the availability of services to the bank's partners, by implementing an integrated work system that includes developing administrative and technical capabilities, raising awareness of the importance of business continuity, and creating proactive plans and preparations. In doing so, Alinma aimed to raise its level of readiness and responsiveness to crises in accordance with the latest international business continuity management standards and policies. These efforts contributed to a number of achievements including:

1. Activating crisis and emergency plans successfully during the COVID19 pandemic.
2. Activating remote working and providing pass permits during curfews.
3. Obtaining a certificate of compliance with the ISO 22301 international standards for business continuity for the second year.
4. Reviewing and updating the business continuity program in order to maintain compliance with international standards and compliance with regulatory requirements in line with the Regulatory Manual for Business Continuity in the Banking Sector issued by the Saudi Central Bank.
5. Reviewing and updating the organizational manual for business continuity management, crisis and disaster management, and adopting necessary policies and plans in order to raise the bank's level of readiness for immediate response to crises and disasters.
6. Developing a backup business site in the bank, and successfully carrying out necessary tests to ensure the bank's readiness to provide banking services to partners from the backup site, if necessary.
7. Implementing programs at various levels to increase the awareness of the bank's employees regarding their business continuity roles and responsibilities.

5. Access Control

In order to protect the bank's information assets and reduce risks related to unauthorized access to the main systems of the bank, and to increase their operational efficiency, the bank continued developing and improving controls and means of regulating and monitoring the authorizations granted to employees. This included execution of the third phase of the Identity Management System (IDAM), which controls granting employee access to various systems, and automates processes and procedures.

6. Digitization and Innovation Management

In addition to adopting digital initiatives for the next year, a number of new initiatives were implemented, which aimed to raise the level of digitization of products and services. Such improvements enhance partner experience and satisfaction. Work on the bank's "Afkar" program also continued. The program serves as a mechanism of employee engagement, through which staff can submit their own innovative ideas to management for consideration.

Corporate Banking Group

The 2020 fiscal year was marked by many challenges and changes that directly affected the economic movement around the world, the most prominent of which were the emerging coronavirus pandemic and the decline of oil prices. The Saudi government dealt with these variables with great wisdom, which included strong support for the business sector, in all its segments, with several packages of aid and procedures, such as postponing payments owed by SMEs, exempting all companies from electronic banking service fees, and reducing the SIBOR reference index for the cost of financing.

Despite these exceptional and difficult circumstances, the Corporate Banking Group was successful in launching projects that supported the national economy, such as Shariah-compliant products for large, small and medium-sized companies. The most notable of these projects were:

- Financing the first phase of privatizing the flour production mills sector with a value of SAR 2,777 billion. This project is the first of its kind as the flour-milling sector in the Kingdom is one of the vital sectors that are being fully privatized according to the Kingdom's 2030 Vision.
- Participating with other banks in financing the first group project for the construction of educational buildings for the Ministry of Education with a value of SAR 1,420 billion. This project aims to support the development of educational infrastructure and to achieve the Ministry's objectives in this field.
- Launching the Flexible Murabaha product, which is based on executing forward sales at a variable price. The product has been designed to suit the needs of a wide range of partners and to meet their financing needs with modern, flexible, Shariah-compliant methods.
- Continued development of corporate e-banking services and launch of the online documentary trade operations service, which creates a better partner experience partner and reduces overcrowding in branches and operations centers.
- Transferring the Kafalah SME program from Retail Banking to Corporate Banking, and developing the service for this important segment through multiple initiatives as part of the bank's strategic plan.
- Launch of Corporate Banking's new operations center in the kingdom's eastern region in order to increase operational capacity.

In terms of financial results, the balanced policy adopted by the Corporate Banking Group (i.e. a balance between risk management, expanding the partner base, developing financing portfolios, and developing banking products and services) allowed Alinma to continue to grow and strengthened the bank's overall financial position, despite the challenges faced during 2020. The financing portfolio of the large corporates sector grew by nearly 15.8% and the SME portfolio grew nearly 42.5%. Trade and guarantees balances increased 3.0% for large corporates and 31.3% for SMEs. The bank's partner base grew 10.0% for large corporates 141.0% SMEs. Due to several external factors,

including the postponement of SME payments by the Saudi Central Bank and the decrease in financing prices due to the decline in the SIBOR index, profitability of the Corporate Banking Group decreased by 5.2%.
The bank provides its corporate partners with a variety of Shariah-compliant financing products and solutions and meets their needs in all areas of trade, real estate development, and project financing. The bank provides safe, advanced services to manage business, such as electronic banking, cash management services and e-commerce support, as well as customized solutions according to partner needs.

Treasury Group

Despite the challenges faced during the 2020 fiscal year, the Treasury Group continued to achieve successes by adopting a balanced and flexible strategy that took a conservative and flexible approach to fluctuating market conditions. The group continued to manage the bank's balance sheet efficiently and secured all requirements related to financing of the bank's main activities, allowing Alinma to benefit from all market opportunities. This reflected positively on the bank's 2020 financial results.

The Treasury Group's Investment Department continued to invest in Saudi government Sukuk. This contributed to achieving fixed and stable returns and enabled the Investment Department to achieve positive returns in most areas not directly impacted by the coronavirus pandemic. The department is well positioned to take advantage of unique investment opportunities at the local and regional levels. The Investment Department will continue to capture low-risk market opportunities by taking advantage of the features of government Sukuk related to liquidity, capital adequacy standards and other features that are expected to help improve the returns of the bank's investment portfolio.

The bank also continued to fulfill its responsibilities as one of the initial traders for local government Sukuk, helping to further develop the market by marketing Sukuk to bank partners. The government's Initial Trader Agreement with Alinma Bank was renewed in 2020 for a third year, a sign of the bank's efficient performance in organizing and controlling the Sukuk primary and secondary markets.

In line with its strategic partner service plan, the Treasury Sales Desk showed positive expansion in the partner base, interacted directly with existing partners, and established new relationships in collaboration with other business groups in the bank. Periodic visits were organized to partners in major regions of the kingdom as a reflection of the bank's role as a major partner of large, medium and small enterprises. This partnership led to the emergence of strong and strategic relationships that, in turn, positively reflected on the bank's meeting of deposits and growth in foreign exchange sales. In continuation of Treasury plans to expand its reach to partners across the kingdom, a sales desk in the Eastern region was launched. Thus, the Sales Desk has an effective presence in the eastern, western and central regions of the kingdom.

Treasury Foreign Exchange Management continued its efforts to maintain its superior position in terms of providing bank partners with the best exchange rates for foreign currencies, which has contributed to raising its market share in all its products as well as increasing profits from foreign currencies. Additionally, the scope of trading in some Shariah-compliant financial derivative products, such as the FX Forward and FX Swap products with local and foreign banks was expanded.

The Financial Institutions Department continued to strengthen trade relations with local, regional, and global financial institutions as well as with government and semi-government entities, which was directly reflected in diversifying and securing liquidity sources. The team also endeavored to meet partner requirements through their close relationships with the worldwide network of correspondents, exploring new markets in developed and emerging countries, and marketing the bank's financial and commercial products within the framework of Shariah principles.

Alinma Investment: Fruitful Partnership

Alinma Investment Company (AIC), the investment arm of Alinma Bank, continued to offer its exemplary investment services to partners in 2020. The value of managed assets amounted to SAR 68.8 billion, with a growth rate of more than 10% compared to the previous year. The asset value ranged from Shariah-compliant real estate funds, private equity funds, public investment funds, and private portfolios investing in domestic and Gulf capital markets through listed shares, Sukuk, liquidity, and Murabaha investments.

The growth in alternative investment funds continued, with assets under management rising 3% compared to the previous year, exceeding at the end of this year SAR 53 billion. This growth is attributed to the launch of three new funds (Alinma Logistics, Alinma Masharif Al-Awali, Alinma Fund for Hajj and Umrah) in addition to closing the Riyadh Al Tammer Fund 1 and the Alinma Educational Fund. The total number of existing alternative funds rose to 18. These included private and real estate funds in the major cities of Saudi Arabia distributed in various residential, commercial and industrial sectors and uses. The outputs of these funds contributed to supporting the initiatives of the kingdom's Vision 2030 in the application of international best practices that are compatible with Shariah controls to create an advanced financial market by strengthening and enabling financial planning and supporting the private sector.

Asset management continued to grow, with total assets under management amounting to SAR 12.2 billion in 2020, an increase of more than 59% compared to the end of last year. These invested assets included various products, such as public investment funds and private portfolios investing in domestic and Gulf capital markets through listed shares, Sukuk, and liquidity investments in full compliance with Shariah controls and provisions. In addition, managed assets in listed shares grew by about 29% compared to the previous year and reached approximately SAR 1.2 billion, including public investment funds and private portfolios following different strategies, such as growth strategy, income strategy, pure investments strategy and other strategies to meet partners' aspirations, investment goals and potential risk ratios.

Liquidity and Sukuk investments grew by more than 64% and reached more than SAR 11 billion, distributed between public funds and private portfolios. The Alinma Liquidity Fund in Saudi riyals continued to grow during 2020, reaching about SAR 6.7 billion, with a growth rate of 184% compared to the end of 2019. AIC launched at the beginning of 2020 its new Alinma Fund trading in Saudi Government Local Sukuk (short-term), with an amount of more than SAR 1.25 billion. It is the largest traded sovereign Sukuk fund in the world.

AIC continued its social responsibility initiatives related to launching endowment investment funds as an important provider of development and economy, based on Vision 2030, which encourages endowments to enable this sector to obtain sustainable sources of finance. Two public endowment funds – Alinma Endowment Fund and Bir Arriyadh Fund – were launched, with an asset volume of SAR 75 million. The total number of public endowment funds managed by AIC rose to five (5) funds, with an asset volume exceeding SAR 160 million. Another two endowment funds were offered privately and will be launched in 2021 with a total assets of more than SAR 100 million. All funds are under the supervision and control of the Capital Market Authority.

Brokerage service revenues reached SAR 102 million at the end of December 2020, with an increase of 226% with a decrease in trading volume of in the Saudi market (205%). Likewise, trading of brokerage services increased by 272%, market share rose to 2.8%, and revenues from international stock trading increased by 280% compared to 2019. AIC brokerage services improved its IT systems to keep up with the changes in the Saudi and international capital markets.

The AIC custody services continued to achieve growth in domestic and international stocks as well as in investment and real estate funds. The assets of the custody services rose to SAR 25 billion for Saudi and Gulf shares, and to SAR 22 billion for real estate funds.

Investment banking revenues amounted to about SAR 8.4 million through the provision of advisory services to capital increase by issuing priority rights and underwriting with a value that exceeded SAR 2.8 billion, as well as acting as a broker for Sukuk issuance with a value of more than SAR 550 million, and arranging financing to acquire the assets of a fund with a value of SAR 150 million. In addition, a number of agreements were signed with different companies to provide various financial services, including capital increase, underwriting, a merger and acquisition between two companies listed in the Saudi market, capital reduction, and the issuance of a $10 billion Sukuk program.

In the area of human capital, AIC continued to strengthen its workforce and to align with Vision 2030 Saudization goals. At the end of 2020 AIC achieved a Saudization rate of 96.4%, ranking it first in the sector as assessed by the Capital Market Authority.

Social Responsibility

Community service is one of the pillars of Alinma Bank; and through it, Alinma expresses its values. It also impacts goal-setting, planning, and strategy-building. It additionally enhances the engagement and professionalism of employees. As the bank is an integral part of Saudi society, it takes seriously its responsibilities to the communities it serves. What follows are highlights from Alinma Bank's social responsibility efforts in 2020.

- **Sponsorship of the King Abdulaziz Foundation for Research and Archives Exhibition of Architecture of the Two Holy Mosques**

As part its ongoing commitment to community development and its desire to support research and education, Alinma Bank signed a SAR 5 million agreement to sponsor an architectural exhibition of the Two Holy Mosques in Makkah in partnership with King Abdulaziz Foundation for Research and Archives, and the General Presidency of the Grand Mosque and the Prophet's Mosque.

The exhibition will explore the history of the Two Holy Mosques, and will feature historical timelines of both mosques' development. It will also include seven halls dedicated to Islamic historical figures, the design of the pulpits of the Two Holy Mosques throughout history, development of the Maqam Ibrahim, rare collections and manuscripts, inscriptions, precious artifacts, and rare photographs. The exhibition will cover an area of 1200 square meters in the Um Al-Joud neighborhood next to the King Abdulaziz Complex.

- **Debit and Credit Card Seminar**

As part of its ongoing commitment to the support of Islamic banking and finance and sponsoring Shariah research and studies related to the banking sector, Alinma Bank hosted the Account and Auditing Organization for Islamic Financial Institution's (AAOIFI) seminar on debit and credit cards, a topic that is detailed in AAOIFI's Shariah Standard No. 61. The session was chaired by H.E. Shaykh Dr. Abdulrahman bin Saleh Al-Atram, chairman of the Alinma Bank Shariah Committee and member of AAOIFI's Shariah Council. Other participants included Dr. Abdulrahman bin Abdullah Al-Saadi, AAOIFI legal and Shariah adviser, and Shaykh Yasser AlMarshde, Alinma Bank Shariah General Secretariat and member of the AAOIFI Standards Study Committee. Other specialists in various sub-fields of Islamic banking and finance were also in attendance.

Debit and credit cards standards clarify card types, characteristics, and legal issues surrounding card issuance, as juxtaposed against conventional cards.

- **Partner and Staff Safety during the Covid-19 Crisis**

In line with government directives, Alinma Bank took a series of actions to ensure the health and safety of its partners and staff during the ongoing coronavirus pandemic. This included both educational and procedural measures.

Alinma posted critical awareness messages through the entirety of its communication network. For partners, updated information about branch hours, service availabilities, and health advice from the Ministry of Health, was communicated to them through Alinma ATM screens, email, social media, SMS, and in-branch digital screens.

In terms of management actions, Alinma Bank activated emergency provisions of its Business Continuity Plan and empaneled its Business Continuity Committee, which steered the bank's response. Measures included temperature screening for all building entrants, activating remote-work systems, designating branches to remain open, reducing head and regional office attendance to 26% of total staff at any one time, and continuously sterilizing bank premises. For staff, all business trips, training courses, meetings, congregational prayers, and cafeteria services were suspended, while masks and hand sanitizer were made widely available.

■ Alinma Bank COVID-19 Initiatives

Alinma Bank enacted a number of key measures designed to address the ongoing fight against the coronavirus and the COVID-19 disease that it causes. As an institution committed to society at-large, and in order to fully support government efforts, Alinma took these steps to ensure the health and safety of Alinma employees, Alinma Bank partners, and anyone else who might utilize the bank's services during the crisis.

From the earliest days of the government's response, Alinma moved quickly to address contact transmission of the virus in its branches and its office locations. This included the closing of women's branches and the special designation of key branches to remain open, where both male and female partners were served. For employees, the bank's business continuity efforts resulted in remote work and training for as many staff as possible. For staff members who needed to be physically present at work, safety protocols were put in place to maximize safety. These included reductions in overall building headcounts, use of remote meeting technology, mandatory daily health screenings upon arrival, and provision of hand sanitizers and protective gloves.

In the bank's branches, adhesive signage on the floors instructed partners on proper social distancing practices, while similar signage in waiting areas ensured that partners sat at proper distances from one another. Furthermore, a daily sterilization kept all premises and ATMs optimally safe for use.

Alinma Bank also embarked on a public awareness campaign via SMS and email that shared preventive guidance from the Ministry of Health. Through its social media channels, the bank encouraged the use of self-service banking options, which allowed partners to tend to all of their banking needs from the comfort of their own homes. Such messages were sent in a total of eight languages in order to ensure that awareness was comprehensively communicated.

Additionally, Alinma Bank donated SAR 8 million to a number of initiatives, supported by the Health Endowment Fund that assisted in the COVID-19 fight. These included the provision of advanced intensive care devices, air purifiers, personal protective equipment for healthcare workers, and supplies necessary for ongoing sterilization of healthcare and other key public facilities. The bank also donated SAR 1 million to facilitate in-home kidney dialysis for elderly and infirm individuals, so as to help them avoid infection.
To ease financial burdens during the crisis, Alinma deferred financing installment payments for SMEs for a period of six months, and for health sector workers for a period of three months. Moreover, the transaction limit for PIN-less point of sale purchases was increased to SAR 300, and fees were waived for local interbank transfers, point of sale transactions (for merchants and beneficiaries), and financing through the Kafalah SME program.

■ Support for the Community Fund for Those Affected by COVID-19

As part of its corporate social responsibility efforts, and in line with its position as a leader in charitable initiatives, Alinma Bank contributed SAR 5,325,000 to the Community Fund for those needy individuals who were impacted by the spread of COVID-19 in the Kingdom of Saudi Arabia. Under its mandate, the Community Fund ensures that those in need during times of crisis are provided with necessary humanitarian assistance, with a focus on individuals with disabilities, families of prisoners, the elderly, small business owners, the unemployed, and others across various fields such as relief and social work, education, health awareness, technical services, service industry workers, and others.

- **Kids Savings Service**

For the first time in Saudi Arabia, Alinma Bank introduced a savings service tailored specifically for minor youths in the kingdom. Kids Savings aligns with Vision 2030 as well as the Financial Sector Development Program 2020 pillars of "enhancing and enabling financial planning." Through such initiatives sustainable demand for savings plans can be supported, with the ultimate goal of raising personal savings from the current level of 6% of earnings to 10%. Alinma's Kids Savings service teaches financial literacy in a way that will encourage saving and other responsible financial behaviors that will support these worthwhile goals.

With Kids Savings, parents who have enrolled in Alinma's popular Family Account program, can open Kids Savings accounts for their children. Parents are then able to designate daily, weekly, or monthly savings targets that the children work to achieve by monitoring their own spending habits. Parents are also able to set incentive contributions that are automatically deposited in their children's accounts at the end of each successful month of saving. Kids Savings accounts can be opened online with no charges or fees. Parents are also able to issue Alinma mada cards for their children, set cash withdrawal limits and purchase amounts to encourage and spread saving culture among family members as well as raising saving awareness among future generations.

- **Blood Donation Campaign**

In October 2020, Alinma Bank organized a blood donation campaign at its head office in Riyadh in cooperation with King Faisal Specialist Hospital and Research Center in Riyadh. The campaign witnessed strong staff participation. Blood donation is one of the most important social and humanitarian activities, which Alinma Bank has always been keen to organize and sponsor in coordination with a number of specialized hospitals, such as King Faisal Specialist Hospital and Research Center and the Armed Forces Hospital in Riyadh.

For the campaign, King Faisal Specialist Hospital and Research Center outfitted two halls at the bank's head office with all necessary devices and equipment, including four beds to receive staff wishing to participate in the campaign throughout the week.

2020 Awards and Achievements

- **Best Islamic Bank Award for 2020**

The Global Islamic Finance Awards (GIFA) granted Alinma Bank the Best Islamic Bank 2020 award at its annual ceremony dedicated to presenting global excellence and leadership awards to various business sectors and prominent banking figures in Islamic banking. The ceremony was held virtually due to the coronavirus pandemic.

Directors’ Report

The Board of Directors of Alinma Bank ("the Bank") is pleased to present its twelfth annual report for the year ended December 31, 2020. This report provides information about the Bank's operations, financial position, and future plans, together with information about the Board of Directors, its committees, and other supplementary information designed to meet the needs of the audience of this report.

Capital and Shares Issued

The bank was established with SAR 20,000,000,000 in capital, divided into 2,000 million ordinary shares, with a nominal value of SAR 10 each.

Principal Activities of the Bank

Alinma provides a comprehensive range of Shariah-compliant banking services. It addresses the needs of its partners and strives to provide the best possible services through 175 total locations (98 for men, 73 for women, and 4 sales centers) as at the end of 2020. These are supported by state-of-the-art technology, professionally trained staff, and comprehensive electronic channels, including Alinma Internet (www.alinma.com), Alinma Phone (8001208000), Alinma Mobile, and the Bank's kingdom-wide network of 1,551 ATMs.

The table below shows the activities of the Bank, together with their respective contribution to year's the gross revenue:

	Activity's Profit (SAR millions)	Percentage%
Income from investments and financing, net	4,648	81%
Fees from banking services	989	17%
Other	97	2%
Total operating income	5,734	100%

Subsidiary Companies

Alinma Bank owns five subsidiary companies that conduct various business activities. The following table provides details related to each subsidiary:

Name of Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of Establishment	Principal Place of Business
Alinma Investment Company, (Closed Joint Stock Company)	Dealing as principal and agent, undertaking coverage and management, arranging, providing advice, and filing in securities business	Authorized: SAR 1,000 million Paid Up: SAR 250 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fintech Company, (Closed Joint Stock Company)	Providing digital financial products and services in cooperation with banks, as well as providing digital financial platforms, and e-commerce payment services	SAR 100 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Cooperative Insurance Agency, (Limited Liability Company)	The company operates according to the regulations of the Saudi Central Bank and operates as an agent for Alinma Tokio Marine (associate company)	SAR 3 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Name of Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of Establishment	Principal Place of Business
Esnad Company (Limited Liability Company)	Providing outsourced staff to the Bank (customer service, management support, technical support)	SAR 500,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (Limited Liability Company)	Facilitating mortgage financing and holding, on behalf of the Bank, titles to real-estate owned/pledged as collateral against financing extended by the Bank	SAR 100,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

The table below summarizes the Principal activities of the Bank’s subsidiary companies together with their contributions to the Bank’s results:

	Activity’s Profit (SAR millions)	Percentage%
Fund management	315	58%
Investment banking and brokerage	111	20%
Others	116	22%
Total operating income	542	100%

Shares and Debt Instruments Issued by Each Subsidiary Company

Name of Subsidiary Company	Shares		Debt Instruments	
	Number of Shares	Bank's Ownership	Number of Debt Instruments	Bank's Ownership
Alinma Investment Company	25,000,000	100%	-	-
Saudi Fintech Company	10,000,000	100%	-	-
Alinma Cooperative Insurance Agency	300,000	100%	-	-
Esnad Company	50,000	100%	-	-
Tanweer Real Estate Company	10,000	100%	-	-

Credit Rating of the Bank

During 2020, Fitch Ratings Inc. reaffirmed the credit rating for Alinma Bank as BBB+ with a stable outlook.

Financial highlights

Financial highlights of the Bank for the last five years are given below:

(SAR millions)

Financial Position	**2020**	2019	2018	2017	2016
Financing, net	**111,196**	94,801	79,063	70,312	57,006
Investments	**29,526**	23,478	15,066	6,157	6,473
Total Assets	**156,877**	131,839	114,752	104,730	88,725
Customers' Deposits	**119,454**	102,063	89,065	80,612	65,695
Total Liabilities	**132,448**	109,395	94,408	85,551	70,372
Shareholders' Equity	**24,429**	22,445	21,298	20,344	19,178

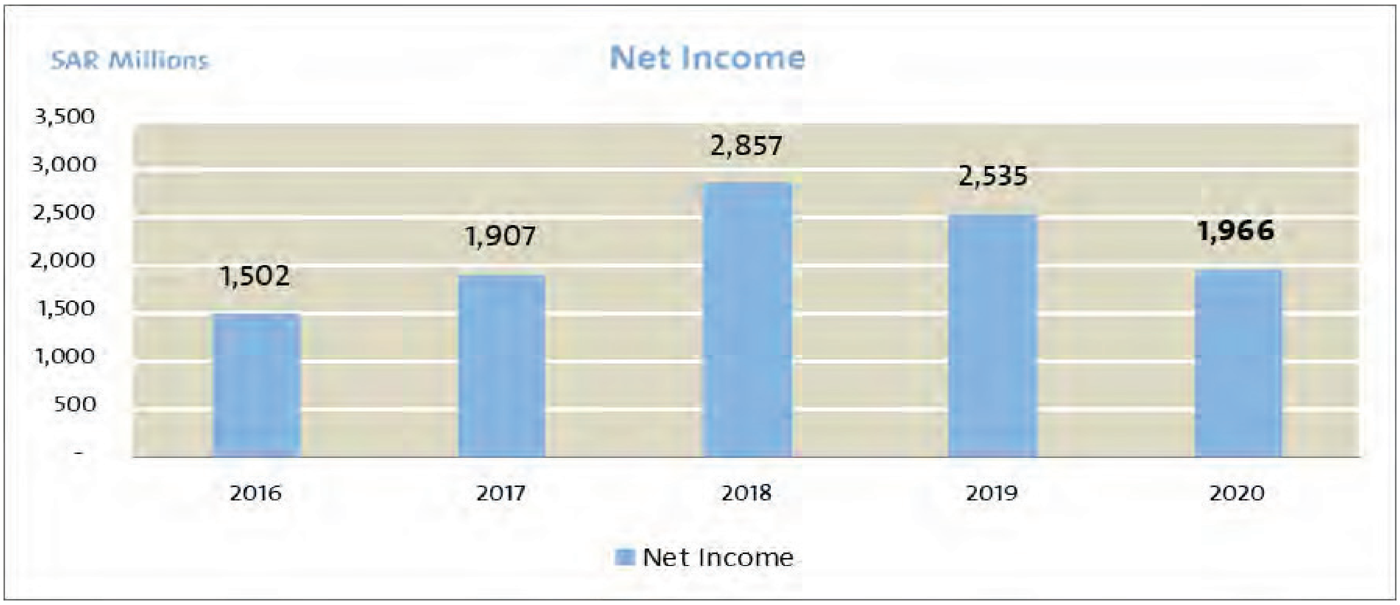
(SAR millions)

Operating Results	**2020**	2019	2018	2017	2016
Income from investment and financing, net	**4,648**	4,323	3,798	3,493	2,652
Fee, exchange and other income	**1,086**	1,287	1,047	880	676
Total operating income	**5,734**	5,610	4,845	4,373	3,328
Operating expenses	**(2,114)**	(2,087)	(1,861)	(1,751)	(1,513)
Net income before provisions	**3,620**	3,523	2,984	2,622	1,815
Provision for financing and other assets	**(1,418)**	(706)	(467)	(611)	(313)
Net income before Zakat	**2,202**	2,817	2,517	2,011	1,502
Zakat*	**(236)**	(282)	340	(104)	-
Net income after Zakat	**1,966**	2,535	2,857	1,907	1,502

* 2017 Includes SAR 42 million related to 2016.

Operating Results

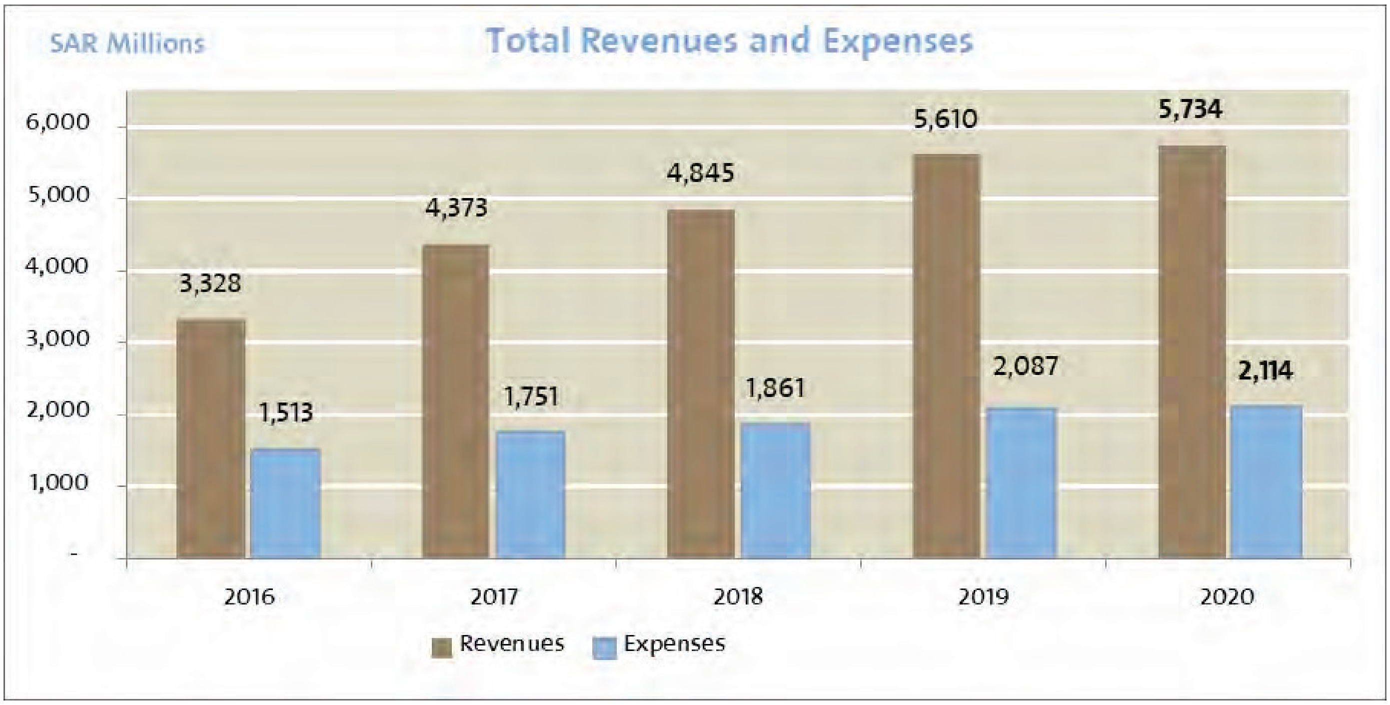
The Bank recorded net income at the end of the 2020 fiscal year amounting to SAR 1,966 million, showing a decline of 22% compared to 2019, mainly due to the increase of provisions and the revaluation of certain investments.



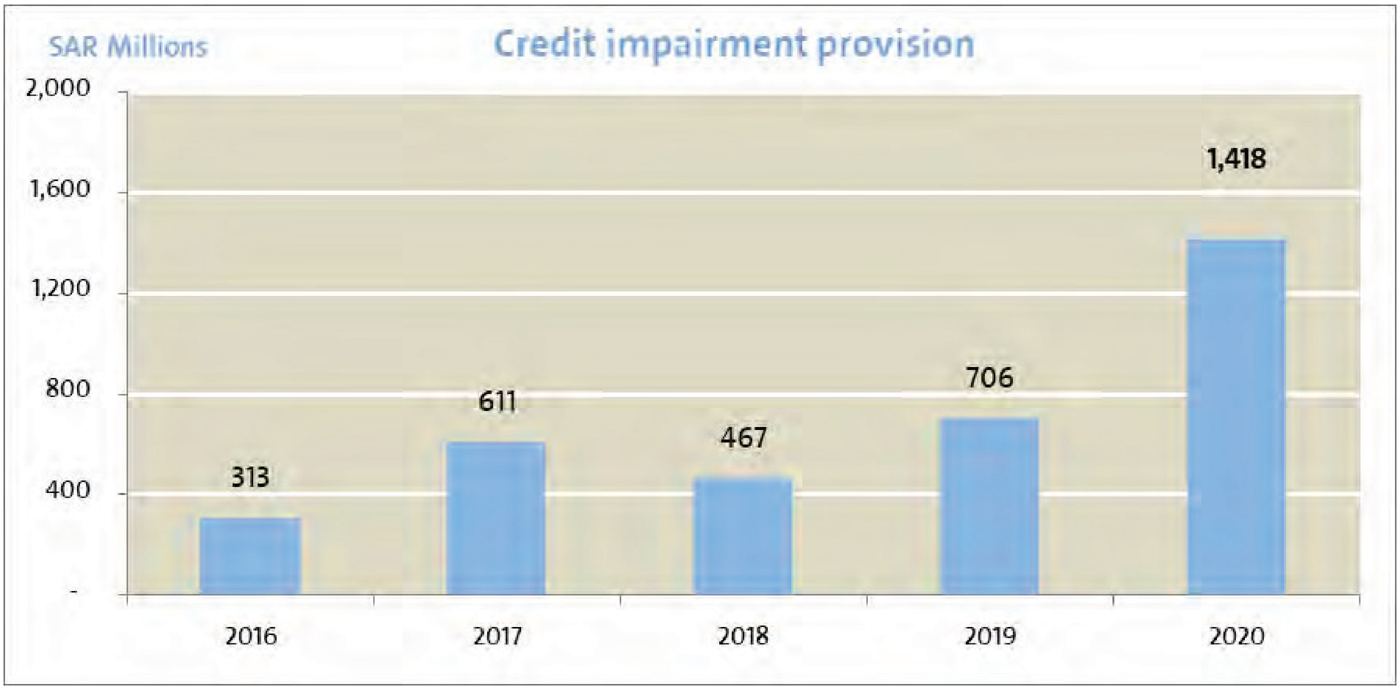
During the first quarter of the 2020 fiscal year, the World Health Organization ("WHO") declared a coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak affected economies worldwide and required governments to take steps to contain the spread of the virus. Saudi Arabia, in particular, implemented closure of borders, released social distancing guidelines, and enforced country-wide lockdowns and curfews. Additionally, oil prices witnessed significant volatility during the first half of 2020 due to lower demand, and supply issues emerged, driven by volume, which predated the pandemic.

Despite the slowdown in global and domestic economies due to COVID-19, the Bank's total operating income grew by 2% to reach SAR 5,734 million in 2020 compared to SAR 5,610 million in 2019. This was mainly due to the growth of the financing and investment portfolios and the increase in the Bank's core operations and activities, which resulted in an 8% growth in net income from investment and financing, which reached SAR 4,648 million in 2020, compared to SAR 4,323 million in 2019. Total fee, exchange, and other income increased by 10% to reach SAR 1,236 million in 2020, compared to SAR 1,121 million in 2019, while the revaluation of FVIS investments registered a loss of SAR 150 million in 2020 compared to the SAR 166 million profit in 2019. Operating expenses reached SAR 2,114 million in 2020, compared to SAR 2,087 million in 2019. The Bank increased provisions for credit losses by SAR 1,418 million to reach to SAR 3,649 million at the end of 2020 compared to SAR 2,765 million at the end of 2019.

The Bank also continued to implement its plans for the strategic expansion of its branches by adding 3 new sites for men, 2 sites for women, and 28 ATMs, bringing the total number of Alinma ATMs to 1,551 by the end of 2020.



*Excluding Provisions

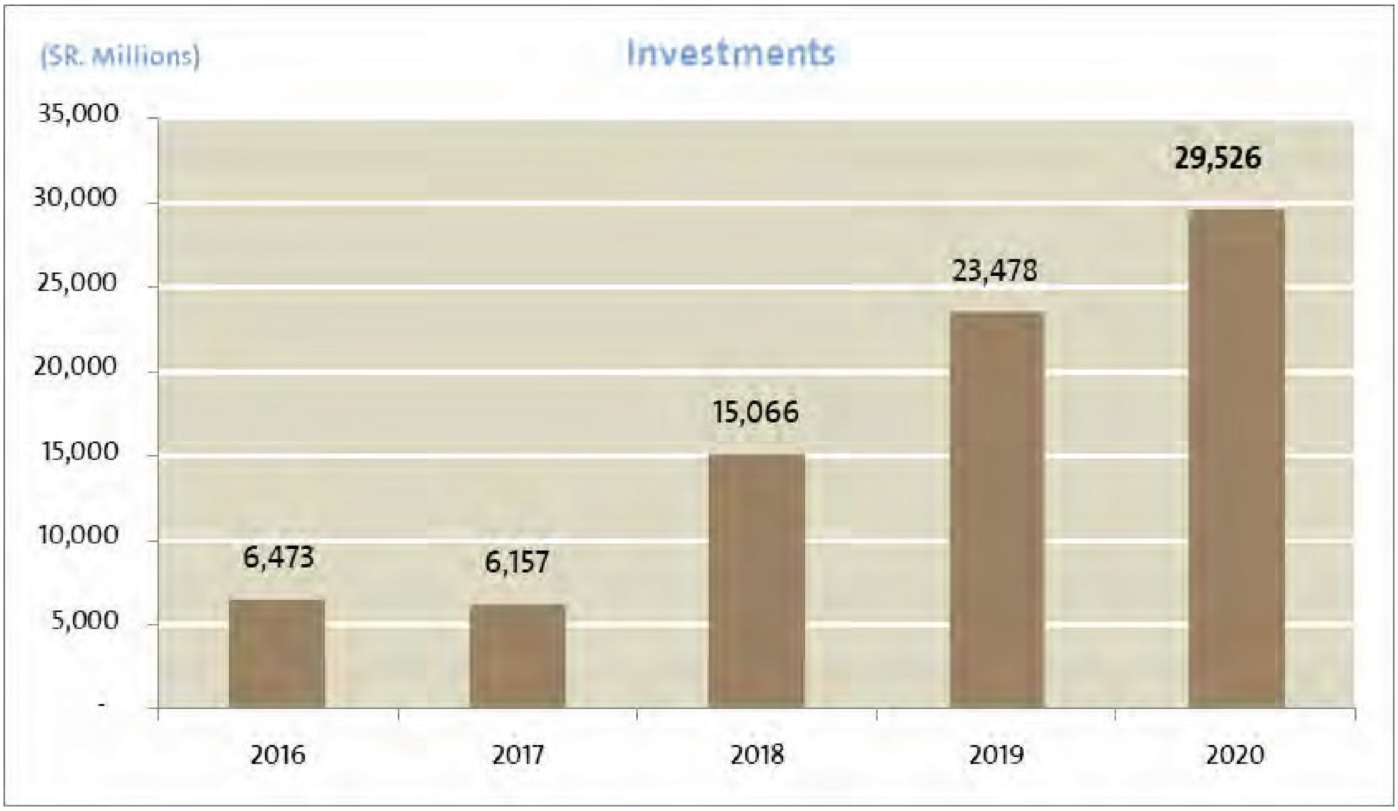


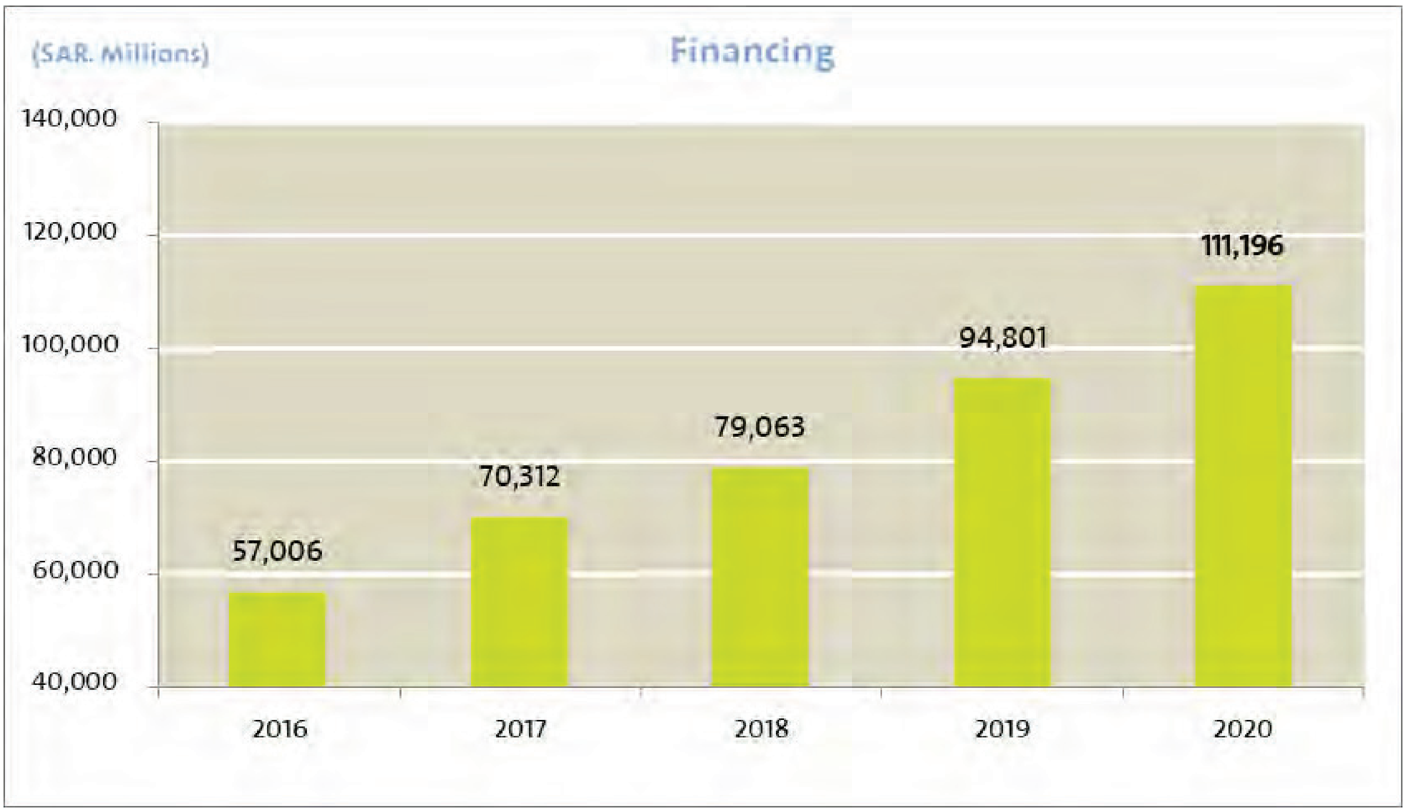
Earnings per Share

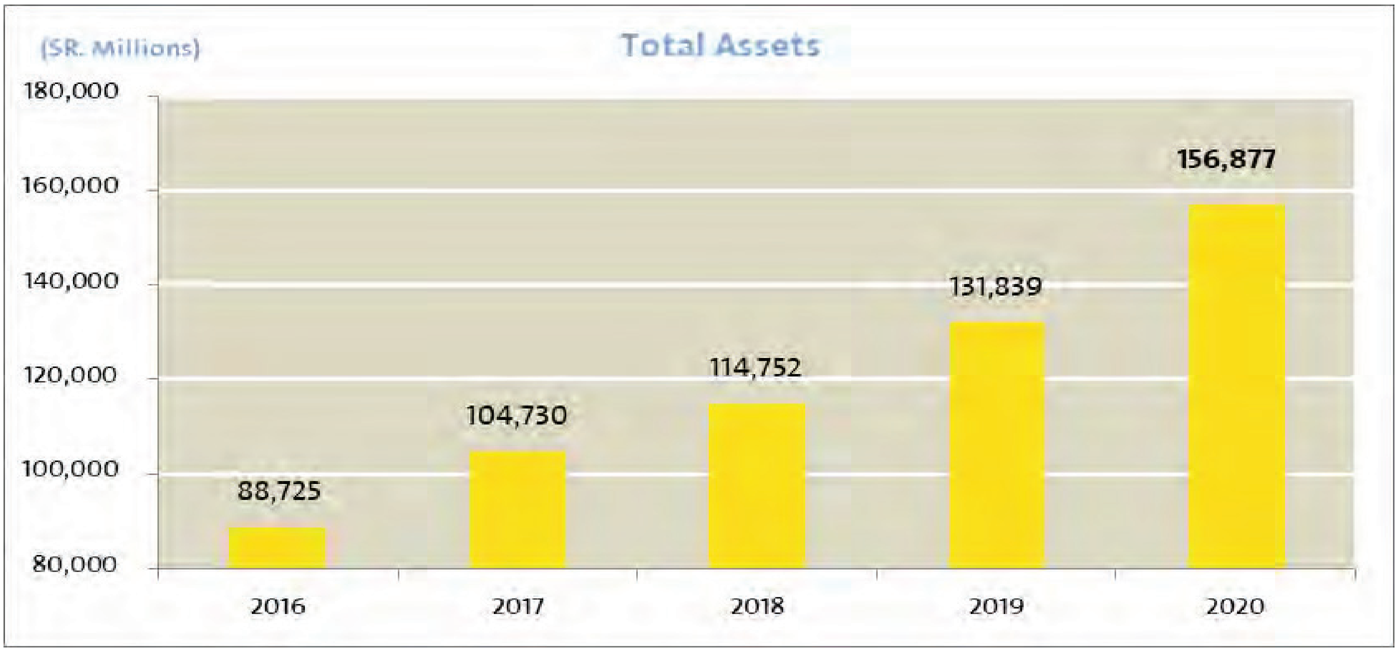
Earnings per share in 2020 reached SAR 0.99, compared to SAR 1.28 in 2019, due to the year-over-year decline in net income.

Financial Position

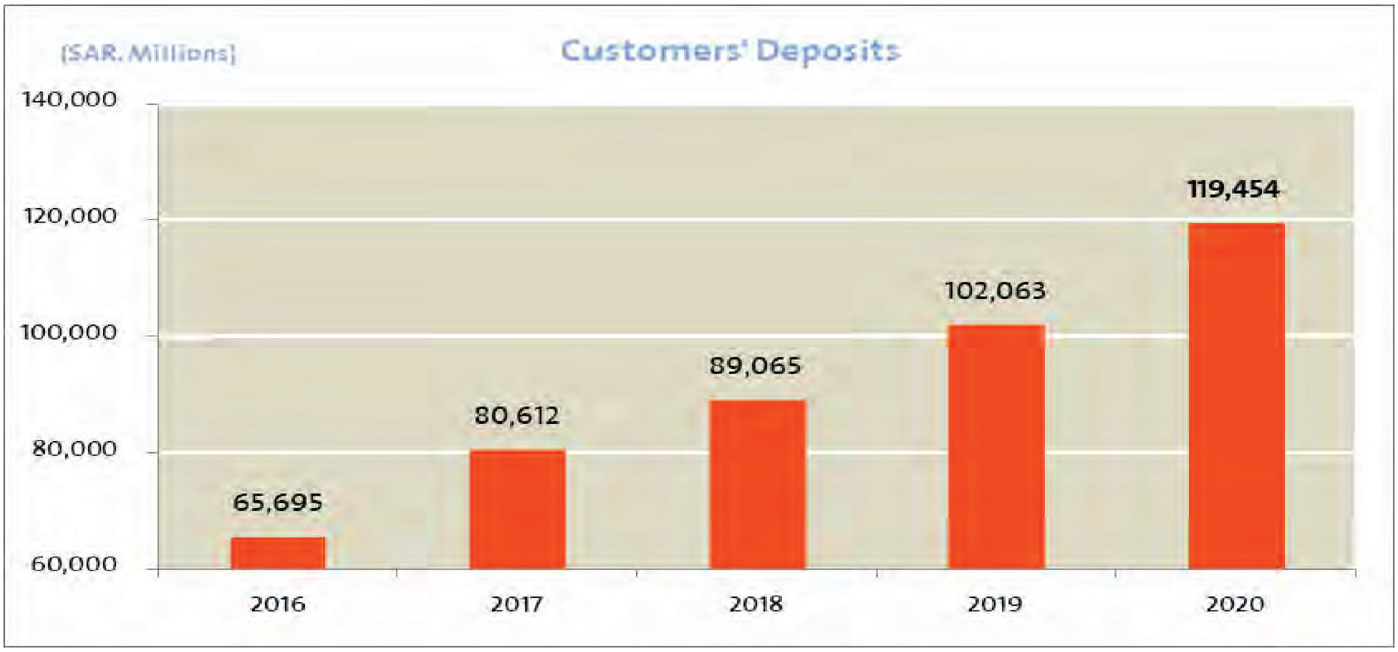
Investments grew by 26% to SAR 29,526 million, and financing grew by 17% to SAR 111,196 million, while total assets registered overall growth of 19% to SAR 156,877 million as of the year ended Dec 31, 2020, compared to SAR 131,839 million at the close of 2019.


(SR. Millions)
Investments
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
6,473
6,157
15,066
23,478
29,526
2016
2017
2018
2019
2020


(SAR. Millions)
Financing
140,000
120,000
100,000
80,000
60,000
40,000
57,006
70,312
79,063
94,801
111,196
2016
2017
2018
2019
2020



Customers' deposits increased by 17% to reach SAR 119,454 million in 2020, compared to SAR 102,063 million in 2019.



Shareholders' Equity and Capital Adequacy

In light of the Board of Directors' recommendation on December 14, 2019, and the approval of the Extraordinary General Assembly held on April 8, 2020, and after taking the necessary approvals, the Bank increased its capital by 33% by issuing bonus shares as one share for every three shares. Accordingly, the number of shares of the Bank increased by 500 million shares to reach a total of 2,000 million shares; and the Bank's capital increased by SAR 5,000 million to reach SAR 20 billion.

Shareholders' equity rose to SAR 24,429 million at the end of 2020, compared to SAR 22,445 million as at December 31, 2019. Despite the consistent growth in financing and investments portfolios, the Bank maintained one of the highest capital adequacy ratios (CAR) in the industry at 19%, well beyond the 8% minimum required by the Saudi Central Bank and Basel.

Change in Major Shareholding

The following are changes in the composition of the major shareholders holding more than 5% of the Bank's shares:

S	Name	Beginning of the year		End of the year	
		Shares	Ownership	Shares	Ownership
1	Public Investment Fund	150,000,000	10.00%	200,000,000*	%10.00
2	Public Pension Agency	87,201,000	5.81%	-	-

* One (1) share was awarded against each (3) shares owned to reflect the increase in the bank capital based on the approval of the 2nd Extraordinary General Assembly held on 08/04/2020 .

Financial Position by Segments

The following is the financial analysis across major business segments of the Bank.

2020 - (SAR Millions)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	22,936	87,671	44,726	1,544	156,877
Total Liabilities	83,342	5,183	43,729	194	132,448
Total Operating Income	2,680	1,867	654	533	5,734

2019 - (SAR Millions)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	19,176	75,263	36,344	1,056	131,839
Total Liabilities	74,389	7,044	27,742	220	109,395
Total Operating Income	2,467	1,800	967	376	5,610

Geographic Analysis of Revenue

Almost all of the Bank's revenue in 2020 was derived from banking activities in the Kingdom of Saudi Arabia in the Bank's business locations across five regions. The following table shows the Bank's revenue allocation across these regions:

SAR Millions

Total Revenue	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	Total
Financial year ended December 31, 2020	470	424	76	78	4,686	5,734
Financial year ended December 31, 2019	713	438	32	58	4,369	5,610

Branches and ATMs

The Bank opened 3 new branch locations for men and 2 for women in 2020, bringing its total number of branch locations to 175, including 98 for men, 73 for women, and 4 sales centers. Additionally, 28 new ATMs were launched in 2020, bringing the total number of ATMs to 1,551 ATMs at the close of 2020.

Due to Banks and Other Financial Institutions

Total outstanding funding from the financial sector as of December 31, 2020 amounted to SAR 7,312 million, with a maximum maturation date of March 2021. The aggregate maximum exposure during 2020 was SAR 9,042 million. These borrowings represent short term interbank deposits used for day-to-day liquidity management. Neither the Bank nor any of its subsidiaries has obtained any loans maturing upon demand.

Dividend Distribution Policy

As stipulated in Article (45) of Alinma Bank's by-laws, the Bank distributes its net income after deducting all general expenses and other costs, and after providing necessary reserves for bad debts, investment losses, and any other items that the Board of Directors may consider appropriate in accordance with the Banking Control Law and SAMA directives, as follows:

1. The shareholders' Zakat and tax liability is computed and paid by the Bank to the concerned authorities.
2. Not less than 25% is transferred to the Statutory Reserve until such reserve becomes equal to the paid up capital.
3. At least 5% of the paid up capital may be distributed to shareholders when proposed by the Board of Directors and approved by the General Assembly. If the remaining profits are not sufficient to pay 5%, shareholders shall have no right to claim the payment during next or subsequent year(s). The General Assembly shall have no right to increase the dividend beyond the one recommended by the Board of Directors.
4. Remaining balance of profits (after allocating the amounts referred to in points 1, 2, and 3 above) shall be appropriated as recommended by the Board of Directors and approved by the General Assembly.
5. Based on a recommendation made from the Board of Directors, the General Assembly may allocate amounts from the net profits to establish social services for the employees of the Bank or to support existing services.

The Board of Directors has recommended the following appropriations:

The following table shows the appropriation of net income, including the proposed issue of bonus shares:	**2020**	2019
	SAR Millions	
Net income for the year	**1,966**	2,535
Retained earnings-brought forward	**2,287**	1,991
Amount available for appropriation	**4,253**	4,526
Transfer to statutory reserve (25% of net income)	**(491)**	(634)
Proposed issue of bonus shares/dividend	**-**	(1,577)
Transferred to the social services reserve and others	**(2)**	(28)
Retained earnings-carried forward*	**3,760**	2,287

Financial Reporting

In preparing its consolidated financial statements, the Bank follows:

i) The International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and statements issued by the Saudi Organization for Certified Public Accountants (SOCPA) collectively referred to as the standards approved in the Kingdom of Saudi Arabia"

ii) The provisions of the Banking Control Law, the Companies Law in force in the Kingdom of Saudi Arabia, and the Articles of Association of the Bank

iii) The Board of Directors confirms the following:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow, and changes in equity.

2. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for the changes as disclosed in note 3 to the Consolidated Financial Statements. Key accounting estimates, judgments and assumptions as used in the preparation of financial statements have been duly disclosed under note 2 (d) to the Consolidated Financial Statements.
3. Proper books of accounts have been maintained as required by law.
4. The system of internal controls is sound in design and has been effectively implemented.
5. There are no doubts about the Bank's ability to continue as a going concern.
6. Apart from the information provided in note (34) to the consolidated financial statements, there are no contracts entered into by the Bank during the financial year 2020, in which any of the members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or any other related party has any material interest.

Board of Directors

The Bank is managed by a board of directors consisting of nine (9) members who are appointed by the shareholders in Ordinary General Assembly for a period of 3 years.

Board Member Profiles:

Name	Current Positions	Previous Positions	Qualifications
Dr. Abdulmalek bin Abdullah Al-Hogail (Chairman)	Consultant Member of various boards of directors	Vice President and Executive Director of Finance - Al-Faisaliah Group Faculty Member - Institute of Public Administration	Ph.D. in Accounting/ Finance – Case Western Reserve University, USA CPA and SOCPA
Dr. Hamad Sulaiman AlBazai (Vice Chairman)	Deputy Minister of Finance	Undersecretary of Ministry of Finance for Economic Affairs General Coordinator for GCC Negotiations	Ph.D. in Economics – Colorado State University, USA
Mr. Abdulmohsen Abdulaziz Al-Fares* (CEO & Managing Director)	Chief Executive Officer and Managing Director – Alinma Bank*	General Manager – Abdul Latif Jameel Financial Services Co. General Manager – General Authority of Zakat and Tax Manager of General Accounting Department – SAMA Assistant Manager of Internal Audit - SAMA	Master's Degree in Accounting – Western Illinois University, USA CPA, USA
Mr. Mohammed Abdulrahman Abdulatif Bin Dayel	Executive Director – Raidah Investment Co.	Treasury Department – Saudi Aramco	Master's Degree in Business Administration – USA
Mr. Abdulmuhsin Abdulaziz Al-Hussein	Director of Local Shares Trading- Hassana Investment Company	Senior Financial Analyst – GOSI	Bachelor's Degree in Accounting – King Saud University
Eng. Mutlaq Hamad Al Morished	Chief Executive Officer – National Industrialization Company (Tasnee)	Executive Vice President, Finance – SABIC Executive Vice President, Shared Services – SABIC	Master's Degree in Business Administration – Stanford University, USA Master's Degree in Engineering – Princeton University, USA
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas	Owner –Abdulrahman Mohammed Ramzi Addas Financial Consulting for Non-securities	Managing Director of Real Estate Investments – SEDCO Holding Group Corporate Banking Sector Head – National Commercial Bank (NCB) Chief Risk Officer – National Commercial Bank (NCB) Head of Credit Approvals – National Commercial Bank (NCB)	Master's Degree in Finance – University of Denver, USA.
Dr. Saud Muhammad Al Nemer	Professor (retired)	Professor – King Saud University Teaching Assistant – King Saud University	Ph.D. in Public Administration – Florida State University, USA
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	Independent Investment Management Consultant	Head of Wealth Management (then Chief Executive charged) – Saudi Fransi Capital Head of Asset Management – Arab National Investment Head of Portfolio Management – National Commercial Bank (NCB)	Master's Degree in Business Administration – North Carolina State University, USA

* The Board of Directors has accepted the resignation of Mr. AbdulMohsen Abdulaziz Al-Fares (CEO and Managing Director of Alinma Bank), effective January 3, 2021. Mr. Al-Fares will continue to act as a non-executive member of the Board of Directors of the Bank.

Non-Board Committee Member Profiles (Audit Committee):

Name	Current Positions	Previous Positions	Qualifications
Dr. Saad bin Saleh Al-Rowaite	Vice President for Administrative and Financial Affairs – Prince Sultan University	Consultant – Ministry of Health Head of the Accounting Department – King Saud University	Ph.D. in Accounting – University of Colorado, USA
Dr. Ahmed Abdullah Al Moneef	Head of the Accounting Department, and the General Supervisor of the Internal Audit Unit – King Saud University	Lecturer, Accounting Department – King Saud University Assistant Account Auditor – Saudi Industrial Development Fund	Ph.D. in Accounting and Finance – University of Dundee, UK
Mr. Khalid Mohammed Al Khowaitir	Member of various boards of directors and committees	CFO – Advanced Electronic Co. Vice President of the Accounting Standards Committee – Saudi Organization for Certified Public Accountants	Bachelor's Degree in Accounting – King Saud University Certified Public Accountant

Meetings of the Board of Directors

The Board of Directors held eight (8) meetings during the 2020 fiscal year, that were attended by members as shown in the table below:

Member Name	Membership Status	Other Directorships	Meeting Dates								
			27/01/2020	12/02/2020	08/04/2020	09/06/2020	02/09/2020	27/10/2020	29/11/2020	23/12/2020	Total
Dr. Abdulmalek bin Abdullah Al-Hogail (Chairman)	Independent	Saudi Company for Maritime Transport Americana Group - Kuwait Food, National Chemical Carriers, Saudi Electricity Co.	√	√	√	√	√	√	√	√	8
Dr. Hamad Sulaiman AlBazai (Vice Chairman)	Non-executive	Southern Cement Company, Building Development Company, Tatweer Holding	√	√	√	√	√	√	√	√	8
Mr. Abdulmohsen Abdulaziz Al-Fares (CEO & Managing Director)	Executive	Alinma Investment Co., Alinma Tokio Marine Co. Ersal Money Transfer, Saudi Fintech Company	√	√	√	√	√	√	√	√	8
Mr. Mohammed Abdulrahman Abdulatif Bin Dayel	Non-executive	Raza Real Estate Company	√	√	√	√	√	√	√	√	8
Mr. Abdulmuhsin Abdulaziz Al-Hussein	Non-executive	-	√	√	√	√	√	√	√	√	8
Eng. Mutlaq Hamad Al Morished	Non-executive	Alinma Tokio Marine Co., Saudi Arabian City Group Company, Metal Company	√	√	√	√	√	√	√	√	8
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas	Independent	Savola Group, Saudi Spring Food Company Ahmed Mohamed Saleh Baeshen Company Diyar Al Khayyal Real Estate Development Company, Tunisian Saudi Bank, Arcoma Company, Saudi Ground Services, Environment Fund, Agricultural Development Fund	√	√	√	√	√	√	√	√	8
Dr. Saud Muhammad Al Nemer	Independent	Saudi Public Transport Company Najmat Almadayin Co.	√	√	√	√	√	√	√	√	8
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	Independent	-	√	√	√	√	√	√	√	√	8

Committees of the Board of Directors

The Board of Directors has formed various committees to assist in discharging its duties and responsibilities. They are as follows:

- Executive Committee
- Nominations and Remuneration Committee
- Audit Committee
- Risk Management Committee

Executive Committee

The Executive Committee was formed by the Board of Directors, as stipulated by Article (22) of the Bank's Articles of Association. The Executive Committee exercises all powers conferred upon it by the Board of Directors. The committee is composed of five (5) members and headed by the Chairman of the Board of Directors. Its meetings are deemed valid if attended by at least three (3) members.

The committee held eight (8) meetings during the 2020 fiscal year, that were attended by members as shown in the table below:

Name	Meeting Dates								
	19/02/2020	25/03/2020	09/06/2020	08/07/2020	02/09/2020	08/10/2020	02/11/2020	02/12/2020	Total
Dr. Abdulmalek bin Abdullah Al-Hogail (Chairman)	√	√	√	√	√	√	√	√	8
Mr. Abdulmohsen Abdulaziz Al-Fares	√	√	√	√	√	√	√	√	8
Mr. Mohammed Abdulrahman Abdulatif Bin Dayel	√	√	√	√	√	√	√	√	8
Eng. Mutlaq Hamad Al Morished	√	√	√	√	√	√	√	√	8
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas	√	√	√	√	√	√	√	√	8

Nominations and Remuneration Committee

The Nominations and Remuneration Committee was formed by the Board of Directors and is composed of four (4) members. The committee is responsible for nominating board members and ensuring their independence. It is also responsible for formulating benefits and compensation policies of board members and senior executives.

The committee held eight (8) meetings during the 2020 fiscal year, that were attended by members as shown in the table below:

Name	Meeting Dates								
	26/01/2020	12/02/2020	06/04/202	26/07/2020	17/09/2020	27/09/2020	19/10/2020	09/12/2020	Total
Dr. Saud Muhammad Al Nemer (Chairman)	√	√	√	√	√	√	√	√	8
Dr. Hamad Sulaiman AlBazai	√	√	√	√	√	√	√	√	8
Mr. Abdulmuhsin Abdulaziz Al-Hussein	√	√	√	√	√	√	√	√	8
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	√	√	√	√	√	√	√	√	8

Audit Committee

The Audit Committee is composed of five (5) non-executive members. This includes one (1) independent board member, one (1) non-executive board member, and three independent non-board members. The Audit Committee's role is to study the Bank's financial statements and accounting, control policies and supervise the work of internal auditing, and liaise with the external auditors to ensure their independence. The committee held six (6) meetings during the 2020 fiscal year, that were attended by members as shown in the table below:

Name	Meeting Dates						
	23/01/2020	10/03/2020	20/04/2020	28/07/2020	31/08/2020	22/10/2020	Total
Eng. Mutlaq Hamad Al Morished (Chairman)	√	√	√	√	√	√	6
Dr. Ahmed Abdullah Al Moneef	√	√	√	√	√	√	6
Dr. Saad bin Saleh Al-Rowaite	√	√	√	√	√	√	6
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas*	-	-	√	√	√	√	4
Mr. Khalid Mohammed Al Khowaitir**	-	-	√	√	√	√	4

* Membership began on 08/04/2020

** Membership of non-board members began on 08/04/2020

Risk Management Committee

The Risk Management Committee was formed to assist the Board of Directors in overseeing the enterprise risk management process and to discharge other related responsibilities. The Risk Management Committee is composed of four (4) members. It held two (2) meetings during the 2020 fiscal year, that were attended by members as shown in the table below:

Name	Meeting Dates		Total
	18/02/2020	19/10/2020	
Dr. Hamad Sulaiman AlBazai (Chairman)	√	√	2
Mr. Abdulmohsen Abdulaziz Al-Fares	√	√	2
Dr. Saud Muhammad Al Nemer	√	√	2
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	√	√	2

Notifications to the Board of Directors of Shareholders' Suggestions and Observations:

The Board of Directors are regularly updated on all comments and suggestions received from shareholders.

Shariah Committee

Alinma Bank is committed to Shariah-compliance. Article (52) of the Articles of Association stipulates that "all the company's business shall be subject to the provisions and controls of Shariah". The Bank's Shariah Committee was appointed to provide guidance, supervision, and monitoring of all business conducted by the Bank. The Shariah Committee has the following four members, all of whom are specialized in the jurisprudence of Islamic finance and economics:

- Dr. Abdulrahman Bin Saleh Al-Atram	Chairman
- Dr. Abdullah Bin Wakeel Al Sheikh	Deputy Chairman
- Dr. Sulaiman Bin Turki Al-Turki	Member
- Dr. Yousuf Bin Abdullah Al-Shubily	Member

To achieve its objectives, the Shariah Committee is supported by the Bank's Shariah Group, which fulfills one of the most important functions within the organizational structure of the Bank.

Executive Management

The Bank's executive management is composed of a number of executives under the CEO, who manage the day-to-day business of the Bank.

Executive Management Profiles:

	Name	Current Position	Previous Positions	Qualifications
1	Mr. Abdulmohsen Abdulaziz Al-Fares*	Chief Executive Officer and Managing Director	General Manager – Abdul Latif Jameel Financial Services Co., General Manager – General Authority of Zakat and Tax ,Manager of General Accounting Department – SAMA, Assistant Manager of Internal Audit - SAMA	Master's Degree in Accounting – Western Illinois University, USA CPA, USA
2	Mr. Ibrahim Suleiman AlSayari	Vice President, Retail Banking Group	General Manager, Information Technology and, Operations – Alinma Bank, Head of Banking Technology – SAMA, Head of Data Security – SAMA, Systems Analyst – SAMA	Bachelor's Degree in Computer Science – Boston University, USA
3	Mr. Emad AbdulRahman AlButairi	Vice President, Corporate Banking Group	General Manager, Corporate Banking – Bank AlBilad, Head of Commercial Banking, Eastern Region – National, Commercial Bank (NCB), Head of Corporate, Banking Services – United Saudi Commercial Bank	Master's Degree in Business Administration – King Fahad University
4	Mr. Abdullah Jamaan Al Zahrani	Vice President, Treasury Group	Head of Investment and Treasury – Gulf International Bank, Senior Deputy Treasurer – Riyad Bank Assistant General Manager of Portfolios – Arab National Bank	Bachelor's Degree in Industrial Management – King Fahad University
5	Mr. Meshary AbdulAziz AlJubair	Vice President, Shared Services	General Manager, Information Technology – Alinma Bank, Deputy General Manager, Information Technology – Alinma Bank, Head of Information Security – STC, Head of the Systems Section – SAMA	Bachelor's Degree in Science & Computer Engineering – King Saud University
6	Dr. Sulaiman Ali AlHudaif	Vice President, Strategy and Business Excellence	General Manager, HC Division – Alinma Bank CEO – Elite World Co. for Professional Recruitment and Human Resource Services. Vice President, Human Resources Group – Samama, Head of Human Resources & Development – Al Rajhi Bank	Ph.D. in Business Administration – Lyceum Northwestern University, Philippines
7	Mr. Felipe Montalban Cortejos	Chief Risk Officer & Vice President, Risk Management	Head of Risk, Central Region – Samba Financial Group Deputy Manager, Risk, Central Region – Samba Financial Group, Head of Corporate Risk and Advisor – Samba Financial Group	Master's Degree in Business Administration – University of Manila, Philippines
8	Mr. Muhammad Iqbal Ibrahim	Chief Financial Officer	CFO & Executive Vice President of Finance – Faysal Bank Ltd., Pakistan CFO & Company Secretary – Prudential Group, Pakistan CFO & Company Secretary – Group Dawood, Pakistan	Bachelor's Degree in Commerce – Karachi University, Pakistan Fellow Member of the Institute of Chartered Accountants of Pakistan (FCA)
9	Mr. Abdullah Mohammed AlSalamah	General Manager, Human Capital	Deputy General Manager, Human Capital – Alinma Bank Deputy General Manager, Information Technology – Alinma Bank, Manager, Information Security Awareness Department – STC, Teaching Assistant – King Saud University	Master's Degree in Information Systems – King Saud University
10	Dr. Mohammed Sultan Alsehali	General Manager, Internal Audit	Executive Manager – PwC Head of Accounting Department – King Saud University Head of the Control Project Team – King Saud University	Ph.D. in Accounting – University of Melbourne, Australia
11	Mr. Ghurmallah Khader Al-Zahrani	General Manager, Operations	Deputy General Manager, Corporate Operations – Alinma Bank Assistant General Manager, Operations and Technology – Samba Financial Group Senior Operations and Technology Manager – Samba Financial Group	High School – 29 years of banking experience

* The Board of Directors has accepted the resignation of Mr. AbdulMohsen Abdulaziz Al-Fares (CEO and Managing Director of Alinma Bank), effective January 3, 2021. Mr. AlFares will continue to act as a non-executive member.

Boards’ Remunerations

Members of Board of Directors	Fixed remunerations							Variable remunerations							End-of-service award	Grand total	Expenses Allowance
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	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	Total			
First: Independent Directors																	
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail	436,000	24,000	40,000	-	-	2,000,000	2,500,000	-	-	-	-	-	-	-	-	2,500,000	-
Dr. Saud Muhammad Al Nemer	446,000	24,000	30,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Mr.Abdulrahman Mohammed Ramzi Abdulrahman Addas	436,000	24,000	40,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	9,829
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak	446,000	24,000	30,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Total	**1,764,000**	**96,000**	**140,000**	**-**	**-**	**2,000,000**	**4,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,000,000**	**9,829**
Second: Non- Executive Directors																	
Dr. Hamad Sulaiman AlBazai	446,000	24,000	30,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Mr.Mohammed AbdulRahman Abdulatif Bin Dayel	436,000	24,000	40,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	450,000	24,000	24,000	-	-	-	498,000	-	-	-	-	-	-	-	-	498,000	-
Eng. Mutlaq Hamad Al Morished	436,000	24,000	40,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Total	**1,768,000**	**96,000**	**134,000**	**-**	**-**	**-**	**1,998,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,998,000**	**-**
Third: Executive Directors																	
Mr. AbdulMohsen Abdul Aziz Al-Fares	430,000	24,000	46,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Total	**430,000**	**24,000**	**46,000**	**-**	**-**	**-**	**500,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**500,000**	**-**

- Specific amount includes the yearly remuneration for Board of Directors membership and fixed remuneration for committee participation as per the Compensation and Allowances Policy for the Board Members, Committees, Secretariat and the Executive Management.
- Special remuneration for the Chairman of the Board of Directors as per point (2) of article (81) of Company Law.

Board Members and Executive Management Compensation Policy

The Bank complies with the provisions of the Companies Law and instructions issued by supervisory authorities on the banking sector in the Kingdom of Saudi Arabia with regard to the Board of Directors’ remuneration. Compensation of employees and senior executives is determined in accordance with contracts, policies, and resolutions approved by the Board of Directors in this regard in light of relevant rules and regulations issued by supervisory bodies on the banking sector in the Kingdom of Saudi Arabia.

Committee Members' Remuneration

	Fixed Remuneration (except for the allowance for attending committee meetings)	Committee Meeting Allowance	Total SAR
Audit Committee Members			
Eng. Mutlaq Hamad Al Morished (Chairman)	-	18,000	18,000
Dr. Ahmed Abdullah Al Moneef	100,000	18,000	118,000
Dr. Saad bin Saleh Al-Rowaite	100,000	18,000	118,000
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas *	-	12,000	12,000
Mr. Khalid Mohammed Al Khowaitir**	73,056	12,000	85,056
Total	**273,056**	**78,000**	**351,056**

* Membership began on 08/04/2020

** Membership of non-board members began on 08/04/2020

	Fixed Remuneration (except for the allowance for attending committee meetings)	Committee Meeting Allowance	Total SAR
Nominations and Remuneration Committee Members			
Dr. Saud Muhammad Al Nemer (Chairman)	-	24,000	24,000
Dr. Hamad Sulaiman AlBazai	-	24,000	24,000
Mr. Abdulmuhsin Abdulaziz Al-Hussein	-	24,000	24,000
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	-	24,000	24,000
Total	-	**96,000**	**96,000**

	Fixed Remuneration (except for the allowance for attending committee meetings)	Committee Meeting Allowance	Total SAR
Risk Management Committee			
Dr. Hamad Sulaiman AlBazai (Chairman)	-	6,000	6,000
Mr. Abdulmohsen Abdulaziz Al-Fares	-	6,000	6,000
Dr. Saud Muhammad Al Nemer	-	6,000	6,000
Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	-	6,000	6,000
Total	-	**24,000**	**24,000**

	Fixed Remuneration (except for the allowance for attending committee meetings)	Committee Meeting Allowance	Total SAR
Executive Committee			
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail (Chairman)	-	40,000	40,000
Mr. Abdulmohsen Abdulaziz Al-Fares	-	40,000	40,000
Mr. Mohammed Abdulrahman Abdulatif Bin Dayel	-	40,000	40,000
Eng. Mutlaq Hamad Al Morished	-	40,000	40,000
Mr. Abdulrahman Mohammed Ramzi Addas	-	40,000	40,000
Total	**-**	**200,000**	**200,000**

Senior Executives Remuneration*

Top six senior executives who received the highest compensation and remuneration from the Bank, including the CEO and CFO		Total SAR
Fixed Remunerations	Salaries	13,062,236
	Allowances	6,710,972
	In-kind benefits	-
	Totals	**19,773,208**
Variable Remunerations	Periodic remunerations	14,389,575
	Profits	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Granted shares (market value at the vesting date)	2,488,541
	Totals	**16,878,116**
Total remunerations for Board executives		**500,000**
Aggregate Amount		**37,151,324**

The Bank discloses remunerations of senior executives in accordance with regulatory requirements provided for in Article (93) of the Corporate Governance Charter, in light of the provisions of paragraph (B) of Article (60) of the Rules on the Offer of Securities and Continuing Obligations.

Ownership of the Bank's Shares by the Chairman, Members of the Board of Directors, Senior Executives, and Their Spouses and Minor Children

Description of all ownership by members of the Board of Directors, their spouses and minor children, in shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
	Member's Name	Beginning of the Year		End of the Year		Net change	% Change
		No. of Shares	Sukuks	No. of Shares	Sukuks		
1	Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail	200,000	-	400,000	-	200,000	100%
2	Dr. Hamad Sulaiman AlBazai	120,667	-	128,000	-	7,333	6.07%
3	Mr. Abdulmohsen Abdulaziz Al-Fares	946,667	-	1,052,931	-	106,264	11.22%
4	Mr. Mohammed AbdulRahman Abdulatif Bin Dayel	1,333	-	1,333	-	-	-
5	Eng. Mutlaq Hamad Al Morished	28,000	-	30,000	-	2,000	7.42%
6	Mr. Abdulrahman Mohammed Ramzi Addas	1,145	-	1,145	-	-	-
7	Dr. Saud Muhammad Al Nemer	66,667	-	70,000	-	3,333	4.99%

* One (1) share was awarded against each three (3) shares owned to reflect the increase in the bank's capital, based on the approval of the 2nd Extraordinary General Assembly held on 08/04/2020.

Description of all ownership by senior executives, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
	Senior Executive's Name	Beginning of the Year		End of the Year		Net Change	% Change
		No. of Shares	Sukuks	No. of Shares	Sukuks		
1	Mr. Emad AbdulRahman AlButairi	179,812	-	208,455	-	28,643	15.9%
2	Mr. Abdullah Jamaan Al Zahrani	4,478	-	4,478	-	-	-
3	Dr. Sulaiman Ali AlHudaif	24,466	-	50,447	-	25,980	106.2%
4	Mr. Meshary AbdulAziz AlJubair	114,781	-	129,478	-	14,696	12.8%
5	Mr. Muhammad Iqbal Ibrahim	24,000	-	10,521	-	(13,479)	(56.2%)
6	Dr. Mohammed Sultan Alsehali	2,267	-	4,799	-	2,532	111.7%
7	Mr. Abdullah Mohamed AlSalamah	21,744	-	39,827	-	18,082	83.2%
8	Mr. Ghurmallah Khader Al-Zahrani	-	-	10,956	-	10,956	100%

* One (1) share was awarded against each three (3) shares owned to reflect the increase in the bank's capital, based on the approval of the 2nd Extraordinary General Assembly held on 08/04/2020.

Legal Penalties and Sanctions

There have been no penalties with significant impact imposed on Alinma Bank. Following are penalties imposed on Alinma Bank during 2020:

First: SAMA Penalties

Violation	Current Financial Year	
	Number of Penalties	Total amount of financial penalties in Saudi Riyals
Violation of supervisory directives	9	3,505,000
Violation of directives for conducting due diligence related to anti-money laundering and terrorism financing	2	205,000

Second: Sanctions and Penalties Imposed by Other Supervisory Bodies

Violation	Current Financial Year	
	Number of penalties	Total amount of financial penalties in Saudi Riyals
ATM room space rules and advertisement posters - Riyadh Region Municipality	4	1,174,000
ATM room space rules and advertisement posters - Jazan Region Municipality	2	150,000
ATM room space rules and advertisement posters - The Holy Capital Region Municipality	1	15,000

These penalties were mainly related to operational issues that were rectified subsequently.

Implementation of Corporate Governance Provisions

In general, the Bank ensures compliance with the Companies Law issued by the Ministry of Commerce and the guidance provided by the Corporate Governance Regulations issued by the Capital Market Authority as well as the Saudi Central Bank (SAMA).

Corporate Social Responsibility

The Bank allocates a percentage, not exceeding 1% of the net profits each year, to a reserve account for corporate social responsibility, provided that the payments from the reserve will be made in accordance with the programs, amounts and powers approved by the Board of Directors. During 2020, the following amounts were spent from reserve:

	Social Contribution	Amount (SAR)
1	The Bank's participation in supporting the Charitable Society for Patient Care (Enaya)	1,000,000
2	The Bank's participation in supporting the Health Endowment Fund	8,500,000
3	The Bank's participation in supporting the Community Fund	5,325,000
4	The Bank’s contribution to supporting the Autism Center of Excellence for the third year	1,700,000
6	The Bank’s contribution to supporting the Two Holy Mosques Architecture Exhibition in Makkah	5,000,000
	Total	**21,525,000**

2020 General Assembly Meetings

The General Assembly held an extra ordinary meeting on April 8, 2020. The following table provides the names of the members of the Board of Directors who attended the meeting:

	Name	Attendance Record
1	Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail (Chairman)	√
2	Dr. Hamad Sulaiman AlBazai (Vice-Chairman)	√
3	Mr. Abdulmohsen Abdulaziz Al-Fares	√
4	Mr. Mohammed Abdulrahman Abdulatif Bin Dayel	√
5	Mr. Abdulmuhsin Abdulaziz Al-Hussein	√
6	Eng. Mutlaq Hamad Al Morished	√
7	Mr. Abdulrahman Mohammed Ramzi Addas	√
8	Dr. Saud Muhammad Al Nemer	√
9	Mr. Hytham Rashid Abdulaziz Al Sheikh Mubarak	√

Regulatory Accrued Obligation

The estimated Zakat for the fiscal year ending December 31, 2020 amounted to SAR 236 million, whereas the withholding tax and value-added tax due at the end of the 2020 fiscal year amounted to SAR 344 thousand and SAR 3.7 million, respectively.

Staff Benefits

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at December 31, 2020, the accumulated balance due to employees on account of the end of service benefits obligation amounted to SAR 404 million. Additionally, the Bank and its employees make monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law.

Treasury Shares

As required by the Capital Market Authority's new guidance document, below are the details of treasury shares held by the Bank along with its intended use in the future.

Number of treasury shares held by the Bank as on December 31, 2020	Value	Date of Acquisition	Usage Details
12,927,038	99,996,435	2012	For future employee share based plans

Shareholders' Records Requests

Below table shows the numbers and dates of the Bank's requests for shareholders records:

Number of Shareholders Records Requests	Date of Request	Reasons
1	05/04/2020	2nd Extraordinary General Assembly
2	12/04/2020	Distribution of the award shares in 2020
3	24/12/2020	Preparation of the annual report 2020

Transactions with Related Parties

The following are transactions with related parties whereas Mr. Abdulmohsen Abdulaziz Al-Fares and Eng. Mutlaq Hamad Al Morished, have an indirect interest, being members of the Board of Directors of Alinma Tokio Marine Company, wherein the Bank owns 28.75% of the shares, as shown in the below table:

Related Party	Relation Type	Transaction Type	Duration	Value
Alinma Tokio Marine Co.	Contractual	Services	One year	Service contracts provided by the Bank with a total installments of SAR 4,240,000 in 2020
	Contractual	Insurance	One year	Issuance and renewal of insurance policy for the Bank with a total instalments of SAR 38,416,000 in 2020
Alinma Tokio Marine Co. and Alinma Investment Co.	Contractual	Investment	One year	Investment Agreement in 2020 amounting to SAR 34,085,000

Waiver of Rights/Interest by Board Members, Senior Executives or Shareholders

The Bank does not have any information about any arrangement or agreement by virtue of which any board member(s), senior executive(s) or shareholder(s) has waived its right to receive dividend or any other interest in the Bank.

Internal Control System

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by the Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Bank's activities, considering the materiality of the financial and other risks inherent in those activities and the relative costs and benefits of implementing specific controls. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and, as such, provides reasonable, but not absolute, assurance against material misstatement and loss. In addition, the General Assembly has formed an Audit Committee, which periodically reviews the reports submitted by the internal/external auditors. Such reports also include the evaluation of the effectiveness or otherwise of the internal controls. In view of the above, we believe that the bank has a reasonably sound and effective system of internal controls in force, both in design and implementation. During the year, there have been no material observations in respect of the effectiveness of the internal control system and procedures of the Bank.

Work Ethics

Since its inception, Alinma Bank has pursued a business environment that is committed to the highest ethical standards stemming from the rules, regulations and guidance issued by the Shariah and regulatory authorities. It continuously strives to inculcate among its employees the ethics to improve service quality for its partners. The Bank also encourages its employees, through training and awareness programs, to demonstrate accountability, honesty, innovation and respect to all partners and colleagues at work, together with avoiding any acts that may contradict the Islamic values, the bank image or regulations and supervisory controls.

Risk Identification and Management:

During normal course of business, the Bank is exposed to various risks. Systems and procedures are in place to identify, control, and report major risks that could be encountered by the Bank. The major risk types that might be encountered by the Bank are as follows:

Credit Risk:

Credit risk is the risk that a counterparty may fail to meet its obligations towards the Bank and, therefore, could result in a financial loss for the Bank. The Bank actively manages its credit risk exposure through the establishment of credit risk policies and procedures which provide guidance, among others, on target market, risk acceptance criteria, minimum disclosure from customers, review and approval process, and concentration limits in addition to the day-to-day account management.

Market Risk:

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors market risks including liquidity risk of the Bank.

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 immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity into consideration, maintaining an adequate balance of cash and cash equivalents.

Exposure to above-mentioned risks is monitored by various committees of directors and management. The Board of Directors has also constituted a Risk Management Committee to assist the Board in overseeing the enterprise risk management process and to discharge related responsibilities. A detailed discussion on significant risks and mitigation strategies is included in notes 26 to 31 of attached consolidated financial statements.

Small and Medium Enterprises (SMEs)

SMEs shall be defined as follows:

Type of Enterprise	Revenues	Staff
Micro Enterprise	0 to 3 M	1 to 5
Small Enterprise	3 to 40 M	6 to 49
Medium Enterprise	40 to 200 M	50 to 249
Large Enterprise	Above	

The total number of employees in the SME Sector of the Bank stood at 38 employees at the end of the 2020 fiscal year. During the year, the bank focused on developing the business of the SME market sector through:

- Expanding SME services in all regions of the Kingdom of Saudi Arabia
- Expansion, through Kafalah program, for financing SMEs
- Designing and developing new products and services tailored to meet the needs of the SME sector

	No. of Training Days
Number of training days provided to SME Sector staff	26

The following are the main performance indicators of the SME Sector during 2020 compared to 2019:

2020 (SAR '000)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
SME Financing - On Balance Sheet	19,466	590,956	2,465,765	814,205	3,890,392
SME Financing - Off Balance Sheet	-	54,504	214,172	96,047	364,723
SME Financing (as a percentage of total financing) - On Balance Sheet	%0.02	%0.52	%2.15	%0.71	%3.40
SME Financing (as a percentage of total financing) - Off Balance Sheet	%0.00	%0.39	%1.54	%0.69	%2.62
Number of Financing Transactions - On/Off Balance Sheet	28	541	1,104	467	2,140
Number of Financing Customers - On/Off Balance Sheet	24	171	162	35	392
Number of Financing Transactions Guaranteed by the Kafalah Program	24	217	144	0	385
Total Financing Amount Guaranteed by the Kafalah Program	10,020	179,085	277,781	0	466,886

2019 (SAR '000)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
SME Financing - On Balance Sheet	7,122	265,828	1,732,713	793,999	2,799,662
SME Financing - Off Balance Sheet	-	23,184	174,701	79,885	277,770
SME Financing (as a percentage of total financing) - On Balance Sheet	%0.01	%0.27	%1.78	%0.82	%2.87
SME Financing (as a percentage of total financing) - Off Balance Sheet	%0.00	%0.16	%1.23	%0.56	%1.96
Number of Financing Transactions - On/Off Balance Sheet	2	64	876	397	1,339
Number of Financing Customers - On/Off Balance Sheet	1	20	119	36	176
Number of Financing Transactions Guaranteed by the Kafalah Program	19	62	4	-	85
Total Financing Amount Guaranteed by the Kafalah Program	8,569	95,579	44,625	-	148,773

Kafalah Program:

In 2020, the Bank continued its support of small, medium, and micro enterprises through the Kafalah program for financing small and medium enterprises.

Key Kafalah Program Achievements in 2020:

- The program's financing portfolio grew by 334% compared to 2019
- The program's number of clients rose by 164% compared to 2019
- Financing products were launched for Hajj and Umrah service companies
- Financing program for points of sale was launched

Future Plans:

The Bank will continue to enhance its operations through the introduction of more Shariah-compliant products and services, expansion of branch and ATM networks, and growth in the number of Retail and Corporate relationships. Alinma also plans to launch additional assets management funds through its investment arm (Alinma Investment Company). The expansion of the SME business, in addition to the remittance business through ERSAL, a joint venture with the Saudi Post company, are also under consideration. In keeping with the changing banking environment, and taking into account the expected impacts of the COVID-19 epidemic, the Bank has prepared an ambitious and detailed growth plan for the next five years (2021-2025).

Thanks and Appreciation

The Alinma Bank Board of Directors greatly appreciates the efforts exerted by the Bank in 2020 to achieve noteworthy progress in several areas of operations. This progress included growth of the branch and ATM networks, and expansion of product and service offerings to include digital cards, guaranteed MSME financing, and a savings service for children. Additionally, the bank obtained approval from the Saudi Central Bank to launch the AlinmaPay digital wallet, and inaugurated operations in a number of regions of the kingdom such as Jazan, Hail, and Al-Bukayriyah Governorate. These activities and efforts contributed significantly to the growth of the bank's customer base, and overall operations, which positively impacted the bank's financial results.

The Board of Directors would like to thank Alinma Bank partners and shareholders, as well as government and regulatory entities, for their support, confidence and cooperation. Appreciation is also extended to Alinma's employees, for their sincere, diligent efforts in working toward the Bank's goals.

Lastly, the Board of Directors and all employees of the bank express their gratitude and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and His Highness the Crown Prince, Mohammed bin Salman, Deputy Prime Minister and Minister of Defense, for their tireless service to the kingdom and its people.

The Board of Directors

Internal Control System

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 the supervision of the board of directors to achieve the strategic objectives of the bank.

The scope of the Internal Audit department, independent from line management, includes the assessment of the adequacy and the effectiveness of the internal control system across the bank, as well as to assess compliance with prescribed policies and procedures. All significant and material findings of internal audit assessments are reported to the Audit Committee. The bank's internal audit function forms an opinion on the adequacy and effectiveness of the control processes and reports to the Audit Committee and senior management at least once a year. The opinion is based on sufficient audit evidence obtained through completion of audits and, where appropriate, reliance on the work of other assurance providers.

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

The bank's internal control system has been designed to provide reasonable assurance to the board, that management of risks are adequate to achieve the bank's strategic objectives. Internal control 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.

The Shariah Secretariat is responsible for all matters of Shariah compliance including, managing risks of non-compliance with Shariah Committee decisions, internal Shariah auditing of the bank's business activity to verify its compliance with Shariah Committee decisions, and submitting the results and observations of the internal Shariah audit to both the Shariah Committee and the Review Committee.

Management has adopted the internal controls integrated framework, as recommended by SAMA, through its guidelines on internal controls.

The Audit Committee also reviews the assessment report on the effectives 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.

Based on the results of the ongoing evaluation of internal controls carried out by management during the year, management considers that the bank's existing internal control system is adequately designed, operating effectively, and monitored consistently. Nevertheless, management continuously endeavors to enhance and further strengthen the internal control system of the bank. Based on the above, the Board of Directors has duly endorsed management's evaluation of the internal control system, as prescribed by SAMA.

The Audit Committee's Report to the General Assembly
For the Fiscal Year ending December 31, 2020

Audit Committee reviews financial statements and accounting policies as well as supervising the activities of Internal Audit and external auditors. During the fiscal year 2020, the Committee held six (6) meetings. During year 2020 the Audit Committee has performed activities falling within its jurisdiction, the most prominent of which are:

- Review and approval of the internal audit plan for the fiscal year 2020.
- Supervising the Internal Audit Department and follow-up the execution of the audit plan during the fiscal year 2020.
- Reviewing Internal Audit reports during 2020.
- Reviewing annual financial statements as of 31/12/2020 as well as quarterly statements and recommend the approval of the same by the Board of Directors.
- Reviewing the Management Letter issued by the external auditors.
- Reviewing External Auditor's proposals and recommending the appointment of External Auditors for the year ending 31/12/2020.
- Reviewing the compliance quarterly reports on the Bank's compliance with regulatory requirements and internal policies and procedures.

Adequacy of the Internal Control System:

Based on the responsibility of the Bank's management in terms of preparing a comprehensive and effective system for internal control to achieve the approved objectives of the Bank, an internal control system has been developed that suits the Bank's activities and takes into account the relative importance of financial and other risks inherent in these activities. An internal control system has been designed to manage and control risks in a timely manner. This provides a reasonable amount of continuous control and early detection and handling of potential risks.

The internal control system is based on the vision and assessment of the Bank's management to put in place a control system commensurate with the relative importance of financial and other risks inherent in the Bank's activities with a reasonable cost and benefit in order to activate specific controls. The internal control system has been designed to manage, rather than avoid, the risks of failure to achieve objectives. Therefore, the internal control system is designed to give reasonable assurances to provide reasonable assurance that material errors and related losses will be avoided.

The Audit Committee periodically reviews the reports prepared by internal and external auditors. These reports include an assessment of the adequacy and effectiveness of internal controls.

Based on the aforementioned, we believe that the Bank has a reasonably adequate and effective internal control system in terms of design and implementation. During 2020, there were no material observations relating to the effectiveness of the internal control system and procedures in the Bank.

Eng. Mutlaq Bin Hamad AlMurishid	**Chairman**
Dr. Ahmed Bin Abdullah AlMunif	**Member**
Dr. Saad Bin Saleh AlRowaiti	**Member**
Khalid Bin Mohammed AlKhiwaitir	**Member**
Abdul Rahman Bin Mohammed Ramzy Addas	**Member**

Auditors› Report & Financial Statements

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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 the key audit matters below, a description of how our audit addressed the matters are provided in that context:

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing At December 31, 2020, the gross financing of the Bank was Saudi Riyals ("SAR") 114,496 million against which an expected credit loss ("ECL") allowance of SAR 3,301 million was maintained. We considered impairment of financing as a key audit matter as the determination of ECL involves signficant management judgment and this has a material impact on the consolidated financial statements of the Bank. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL. The key areas of judgement include: ➢ Categorisation of financing in Stage 1, 2 and 3 based on identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Bank measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financing ('Lifetime ECL').	▪ We obtained and updated our understanding of management's assessment of ECL allowance against financing including the Bank's internal rating model, accounting policy, model methodology including any key changes made in light of the COVID-19 pandemic. ▪ We compared the Bank'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: o the ECL model, including governance over the model and its validation including approval of key assumptions and post model adjustments, if any; o the classification of borrowers into various stages and timely identification of SICR and the determination of default / individually impaired exposures; o the IT systems and applications underpinning the ECL model; and o the integrity of data inputs into the ECL model. ▪ For a sample of customers, we assessed: o the internal ratings determined by management based on the Bank's internal rating model and considered these assigned ratings in light of external market conditions and available industry information in particular, with reference to the impacts of the COVID-19 pandemic and also assessed that these were consistent with the ratings used as input in the ECL model;

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against financing (continued) The Bank has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the various government support programs that resulted in deferrals to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves. ➢ Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages ➢ The need to apply overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model. Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2020. *Refer to the summary of significant accounting policy note 3 (i) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Bank; note 7 which contains the disclosure of impairment against financing; and note 27.1 for details of credit quality analysis and key assumptions and factors considered in determination of ECL; and note 37 for impact of the COVID-19 pandemic on ECL.*	o the staging as identified by management; and o management's computations for ECL. ▪ We assessed the appropriateness of the Bank'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 Bank's financing portfolio including for customers who were eligible for deferral of instatlments under government support programs with specific focus on customers operating in sectors most affected by the COVID-19 pandemic. ▪ We assessed the governance process implemented and the qualitative factors considered by the Bank when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Bank 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, 2020. ▪ Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays. We assessed the adequacy of disclosures in the consolidated financial statements.

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Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
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 instalment payable by MSMEs during a period from March 14, 2020 to March 31, 2021. In order to compensate the Bank with respect to the losses incurred in connection with the above PSFSP and the liquidity support programme, the Bank has received various profit free deposits of varying maturities. The difference between market value of deposits calculated using market rates of deposits of similar size and tenure and the profit free deposits have been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: *Government Grants* ("IAS 20"). As of December 31, 2020, the Bank has received SAR 6.6 billion 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	We obtained an understanding of the various programs and initiatives taken by SAMA and assessed the objectives of the various deposits received by the Bank in order to assess whether the IAS 20 crietria were met for government grant recognition. We obtained the details of the deposit amounts received during the year by the Bank. 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 goverment grant being at a point in time or over a period thereby matching the expense/ related costs for which the government grant was intended to compensate. We assessed the disclosures included by management in the consolidated financial statements in relation to government grant as required by IAS 20.

Key audit matter	How our audit addressed the key audit matter
SAMA support program and related government grant (continued) ➢ 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 (w) to the consolidated financial statements relating to government grant accounting, note 2 (d) (vi) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to government grant recognition and note 37 which contains the disclosure of SAMA support programms and details of the government grant received over the yaer from SAMA.*	

Other Information included in the Bank's 2020 Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and 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.

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of the 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 the IFRS as endorsed in KSA, the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of 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 Bank'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 intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 Bank's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Conclude on the appropriateness of the 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 Bank'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 Bank 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 Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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

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

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.

Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Alinma Bank (A Saudi Joint Stock Company) (continued)

Report on other legal and regulatory requirements

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

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6 Rajab, 1442H
(February 18, 2021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31, 2020 and 2019	Notes	2020 SAR'000	2019 SAR'000
Assets			
Cash and balances with Saudi Central Bank (SAMA)	4	**12,207,742**	8,039,748
Due from banks and other financial institutions, net	5	**443,002**	2,144,269
Investments held at fair value through statement of income (FVSI)	6	**2,185,553**	2,254,860
Investments held at fair value through other comprehensive income (FVOCI)	6	**4,516,121**	3,628,656
Investments held at amortized cost, net	6	**22,743,302**	17,517,860
Investments in associate and joint venture	6	**80,818**	76,284
Financing, net	7	**111,195,559**	94,801,398
Property, equipment and right of use assets, net	8	**2,365,286**	2,413,893
Other assets	9	**1,139,420**	962,473
TOTAL ASSETS		**156,876,803**	131,839,441
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to SAMA, banks and other financial institutions	10	**7,312,034**	3,289,844
Customers' deposits	11	**119,454,278**	102,062,835
Amount due to Mutual Funds' unitholders	12	**110,381**	-
Other liabilities	13	**5,571,323**	4,041,838
TOTAL LIABILITIES		**132,448,016**	109,394,517
SHAREHOLDERS' EQUITY			
Share capital	14	**20,000,000**	15,000,000
Statutory reserve	15	**591,498**	100,000
Other reserves	16	**177,046**	161,097
Retained earnings		**3,760,239**	2,287,302
Proposed issue of bonus shares	14, 22	**-**	5,000,000
Treasury shares	16	**(99,996)**	(103,475)
TOTAL SHAREHOLDERS' EQUITY		**24,428,787**	22,444,924
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**156,876,803**	131,839,441

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME For the years ended December 31, 2020 and 2019	Notes	2020 SAR'000	2019 SAR'000
Income from investments and financing	18	5,470,006	5,537,518
Return on time investments	18	(822,183)	(1,214,303)
Income from investments and financing, net	18	4,647,823	4,323,215
Fees from banking services-income	19	1,312,336	1,198,503
Fees from banking services-expense	19	(323,631)	(306,676)
Fees from banking services, net	19	988,705	891,827
Exchange income, net		219,938	207,970
(Loss)/income from FVSI financial instruments, net	6.1	(149,984)	166,155
Gain from FVOCI sukuk investments, net		944	8,916
Dividend income on FVOCI equity investments		15,851	9,136
Other operating income		11,008	2,942
Total operating income		5,734,285	5,610,161
Salaries and employee related expenses	20	1,042,258	1,001,641
Rent and premises related expenses		52,081	80,679
Depreciation and amortization	8	251,319	273,258
Other general and administrative expenses		772,906	720,985
Operating expenses before charge for credit impairment and other losses		2,118,564	2,076,563
Charge for impairment of financing, net of recoveries	7.2	1,419,182	700,480
(Reversal of) / charge for impairment of other financial assets		(685)	5,837
Total operating expenses		3,537,061	2,782,880
Net operating income		2,197,224	2,827,281
Share of gain / (loss) from an associate and a joint venture	6.5, 6.6	4,536	(10,825)
Net income for the year before zakat		2,201,760	2,816,456
Zakat	23	(235,768)	(281,646)
Net income for the year after zakat		1,965,992	2,534,810
			Restated
Basic and diluted earnings per share (SAR)	21	0.99	1.28

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the years ended December 31, 2020 and 2019	Notes	2020 SAR'000	2019 SAR'000
Net income for the year after zakat		**1,965,992**	2,534,810
Other comprehensive income:			
Items that cannot be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI equity investments		**9,032**	56,611
Actuarial loss on re-measurement of End of Service Benefits Scheme balances	**25.2**	**(11,706)**	(14,218)
Items that can be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI sukuk investments		**17,201**	59,098
Net gain realized on sale of FVOCI sukuk investments		**(944)**	(8,916)
Total comprehensive income for the year		**1,979,575**	2,627,385

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the years ended December 31, 2020 and 2019								SAR'000
2020	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issue of bonus shares	Treasury shares	Total
Balance at the beginning of the year		15,000,000	100,000	161,097	2,287,302	5,000,000	(103,475)	22,444,924
Net income for the year after zakat		-	-	-	1,965,992	-	-	1,965,992
Net change in fair value of FVOCI equity investments		-	-	9,032	-	-	-	9,032
Actuarial loss on re-measurement of End of Service Benefits Scheme balances	25.2	-	-	-	(11,706)	-	-	(11,706)
Net change in fair values of FVOCI sukuk investments FVOCI sukuk investments		-	-	17,201	-	-	-	17,201
Net gain realized on sale of FVOCI sukuk investments		-	-	(944)	-	-	-	(944)
Total comprehensive income		-	-	25,289	1,954,286	-	-	1,979,575
Gain on sale of FVOCI equity investments		-	-	(21,031)	21,031	-	-	-
Transfer to statutory reserve	15	-	491,498	-	(491,498)	-	-	-
Issuance of bonus shares	14.1	5,000,000	-	-	-	(5,000,000)	-	-
Employee share base plan and other reserve	16	-	-	11,691	(10,882)	-	3,479	4,288
Balance at the end of the year		20,000,000	591,498	177,046	3,760,239	-	(99,996)	24,428,787

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2020 and 2019

SAR'000

2019	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issue of bonus shares / dividend	Treasury shares	Total
Balance at the beginning of the year		15,000,000	2,888,815	31,708	1,990,693	1,489,967	(103,475)	21,297,708
Net income for the year after zakat		-	-	-	2,534,810	-	-	2,534,810
Net change in fair value of FVOCI equity investments		-	-	56,611	-	-	-	56,611
Actuarial loss on re-measurement of End of Service Benefits Scheme balances	**25.2**	-	-	-	(14,218)	-	-	(14,218)
Net change in fair values of FVOCI sukuk investments FVOCI sukuk investments		-	-	59,098	-	-	-	59,098
Net gain realized on sale of FVOCI sukuk investments		-	-	(8,916)	-	-	-	(8,916)
Total comprehensive income		-	-	106,793	2,520,592	-	-	2,627,385
Gain on sale of FVOCI equity investments		-	-	(7,044)	7,044	-	-	-
Transfer to statutory reserve	**15**	-	633,703	-	(633,703)	-	-	-
Dividend paid for 2018			-	-	-	(1,489,967)	-	(1,489,967)
Proposed issue of bonus shares for 2019	**14.1, 22**	-	(3,422,518)	-	(1,577,482)	5,000,000	-	-
Employee share based plan and other reserve	**16**	-	-	29,640	(19,842)	-	-	9,798
Balance at the end of the year		15,000,000	100,000	161,097	2,287,302	5,000,000	(103,475)	22,444,924

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS For the years ended December 31, 2020 and 2019	Notes	2020 SAR' 000	2019 SAR' 000
OPERATING ACTIVITIES			
Net income for the year before zakat		**2,201,760**	2,816,456
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**8**	**251,319**	273,258
Gain on disposal of property and equipment, net		**(2,631)**	(966)
Unrealized loss / (gain) from FVSI financial instruments, net		**212,969**	(6,971)
Gain from FVOCI sukuk investments, net		**(944)**	(8,916)
Dividend income on FVOCI equity investments		**(15,851)**	(9,136)
Charge for impairment of financing, net	**7.2**	**1,419,182**	700,480
(Reversal) / charge for impairment of other financial assets		**(685)**	5,837
Recoveries from written-off accounts		**13,828**	1,304
Deferred payment program modification loss, net of unwinding		**35,191**	-
Fair value benefit arising from profit free SAMA deposit		**(101,894)**	-
Employees share based plans reserve		**22,187**	20,772
Share of (gain) / loss from an associate and a joint venture	**6.5, 6.6**	**(4,536)**	10,825
		4,029,895	3,802,943
Net (increase)/decrease in operating assets:			
Statutory deposit with Saudi Central Bank		**(822,774)**	(503,219)
Due from banks and other financial institutions with original maturity of more than three months		**-**	1,057,813
Investments held at FVSI		**(143,662)**	(67,741)
Financing		**(17,693,763)**	(11,640,042)
Other assets		**(194,508)**	705,237
Net increase/(decrease) in operating liabilities:			
Due to SAMA, banks and other financial institutions		**4,124,084**	(3,028,492)
Customers' deposits		**17,391,443**	11,934,697
Other liabilities		**1,388,593**	(323,893)
Zakat paid		**(139,843)**	(108,383)
Net cash from operating activities		**7,939,465**	1,828,920
INVESTING ACTIVITIES			
Purchase of investments not held at FVSI		**(6,436,176)**	(5,810,082)
Proceeds from sales and maturities of investments not held at FVSI		**365,700**	904,080
Purchase of property and equipment		**(161,971)**	(267,311)
Proceeds from disposal of property and equipment		**5,810**	3,355
Dividends received from FVOCI equity investments		**18,664**	9,384
Net cash used in investing activities		**(6,207,973)**	(5,160,574)
FINANCING ACTIVITIES			
Cash payment for principal portion of lease liability		**(70,924)**	(77,124)
Cash payment for financing cost portion of lease liability		**(15,853)**	(17,867)
Dividend paid		**-**	(1,489,967)
Net cash used in financing activities		**(86,777)**	(1,584,958)
Net increase / (decrease) in cash and cash equivalents		**1,644,715**	(4,916,612)
Cash and cash equivalents at beginning of the year		**4,624,067**	9,540,679
Cash and cash equivalents at end of the year	**24**	**6,268,782**	4,624,067
Income received from investments and financing		**5,409,174**	5,281,801
Return paid on time investments		**862,863**	1,131,501
Supplemental non-cash information:			
Net changes in fair value of FVOCI investments		**25,289**	99,749
Financing written-off during the year	**7.1**	**583,479**	442,818
Right of use assets at date of initial recognition	**8**	**-**	479,159
Lease liabilities at date of initial recognition		**-**	447,043
Issuance of bonus shares	**14.1**	**5,000,000**	-
Unwinding of deferred payment program modification loss	**37**	**22,534**	-

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

1. General

a) Incorporation

Alinma Bank, a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/15 dated 28 Safar 1427H (corresponding to March 28, 2006), in accordance with the Council of Ministers' Resolution No. 42 dated 27 Safar 1427H (corresponding to March 27, 2006). It operates under Ministerial Resolution No.173 and Commercial Registration No.1010250808 both dated 21 Jumada I, 1429 (corresponding to May 26, 2008) and provides banking services through 98 branches (2019: 95) in the Kingdom of Saudi Arabia. The address of the Bank's head office is as follows:

Alinma Bank
Head Office
King Fahad Road
P.O. Box 66674
Riyadh 11586
Kingdom of Saudi Arabia

The consolidated financial statements comprise the financial statements of Alinma Bank and its following subsidiaries (collectively referred as the "Bank") which are registered in KSA:

Subsidiary	Bank ownership	Establishment date	Main Activities
Alinma Investment Company	100%	07 Jumada - II 1430H (corresponding to May 31, 2009)	Asset management, custodianship, advisory, underwriting and brokerage services
Al-Tanweer Real Estate Company	100%	24 Sha'aban 1430H (corresponding to August 15, 2009)	Formed principally to hold legal title of properties financed by the Bank.
Alinma Cooperative Insurance Agency	100%	29 Rabi Al Awwal 1435H (corresponding to January 30, 2014)	Insurance agent for Alinma Tokio Marine Company (an associated company)
Saudi Fintech Company	100%	6 Dhul Qa'da 1440H (corresponding to July 9, 2019)	Provide Financial technology products and services to Alinma and others.
Esnad Company	100%	24 Ramadan 1440H (corresponding to May 29, 2019)	To provide outsourced staff to the Bank.

In addition to above subsidiaries, the management has concluded that the Bank has effective control of the below Funds and started consolidating the Funds' financial statements at the dates of effective control:

Funds	Bank ownership	Establishment date	Date of effective control	Main Activities
Alinma Sukuk ETF	92.3%	January 22, 2020	January 22, 2020	To invest in a basket of local sovereign Sukuks issued by the Kingdom of Saudi Arabia.
Alinma IPO Fund	85.5%	April 26, 2015	January 1, 2020	To develop capital over the long term by investing mainly in Saudi joint stock companies.

The Bank provides a full range of banking and investment services through products and instruments that are in accordance with Sharia'a, its By-Laws and within the provisions of laws and regulations applicable to banks in the Kingdom of Saudi Arabia.

b) Shariah Board

The Bank has established a Sharia'a Board in accordance with its commitment to comply with Islamic Sharia'a Laws. Sharia'a Board ascertains that all the Bank's activities are subject to its review and approval.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Bank have been prepared:

i) in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA"); and,

ii) 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.

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of the financial instruments held at fair value through statement of income ("FVSI"), investments carried at fair value through other comprehensive income ("FVOCI") and end of service benefits.

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

c) Functional and presentation currency

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

d) Critical accounting judgments, estimates and assumptions

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

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

Recently, number of COVID-19 vaccines have been approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Bank continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Bank has made various accounting estimates in these consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Bank 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 Bank. 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 consolidated 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 consolidated financial statements.

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

i. Expected credit losses ("ECL") on financial assets (Notes 3(i), 27, 37)

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

The Bank's ECL calculations are outputs of 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 judgements and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

a) The Bank's internal credit grading model, which assigns Probability of Defaults ("PDs") to the individual grades
b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
c) The segmentation of financial assets when their ECL is assessed on a collective basis
d) Development of ECL models, including the various formulas
e) 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 measurement (Note 33)
iii. Useful lives of property and equipment (Note 3(j))
iv. Assessment of control over investees (Note 3(b))
v. Valuation of End of Service benefits scheme (Notes 3(q), 25)
vi. Government grant (Notes 3(w), 10, 37)

e) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the intention and resources to continue in business for the foreseeable future. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources, etc. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

3. Summary of significant accounting policies

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

a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2020. The management has assessed that the below amendments have no significant impact on the Bank's consolidated financial statements.

New standards, interpretations and amendments adopted by the Bank

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

The amendment to IFRS-3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

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

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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

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

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

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

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

Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes. As at December 31, 2020, the carrying value of non-derivative financial assets using LIBOR as benchmark rates amounted to SAR 2,905 million.

b) Basis of consolidation

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

Subsidiaries are the entities that are controlled by Alinma Bank. The control over an entity arises when, someone has power over the investee entity, and it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

When the Bank has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank's current and potential voting rights granted by equity instruments such as shares

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements 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 period, if any, are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it:
- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Bank had directly disposed of the related assets or liabilities.

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 adopted by the subsidiaries are consistent with that of Bank's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed. The functional currency of all subsidiaries is Saudi Arabian Riyal ("SAR").

Amounts due to Mutual Funds' unitholders represent the portion of net assets of the mutual funds which are attributable to interests which are not owned, directly or indirectly, by the Bank or its subsidiaries and are presented separately within liability in the Bank's consolidated statement of financial position.
Inter-group balances and any income and expenses arising from inter-group transactions, are eliminated in preparing these consolidated financial statements.

Funds management

The Bank manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Bank controls the entity.

c) Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument). Regular way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

d) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest rate and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. 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 the initial transactions. Exchange gains or losses on settlement and translation are recognized in the consolidated statement of income.

e) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and to settle the liability simultaneously.
Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

f) Revenue/ expenses recognition

Income from investments and financing and return on time deposits
Revenue and expenses related to profit bearing financial instruments are recognized in the consolidated statement of income using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount. When calculating the EIR, the Bank estimates future cash flows considering all contractual terms including all fees, transaction costs, discounts that are an integral part of the effective yield but does not include the expected credit losses. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recorded as income/expense.

Exchange income/loss
Exchange income/loss is recognized when earned/incurred.

Fees from banking services, net

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the “Income from investments and financing” or “Return on time investments” as applicable.

Income from asset management and brokerage are recognized at a point-in-time when the performance obligation of the Bank is satisfied.

Investment banking and corporate finance fee revenues are recognized over the period of time when the performance obligations are met in accordance with the applicable terms of the contract.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed and performance obligations are achieved as point-in-time. If a loan commitment is not expected to result in the draw-down of a loan or if the fee relates to multiple loan commitments and cannot be reasonably allocated, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

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

Dividend income

Dividend income is recognized in consolidated statement of income, when the right to receive income is established.

Income / (loss) from FVSI financial instruments, net

Net income / (loss) from FVSI financial instruments relates to financial assets designated as FVSI and includes all realized and unrealized fair value changes, profit, dividends and foreign exchange differences.

g) Financial assets and financial liabilities

1) Classification and measurement of financial assets

The classification and measurement of financial instruments under IFRS-9 is a result of two main assessments, namely, business model assessment and analysis of contractual cash flows.

Business model assessment

The Bank 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 interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank changes the classification of the remaining financial assets held in that business model.

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

Assessments whether contractual cash flows are solely payments of principal and profit

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 risk 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 Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and,
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

Based on the said assessments, on initial recognition, a financial asset is classified as measured at either amortized cost, FVOCI or FVSI.

Financial Asset at amortized cost

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

- 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 a cash flow that are solely payments of principal and return on the principal amount outstanding.

Generally, Financing to customers, due from banks and other financial institutions, SAMA Murabaha and certain investments in Sukuk qualify for measurement under amortized cost.

Financial Assets at held FVOCI

Sukuk and like instruments: are measured at FVOCI only if they meet both of the following conditions and are not designated at FVSI:

- The asset is held with 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 return on the principal amount outstanding

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

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair values are recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss.

Financial Assets held at FVSI

All other financial assets are classified as measured at FVSI. Financial assets in this category are classified as either investment held for trading or those designated as FVSI on initial recognition. Financial assets classified as held trading are acquired principally for the purpose of selling in short term.

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

Financial assets at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated statements of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as "Gain/(loss) from FVSI financial instruments, net" in the consolidated statement of income.

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

2) Classification and measurement of financial liabilities

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

Financial guarantees and loan commitments are measured at higher of amortized cost or allowance for impairment.

3) De-recognition of financial assets and financial liabilities

Financial assets

The Bank derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expires 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 are transferred or,
- The Bank neither transfers nor retains substantially all of the risks and rewards of ownership but it does not retain control of the financial asset.

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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank 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 Bank 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 Bank 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.

On de-recognition 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 consolidated statement of income.

However, the cumulative gain/loss recognized in OCI in respect of equity investments is not recognized in consolidated statement of income on de-recognition of such investments.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

4) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank 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 financing'

Financial liabilities

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

5) Fair value measurement

The Bank measures financial instruments, such as financial assets measured at FVSI and FVOCI, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 33.

Fair value is the price that would be received upon sale of 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, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Bank.

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.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described in note 33.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Bank 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 Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6) Sale and repurchase agreements

Financial assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. When substantially all the risks and rewards of ownership remain with the Bank, these financial assets are continued to measure in accordance with related accounting policies for investments held as FVSI, FVOCI or at amortized cost. The transactions are treated as collateralized borrowing and counter-party liability for amounts received under these agreements is included in “Due to SAMA, banks and other financial institutions” or “Customer deposits”, as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis.

Financial assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the statement of financial position, as the Bank does not obtain control over the financial assets. Amounts paid under these agreements are included in “Cash and balances with Saudi Central Bank”, “Due from banks and other financial institutions” or “Financing”, as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

h) Financing

Financing assets are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments. These are recognized upon actual disbursements. Financing assets are derecognized upon repayment, or when sold or written off, or upon transfer of substantially all risk and rewards of ownership.

All financing assets are initially measured at fair value including any incremental associated acquisition charges. Subsequently, these are measured at amortized cost less allowance for impairment. All of the Bank’s financing products are approved by the Sharia’a Board.

Financing primarily includes Murabaha, Ijarah, Musharaka and Bei Ajel products. A brief description of these products is as follows:

Murabaha: is an agreement whereby the Bank sells to a customer certain commodity or an asset, which the Bank has initially purchased. The selling price comprises of cost plus an agreed profit margin.
Ijarah: is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent over a specific period.
Ijarah could conclude either by transferring the ownership of the leased asset to the lessee at an agreed amount or by termination of lease and re-possession of underlying asset.
Musharaka: is an agreement between the Bank and the customer to contribute to a project, investment enterprise or property and concludes by transferring the full ownership of the underlying investment to the customer. The profit or loss is shared as per the terms of the agreement.
Bei Ajel: is an agreement whereby the Bank sells on a deferred payment basis, to a customer certain commodity or an asset on a negotiated price.

i) Impairment of financial assets

The Bank recognizes impairment allowances based on a forward-looking Expected Credit Loss (ECL) approach on financial assets that are not measured at FVSI. This mainly includes financing, investments that are measured at amortized cost or at FVOCI (other than equity investments), interbank placements, financial guarantees, lease receivables and credit commitments.

No impairment loss is recognized on FVOCI equity investments.

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

a. Financial assets that are determined to have low credit risk at the reporting date; and
b. Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a financial asset to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers its exposure to other banks, financial institutions and Sukuk investments to have low credit risk as their credit risk rating is equivalent to the globally accepted definition of 'investment grade'.

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

Measurement of ECL

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

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

The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information. The Bank categorizes its financial assets into the following three stages in accordance with IFRS 9 methodology:

- **Stage 1: Performing assets:** Financial asset(s) that have not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months ECL.
- **Stage 2: Underperforming assets:** Financial asset(s) that have significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime of PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL.

- **Stage 3: Credit-impaired assets:** For financial asset(s) that are impaired, the Bank recognize the impairment allowance based on lifetime ECL.

The Bank also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurements of ECLs.

The forward-looking information includes the elements such as macroeconomic factors and economic forecasts obtained through internal and external sources.

To evaluate a range of possible outcomes, the Bank formulates various scenarios. For each scenario, the Bank derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

Credit-impaired assets

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

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

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

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

In making an assessment of whether an investment in sovereign sukuk is credit-impaired, the Bank 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 sukuk issuance.
- The probability of sukuk 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.

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 interest rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision which is reported under 'Other liabilities';
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under 'Other liabilities'; and
- Sukuk and like 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.

Write-off

Financial assets 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 Bank'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 'Charge for credit impairment'.

j) Property and equipment

Property and equipment are measured at cost and presented net of accumulated depreciation / amortization and impairment loss, if any. Land is not depreciated. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred. The cost of other property and equipment is depreciated and amortized on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Furniture, equipment (including intangibles)	5-10 years
Leasehold improvements	the shorter of lease period or 10 years
Right of use assets	Over the lease period

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Depreciation is charged from the date of addition (when asset is available for use) and up till the date preceding disposal.

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

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

k) Real estate held for sale

The Bank, in the ordinary course of business, acquires certain real estate properties in settlement of due financing. Such properties are considered as assets held for sale and are initially stated at the lower of carrying amount of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such properties.
Subsequent to initial recognition, any write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent revaluation gains in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognized in the consolidated statement of income. Gains or losses on disposal are recognized in the consolidated statement of income.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's 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 Bank 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 real estate appraisers and brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its financing portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

l) Financial guarantees and loan commitments

In the ordinary course of business, the Bank issues financial guarantees (consisting of letter of credit, guarantees, standby letter of credits and acceptances) and credit commitments. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Credit commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest 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 ECL. The Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments, the Bank recognizes loss allowance. Any increase in the liability relating to the financial guarantee is recognized as "charge for impairment of financing", in the consolidated statement of income.

The premium received is recognized in the consolidated statement of income under "Fees from banking services, net" on a straight-line basis over the life of the guarantee.

Credit commitments are measured at ECL. For contracts that include both financing and undrawn commitments which are not distinctly identifiable, the ECL is recognized together with the loss allowance for the financing.

m) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank 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 benefit will be required to settle the obligation.

n) Accounting for Ijarah (leases)

Where the Bank is the lessor

When assets are leased under Islamic lease arrangements (e.g., Ijarah), the present value of the lease payments is recognized as a receivable and disclosed under "Financing". The difference between the gross receivable and the present value of the receivable is recognized as unearned income from financing. Lease income is recognized over the term of the lease on net investment basis, using the effective yield method, which reflects a constant periodic rate of return.

Where the Bank is the lessee

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

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Bank applies cost model, and measure right of use asset at cost;

1. Less any accumulated depreciation and any accumulated impairment losses; and
2. Adjusted for any re-measurement of the lease liability for lease modifications

Generally, right of use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use asset value.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "cash and cash equivalents" are defined as amounts included in cash in hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition which are subject to insignificant risk of changes in their fair value.

p) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognized for the amount expected to be paid under short term cash bonus or share based plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided to the Bank and the obligation can be estimated reliably.

q) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor laws. These are included in other liabilities in the consolidated statement of financial position. The liability recognized is the present value of the defined benefit obligation discounted at the yield on government bonds that have terms approximating the related obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income directly.

r) Zakat

The basis of preparation has been changed for the period ended December 31, 2019 based on latest instructions from SAMA dated July 17, 2019. Previously, zakat was recognized in the consolidated statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. With the latest instructions issued by SAMA dated July 17, 2019, the zakat shall be recognized in the consolidated statement of income.

The Bank is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat expense is charged to the consolidated statement of income.

GAZT has prescribed a new criteria for calculation of Zakat effective January 1, 2019. Due accruals have been made for the obligation as at December 31, 2020. Zakat is not accounted for as an income tax and as such no deferred tax is calculated relating to Zakat.

s) Treasury Shares

These are recorded at cost and presented as a deduction from the equity as adjusted for any transaction cost, dividends and gains or losses on sale of such shares. Subsequent to their acquisition, these are carried at the amount equal to consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its employee share-based payment plans.

t) Investment management services

The Bank provides investment management services to its customers, through its subsidiary which includes management of certain mutual funds. Determining whether the Bank controls such a mutual fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund (comprising its investments, any carried profit and expected management fees) and the investor's rights to remove the Fund Manager.

As a result of the above assessment, where the Bank has concluded that it acts as an agent for the investors, such funds are not consolidated by the Bank. Fee earned from these funds are disclosed in consolidated statement of income while the Bank's share of investments is included under "Investments held at FVSI" in the consolidated statement of financial position.

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

u) Investments in an associate and a joint venture

Investments in an associate and a joint venture are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Bank has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. A joint venture is an entity in which the Bank exercises joint control.

Under the equity method, the investments in an associate and a joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Bank's share of net assets of the associate/joint venture. The Bank's share of profit of an associate and a joint venture is shown on the face of the consolidated statement of income.

The consolidated statement of income reflects the Bank's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains on transactions are eliminated to the extent of the Bank's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The Bank's share of profit of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.
After application of the equity method, the Bank 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 Bank calculates the amount of impairment as the difference between the recoverable amount of the associate / joint venture and its carrying value and recognises the amount in the 'share of profit/loss from an associate and a joint venture' in the consolidated statement of income.

v) Share based payments

The Bank offers its eligible employees two types of plans (the "Plans"). Brief description of the plans as approved by SAMA are as follows:

Employee Share Participation Scheme (ESPS) (Jana)

Under the terms of Employee Share Participation Scheme (ESPS), the eligible employees are offered shares at a pre-determined strike price on the grant date. Deductions are made on monthly basis from the employees' salary over the vesting period of three years. On the completion of vesting period, should the employees decide not to exercise their options, they will be entitled to receive their contribution along with any profit earned thereon.

Employee Share Grant Scheme (ESGS)

Under the terms of Employee Share Grant Scheme, eligible employees are granted shares with a vesting period of 3-5 years. At the maturity of vesting period, the Bank delivers the underlying allotted shares to the employee.

The cost of the shares in the scheme is measured by reference to the fair value at the grant date. The management is of the view that the fair value at grant date approximates its market value.

The cost of the scheme is recognized over the period during which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ('the vesting date'). The cumulative expense recognized for the schemes at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a reporting period represents the movement in cumulative expense recognized as at the beginning and end of that reporting period.

w) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized 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 recognized in statement of consolidated income on a systematic basis over the periods in which the bank recognizes as expenses the related costs for which the grant is intended to compensate. The grant income is only recognized when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

4. Cash and balances with Saudi Central Bank (SAMA)

	2020 SAR'000	2019 SAR'000
Cash in hand	**2,428,303**	2,354,284
Statutory deposit	**6,382,724**	5,559,950
Money market placements	**3,315,862**	59,000
Current accounts	**-**	5,295
Others	**80,853**	61,219
Total	**12,207,742**	8,039,748

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank ("SAMA"), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customers' deposits as calculated at the end of each month. The statutory deposit is not available to finance the Bank's day to day operations and therefore does not form part of cash and cash equivalents. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

5. Due from banks and other financial institutions, net

	Notes	2020 SAR'000	2019 SAR'000
Current accounts		**445,288**	257,802
Murabaha and Wakala with banks	**5.1**	**-**	1,887,997
Less: Allowance for impairment	**5.2**	**(2,286)**	(1,530)
Total		**443,002**	2,144,269

5.1 These are investment grade exposures in the range of "substantially credit risk free to very good credit risk quality" based on external credit ratings.

5.2 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for due from banks and other financial institutions:

Gross exposure	December 31, 2020			December 31, 2019
	12 month ECL	Life time ECL not credit impaired	Total ECL	Total 12-month ECL
Balance as at January 1	**2,145,799**	**-**	**2,145,799**	8,297,069
Transfer to life time ECL, not credit impaired	**(5,127)**	**5,127**	**-**	-
New financial assets, net of financial assets derecognized during the year and FX movements	**(1,700,511)**	**-**	**(1,700,511)**	(6,151,270)
Balance as at December 31	**440,161**	**5,127**	**445,288**	2,145,799

Allowance for impairment	December 31, 2020			December 31, 2019
	12 month ECL	Life time ECL not credit impaired	Total ECL	Total 12-month ECL
Balance as at January 1	**1,530**	**-**	**1,530**	3,863
Transfer to life time ECL, not credit impaired	**(1,017)**	**1,017**	**-**	-
Charge/(Reversal) for the year	**756**	**-**	**756**	(2,333)
Balance as at December 31	**1,269**	**1,017**	**2,286**	1,530

6. Investments, net

	Notes	2020 SAR'000	2019 SAR'000
Investments held at FVSI	6.1	**2,185,553**	2,254,860
Investments held at FVOCI	6.2	**4,516,121**	3,628,656
Investments held at amortized cost, net			
Murabahas with SAMA (at amortized cost)		**4,905,571**	1,912,152
Sukuks (at amortized cost)	6.3	**17,846,720**	15,630,893
Less: Allowance for impairment	6.4	**(8,989)**	(25,185)
		22,743,302	17,517,860
Investments in associate and joint venture			
Investment in an associate	6.5	**59,930**	60,128
Investment in a joint venture	6.6	**20,888**	16,156
		80,818	76,284
Total		**29,525,794**	23,477,660

6.1 Investments held at FVSI

	2020 SAR'000	2019 SAR'000
Equities	**94,742**	59,648
Funds	**2,090,811**	2,195,212
Total	**2,185,553**	2,254,860

Below is an analysis of the Bank's net (loss)/ income from FVSI financial instruments:

	2020 SAR'000	2019 SAR'000
Trading (loss) / income, net	**(213,865)**	**43,576**
Dividend income	**63,881**	**122,579**
Total	**(149,984)**	**166,155**

6.2 Investments held at FVOCI

	2020 SAR'000	2019 SAR'000
Sukuk	**4,340,751**	3,406,416
Equities	**175,370**	222,240
Total	**4,516,121**	3,628,656

During the year, the Bank sold FVOCI sukuk instruments with a principal value of SAR 19 million (2019: SAR 116 million). Additionally, out of the Bank's FVOCI sukuk portfolio, instruments with a principal of SAR 135 million matured (2019: SAR 385 million). In relation to this, the Bank transferred SAR 0.9 million unrealized gains related to FVOCI sukuk instruments from OCI to the consolidated statement of income (2019: SAR 8.9 million).

6.3 The fair value of sukuks (at amortized cost) as at December 31, 2020 was SAR 17,903 million (2019: SAR 15,322 million).

6.4 The following table shows reconciliations from the opening to the closing balance of the gross exposure and allowance for impairment for investments:

Gross exposure	2020 SAR'000 12-month ECL	2019 SAR'000 12-month ECL
Balance as at January	**17,543,045**	12,948,903
Purchase of new investments	**5,278,000**	4,888,183
Disposals and maturities during the year	**(73,600)**	(343,943)
Change in profit accruals	**4,846**	49,902
Balance as at December 31	**22,752,291**	17,543,045

Allowance for impairment	2020 SAR'000 12-month ECL	2019 SAR'000 12-month ECL
Balance as at January	**25,185**	18,069
(Reversal) / charge for the year	**(16,196)**	7,116
Balance as at December 31	**8,989**	25,185

There were no exposures transferred between ECL stages during the year.

6.5 Investment in associate

Investment in an associate represents the Bank's share of investment of 28.75%, (2019: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The company has a paid-up share capital of SAR 300 million (2019: SAR 300 million). It has been established under Commercial Registration No.1010342537 dated 28 Rajab 1433H (corresponding to June 18, 2012).

	2020 SAR'000	2019 SAR'000
Opening balance	**60,128**	72,776
Share of loss for the year	**(198)**	(12,648)
	59,930	60,128

The fair value of the above investment based on quoted value as at December 31, 2020 is SAR 210 million (2019: SAR 108 million).

The table below provides summarized financial information of the associate based on its latest published financial statements.

	September 30, 2020 SAR 000'	December 31, 2019 SAR 000'
	(un-audited)	(Audited)
Current assets	**557,821**	662,432
Total assets	**669,005**	762,028
Current liabilities	**400,278**	507,900
Total liabilities	**460,903**	554,978
Total equity	**208,168**	207,050
Total revenue	**126,209**	187,953
Total expenses	**122,542**	221,984

6.6 Investment in joint venture

The Bank has invested SAR 25 million (50%) in ERSAL Financial Remittance Company (a joint venture between Alinma Bank and Saudi Post). The company was established under Commercial Registration No.1010431244 dated 21 Jumada I 1436H (corresponding to March 12, 2015) with a paid-up capital of SAR 50 million. The Bank's share of income for the year is SAR 4.7 million (2019: income of SAR 1.8 million).

6.7 Analysis of investments by type and location

	Domestic SAR'000		International SAR'000		Total SAR'000	
	2020	2019	2020	2019	2020	2019
Investments held at FVSI						
Equities	**79,640**	59,648	**15,102**	-	**94,742**	59,648
Funds	**1,784,777**	1,800,991	**306,034**	394,221	**2,090,811**	2,195,212
	1,864,417	1,860,639	**321,136**	394,221	**2,185,553**	2,254,860
Investments held at FVOCI						
Fixed-rate investments	**1,118,275**	702,069	**92,704**	88,495	**1,210,979**	790,564
Floating-rate investments	**3,129,772**	2,615,852	**-**	-	**3,129,772**	2,615,852
Equities	**173,296**	221,487	**2,074**	753	**175,370**	222,240
	4,421,343	3,539,408	**94,778**	89,248	**4,516,121**	3,628,656
Investments held at amortized cost, net						
Fixed-rate investments	**21,786,032**	16,582,344	**56,480**	56,088	**21,842,512**	16,638,432
Floating-rate investments	**900,790**	879,428	**-**	-	**900,790**	879,428
	22,686,822	17,461,772	**56,480**	56,088	**22,743,302**	17,517,860
Investments in associate and joint venture						
Equities	**80,818**	76,284	**-**	-	**80,818**	76,284
Total	**29,053,400**	22,938,103	**472,394**	539,557	**29,525,794**	23,477,660

6.8 Analysis of investments by composition

	Quoted SAR'000		Unquoted SAR'000		Total SAR'000	
	2020	2019	2020	2019	2020	2019
Investments held at FVSI						
Equities	**48,113**	5,476	**46,629**	54,172	**94,742**	59,648
Funds	**1,256,599**	1,296,219	**834,212**	898,993	**2,090,811**	2,195,212
	1,304,712	1,301,695	**880,841**	953,165	**2,185,553**	2,254,860
Investments held at FVOCI						
Fixed-rate investments	**1,200,979**	790,564	**10,000**	-	**1,210,979**	790,564
Floating-rate investments	**7,655**	3,902	**3,122,117**	2,611,950	**3,129,772**	2,615,852
Equities	**157,403**	205,594	**17,967**	16,646	**175,370**	222,240
	1,366,037	1,000,060	**3,150,084**	2,628,596	**4,516,121**	3,628,656
Investments held at amortized cost, net						
Fixed-rate investments	**15,667,810**	8,633,104	**6,174,702**	8,005,328	**21,842,512**	16,638,432
Floating-rate investments	**-**	-	**900,790**	879,428	**900,790**	879,428
	15,667,810	8,633,104	**7,075,492**	8,884,756	**22,743,302**	17,517,860
Investments in associate and joint venture						
Equities	**-**	-	**80,818**	76,284	**80,818**	76,284
Total	**18,338,559**	10,934,859	**11,187,235**	12,542,801	**29,525,794**	23,477,660

6.9 Analysis of investments by counter-parties

	2020 SAR'000	2019 SAR'000
Government and quasi government	**24,763,043**	19,363,260
Banks and Other financial institutions	**1,096,501**	504,656
Corporate	**3,666,250**	3,609,744
Total	**29,525,794**	23,477,660

6.10 Analysis of investments by credit quality

	2020 SAR'000	2019 SAR'000
Government and quasi government	**24,763,043**	19,363,260
Investment grade	**2,591,122**	1,561,016
Equities and funds	**2,171,629**	2,553,384
Total	**29,525,794**	23,477,660

Investment grade includes exposures in the range of "substantially credit risk free to very good credit risk quality".

7. Financing, net

SAR'000 2020	Performing	Non-performing	Total	Allowance for impairment (note 7.1)	Financing, net
Retail	**23,944,056**	**256,327**	**24,200,383**	**(666,436)**	**23,533,947**
Corporate	**87,699,406**	**2,596,651**	**90,296,057**	**(2,634,445)**	**87,661,612**
Total	**111,643,462**	**2,852,978**	**114,496,440**	**(3,300,881)**	**111,195,559**

SAR'000 2019	Performing	Non-performing	Total	Allowance for impairment (note 7.1)	Financing, net
Retail	19,766,197	340,493	20,106,690	(568,606)	19,538,084
Corporate	75,777,225	1,502,241	77,279,466	(2,016,152)	75,263,314
Total	95,543,422	1,842,734	97,386,156	(2,584,758)	94,801,398

Retail financing comprise mainly of Mortgage Financing, consumer financing and credit cards. Corporate financing comprise mainly of commercial financing. The Bank's financing products are in compliance with Sharia'a rules.

Product-wise analysis of Gross Financing:

	2020 SAR'000			2019 SAR'000		
	Retail	**Corporate**	**Total**	Retail	Corporate	Total
Murabaha	**17,954,570**	**2,974,910**	**20,929,480**	14,302,081	4,342,599	18,644,680
Ijarah	**4,495,133**	**35,711,379**	**40,206,512**	4,326,872	30,615,618	34,942,490
Bei Ajel	**1,052,035**	**51,609,768**	**52,661,803**	1,096,766	42,321,249	43,418,015
Others	**698,645**	**-**	**698,645**	380,971	-	380,971
Total	**24,200,383**	**90,296,057**	**114,496,440**	20,106,690	77,279,466	97,386,156

7.1 Movement in allowance for impairment of financing

The following table shows reconciliation from the opening to the closing balance of the gross exposure of financing:

Gross exposure	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Retail				
Balance at the beginning of the year	19,454,511	311,686	340,493	20,106,690
Transfer to 12-month ECL	77,014	(69,375)	(7,639)	-
Transfer to life time ECL, not credit impaired	(198,528)	217,645	(19,117)	-
Transfer to life time ECL, credit impaired	(107,076)	(22,953)	130,029	-
New financial assets, net of financial assets derecognized and repayments	4,340,167	(59,035)	(5,819)	4,275,313
Write-off	-	-	(181,620)	(181,620)
Balance as at December 31, 2020	23,566,088	377,968	256,327	24,200,383
Corporate				
Balance at the beginning of the year	69,495,044	6,282,181	1,502,241	77,279,466
Transfer to 12-month ECL	781,736	(781,736)	-	-
Transfer to life time ECL, not credit impaired	(2,704,044)	2,704,044	-	-
Transfer to life time ECL, credit impaired	(24,403)	(1,481,827)	1,506,230	-
New financial assets, net of financial assets derecognized and repayments	13,818,049	(389,638)	(9,961)	13,418,450
Write-off	-	-	(401,859)	(401,859)
Balance as at December 31, 2020	81,366,382	6,333,024	2,596,651	90,296,057
Total				
Balance at the beginning of the year	88,949,555	6,593,867	1,842,734	97,386,156
Transfer to 12-month ECL	858,750	(851,111)	(7,639)	-
Transfer to life time ECL, not credit impaired	(2,902,572)	2,921,689	(19,117)	-
Transfer to life time ECL, credit impaired	(131,479)	(1,504,780)	1,636,259	-
New financial assets, net of financial assets derecognized and repayments	18,158,216	(448,673)	(15,780)	17,693,763
Write-off	-	-	(583,479)	(583,479)
Balance as at December 31, 2020	104,932,470	6,710,992	2,852,978	114,496,440

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment of financing:

Allowance for impairment	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Retail				
Balance at the beginning of the year	**296,409**	**55,776**	**216,421**	**568,606**
Transfer to 12-month ECL	**14,769**	**(11,280)**	**(3,489)**	**-**
Transfer to life time ECL, not credit impaired	**(428)**	**6,351**	**(5,923)**	**-**
Transfer to life time ECL, credit impaired	**(871)**	**(7,718)**	**8,589**	**-**
Net charge for the year	**109,170**	**52,709**	**106,393**	**268,272**
Modification loss arising from deferral of contractual cash flows, net of unwinding (refer to note 37)	**11,178**	**-**	**-**	**11,178**
Write-off	**-**	**-**	**(181,620)**	**(181,620)**
Balance as at December 31, 2020	**430,227**	**95,838**	**140,371**	**666,436**
Corporate				
Balance at the beginning of the year	**407,034**	**692,353**	**916,765**	**2,016,152**
Transfer to 12-month ECL	**35,269**	**(35,269)**	**-**	**-**
Transfer to life time ECL, not credit impaired	**(30,624)**	**30,624**	**-**	**-**
Transfer to life time ECL, credit impaired	**(83)**	**(286,082)**	**286,165**	**-**
Net (reversal) / charge for the year	**(28,253)**	**460,580**	**563,812**	**996,139**
Modification loss arising from deferral of contractual cash flows, net of unwinding (refer to note 37)	**22,769**	**1,244**	**-**	**24,013**
Write-off	**-**	**-**	**(401,859)**	**(401,859)**
Balance as at December 31, 2020	**406,112**	**863,450**	**1,364,883**	**2,634,445**
Total				
Balance at the beginning of the year	**703,443**	**748,129**	**1,133,186**	**2,584,758**
Transfer to 12-month ECL	**50,038**	**(46,549)**	**(3,489)**	**-**
Transfer to life time ECL, not credit impaired	**(31,052)**	**36,975**	**(5,923)**	**-**
Transfer to life time ECL, credit impaired	**(954)**	**(293,800)**	**294,754**	**-**
Net charge for the year	**80,917**	**513,289**	**670,205**	**1,264,411**
Modification loss arising from deferral of contractual cash flows, net of unwinding (refer to note 37)	**33,947**	**1,244**	**-**	**35,191**
Write-off	**-**	**-**	**(583,479)**	**(583,479)**
Balance as at December 31, 2020	**836,339**	**959,288**	**1,505,254**	**3,300,881**

Allowance for impairment	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Retail				
Balance at the beginning of the year	249,237	42,308	336,388	627,933
Transfer to 12-month ECL	29,738	(12,672)	(17,066)	-
Transfer to life time ECL, not credit impaired	(608)	3,632	(3,024)	-
Transfer to life time ECL, credit impaired	(484)	(9,956)	10,440	-
Net charge for the year	18,526	32,464	89,859	140,849
Write-off	-	-	(200,176)	(200,176)
Balance as at December 31, 2019	296,409	55,776	216,421	568,606
Corporate				
Balance at the beginning of the year	411,014	682,297	579,842	1,673,153
Transfer to 12-month ECL	108,339	(103,452)	(4,887)	-
Transfer to life time ECL, not credit impaired	(3,425)	3,425	-	-
Transfer to life time ECL, credit impaired	(2,440)	(179,315)	181,755	-
Net (reversal) / charge for the year	(106,454)	289,398	402,697	585,641
Write-off	-	-	(242,642)	(242,642)
Balance as at December 31, 2019	407,034	692,353	916,765	2,016,152
Total				
Balance at the beginning of the year	660,251	724,605	916,230	2,301,086
Transfer to 12-month ECL	138,077	(116,124)	(21,953)	-
Transfer to life time ECL, not credit impaired	(4,033)	7,057	(3,024)	-
Transfer to life time ECL, credit impaired	(2,924)	(189,271)	192,195	-
Net (reversal) / charge for the year	(87,928)	321,862	492,556	726,490
Write-off	-	-	(442,818)	(442,818)
Balance as at December 31, 2019	703,443	748,129	1,133,186	2,584,758

The loss allowance in these tables includes ECL on loan commitments which the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

Write off

As at December 31, 2020, the contractual amount outstanding on financial assets that were written off and that are still subject to enforcement activity is SAR 1,011.5 million (2019: SAR 441.5 million).

7.2 Charge for impairment of financing, net of recoveries

	2020 SAR'000 12-month ECL	2019 SAR'000 12-month ECL
Charge for impairment on financing	**1,264,411**	726,490
Charge for / (reversal of) impairment of non-funded financing and credit related commitments (note 17 (c))	**168,599**	(24,706)
Recoveries of previously written off bad debts	**(13,828)**	(1,304)
	1,419,182	700,480

7.3 Financing Includes Ijarah as follows:

	2020 SAR'000	2019 SAR'000
Less than 1 year	**6,149,683**	9,109,359
1 to 5 years	**21,588,422**	12,517,680
Over 5 years	**22,145,454**	23,046,101
Gross receivables from Ijarah	**49,883,559**	44,673,140
Unearned future finance income on Ijarah	**(9,677,046)**	(9,730,650)
Specific provision	**(47,381)**	(38,815)
Net receivables from Ijarah	**40,159,132**	34,903,675

8. Property, equipment and right of use assets, net

	SAR'000					
	Land and buildings	**Leasehold improvements**	**Furniture and equipment**	**Right-of-Use asset**	**Total 2020**	Total 2019
Cost:						
Balance at beginning of the year	1,398,369	423,032	1,665,778	525,547	**4,012,726**	3,231,198
Effect of adoption of IFRS-16 at January 1, 2019	-	-	-	-	**-**	479,159
Additions during the year	77,879	18,420	65,672	56,267	**218,238**	317,963
Disposals during the year	-	-	(71,152)	(14,828)	**(85,980)**	(15,594)
Balance at end of the year	**1,476,248**	**441,452**	**1,660,298**	**566,986**	**4,144,984**	**4,012,726**
Accumulated depreciation:						
Balance at beginning of the year	101,003	273,401	1,137,097	87,332	**1,598,833**	1,334,519
Charge for the year	19,515	30,175	110,865	90,764	**251,319**	273,258
Disposals	-	-	(66,463)	(3,991)	**(70,454)**	(8,944)
Balance at end of the year	**120,518**	**303,576**	**1,181,499**	**174,105**	**1,779,698**	**1,598,833**
Net book value-as at December 31, 2020	**1,355,730**	**137,876**	**478,799**	**392,881**	**2,365,286**	
Net book value-as at December 31, 2019	1,297,366	149,631	528,681	438,215		2,413,893

Property and equipment includes work in progress as at December 31, 2020 amounting to SAR 263 million (2019: SAR 248 million).

Furniture and equipment includes information technology-related assets as follows:

Information technology related assets:	SAR'000		
	Tangible	Intangible	Total
Cost			
January 1, 2020	581,670	913,205	1,494,875
Additions during the year	29,030	27,504	56,534
Disposals during the year	(69,023)	(271)	(69,294)
December 31, 2020	541,677	940,438	1,482,115
Accumulated depreciation/amortization			
January 1, 2020	370,492	624,400	994,892
Charge during the year	44,070	53,885	97,955
Disposals during the year	(64,141)	(208)	(64,349)
December 31, 2020	350,421	678,077	1,028,498
Net book value-as at December 31, 2020	**191,256**	**262,361**	**453,617**
Net book value-as at December 31, 2019	211,178	288,805	499,983

Right of Use asset pertains mainly to leases of the Bank's head office, branches and ATM kiosks.

9. Other assets

	Note	2020 SAR'000	2019 SAR'000
Real estate held for sale	**9.1**	**474,629**	487,745
Fee receivable for asset management services		**305,635**	195,191
Prepayments		**97,922**	76,436
Receivable against POS reimbursement		**90,157**	-
Financing inventory		**28,067**	47,036
Others		**143,010**	156,065
Total		**1,139,420**	962,473

9.1 These properties were acquired in settlement of financing due from customers. During the year ended December 31, 2020, properties have been acquired in settlement of financing claims is nil (2019: SR 45.1 million).

10. Due to SAMA, banks and other financial institutions

	Note	2020 SAR'000	2019 SAR'000
Due to SAMA	**10.1**	**6,534,009**	-
Time investments from banks and other financial institutions	**10.2**	**756,941**	3,224,773
Current accounts		**21,084**	65,071
Total		**7,312,034**	3,289,844

10.1 This balance represents interest free deposits received during the year from SAMA with gross amount of SAR 6.6 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 37).

As a result, the Bank's 'Income from investments and financing' for the year ended December 31, 2020 included the fair value benefit of SAR 96.1 million arising from the interest free deposits.

10.2 This balance represents Murabaha, Mudaraba and Wakala with banks.

11. Customers' deposits

	Note	2020 SAR'000	2019 SAR'000
Demand		**62,839,786**	54,528,638
Savings		**5,360,542**	2,105,303
Customers' time investments	11.1	**50,179,027**	44,397,349
Others	11.2	**1,074,923**	1,031,545
Total		**119,454,278**	102,062,835

11.1 It represents Murabaha and Mudaraba with customers.

11.2 Others represent cash margins for letters of credit and guarantees.

11.3 The above includes foreign currency deposits as follows:

	2020 SAR'000	2019 SAR'000
Demand	**1,342,023**	1,036,898
Customers' time investments	**1,520,558**	3,557,515
Others	**72,965**	38,696
Total	**2,935,546**	4,633,109

12. Amount due to Mutual Funds' unitholders

Amount due to Mutual Funds' unitholders represents the non-controlling interest in two Mutual Funds (Alinma Sukuk ETF and Alinma IPO Fund) consolidated in these financial statements

13. Other liabilities

	Notes	2020 SAR'000	2019 SAR'000
Outward drafts payable		**1,882,208**	868,886
Accounts payable		**1,518,854**	1,315,050
End of service liability	**25.2**	**404,375**	347,217
Advance rentals against financing		**392,621**	310,797
Lease liability	**13.1**	**389,303**	416,307
Provision for credit-related commitments	**17 (c)**	**348,536**	179,937
Accrued expenses		**308,618**	277,985
Provision for zakat	**23**	**222,756**	126,831
Others		**104,052**	198,828
Total		**5,571,323**	4,041,838

13.1 Lease-related expenses

Below is the undiscounted contractual cash flows for lease liability:

	2020 SAR'000	2019 SAR'000
Less than 1 year	**100,256**	90,220
1 to 5 years	**233,859**	248,878
Over 5 years	**110,627**	128,535
Total	**444,742**	467,633

Other general and administrative expenses include finance cost of SAR 15.9 million (2019: 17.9 million) and payments for leases excluded in the calculation of lease liability (i.e., short-term leases and leases of low value assets) of SAR 1.5 million (2019: SAR 8.2 million).

14. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2019: 1,500 million shares) of SAR 10 each.

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

	2020	2019
	Percentage	
Public Investment Fund ("PIF")	**10.00**	10.00
General public and others	**90.00**	90.00
Total	**100.00**	100.00

14.1 Issuance of bonus shares

In light of the Board of Directors' recommendation dated 14 December 2019 and the Shareholders' approval, in their Extraordinary General Assembly dated April 8, 2020, and after obtaining the required regulatory approvals, the Bank increased its share capital by 33% through issuance of bonus shares in the ratio of 1:3. Accordingly, the total shares increased by 500 million shares to be 2,000 million shares and share capital increased by SAR 5,000 million to be SAR 20,000 million.

15. Statutory reserve

In accordance with the Banking Control Law in the Kingdom of Saudi Arabia, and Bank's By-Laws, 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, SAR 491.5 million (2019: SAR 633.7 million) has been transferred from the net income for the year to the statutory reserve. Moreover, during 2019, an amount of SAR 3,423 million was transferred to the Proposed Issue of Bonus Shares (note 14.1). The statutory reserve is not available for cash distribution.

16. Treasury shares and other reserves

a) Treasury shares

Treasury shares have been acquired, after due approvals, for discharging the obligations of employees share based plans (refer to note 20.2).

b) Other reserves

2020 SAR'000	Fair value reserve for FVOCI investments	Employee share-based plan reserve (note 20.2)	Social community reserve	Total
Balance at the beginning of the year	**77,372**	**20,772**	**62,953**	**161,097**
Net change in fair value of FVOCI equity investments	9,032	-	-	9,032
Net change in fair values of FVOCI sukuk investments	17,201	-	-	17,201
Net gain realized on sale of FVOCI sukuk investments	(944)	-	-	(944)
Gain on sale of FVOCI equity investments	(21,031)	-	-	(21,031)
Employee share based plan reserve	-	13,080	-	13,080
Appropriations, net of utilizations	-	-	(1,389)	(1,389)
Balance at the end of the year	81,630	33,852	61,564	177,046

2019 SAR'000	Fair value reserve for FVOCI investments	Employee share-based plan reserve (note 20.2)	Social community reserve	Total
Balance at the beginning of the year	(22,377)	5,504	48,581	31,708
Net change in fair value of FVOCI equity investments	56,611	-	-	56,611
Net change in fair values of FVOCI sukuk investments	59,098	-	-	59,098
Net gain realized on sale of FVOCI sukuk investments	(8,916)	-	-	(8,916)
Gain on sale of FVOCI equity investments	(7,044)	-	-	(7,044)
Employee share based plan reserve	-	15,268	-	15,268
Appropriations, net of utilizations	-	-	14,372	14,372
Balance at the end of the year	77,372	20,772	62,953	161,097

During the year an amount of SAR 19.7 million for 2020 (2019: SAR 25.3 million) was appropriated from retained earnings to Social community reserve. Such reserves will be utilized towards discharging the Bank's corporate social responsibilities.

17. Commitments and contingencies

a) Legal proceedings

As at December 31, 2020 and 2019, there were no significant legal proceedings outstanding against the Bank.

b) Capital commitments

As at December 31, 2020, the Bank had capital commitments of SAR 63 million (2019: SAR 112 million) relating to acquisition of property and equipment.

c) Credit related commitments and contingencies

Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments and financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to invoke such commitments.

Documentary letters of credit are generally collateralized by the underlying assets to which they relate, and therefore have significantly lower risk.

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

Commitments to extend credit represent the unused portion of approved credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Bank is exposed to an insignificant potential credit risk 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 these commitments could expire or terminate without being funded.

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2020	SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	**2,203,293**	**2,530**	**97**	**276**	**2,206,196**
Letters of guarantee	**8,814,595**	**885,291**	**1,385,481**	**99,750**	**11,185,117**
Acceptances	**458,628**	**-**	**-**	**2,480**	**461,108**
Irrevocable commitments to extend credit	**-**	**69,441**	**-**	**-**	**69,441**
Total	**11,476,516**	**957,262**	**1,385,578**	**102,506**	**13,921,862**

2019	SAR'000				
	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,343,158	1,432,839	108,072	267	2,884,336
Letters of guarantee	1,656,355	5,502,165	3,305,392	50,922	10,514,834
Acceptances	294,166	43,827	547	-	338,540
Irrevocable commitments to extend credit	-	417,788	-	-	417,788
Total	3,293,679	7,396,619	3,414,011	51,189	14,155,498

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2020 SAR'000	2019 SAR'000
Government and quasi government	**376,114**	376,478
Corporate	**12,445,760**	12,726,568
Banks and other financial institutions	**1,099,988**	1,052,452
Total	**13,921,862**	14,155,498

iii) The outstanding unused portion of commitments as at December 31, 2020 which can be revoked unilaterally at any time by the Bank, amounts to SAR 31,390 million (2019: SAR 25,350million).

iv) The following table shows reconciliations from the opening to the closing balance of the gross exposure of credit commitments and contingencies and 'Provision for credit-related commitments':

Gross exposure of credit commitments and contingencies	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Balance at the beginning of the year	**12,165,660**	**1,876,266**	**113,572**	**14,155,498**
Transfer to 12-month ECL	**220,405**	**(220,405)**	**-**	**-**
Transfer to life time ECL, not credit impaired	**(776,875)**	**776,875**	**-**	**-**
Transfer to life time ECL, credit impaired	**-**	**(838,524)**	**838,524**	**-**
New commitments, net of expired / matured commitments	**11,437**	**(25,653)**	**(219,420)**	**(233,636)**
Balance as at December 31, 2020	**11,620,627**	**1,568,559**	**732,676**	**13,921,862**

Provision for credit-related commitments	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Balance at the beginning of the year	49,305	50,895	79,737	179,937
Transfer to 12-month ECL	6,626	(6,626)	-	-
Transfer to life time ECL, not credit impaired	(4,642)	4,642	-	-
Transfer to life time ECL, credit impaired	-	(43,124)	43,124	-
Net charge for the year	41	47,948	120,610	168,599
Balance as at December 31, 2020	51,330	53,735	243,471	348,536

Provision for credit-related commitments	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	SAR'000			
Balance at the beginning of the year	117,488	46,522	40,633	204,643
Transfer to 12-month ECL	7,787	(7,787)	-	-
Transfer to life time ECL, not credit impaired	(2,656)	2,656	-	-
Transfer to life time ECL, credit impaired	(80)	(528)	608	-
Net charge for the year	(73,234)	10,032	38,496	(24,706)
Balance as at December 31, 2019	49,305	50,895	79,737	179,937

18. Income from investments and financing, net

	2020 SAR'000	2019 SAR'000
Income from investments and financing:		
Investments in Murabaha with SAMA	**33,211**	44,791
Investments in Sukuk held at amortized cost	**563,255**	441,483
Investments in Sukuk held at FVOCI	**100,756**	134,287
Murabaha with banks and other financial institutions	**14,190**	78,001
Financing:		
Murabaha	**966,012**	797,837
Ijarah	**1,658,906**	1,812,647
Bei Ajel	**2,066,752**	2,207,977
Other financing products	**66,924**	20,495
Total income from financing	**4,758,594**	4,838,956
Total	**5,470,006**	5,537,518
Return on time investments:		
Customers' time investments	**(747,939)**	(1,140,754)
Time investments from SAMA, banks and other financial institutions	**(74,244)**	(73,549)
Total	**(822,183)**	(1,214,303)
	4,647,823	4,323,215

19. Fees from banking services, net

	2020 SAR'000	2019 SAR'000
Income on:		
Trade finance services	**112,949**	98,832
Card services	**575,858**	584,424
Brokerage fees	**102,194**	37,587
Fund management and other banking services	**521,335**	477,660
	1,312,336	1,198,503
Expense on:		
Card services	**(320,893)**	(298,446)
Other fees	**(2,738)**	(8,230)
	(323,631)	(306,676)
	988,705	891,827

20. Salaries and employee related expenses

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices.

Categories of employees										SAR'000
					Variable Compensation paid					
	Number of employees		Fixed compensation		Cash		Shares		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Senior executives requiring SAMA no objections	**21**	21	**44,751**	44,600	**16,554**	11,136	**-**	-	**16,554**	11,136
Employees engaged in risk taking activities	**715**	712	**238,010**	255,720	**50,107**	48,309	**-**	-	**50,107**	48,309
Employees engaged in control functions	**211**	182	**73,822**	71,922	**15,003**	13,119	**-**	-	**15,003**	13,119
Other employees	**1,645**	1,603	**381,286**	382,589	**63,240**	62,436	**-**	-	**63,240**	62,436
Outsourcing employees (engaged in risk taking activities)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
	2,592	2,518	**737,869**	754,831	**144,904**	135,000	**-**	-	**144,904**	135,000
Variable compensation accrued	**-**	-	**172,106**	148,309	**-**	-	**-**	-	**-**	-
Other employee related benefits	**-**	-	**132,283**	98,501	**-**	-	**-**	-	**-**	-
Total	**2,592**	2,518	**1,042,258**	1,001,641	**144,904**	135,000	**-**	-	**144,904**	135,000

20.1 Salient features of Compensation Policy

As an integral part of the compensation governance, the Bank follows appropriate compensation practices in line with the SAMA guidelines and Financial Stability Board (FSB) Principles/Standards. The Bank has implemented a "Compensation & Allowances" policy approved by the Board of Directors (the "Board").

The Bank has also established a Nomination and Remuneration Committee ("NRC"). It has been mandated by the Board to review and recommend sound compensation policies for adoption by the Bank.

While developing and implementing such policies, the Bank has sought to align the same with the risks related to capital, liquidity and sustainability as well as timing of revenue streams.

The Bank has adopted fixed as well as variable compensation schemes. The variable component is aligned not only with the aforesaid risks but also with the overall performance of the Bank and the individual, and risk involved in the relevant job function. The Bank consistently evaluates its compensation policies against the industry and makes necessary revisions as and when required.

The Bank, as part of their compensation practices which are aligned with the SAMA rules, considers variable compensation programs which are based on (1) market practice, (2) strategy of the business area, (3) roles of the business area, (4) nature and tail of risks undertaken, and (5) actual performance delivered.

As part of the Bank's variable compensation structure, following are the key components of variable compensation in the Bank:

1- Cash Bonus – The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year

2- Deferred Bonus – The portion of the variable compensation that is awarded and paid in cash over a period of 3 years

Below are the details of the Deferred Bonus payments for the outstanding years and no deferred bonus is reduced through performance adjustments.

Year	SAR'000			
	Total Amount Deferred	Amount Vested	Amount Unvested	Amount Paid in 2020
2017	9,586	6,390	3,196	3,203
2018	9,495	3,165	6,330	3,083
2019	10,468	-	10,468	-

The Bank implements procedures so as to support the principles of adjustment to variable compensation outcomes so as to reflect true underlying and actual, realized performance. This can either be achieved through:

1. Withholding, whereby deferred payments are to be withheld following subdued or negative performance; or
2. Malus, whereby a portion of variable pay is deferred and only released subject to no subdued or negative performance indicating the results on which the variable pay was paid were overstated and that were used to calculate the overall bonus.

As a Sharia'a compliant bank, the Bank uses claw back of previously paid bonuses in its purest form to be appropriate in the context of Sharia'a Board decisions only when the malus clause applies.

Therefore, for the purpose of bonus deferral, the Bank may apply a further malus clause to this deferred amount that may require either a restatement of results for which the bonus was paid and / or additional performance measures.

Linkage of compensation with actual performance

The variable compensation in the Bank is purely performance based and consists of the annual performance bonus. As part of the staff's variable compensation, the annual bonus is driven by delivery of operational and financial targets set each year, the individual performance of the employees and their contribution in delivering the overall Bank's objectives.

The Bank has adopted a Board-approved framework to develop a clear link between variable compensation and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would deliver a target bonus pool for the employees, prior to consideration of any allocation to business areas and employees individually.

The key performance metrics at the Bank level include a combination of short-term and long-term measures, and include profitability, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable compensation, the Bank starts from setting specific targets, establishing market comparable bottom-up, setting a profit target and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risks via the use of risk-adjusted measures. The NRC carefully evaluates practices by which compensation is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects. The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRC. For the Bank to have any funding for distribution of a bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable compensation is generally considerably contracted where subdued or negative financial performance occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk adjustment and linkage framework.

Deferral policy and vesting criteria

For certain categories of employees such as (1) Employees requiring SAMA No Objection, (2) Material Risk Takers and (3) Material Risk Controllers, where deemed appropriate, the Bank provides a portion of variable compensation in the form of corporate performance linked cash paid out on a multi- year cycle for identified key employees who have direct impact on the Bank growth and success.

Where variable compensation plans that include corporate performance linked cash payments are introduced, the Bank provides criteria for determining the value for allocation of deferred payments within the plan rules or guidelines. Pay-outs of such conditional deferred cash plans are required to be subject to a retention or vesting policy that is determined on a plan to plan basis. Such retention or vesting policies are to be outlined within the plan rules or guidelines. As a minimum requirement, the Bank's policy is for cash based awards to be subject to an appropriate retention policy.

Parameters for allocating cash versus other forms of compensation

The quality and long-term commitment of all employees is fundamental to the success of the Bank. The Bank therefore attracts, retains and motivates the best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of Shareholders. The Bank's reward package comprises the following key elements;

1. **Fixed Pay** (comprises of basic salary and cash allowances) and other benefits programs are developed so as to support the pay positioning and pay mix policies and align with all applicable regulatory requirements.
2. **Cash Allowances** are provided to support the Bank's pay positioning policies and to aid recruitment of sufficiently qualified talent to drive sustainable growth. The Bank reviews which allowances it offers to employees and the quantum of such allowances so as to ensure they support the aims of compensation across the whole Bank.
3. **Benefits** to support retention and recruitment of sufficiently experienced talent across the business. Provision of these benefits is provided in line with local market norms and reviewed on a regular basis to ensure they remain appropriate.
4. **Annual Performance Bonus** to enhance employee effectiveness by driving the Bank, business group and individual performance in a sustainable process and create a competitive compensation strategy that supports the Bank's business growth strategy

20.2 Employee share-based plans

Significant features of the Employee Share based schemes outstanding at the end of the period are as follows:

Nature of scheme	ESPS (Jana)	ESGS Plan A	ESGS Plan B
No. of outstanding Schemes	1	1	1
Grant date	1-May-19	1-May-19	1-May-19
Maturity date	30-Apr-22	30-Apr-24	30-Apr-22
Number of shares granted - adjusted after issuance of bonus shares	2,798,754	1,167,542	1,820,169
Vesting period	3 Years	5 years	3 years
Value of shares granted (SAR)	58,909,113	21,864,357	38,822,625
Strike price per share at grant date (SAR) - adjusted after issuance of bonus shares	16.13	20.25	20.25
Fair value per share at grant date (SAR) - adjusted after issuanc of bonus shares	20.25	20.25	20.25
Vesting condition	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria	Employee remain in service and meets prescribed performance criteria
Method of settlement	Equity	Equity	Equity
Valuation model used	Market Value	Market Value	Market Value
Weighted average remaining contractual life	1.3 Years	3.3 Years	1.3 Years

The movement in weighted average price and in the number of shares in the employees share participation scheme is as follows:

	ESPS (Jana)		ESGS Plan A		ESGS Plan B	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
	December 31, 2020					
Beginning of the year	**21.50**	**1,937,017**	**27**	**877,198**	**27**	**1,370,467**
Issuance of bonus shares	**16.13**	**616,935**	**20.25**	**290,254**	**20.25**	**449,702**
Vested during the year	**-**	**-**	**-**	**-**	**20.25**	**(449,702)**
Expired during the year	**16.13**	**(436,915)**	**21.04**	**(55,071)**	**27**	**(21,360)**
End of the year	**16.13**	**2,117,037**	**20.25**	**1,112,381**	**20.25**	**1,349,107**
Exercisable at year end	**16.13**	**2,117,037**	**20.25**	**1,112,381**	**20.25**	**1,349,107**

	ESPS (Jana)		ESGS Plan A		ESGS Plan B	
	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme	Weighted average exercise price (SAR)	Number of shares in scheme
	December 31, 2019					
Beginning of the grant	-	-	-	-	-	-
Granted during the year - restated	21.50	2,181,819	27	877,198	27	1,370,467
Forfeited/withdrawn	21.50	(244,802)	-	-	-	-
Exercised/expired	-	-	-	-	-	-
End of the year	21.50	1,937,017	27	877,198	27	1,370,467
Exercisable at year end	21.50	1,937,017	27	877,198	27	1,370,467

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized during the year ended December 31, 2020 in respect of these schemes was SAR 22.2 million (2019: SAR 20.8 million).

21. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of outstanding shares which were 1,987 million shares at December 31, 2020 (2019: 1,987 million shares) after accounting for treasury shares and issuance of bonus shares during the current year. Basic and diluted earnings per share for the year ended December 31, 2019 have been adjusted to take into account the issuance of bonus shares.

22. Proposed issue of bonus shares

	2020	2019 (note 14.1)	**2020**	2019
	SAR'000		**SAR per share**	
Proposed issue of bonus shares	**-**	5,000,000	**-**	3.33

23. Zakat

a) Movement of zakat liability / (refundable):

	2020 SAR'000	2019 SAR'000
Opening balance	**126,831**	(46,432)
Zakat expense	**235,768**	281,646
Payments during the year	**(139,843)**	(108,383)
Ending balance	**222,756**	126,831

24. Cash and cash equivalents

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

	2020 SAR'000	2019 SAR'000
Cash in hand	**2,428,303**	2,354,284
Balances with SAMA excluding statutory deposit	**3,396,715**	125,514
Due from banks and other financial institutions maturing within three months of acquisition	**443,764**	2,144,269
Total	**6,268,782**	4,624,067

25. Employee benefit obligations

25.1 General description of Defined Benefit Plan

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

25.2 The amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2020 SAR'000	2019 SAR'000
Defined benefit obligation at the beginning of the year	**347,217**	287,044
Charge for the year	**49,713**	43,964
Interest cost	**10,881**	14,598
Benefits paid	**(15,142)**	(12,607)
Actuarial loss on re-measurement recognized in OCI	**11,706**	14,218
Defined benefit obligation at the end of the year	**404,375**	347,217

Charge for the year is comprised of:

	2020 SAR'000	2019 SAR'000
Current service cost	**49,713**	43,964
Past service cost	**-**	-
	49,713	43,964

Actuarial loss on re-measurement recognized in OCI is comprised of:

	2020 SAR'000	2019 SAR'000
Loss from change in experience assumptions	**1,541**	9,790
Loss from change in financial assumptions	**10,165**	4,428
	11,706	14,218

25.3 Principal actuarial assumptions (in respect of the end of service benefit plan)

	2020 SAR'000	2019 SAR'000
Discount rate	**2.75% p.a.**	3.23% p.a.
Expected rate of salary increase- next three years	**5% p.a.**	5% p.a.
- thereafter	**2.55% p.a.**	3.03% p.a.
Normal retirement age	**60 years**	60 years

The assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

25.4 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at December 31, 2020 and 2019:

Base Scenario			**SAR 000'**
	Impact on defined benefit obligation – Increase / (Decrease)		
2020	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1%**	**(35,160)**	**41,325**
Expected rate of salary increase	**1%**	**42,859**	**(37,109)**

Base Scenario			SAR 000'
	Impact on defined benefit obligation – Increase / (Decrease)		
2019	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	(30,197)	35,535
Expected rate of salary increase	1%	36,895	(31,903)

The above sensitivity analyses is based on a change in an assumption holding all other assumptions constant.

25.5 Expected maturity

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

December 31, 2020

Less than a year	1-2 years	2-5 years	Over 5 years	Total
51,149	**22,622**	**71,915**	**388,743**	**534,429**

December 31, 2019

Less than a year	1-2 years	2-5 years	Over 5 years	Total
48,776	17,396	62,014	357,937	486,123

The weighted average duration of the defined benefit obligation is 12.3 years (2019: 15.8 years).

25.6 Defined contribution plan

The Bank 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 SAR 49.2 million (2019: SAR 44.5 million).

26. Operating segments

Operating segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the key decision makers including CEO and the Assets and Liabilities Committee (ALCO), in order to allocate resources to the segments and to assess their performance.

The Bank's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on terms as approved by the management. Majority of the segment assets and liabilities comprise operating assets and liabilities. Effective January 1, 2020, the computation of the behavioural maturity of current deposits and the basis of allocation of indirect expenses over segments has been enhanced in line with the best practices. Accordingly, the comparative numbers have been restated to ensure consistency and realistic comparison.

The Bank's reportable segments are as follows:

a) Retail banking
Financing, deposit and other products/services for individuals.

b) Corporate banking
Financing, deposit and other products and services for corporate, SME and institutional customers.

c) Treasury
Murabahas with banks, investments and treasury services.

d) Investment and brokerage
Asset Management, custodianship, advisory, underwriting and brokerage services.

Profit is charged or credited to operating segments using internally developed Fund Transfer Pricing (FTP) rates which approximate the marginal cost of funds.

Following is an analysis of the Bank's assets, liabilities, income and results by operating segments:

2020					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	**22,936,078**	**87,670,882**	**44,725,846**	**1,543,997**	**156,876,803**
Total liabilities	**83,341,976**	**5,182,966**	**43,729,266**	**193,808**	**132,448,016**
Income from investments and financing	**2,664,501**	**1,721,578**	**1,023,201**	**60,726**	**5,470,006**
Return on time investments	**(341,115)**	**(34,353)**	**(446,715)**	**-**	**(822,183)**
Income from investments and financing, net	**2,323,386**	**1,687,225**	**576,486**	**60,726**	**4,647,823**
Fees from banking services and other income	**356,106**	**180,208**	**77,714**	**472,434**	**1,086,462**
Total operating income	**2,679,492**	**1,867,433**	**654,200**	**533,160**	**5,734,285**
Charge for impairment of financing	**249,640**	**1,169,542**	**-**	**-**	**1,419,182**
(Reversal)/Charge for impairment of other assets	**-**	**-**	**(14,944)**	**14,259**	**(685)**
Depreciation and amortization	**218,190**	**16,885**	**10,825**	**5,419**	**251,319**
Other operating expenses	**1,316,186**	**255,666**	**175,384**	**120,009**	**1,867,245**
Total operating expenses	**1,784,016**	**1,442,093**	**171,265**	**139,687**	**3,537,061**
Net operating income	**895,476**	**425,340**	**482,935**	**393,473**	**2,197,224**
Share of gain from an associate and a joint venture	**-**	**-**	**4,536**	**-**	**4,536**
Net income for the year before zakat	**895,476**	**425,340**	**487,471**	**393,473**	**2,201,760**

2019					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
Total assets	19,175,780	75,263,314	36,344,226	1,056,121	131,839,441
Total liabilities	74,389,387	7,043,829	27,741,547	219,754	109,394,517
Income from investments and financing	2,670,085	1,739,705	1,106,342	21,386	5,537,518
Return on time investments	(626,718)	(108,789)	(478,796)	-	(1,214,303)
Income from investments and financing, net	2,043,367	1,630,916	627,546	21,386	4,323,215
Fees from banking services and other income	423,999	168,472	339,502	354,973	1,286,946
Total operating income	2,467,366	1,799,388	967,048	376,359	5,610,161
Charge for impairment of financing	216,971	484,646	-	(1,137)	700,480
Charge for impairment of other assets	-	-	5,837	-	5,837
Depreciation and amortization	205,861	34,973	27,360	5,064	273,258
Other operating expenses	1,254,798	264,706	181,805	101,996	1,803,305
Total operating expenses	1,677,630	784,325	215,002	105,923	2,782,880
Net operating income	789,736	1,015,063	752,046	270,436	2,827,281
Share of loss from an associate and a joint venture	-	-	(10,825)	-	(10,825)
Net income for the year before zakat	789,736	1,015,063	741,221	270,436	2,816,456

SAR '000	**December 31, 2020**				
Other information:	**Retail**	**Corporate**	**Treasury**	**Investment and brokerage**	**Total**
Income from:					
-External customers	**1,106,681**	**3,746,466**	**347,978**	**533,160**	**5,734,285**
-Inter-segment	**1,572,811**	**(1,879,033)**	**306,222**	**-**	**-**
Total operating income	**2,679,492**	**1,867,433**	**654,200**	**533,160**	**5,734,285**

SAR '000	December 31, 2019				
Other information:	**Retail**	**Corporate**	**Treasury**	**Investment and brokerage**	**Total**
Income from:					
-External customers	756,127	3,918,955	558,720	376,359	5,610,161
-Inter-segment	1,711,239	(2,119,567)	408,328	-	-
Total operating income	2,467,366	1,799,388	967,048	376,359	5,610,161

The Bank's credit exposure by operating segments is as follows:

2020					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	22,957,029	87,502,562	39,375,562	943,427	150,778,580
Commitments and Contingencies	-	9,275,865	-	-	9,275,865
Total	22,957,029	96,778,427	39,375,562	943,427	160,054,445

2019					SAR '000
	Retail	Corporate	Treasury	Investment & brokerage	Total
On balance sheet assets	19,208,768	75,601,606	30,493,391	896,103	126,199,868
Commitments and Contingencies	-	8,813,100	-	-	8,813,100
Total	19,208,768	84,414,706	30,493,391	896,103	135,012,968

Credit exposure comprises the carrying value of balance sheet assets, excluding cash, property and equipment, equity investments and other assets. The credit equivalent value of commitments and contingencies are included in credit exposure.

27. Credit risk

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. To minimize the risk of a counterparty failing to meet its obligations, the Bank is committed to a strong pro-active credit process to ensure that a credit that is originated will meet the institutional risk appetite and will fulfil the criteria under which credits are extended. All credit proposals are subjected to a high degree of due diligence intended to identify all risks associated with granting the credit.

An internal credit-rating model is used to determine the Obligor Risk Rating (ORR), a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered, when available. Target Market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria (RAC) is a set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target market. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Board approved "Credit Approval Authority Delegation Matrix" through the Credit Committee which is composed of the CEO, Business and Risk Officers. Credits are extended based on the Corporate Banking and Retail Banking Credit Policies and Guidelines.

Risk Management owns and controls the policies established for financing and are tasked with the responsibility of regularly reviewing, and revising the Bank's credit policies, guidelines and processes, to ensure that credits risk is managed and controlled within the Risk Appetite Criteria of the Bank and credit related losses are minimized. Risk Management also ensures that credit policies are aligned and adjusted on periodic basis in accordance with the economic, market, regulatory and legal landscape.

Various credit portfolios are managed to achieve diversification. Concentration in the portfolio mix is managed in terms of economic activity, geography, collateral and underlying product. The Bank seeks diversification of its credit portfolios through customer acquisition across different industry and economic activities and geographical presence across the country and by targeting large, medium and small corporate clients as well as individual clients. Obligor and sector concentrations are monitored to assess different types of financing concentrations. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

27.1 Expected credit Loss (ECL)

Credit Risk Grades

The Bank follows a well-defined credit evaluation process anchored in a clear Target Market and Risk Acceptance Criteria, strong credit policies, extensive due diligence, credit review and approval processes combined with stringent credit administration and monitoring and control of credit limits.

To generate an internal risk rating, the Bank uses Moody's CreditLens. This rating system is used by many leading banks globally and in the Kingdom. It enables the Bank to assign a risk rating to a single obligor. The risk rating is a point-in-time, 12-month probability of default (PD). The Bank assigns a rating from a 10-point rating scale with 1 as the best through 10 as the worst. The rating uses sub-grades (e.g. 3+, 3, and 3-) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of -6 or better are eligible for new financing facilities. The Bank reviews and validates the MRA rating system on a regular basis – calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor such as changes in the audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment.

Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores, derived from an automated credit scoring platform and is not subject to the Moody's rating system.

The Bank’s internal credit rating grades:

Internal rating grade	Internal rating description	12 month Point in Time (PIT) PD
Performing		
1	Almost Credit Risk Free	0.030%
2+	Almost Credit Risk Free	0.030%
2	Almost Credit Risk Free	0.030%
2-	Almost Credit Risk Free	0.087%
3+	Exceptionally Strong Credit Risk	0.088%
3	Exceptionally Strong Credit Risk	0.090%
3-	Exceptionally Strong Credit Risk	0.107%
4+	Exceptionally Strong Credit Risk	0.248%
4	Excellent Credit Risk	0.327%
4-	Excellent Credit Risk	0.483%
5+	Good Credit Quality	0.862%
5	Good Credit Quality	1.398%
5-	Good Credit Quality	2.672%
6+	Satisfactory Credit Quality	3.901%
6	Satisfactory Credit Quality	5.733%
6-	Borderline Credit Quality	9.371%
7	Weak Credit Quality	31.424%
Non-performing		
8	First stage of default	100.000%
9	Default / substantial difficulty	100.000%
10	Write - Off	100.000%

Impairment Framework

The Bank compares the risk of default at the reporting date with the risk of default at the date of origination. If the change in credit assessment is significant, the obligor is moved from Stage 1 to Stage 2 or Stage 2 to Stage 3. The PD is then changed from a 12-month point-in-time PD to a lifetime PD. The Bank groups its credit exposures on the basis of shared credit risk characteristics with the objective of facilitating analysis designed to identify significant increases in the credit risk on a timely basis. Given below are the most important types of the shared credit risk characteristics:

a) Type of exposure
b) Obligor risk rating
c) Collateral type
d) Collateral value
e) Economic cycle and forward looking scenario
f) Date of origination

g) Remaining term to maturity
h) Geographical location of the obligor
i) Industry

The Bank categorizes its financial assets into three stages of impairment, in accordance with IFRS 9 methodology:

- **Stage 1 Performing assets –** Financial asset(s) at origination or existing financial assets, at the reporting date, with no significant increase in credit risk since origination: The Bank recognizes an impairment allowance amounting to 12-month expected credit losses using a point-in-time PD (an estimate of the probability of default over the next 12 months). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 2 Underperforming assets –** Financial asset(s) that have significantly deteriorated in credit quality since origination: In determining whether a significant risk has occurred since initiation, the bank assesses the change, if any, in the risk of default over the expected life of the financial asset. The trigger point for classifying an account to Stage 2 and the consequent calculation of lifetime expected credit loss is based on past due obligations (rebuttable assumption if payments are more than 30 days past due). However, the most important consideration for categorization to Stage 2 is a determination by the Credit Committee that the credit quality has deteriorated to the degree defined by the IFRS 9 guidelines. For retail borrowers, over 30 days past due is typically the trigger point for Stage 2 Classification. The Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD (an estimate of the probability of default over the life of the asset). Profits associated with the asset are recognized on the basis of gross carrying value.

- **Stage 3 Credit -impaired assets (non-performing assets) –** Financial asset(s) that show objective evidence of impairment: For credit impaired financial asset(s), the Bank recognizes impairment amounting to lifetime expected credit losses using a lifetime PD as in stage 2. Profits associated with the asset are recognized on the basis of net carrying value.

Definition of 'Default'

The Bank follows the Basel definition for default i.e. "The borrower is more than 90 days past due on principal or profit on any material obligation to the Bank".

Write offs

The Bank writes off any financing exposure in whole or in part, only when it has exhausted all practical recovery and remedial efforts and has concluded that there is no reasonable expectation of recovery in the foreseeable future. The write off are made after obtaining required approval. The write-off does not dilute the Bank's recovery and collection efforts including legal recourse.

Impairment – Stage Assessment and Expected Credit Loss Estimation

The Bank recognizes impairment on an on-going basis by calculating the expected credit loss (ECL) at each reporting period. The IFRS 9 methodology requires a forward-looking approach considering ECL for impairment rather than incurred losses.

By definition, all accounts in the financing portfolio of the Bank are categorized as Stage 1, unless these assets qualify under the rules and guidelines for impairment under the two stages which are "underperforming" Stage 2, and "Impaired," Stage 3. The levels of Credit Risk are described below:

Credit Losses (CL)

Credit Loss simply defined, is the difference between all the contractual cash flows that are due to the Bank and the NPV of the expected reduced cash flows discounted at the applicable effective rate, in view of certain circumstances that affect the borrower's ability to repay its original obligations. Credit loss could be the total contractual cash flows (100% credit loss), or a portion of the contractual cash flows.

Lifetime expected credit losses

Lifetime expected credit loss is the expected present value of losses that may arise if a borrower defaults on its obligations at some time during the life of the financial asset. This is equivalent to the shortfalls in contractual cash flows, taking into account the potential or the probability of default at any point in time during the life of the asset.

12- Month Expected credit losses

The 12 – month expected credit loss is a portion of the lifetime expected credit loss which is calculated by multiplying the probability of default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default. They are not the expected cash shortfalls over the next 12 months or the forecast of default in next 12 months but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. An asset moves from 12 – month expected credit losses (Stage 1) to lifetime expected credit loss (Stage 2) when there has been a significant deterioration in credit quality since initial recognition. Lifetime expected credit loss is also applied for obligors classified in stage 3.

Probability of Default

Probability of Default ("PD") is a critical attribute in credit risk assessment. It is used to compute the expected credit loss. Alinma Bank starts by using is credit risk models to assign a risk rating for an obligor (obligor risk rating). Each obligor risk rating is mapped to a probability of default, a point-in-time estimate of the probability of default over a 12-month period. A macroeconomic forecast is then used to calculate a multi-period probability of default; these multi-period (or term structure PD) are then used in the calculation of lifetime expected credit losses. The Bank formulates three forward-looking scenarios of the economic cycle to generate an estimate of the Term Structure PD (which is the expected migration of PD up or down, depending on the various stages of the economic cycle.) For example, it can be expected that if the economic environment is on a down-swing, the PD of an obligor which is already stressed and is classified under Stage 2 with clear signs of credit weaknesses, will tend to deteriorate. Conversely, if the economic environment is on an up-swing, the PD of a similar obligor will tend to improve. The Bank has incorporated in its lifetime PD an adjustment factor for survivability which recognizes that if a stressed obligor survives over a longer period of time, this indicates that the probability of default is reduced.

Loss Given Default

Loss Given Default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.
Alinma uses the following LGD Rules matrix:

For non-secured exposures, Alinma uses an LGD of 50% as the minimum for ECL IFRS 9 calculation covering all 3 stage classifications.

For Secured exposures, the LGD Rules grid for retail and corporate facilities takes advantage of the eligible collateral values starting with an LGD of 20% as the minimum considering the following factors:

- Forecast of future collateral valuations, including expected sale discounts
- Time to realization of collateral (and other recoveries)
- External costs of realization of collateral

Sensitivity analysis

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by Bank:

2020	SAR '000			
	Due from banks and other financial institutions	Investments	Financing	Provision for credit-related commitments
Base case (most likely)	**2,286**	**8,989**	**3,300,881**	**348,536**
Up turn	**2,286**	**8,767**	**3,267,106**	**345,011**
Down turn	**2,286**	**9,188**	**3,334,107**	**354,176**

2019	SAR '000			
	Due from banks and other financial institutions	Investments	Financing	Provision for credit-related commitments
Base case (most likely)	1,530	25,185	2,584,758	179,937
Up turn	1,530	25,185	2,583,733	179,933
Down turn	1,626	27,889	2,633,771	184,807

The base case scenario represents a most-likely outcome. In the up turn scenario, weightings are 50% for baseline assumptions, 10% for optimistic assumptions and 40% for pessimistic assumptions. In the down turn scenario, weightings are 50% for baseline assumptions and 50% for pessimistic assumptions.

Consideration due to COVID-19:

In response to the impacts of COVID-19, various support programmes have been offered to the customers either voluntarily by the Bank or on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer to note 37 for further details). The exercise of the deferment option, in its own, is not considered by the Bank as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Bank's credit evaluation process, due to the current economic situation after effects of lock down, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where the indicators of significant deterioration were noted, the customers' credit ratings and the staging of their exposure were adjusted, where applicable.

No change has been made in the backstop criteria for all types of exposures.

As at December 31, 2020, the scenario assumptions are updated to reflect the current situation of COVID-19. This included an assessment of the support of the Government's actions, the response of business and customers (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The Bank has updated its forward-looking variables (key economic drivers), refer below table.

The Bank considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19. In addition to the base case forecast which reflects the negative economic impact as compared to last year as a consequence of COVID-19, greater weighting has been applied to the downside scenario given the Bank's assessment of downside risks and lesser weighting has been applied to upside scenario.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data. To account for the impact of COVID-19, the Bank has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic Indicators	Forecast calendar years used in 2020 ECL model		
	2020	2019	2018
Gross Domestic Product (GDP) (in SAR billions)	1,695	1,785	1,863
GDP per capita (SAR)	72,583	73,610	74,005
Total government expenditures as % of GDP	37.02	35.01	34.24
Gross national savings as % of GDP	24.14	24.46	24.61

The PD, EAD and LGD models are subject to the Bank's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

During the period, the Bank has made following changes in its ECL methodology to reflect the validation exercise undertaken by the Bank:

a. Updating of the forward-looking macroeconomic indicators;

b. Updating of the weighted average PDs; and,

c. Updating of the criteria used in determining SICR for retail portfolio.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement evaluation based over periodic independent model validation and back-testing exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by various assumptions, management expert judgement and uncertainty and therefore, the actual outcomes may be different than those projected.

27.1.1 Due from banks and other financial institutions by risk rating

	2020 SAR'000	2019 SAR'000
	12-month ECL	
Due from banks and other financial institutions		
Grades 1-4: investment grade	**417,027**	2,135,611
Grades 5-6: below investment grade	**23,134**	8,833
Unrated	**5,127**	1,355
Gross	**445,288**	2,145,799
Allowance for impairment	**(2,286)**	(1,530)
Net	**443,002**	2,144,269

27.1.2 Sukuk and Murabaha investments by risk rating

	2020 SAR'000	2019 SAR'000
	12-month ECL	
Murabahas with SAMA investments – amortized cost		
Grades 1-4: investment grade	**4,905,571**	1,912,152
Sukuk investments – amortized cost		
Grades 1-4: investment grade	**17,790,240**	15,574,417
Grades 5-6: below investment grade	**56,480**	56,476
	17,846,720	15,630,893
Sukuk investments – FVOCI		
Grades 1-4: investment grade	**4,124,556**	3,406,416
Grades 5-6: below investment grade	**216,195**	-
	4,340,751	3,406,416
Murabahas with SAMA and Sukuk investments - Total		
Grades 1-4: investment grade	**26,820,367**	20,892,985
Grades 5-6: below investment grade	**272,675**	56,476
Gross	**27,093,042**	20,949,461
Allowance for impairment	**(8,989)**	(25,185)
Net	**27,084,053**	20,924,276

Credit exposures to Banks, financial institutions and investment in sukuks are investment grade exposures in the range of "substantially risk free to very good credit risk quality" based on external credit ratings, hence are measured at 12-month ECL.

27.1.3 Financing to customer by risk rating

	SAR'000			
	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired (non-Performing)	Total
Financing to customers (at amortized cost) – Retail				
Unrated	23,566,088	377,968	-	23,944,056
Impaired financing	-	-	256,327	256,327
Gross financing	23,566,088	377,968	256,327	24,200,383
Allowance for impairment	(430,227)	(95,838)	(140,371)	(666,436)
	23,135,861	282,130	115,956	23,533,947
Financing to customers (at amortized cost) – Corporate				
Grades 1-4: investment grade	29,249,716	-	-	29,249,716
Grades 5-6: below investment grade	52,116,666	3,876,914	-	55,993,580
Grades 7: Watch-list	-	2,456,110	-	2,456,110
Impaired financing	-	-	2,596,651	2,596,651
Gross financing	81,366,382	6,333,024	2,596,651	90,296,057
Allowance for impairment	(406,112)	(863,450)	(1,364,883)	(2,634,445)
	80,960,270	5,469,574	1,231,768	87,661,612
Financing to customers (at amortized cost) – Total				
Grades 1-4: investment grade	29,249,716	-	-	29,249,716
Grades 5-6: below investment grade	52,116,666	3,876,914	-	55,993,580
Grades 7: Watch-list	-	2,456,110	-	2,456,110
Unrated	23,566,088	377,968	-	23,944,056
Impaired financing	-	-	2,852,978	2,852,978
Gross financing	104,932,470	6,710,992	2,852,978	114,496,440
Allowance for impairment	(836,339)	(959,288)	(1,505,254)	(3,300,881)
Financing, net	104,096,131	5,751,704	1,347,724	111,195,559

	SAR'000			
	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired (non-Performing)	Total
Financing to customers (at amortized cost) – Retail				
Unrated (Retail)	19,454,511	311,686	-	19,766,197
Impaired financing	-	-	340,493	340,493
Gross financing	19,454,511	311,686	340,493	20,106,690
Allowance for impairment	(296,409)	(55,776)	(216,421)	(568,606)
	19,158,102	255,910	124,072	19,538,084
Financing to customers (at amortized cost) – Corporate				
Grades 1-4: investment grade	27,606,116	-	-	27,606,116
Grades 5-6: below investment grade	41,888,928	4,805,091	-	46,694,019
Grades 7: Watch-list	-	1,477,090	-	1,477,090
Impaired financing	-	-	1,502,241	1,502,241
Gross financing	69,495,044	6,282,181	1,502,241	77,279,466
Allowance for impairment	(407,034)	(692,353)	(916,765)	(2,016,152)
	69,088,010	5,589,828	585,476	75,263,314
Financing to customers (at amortized cost) – Total				
Grades 1-4: investment grade	27,606,116	-	-	27,606,116
Grades 5-6: below investment grade	41,888,928	4,805,091	-	46,694,019
Grades 7: Watch-list	-	1,477,090	-	1,477,090
Unrated (Retail)	19,454,511	311,686	-	19,766,197
Impaired financing	-	-	1,842,734	1,842,734
Gross financing	88,949,555	6,593,867	1,842,734	97,386,156
Allowance for impairment	(703,443)	(748,129)	(1,133,186)	(2,584,758)
Financing, net	88,246,112	5,845,738	709,548	94,801,398

Rating Scale (1 – 4) represents:	Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.
Rating Scale (5 – 6) represents:	Good to Satisfactory credit quality.
Rating Scale (7) represents:	Watch list category.

27.1.4 Aging of financing (Past due but not impaired):

2020			SAR '000
	Retail	Corporate	Total
From 1 day to 30 days	**459,436**	**2,902,087**	**3,361,523**
From 31 days to 90 days	**349,206**	**92,417**	**441,623**
From 91 days to 180 days	**-**	**-**	**-**
More than 180 days	**-**	**467,186**	**467,186**
Total	**808,642**	**3,461,690**	**4,270,332**

2019			SAR '000
	Retail	Corporate	Total
From 1 day to 30 days	623,330	744,922	1,368,252
From 31 days to 90 days	456,999	533,062	990,061
From 91 days to 180 days	-	25,956	25,956
More than 180 days	-	929,883	929,883
Total	1,080,329	2,233,823	3,314,152

27.1.5 Commitments and contingencies by risk rating

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired (non-Performing)	Total
2020	SAR'000			
Commitments and contingencies				
Grades 1-4: investment grade	**1,083,405**	**-**	**-**	**1,083,405**
Grades 5-6: below investment grade	**5,859,056**	**1,159,708**	**-**	**7,018,764**
Grades 7: Watch-list	**-**	**7,661**	**-**	**7,661**
Unrated	**754,811**	**-**	**-**	**754,811**
Impaired	**-**	**-**	**411,224**	**411,224**
Total amount at credit equivalents	**7,697,272**	**1,167,369**	**411,224**	**9,275,865**
Provision for credit-related commitments	**51,330**	**53,735**	**243,471**	**348,536**

	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
2019	SAR'000			
Commitments and contingencies				
Grades 1-4: investment grade	772,613	-	-	772,613
Grades 5-6: below investment grade	5,792,411	249,027	-	6,041,438
Grades 7: Watch-list	-	1,303,221	-	1,303,221
Unrated	576,526	12,770	-	589,296
Impaired	-	-	106,532	106,532
Total amount at credit equivalents	7,141,550	1,565,018	106,532	8,813,100
Provision for credit-related commitments	49,305	50,895	79,737	179,937

27.2 Economic sectors risk concentration for financing and allowance for impairment are as follows:

2020	SAR'000			
	Performing	Non-performing	Life time ECL for credit impaired financing	Financing, net
Government and quasi government	**10,044,622**	**-**	**-**	**10,044,622**
Manufacturing	**12,089,524**	**1,176,077**	**(694,557)**	**12,571,044**
Electricity, water, gas & health services	**3,291,654**	**-**	**-**	**3,291,654**
Building and construction	**5,955,434**	**831,978**	**(345,586)**	**6,441,826**
Services	**13,992,848**	**33,134**	**(13,823)**	**14,012,159**
Mining	**1,900,119**	**-**	**-**	**1,900,119**
Agriculture	**3,798,740**	**-**	**-**	**3,798,740**
Consumer financing	**23,944,056**	**256,327**	**(140,371)**	**24,060,012**
Transportation and communication	**4,992,143**	**-**	**-**	**4,992,143**
Commerce	**9,695,974**	**349,025**	**(248,985)**	**9,796,014**
Real estate business	**14,697,066**	**206,437**	**(61,932)**	**14,841,571**
Others	**7,241,282**	**-**	**-**	**7,241,282**
	111,643,462	**2,852,978**	**(1,505,254)**	**112,991,186**
ECL against performing financing				**(1,795,627)**
Financing, net				**111,195,559**

2019	SAR'000			
	Performing	Non-performing	Allowance for impairment	Financing, net
Government and quasi government	5,800,169	-	-	5,800,169
Manufacturing	10,115,903	617,584	(318,437)	10,415,050
Electricity, water, gas & health services	2,226,299	-	-	2,226,299
Building and construction	6,883,962	202,437	(217,219)	6,869,180
Services	7,717,897	30,000	(23,419)	7,724,478
Mining	407,544	-	-	407,544
Agriculture	3,330,798	-	-	3,330,798
Consumer financing	19,766,197	340,493	(216,421)	19,890,269
Transportation and communication	5,130,399	-	-	5,130,399
Commerce	8,675,109	445,783	(292,144)	8,828,748
Real estate business	20,620,961	206,437	(65,546)	20,761,852
Others	4,868,184	-	-	4,868,184
	95,543,422	1,842,734	(1,133,186)	96,252,970
ECL against performing financing				(1,451,572)
Financing, net				94,801,398

27.3 Collateral

The Bank, in the ordinary course of business holds collaterals as security to mitigate credit risk. These collaterals mostly include customers' deposits, financial guarantees, equities, real estate and other fixed assets. As at December 31, 2020 the Bank held collaterals of SAR 138,316 million (2019: SAR 136,643 million) against its secured financing

The amount of collaterals held as security for financing that are credit-impaired are as follows:

	2020 SAR'000	2019 SAR'000
Collateral coverage		
Less than 50%	**972,815**	1,061,209
51% to 70%	**-**	30,405
More than 70%	**1,880,163**	751,120
Total	**2,852,978**	1,842,734

The Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collaterals held by the Bank.

The following table sets out the principal types of collateral held against financing.

	2020 SAR'000	2019 SAR'000
Types of Collateral		
Real estate and fixed assets	**98,857,438**	99,139,557
Shares	**12,714,069**	4,194,732
Others	**26,744,148**	33,308,205
Total	**138,315,655**	136,642,494

27.4 Geographical concentration of financial assets, financial liabilities, commitments and contingencies are as follows:

2020	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
					SAR'000
Financial assets					
Cash and balances with SAMA	12,207,742	-	-	-	12,207,742
Due from banks and other financial institutions					
Current accounts	-	8,989	140,566	293,447	443,002
Murabaha and Wakala with banks	-	-	-	-	-
Investments, net					
Investments held at amortized cost	22,686,822	56,480	-	-	22,743,302
Investments held at FVOCI	4,426,294	87,753	2,074	-	4,516,121
Investments held at FVSI	1,915,520	-	-	270,033	2,185,553
Investments in associate and joint venture	80,818	-	-	-	80,818
Financing, net					
Retail	23,533,947	-	-	-	23,533,947
Corporate	84,765,955	-	-	2,895,657	87,661,612
Other assets	478,164	-	-	-	478,164
Total financial assets	150,095,262	153,222	142,640	3,459,137	153,850,261
Financial liabilities					
Due to SAMA, banks and other financial institutions					
Demand	21,084	-	-	-	21,084
Time investments and due to SAMA	7,046,498	122,522	-	121,930	7,290,950
Customers' deposits					
Demand, savings and others	69,275,251	-	-	-	69,275,251
Customer's time investments	50,179,027	-	-	-	50,179,027
Other liabilities	5,165,953	-	-	-	5,165,953
Total financial liabilities	131,687,813	122,522	-	121,930	131,932,265
Commitments and contingencies:					
Letters of credit	2,206,196	-	-	-	2,206,196
Letters of guarantee	11,185,117	-	-	-	11,185,117
Acceptances	461,108	-	-	-	461,108
Irrevocable commitments to extend credit	69,441	-	-	-	69,441
	13,921,862	-	-	-	13,921,862
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:					
Letters of credit	441,239	-	-	-	441,239
Letters of guarantee	8,359,629	-	-	-	8,359,629
Acceptances	461,109	-	-	-	461,109
Irrevocable commitments to extend credit	13,888	-	-	-	13,888
Total maximum credit exposure	9,275,865	-	-	-	9,275,865

2019	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
					SAR'000
Financial assets					
Cash and balances with SAMA	8,039,748	-	-	-	8,039,748
Due from banks and other financial institutions					
Current accounts	-	8,199	182,455	66,133	256,787
Murabaha and Wakala with banks	99,753	1,337,617	450,112	-	1,887,482
Investments, net					
Investments held at amortized cost	17,461,712	56,148	-	-	17,517,860
Investments held at FVOCI	3,539,469	88,434	753	-	3,628,656
Investments held at FVSI	1,860,639	-	-	394,221	2,254,860
Investments in associate and joint venture	76,284	-	-	-	76,284
Financing, net					
Retail	19,538,084	-	-	-	19,538,084
Corporate	72,185,026	-	-	3,078,288	75,263,314
Other assets	388,769	-	-	-	388,769
Total financial assets	123,189,484	1,490,398	633,320	3,538,642	128,851,844
Financial liabilities					
Due to SAMA, banks and other financial institutions					
Demand	42,729	-	55	22,287	65,071
Time investments	1,981,149	1,115,188	-	128,436	3,224,773
Customers' deposits					
Demand, savings and others	57,665,486	-	-	-	57,665,486
Customer's time investments	44,397,349	-	-	-	44,397,349
Other liabilities	3,745,141	-	-	-	3,745,141
Total financial liabilities	107,831,854	1,115,188	55	150,723	109,097,820
Commitments and contingencies:					
Letters of credit	2,884,336	-	-	-	2,884,336
Letters of guarantee	10,514,834	-	-	-	10,514,834
Acceptances	338,540	-	-	-	338,540
Irrevocable commitments to extend credit	417,788	-	-	-	417,788
	14,155,498	-	-	-	14,155,498
Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies					
Letters of credit	576,867	-	-	-	576,867
Letters of guarantee	7,814,136	-	-	-	7,814,136
Acceptances	338,540	-	-	-	338,540
Irrevocable commitments to extend credit	83,557	-	-	-	83,557
Total maximum credit exposure	8,813,100	-	-	-	8,813,100

27.5 The distributions by geographical concentration of non performing financing and allowances for impairment on financing are as follows:

2020					SAR'000
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non-performing financing, net					
Retail	**256,327**	**-**	**-**	**-**	**256,327**
Corporate	**2,596,651**	**-**	**-**	**-**	**2,596,651**
Total	**2,852,978**	**-**	**-**	**-**	**2,852,978**
Allowances for impairment on financing					
Retail	**666,436**	**-**	**-**	**-**	**666,436**
Corporate	**2,634,445**	**-**	**-**	**-**	**2,634,445**
Total	**3,300,881**	**-**	**-**	**-**	**3,300,881**

2019					SAR'000
	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
Non performing financing, net					
Retail	340,493	-	-	-	340,493
Corporate	1,502,241	-	-	-	1,502,241
Total	1,842,734	-	-	-	1,842,734
Allowances for impairment on financing					
Retail	568,606	-	-	-	568,606
Corporate	2,016,152	-	-	-	2,016,152
Total	2,584,758	-	-	-	2,584,758

28. Market risk

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. The Bank classifies exposures to market risks into either trading or non-trading (or banking book).

i. Market risk – trading book

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into consolidated statement of income.

ii. Market risk – non trading book

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on investments held at "FVOCI".

28.1 Profit rate risk

It arises from changes in profit rates which will affect either the fair values or the future cash flows of the financial instruments. The Board has established profit rate gap limits which are regularly monitored by ALCO. Treasury imputes the funding costs based on the yield curve and the margins are also adjusted to account for liquidity premium based on the duration of the financing.

Following table depicts the sensitivity on the Bank's consolidated statement of income or shareholders' equity due to reasonably possible changes in profit rates, with other variables held constant. The sensitivity is the effect of the assumed changes in profit rates on the net income or equity, based on profit bearing non-trading financial assets and financial liabilities as of the reporting date after taking in to account their respective maturities and re-pricing structure. Due to insignificant foreign currency exposures of profit bearing financial assets and liabilities in banking book, all the banking book exposures are monitored only in reporting currency.

2020						
		Sensitivity of equity (SAR '000)				
Increase/decrease in basis points	**Sensitivity of net income**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
+10	**(16,316)**	**2,090**	**2,810**	**5,889**	**(174,808)**	**(164,019)**
-10	**16,316**	**(2,090)**	**(2,810)**	**(5,889)**	**174,808**	**164,019**

2019						
		Sensitivity of equity (SAR '000)				
Increase/decrease in basis points	**Sensitivity of net income**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
+10	(15,532)	2,659	(5,137)	12,265	(144,698)	(134,911)
-10	15,532	(2,659)	5,137	(12,265)	144,698	134,911

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 SAR and the LIBOR for USD 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 loans usually require a higher profit rate) based on marginal costs of funds.

The table below summarizes the Bank's exposure to profit rate risks. Included in the table are the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-profit bearing	Total SAR'000
Assets						
Cash and balances with SAMA	3,315,862	-	-	-	8,891,880	12,207,742
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	443,002	443,002
Murabaha and Wakala with banks	-	-	-	-	-	-
Investments, net						
Investments held at amortized cost	4,404,559	501,012	10,320,156	7,517,575		22,743,302
Investments held at FVOCI	39,327	37,742	1,633,990	2,629,692	175,370	4,516,121
Investments held at FVSI	-	-	-	-	2,185,553	2,185,553
Investments in associate and joint venture	-	-	-	-	80,818	80,818
Financing, net						
Retail	1,133,537	3,108,932	10,877,835	8,413,643	-	23,533,947
Corporate	17,675,479	26,841,272	26,471,536	16,673,325	-	87,661,612
Property and equipment, net	-	-	-	-	2,365,286	2,365,286
Other assets	-	-	-	-	1,139,420	1,139,420
Total assets	26,568,764	30,488,958	49,303,517	35,234,235	15,281,329	156,876,803
Liabilities & shareholders' equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	21,084	21,084
Time investments and due to SAMA	519,465	5,323,530	1,447,955	-	-	7,290,950
Customer deposits						
Demand, savings and others	5,360,542	-	-	-	63,914,709	69,275,251
Customer's Time investments	27,374,176	21,699,684	1,102,035	3,132		50,179,027
Amounts due to Mutual Funds' unitholders	-	-	-	-	110,381	110,381
Other liabilities	-	-	-	-	5,571,323	5,571,323
Shareholders' equity	-	-	-	-	24,428,787	24,428,787
Total liabilities & shareholders' equity	33,254,183	27,023,214	2,549,990	3,132	94,046,284	156,876,803
Yield sensitivity - On statement of financial position	(6,685,419)	3,465,744	46,753,527	35,231,103	(78,764,955)	-
Yield sensitivity - Off statement of financial position	11,476,516	957,262	1,385,578	102,506	-	13,921,862
Total yield sensitivity gap	4,791,097	4,423,006	48,139,105	35,333,609		
Cumulative yield sensitivity gap	4,791,097	9,214,103	57,353,208	92,686,817		

2019						SAR'000
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-profit bearing	Total
Assets						
Cash and balances with SAMA	-	-	-	-	8,039,748	8,039,748
Due from banks and other financial institutions:						
Current accounts	-	-	-	-	256,787	256,787
Murabaha and Wakala with banks	1,887,482	-	-	-	-	1,887,482
Investments, net						
Investments held at amortized cost	4,995	-	10,357,876	7,154,989	-	17,517,860
Investments held at FVOCI	-	-	1,151,723	2,254,693	222,240	3,628,656
Investments held at FVSI	-	-	-	-	2,254,860	2,254,860
Investments in associate and joint venture	-	-	-	-	76,284	76,284
Financing, net						
Retail	1,233,816	2,826,872	9,351,334	6,126,062	-	19,538,084
Corporate	17,938,506	25,055,159	17,812,042	14,457,607	-	75,263,314
Property and equipment, net	-	-	-	-	2,413,893	2,413,893
Other assets	-	-	-	-	962,473	962,473
Total assets	21,064,799	27,882,031	38,672,975	29,993,351	14,226,285	131,839,441
Liabilities & shareholders' equity						
Due to SAMA, banks and other financial institutions						
Demand	-	-	-	-	65,071	65,071
Time investments	3,224,773	-	-	-	-	3,224,773
Customer deposit						
Demand	3,433,650	-	-	-	54,231,836	57,665,486
Customer's Time investments	27,898,203	15,161,648	1,334,357	3,141	-	44,397,349
Other liabilities	-	-	-	-	4,041,838	4,041,838
Shareholders' equity	-	-	-	-	22,444,924	22,444,924
Total liabilities & shareholders' equity	34,556,626	15,161,648	1,334,357	3,141	80,783,669	131,839,441
Yield sensitivity - On statement of financial position	(13,491,827)	12,720,383	37,338,618	29,990,210	(66,557,384)	-
Yield sensitivity - Off statement of financial position	3,293,679	7,396,619	3,414,011	51,189	-	14,155,498
Total yield sensitivity gap	(10,198,148)	20,117,002	40,752,629	30,041,399		
Cumulative yield sensitivity gap	(10,198,148)	9,918,854	50,671,483	80,712,882		

28.2 Currency risk

Currency risk represents the risks of change of value of financial instruments due to changes in foreign exchange rates. The Bank's Risk Appetite Framework and policies contain limits for positions by currencies. However, the Bank has negligible exposure in foreign currencies because its assets and liabilities are primarily denominated in Saudi Riyals and to a smaller extent in United States Dollars (USD) or in USD pegged currencies.

The Bank has the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2020 SAR'000	2019 SAR'000
Assets		
Cash and balances with SAMA	**164,585**	155,911
Due from banks and other financial institutions	**444,229**	1,570,616
Investments, net	**607,118**	539,028
Financing, net	**3,083,237**	3,265,853
Other assets	**4,829**	26,728
Total currency risk on assets	**4,303,998**	5,558,136
Liabilities		
Due to SAMA, banks and other financial institutions	**636,912**	579,119
Customers' deposits	**2,935,545**	4,597,196
Other liabilities	**267,537**	217,237
Total currency risk on liabilities	**3,839,994**	5,393,552
Net position – asset	**464,004**	164,584

The table below shows the currencies to which the Bank has a significant exposure as at December 31:

	2020 SAR'000	2019 SAR'000
USD	**401,906**	197,992
Euro	**855**	(53,048)
UAE Dirham	**33,794**	5,398
BHD	**3,307**	1,957
QAR	**166**	(75)
Others	**23,976**	12,360
Total	**464,004**	164,584

	SAR'000		
	Change in Currency %	Effect on Net Income	Effect on Equity
Currency Exposures as at December 31, 2020			
Euro	**±5%**	**±249**	**±249**
Currency Exposures as at December 31, 2019			
Euro	±5%	±2,652	±2,652

28.3 Equity price risk

Equity price risk refers to the risk of decrease in fair values of equities as a result of changes in the levels of equity index and the value of individual stocks.

The effect on the Bank's equity investments held at FVOCI due to reasonable possible change in equity index, with all other variables held constant is as follows:

	2020		2019	
	SAR'000		SAR'000	
Market index-(Tadawul)	**Increase/decrease in market prices%**	**Effect on equity**	Increase/decrease in market prices%	Effect on equity
Impact of change in market prices	±10%	± 15,740	±10%	± 20,559

29. 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 immediately. To mitigate this risk, the Bank has diversified funding sources and assets are managed taking liquidity into consideration, maintaining an adequate balance of cash and cash equivalents. The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the liquidity risk of the Bank.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of customers' time investments.

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at December 31, 2020 and 2019 based on contractual undiscounted repayment obligations whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

As profit payments up to contractual maturity are included in the table, totals do not match with the figures as appearing in the consolidated statement of financial position.

2020						**SAR'000**
	Within 3 months	**3 months to 12 months**	**1 to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Liabilities						
Due to SAMA, banks and other financial institutions						
Demand	**21,084**	**-**	**-**	**-**	**-**	**21,084**
Time investments and due to SAMA	**519,629**	**5,354,215**	**1,507,792**	**-**	**-**	**7,381,636**
Customers' deposits						
Demand, savings and others	**69,275,251**	**-**	**-**	**-**	**-**	**69,275,251**
Customer's time investments	**27,403,756**	**21,807,280**	**1,203,073**	**3,930**	**-**	**50,418,039**
Other liabilities	**-**	**-**	**-**	**-**	**5,681,704**	**5,681,704**
Total liabilities	**97,219,720**	**27,161,495**	**2,710,865**	**3,930**	**5,681,704**	**132,777,714**

2019						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to SAMA, banks and other financial institutions						
Demand	65,071	-	-	-	-	65,071
Time investments	3,226,090	-	-	-	-	3,226,090
Customers' deposits						
Demand, savings and others	57,665,486	-	-	-	-	57,665,486
Customer's time investments	27,954,767	15,340,464	1,439,504	4,194	-	44,738,929
Other liabilities	-	-	-	-	4,041,838	4,041,838
Total liabilities	88,911,414	15,340,464	1,439,504	4,194	4,041,838	109,737,414

b) The tables below show the maturity profile of the assets and liabilities:

The maturities of assets and liabilities have been determined on the basis of the remaining period at reporting date and does not reflects the effective maturities as indicated by the historical experience.

2020						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	12,207,742	-	-	-	-	12,207,742
Due from banks and other financial institutions:						
Current accounts	443,002	-	-	-	-	443,002
Murabaha and Wakala with banks	-	-	-	-	-	-
Investments, net						
Investments held at amortized cost	4,404,559	501,012	10,320,156	7,517,575	-	22,743,302
Investments held at FVOCI	39,327	37,742	1,791,393	2,629,691	17,968	4,516,121
Investments held at FVSI	-	2,185,553	-	-	-	2,185,553
Investments in associate and joint venture	-	-	-	-	80,818	80,818
Financing, net						
Retail	1,133,537	3,108,932	10,877,835	8,413,643	-	23,533,947
Corporate	9,805,729	17,430,974	35,630,383	24,794,526	-	87,661,612
Property and equipment, net	-	-	-	-	2,365,286	2,365,286
Other assets	-	-	-	-	1,139,420	1,139,420
Total assets	28,033,896	23,264,213	58,619,767	43,355,435	3,603,492	156,876,803
Liabilities and shareholders' equity						
Due to SAMA, banks and other financial institutions						
Demand	21,084	-	-	-	-	21,084
Time investments and due to SAMA	519,465	5,323,530	1,447,955	-	-	7,290,950
Customers' deposits						
Demand, savings and others	69,275,251	-	-	-	-	69,275,251
Customer's time investments	27,374,176	21,699,684	1,102,035	3,132	-	50,179,027
Amount due to Mutual Funds' unitholders	-	-	-	-	110,381	110,381
Other liabilities	-	-	-	-	5,571,323	5,571,323
Shareholders' equity	-	-	-	-	24,428,787	24,428,787
Total liabilities and shareholders' equity	97,189,976	27,023,214	2,549,990	3,132	30,110,491	156,876,803
Commitments & contingencies						
Letters of credit	2,203,293	2,530	97	276	-	2,206,196
Letters of guarantee	8,814,595	885,291	1,385,481	99,750	-	11,185,117
Acceptances	458,628	-	-	2,480	-	461,108
Irrevocable commitments to extend credit	-	69,441	-	-	-	69,441

2019						SAR'000
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	8,039,748	-	-	-	-	8,039,748
Due from banks and other financial institutions:						
Current accounts	256,787	-	-	-	-	256,787
Murabaha and Wakala with banks	1,887,482	-	-	-	-	1,887,482
Investments, net						
Investments at amortized cost	4,995	-	10,357,876	7,154,989	-	17,517,860
FVOCI investments	-	-	1,357,317	2,254,693	16,646	3,628,656
FVSI investments	-	2,254,860	-	-	-	2,254,860
Investments in associate and joint venture	-	-	-	-	76,284	76,284
Financing, net						
Retail	1,233,816	2,826,872	9,351,334	6,126,062	-	19,538,084
Corporate	8,562,967	17,091,379	25,380,078	24,228,890	-	75,263,314
Property and equipment, net	-	-	-	-	2,413,893	2,413,893
Other assets	-	-	-	-	962,473	962,473
Total assets	19,985,795	22,173,111	46,446,605	39,764,634	3,469,296	131,839,441
Liabilities and shareholders' equity						
Due to SAMA, banks and other financial institutions						
Demand, savings and others	65,071	-	-	-	-	65,071
Customer's time investments	3,224,773	-	-	-	-	3,224,773
Customers' deposits						
Demand	57,665,486	-	-	-	-	57,665,486
Customer's Time investments	27,898,203	15,161,648	1,334,357	3,141	-	44,397,349
Other liabilities	-	-	-	-	4,041,838	4,041,838
Shareholders' equity	-	-	-	-	22,444,924	22,444,924
Total liabilities and shareholders' equity	88,853,533	15,161,648	1,334,357	3,141	26,486,762	131,839,441
Commitments & contingencies						
Letters of credit	1,343,158	1,432,839	108,072	267	-	2,884,336
Letters of guarantee	1,656,355	5,502,165	3,305,392	50,922	-	10,514,834
Acceptances	294,166	43,827	547	-	-	338,540
Irrevocable commitments to extend credit	-	417,788	-	-	-	417,788

30. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises throughout the Bank and from almost any activity.

The Bank has an Operational Risk Team as a part of Risk Management Group which is tasked with monitoring and controlling the operational risks of the Bank. Functions of this unit are guided by the Operational Risk Policy and Framework. To systematize the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through Risk Control and Self-Assessment (RCSA) along with establishing Key Risk Indicators (KRIs) for all business and support units. These risk metrics are proactively monitored by Operational Risk department on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and operational disaster recovery site.

31. Shariah non-compliance risk

Being an Islamic bank, the Bank is exposed to the risk of Sharia'a non-compliance. To mitigate such risk, extensive Sharia'a policies and procedures are in place. Further, the Bank has established a Sharia'a Board and a Sharia'a Compliance Audit Unit to monitor such risk.

32. Reputational risk

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability.

As an Islamic bank, one of the major sources of reputational risk is Sharia'a non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put in place controls around reputational risk in order to mitigate and avoid such risks. Currently, the Bank measures the reputational risk through a Scorecard based approach, where Risk Management Group compiles the results of assessments made by business heads to derive the Bank's overall reputational risk indicators.

33. Fair values of financial assets and liabilities

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying values included in the consolidated financial statements.

The Bank uses following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active market for the same instrument (i.e. without modification or repacking):

Level 2: quoted prices in active market 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.

Valuation technique and significant unobservable inputs for financial instruments at fair value

The Bank uses various valuation techniques used in measuring level 2 and Level 3 fair values at 31 December 2020 and 31 December 2019, as well as the significant unobservable inputs used.

For the valuation of investments in mutual funds, the Bank utilizes fund manager reports. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying assets classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk-adjusted discount rates, marketability and liquidity discounts and control premiums.

For the valuation of unquoted sukuk investments, the Bank utilizes valuation techniques such as discounted cash flows.

(a) Fair values of financial assets and liabilities carried at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2020				**SAR '000**
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held as FVSI				
- Equities	**92,784**	**1,958**	**-**	**94,742**
- Mutual funds	**96,820**	**1,793,211**	**200,780**	**2,090,811**
Financial assets held as FVOCI				
- Equities	**157,403**	**-**	**17,967**	**175,370**
- Sukuk	**1,196,088**	**3,144,663**	**-**	**4,340,751**
Total	**1,543,095**	**4,939,832**	**218,747**	**6,701,674**

2019				SAR '000
	Level 1	Level 2	Level 3	Total
Financial assets held as FVSI				
- Equities	57,688	1,960	-	59,648
- Mutual funds	78,820	1,899,880	216,512	2,195,212
Financial assets held as FVOCI				
- Equities	205,594	-	16,646	222,240
- Sukuk	790,564	2,615,852	-	3,406,416
Total	1,132,666	4,517,692	233,158	5,883,516

The movement in Level 3 FVSI financial instrument represents movement due to unrealized fair value loss of SAR 15.7 million (2019: fair value gain of SAR 21.6 million) which is included within the "(Loss)/income from FVSI financial instruments, net" in the consolidated statement of income. There are no transfers between Stage 1, 2 and 3 during the year.

(b) Fair values of financial assets and liabilities not carried at fair value

Management adopts discounted cash flow method using the current yield curve to arrive at the fair value of financial instruments. Following table shows the fair value of financial instruments carried at amortized cost.

SAR '000	2020		2019	
Assets	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Due from banks and other financial institutions	**443,002**	**443,002**	2,144,269	2,145,851
Investments – Murabaha with SAMA	**4,905,571**	**4,973,438**	1,912,152	1,913,983
Sukuks – Amortized Cost	**17,846,720**	**17,903,361**	15,630,893	15,322,031
Financing, net	**111,195,559**	**110,668,600**	94,801,398	94,373,405
Liabilities				
Due to banks and other financial institutions	**7,312,034**	**7,341,092**	3,289,844	3,289,889
Customers' deposits	**119,454,278**	**119,553,624**	102,062,835	102,118,314

34. Related party balances and transactions

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

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

	2020 SAR'000	2019 SAR'000
Directors, key management personnel, major shareholders and affiliates		
Financing to key management personnel	**26,114**	29,209
Financing to other related parties	**493,820**	520,950
Customers' deposits	**4,762,552**	10,211,674
Investments in associate and joint venture	**80,818**	76,284
Bank's mutual funds		
Investments in mutual funds	**1,665,653**	1,678,486
Financing to mutual funds	**2,627,303**	1,611,619
Deposits from mutual funds	**1,474,818**	692,303
Borrowings from mutual fund	**-**	100,633

Customer's deposits mainly include deposits from major shareholders, affiliates and directors.

i) Income and expenses pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	2020 SAR'000	2019 SAR'000
Income on financing	**125,129**	96,315
Return on time investments	**135,805**	93,117
Fee from banking services, net	**292,417**	270,362
Directors' remuneration	**5,766**	4,376

The advances and expenses related to executives are in line with the normal employment terms.

ii) The total amount of compensation to key management personnel during the year is as follow:

	2020 SAR'000	2019 SAR'000
Short-term employees benefits	**98,278**	66,530
End of service benefit	**1,231**	2,324

35. Capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank'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 by the Bank's management. SAMA requires to hold and maintain ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum of 8%.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from January 01, 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using Basel III framework.

In accordance with SAMA's Guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures issued on April 26, 2020, SAMA allowed the banks to add-back up to 100% of the Day 1 impact of IFRS-9 transitional adjustment amount to Common Equity Tier 1 (CET1) for the two years period comprising 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. The Bank has applied the aforementioned transitional arrangement in the calculation of the Bank's capital adequacy ratios effective March 31, 2020.

Previously, the Bank was applying the ECL accounting transitional arrangement for regulatory capital that allowed banks to transition Day 1 impact of IFRS9 (applicable from 1 January 2018) on regulatory capital over (5) years by using the dynamic approach to reflect the impact of the transition in accordance with SAMA Circular no. 391000029731 dated 15 Rabi-I 1439H (corresponding to December 3, 2017).

Particulars	2020 SAR'000	2019 SAR'000
Credit Risk Weighted Assets	**123,738,743**	109,989,481
Operational Risk Weighted Assets	**10,118,355**	9,267,525
Market Risk Weighted Assets	**4,491,592**	461,946
Total Pillar-I Risk Weighted Assets	**138,348,690**	119,718,952
Tier I Capital	**25,151,654**	22,878,645
Tier II Capital	**1,546,734**	1,374,869
Total Tier I & II Capital	**26,698,388**	24,253,514
Capital Adequacy Ratio %		
Tier I ratio	**18%**	19%
Tier I + Tier II ratio	**19%**	20%

36. Investment management and brokerage services

The Bank offers investment management services to its customers through its subsidiary which include management of funds with total assets under management of SAR 70,047 million (2019: SAR 57,423 million).

37. SAMA support programs and initiatives

37.1 Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from March 14, 2020 to September 14, for a period of six months and then further deferring the installments falling due within the period from September 15, 2020 to December 14, 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement.

Further to the above, SAMA on November 29, 2020 extended the deferred payment program until March 31, 2021. The Bank has effected the payment reliefs without charging additional costs to customers by deferring the instalments falling due within the period from December 15, 2020 to March 31, 2021 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognizing an additional modification loss of SR 15.28 million.

As a result of the above program and related extensions, the Bank has deferred total repayments of SAR 2.15 billion on MSME portfolio and accordingly, has recognized a total of SAR 44.5 million of modification losses out of which SAR 22.5 million have been unwound. The total exposures against these customers amounted to SR 2.26 billion as at the year end.

The Bank generally considers the deferral of payments in hardship as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.
The Bank has booked SAR 170 million total ECL for the MSME portfolio having total exposure of SAR 4,441 million.

If the balance of COVID-19 support packages in stage (1) move to stage (2), an additional ECL provisions would be provided during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

The Bank continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves. The Bank has also revised certain inputs and assumptions used for the determination of expected credit losses (“ECL”). The revisions mainly revolved around:
Adjusting macroeconomic factors/inputs used by the Bank in its ECL model including observed default rates;
Revisions to the scenario probabilities; and
Refinement of staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays.

The above macroeconomic factors and staging impacts resulted in an additional ECL of SAR 155 million for the year ended December 31, 2020.

As disclosed in note 10, in order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SAR 1,247 million of profit free deposits in number of tranches from SAMA during the year ended December 31, 2020, with varying maturities. Management has determined based on the 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 subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 83.5 million, of which SAR 55.6 million has been recognized in the statement of income and SAR 27.9 million has been deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2020, SAR 10.9 million has been charged to the statement of income relating to unwinding of the day 1 income.

Facility Guarantee Program:

As at 31 December 2020, the Bank has participated in SAMA’s facility guarantee program. The Bank has received SAR 361 million from SAMA for providing concessional financing to eligible MSMEs under Facility Guarantee program. As the guarantee under the Kafala program forms integral part of the financing arrangement; therefore, the funding received from SAMA does not qualify for government grant and is recognized as financial liability under IFRS 9. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with IFRS. This resulted in a total income of SAR 5.9 million recognized in the statement of income for the year ended December 31, 2020.

Point of sale ("POS") and e-commerce service fee support program

Furthermore, during the year ended December 31, 2020, the Bank has recognized reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 111.6 million.

37.2 SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- Enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- Restructure current credit facilities without any additional fees;
- Support plans to maintain employment levels in the private sector; and
- Provide relief for a number of banking fees that have been waived for customers.

In this regard, during the year ended December 31, 2020, the Bank received SAR 5 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA that this government grant primarily relates to liquidity support. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 70.9 million, of which SAR 40.5 million has been recognized in the statement of income for the year ended December 31, 2020 and with the remaining amount deferred.

37.3 Bank's initiative - Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in the Bank recognizing a day 1 modification loss of SAR 11.2 million during the year ended December 31, 2020, which was presented as part of net financing income.

38. Comparative figures

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Bank's accounting year beginning on or after January 1, 2021 are listed below.

- Amendments to IFRS-16: Leases for COVID-19 rent related concessions, applicable for period beginning on or after June 1, 2020.
- IFRS 17 – "Insurance contracts", applicable for period beginning on or after January 1, 2023.
- Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January 1, 2022.
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37) applicable for the period beginning on or after periods beginning on or after January 1, 2022.
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) applicable for the period beginning on or after 1 January 2021.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) applicable for the period beginning on or after January 1, 2022.

- Reference to Conceptual Framework (Amendments to IFRS 3) applicable for the period beginning on or after January 1, 2022.

Except for the Amendments to IFRS-16: Leases for COVID-19 rent related concessions, the Bank has opted not to early adopt these pronouncements and they do not have a significant impact on the Bank's consolidated financial statements.

The Bank has early adopted COVID-19 Related Rent Concessions – amendments to IFRS 16 issued on 28 May 2020. The amendments introduces an optional practical expedient for leases in which the Bank is a lessee – i.e. to which the Bank applies the practical expedient, whereby the Bank is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Bank has applied the amendment retrospectively. The amendments have no impact on retained earnings at January 1, 2020.

The amount recognized in statement of income for the reporting period to reflect changes in lease payments arising from rent concession to which the Bank has applied the practical expedient for COVID-19- related rent concession is SAR 5 million (2019: nil).

39. Comparative figures

Figures have been rearranged or reclassified wherever necessary for the purpose of better presentation; however, no significant rearrangements or reclassifications have been made in these consolidated financial statements.

40. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors of the Bank on 25 Jumada II, 1442H (corresponding to February 7, 2021).

Disclosures under Basel III framework

Following additional disclosures are required under Basel III framework.

Disclosures	Frequency
Pillar III, Qualitative disclosures	Annually
Pillar III, Quantitative disclosures	Semi-annually
Capital Structure	Quarterly
Liquidity coverage ratio	Quarterly
Leverage ratio	Quarterly

These disclosures will be made available to the public on the Bank's website (www.alinma.com) within prescribed time as required by SAMA.

Alinma Bank Branches and ATMs

Alinma Bank Branches

Riyadh

Branch	Area	Street
Head Office	Al Olaya	King Fahad Road
Dharat Al Badiah (Gent's & Ladies)	Dharat Al-Badiah	Al Madinah Al-Munawara Road
Takhassusi (Gent's & Ladies)	Al Olaya	Takhassusi street
Al Malaz	Al Malaz	Salah Al Deen Al-Ayoubi Road (Siteen)
Al Suwaidi (Gent's & Ladies)	Al Suwaidi	Al Suwaidi street
Al Rabwah (Gent's & Ladies)	Al Rabwah	Omar Bin Abdulaziz Road
Al Nahda (Gent's & Ladies)	Al Nahda	Prince Bandar Ibn Abdulaziz street
Al Aziziyyah (Gent's & Ladies)	Al Aziziyyah	Al Nasr street
Al Ghadeer (Gent's & Ladies)	Al Ghadeer	King Abdulaziz Road
Al Nassem	Al Nassem	Hassan Bin Thabit street
Al Rayaan (Gent's & Ladies)	Al Rayaan	Imam Shafi street
King Faisal (Gent's & Ladies)	King Faisal	King Abdullah Road
Al Muraba'a	Al Muraba'a	Faisal Bin Turkey Ibn Abdulaziz Road
Al Amal (Batha)	Al Amal	Assad Ibn Alforat street
Al Rawabi (Gent's & Ladies)	Al Rawabi	Imam Saad Bin Abdulrahman Road
Al Nozha (Gent's & Ladies)	Al Nozha	Imam Saud Bin Abdulaziz Bin Mohammed
Al Shaifa'a Branch Derab Road	Al Shaifa'a	Derab Road
Al Shifa'a (Gent's & Ladies)	Al Shifa'a	Ibn Taymiya street
Al Yasmine (Gent's & Ladies)	Al Yasmine	Anas Ibn Malek street
Al Rowda (Gent's & Ladies)	Al Rowda	Intersection of Al Hassan Ibn Ali and Obada Ibn Al Samit
Qurtoba (Gent's & Ladies)	Qurtoba	Dammam High Way, Khalid Ibn Al Walid Exit
Western Swaide (Gent's & Ladies)	Western Swaide Dist.	Western Ring Road Exit 27
King khaled Airport	King khaled Airport	King khaled Airport - domestic arrival terminal
Al Deerah	Al Deerah district	Al Imam Mohammed bin Saud bin Moqren St.
Al Morouj (Gent's & Ladies)	Al Morouj	Imam Saud Bin AbdulAziz Bin Mohammad Road
Al Yarmouk	Al Yarmouk	Imam Abdullah Bin Saud Bin Abdulaziz Road
Digital City	Alnakhil Dist	Imam Saud Road
Second Industrial City (Male)	Industrial City in Riyadh Dist	108 street
Al Farouq Branch	Alfaruq Dist	Eastern Ring Rd - exit 13
Dhart Laban Branch (Gent's & Ladies)	Dhart Laban	Al shifa street
Prince Mohammed bin Abdulaziz Road branch (AlTahlia)	Al Sulaimania	Prince Mohammed Bin Abdulaziz street
Digital Branch (Tahlia)	Al Sulaimania	Prince Mohammed Bin Abdulaziz street
Hitteen Branch	Hitteen Dist	Prince Mohamaed bin Saad Road
Takhassusi Sales	Al Mohamdiyyah	Takhassusi street
Alnadaa DISTRICT	Alnadaa DISTRICT	Othman Bin Affan Road
King Fahad Sales	King Fahad District	King Abdulaziz Road
Ar Rabi Sales	Ar Rabi	Thumamah Road
AL Nassem Sales Branch	AL Nassem Dist	saed bin abi waqas
Exchange Center - Inside King Khalid Airport	King khaled Airport	Departure Terminal - International Flights

Dariyyah

Branch	Area	Street
Dariyyah Branch	Al Khaldiya	King Abdulaziz Road

Kharj

Branch	Area	Street
Kharj Branch (Gent's & Ladies)	Al Nahda	King Fahad Road

Majmaah

Branch	Area	Street
Majmaah Branch (Gent's & Ladies)	King Fahd Dist	King Fahd Road

Zulfi

Branch	Area	Street
Zulfi Branch Branch (Gent's & Ladies)	Khaldia	King Fahad Road

Al Dawadmi

Branch	Area	Street
Al Dawadmi Branch	Al Haramain dest.	King Abdulaziz Road

Shaqra

Branch	Area	Street
Shaqra Branch (Gent's & Ladies)	Rawdha dest	King Saud Road

Makkah

Branch	Area	Street
Al Aziziyyah Branch (Gent's & Ladies)	Al Aziziyyah	Al Aziziyyah - Al-Aql Tower
Al Shawqia Branch (Gent's & Ladies)	Al Shawqia dest.	Ibraheem AlKhaleel street
Al Awali Branch	Al Awali	Ibrahim Aljfaily street

Jeddah

Branch	Area	Street
Al Rabwah Branch (Gent's & Ladies)	Al Rabwah	King Fahad street (Siteen)
Al Rawdah Branch (Gent's & Ladies)	Al Rawdah	Sari street
Al Balad Branch	Al Balad	King Abdulaziz Road
Al Safa Branch (Gent's & Ladies)	Al Safa	Prince Miteb street
Al Marwa Branch (Gent's & Ladies)	Al Marwa	Hira'a street
Al Shati Branch (Gent's & Ladies)	Al shati district	King Abdulaziz Road
Aziziah Branch	Aziziah Dist	Al Madinah Al Munawarah Road
Al Rehab Branch	Al Rehab Dest.	Palastine Road
Al Manar Branch (Gent's & Ladies)	Al Manar Dist	Al Ajwad street

Taif

Branch	Area	Street
Taif Branch (Gent's & Ladies)	Moeashi	Al Jaish street

Madinah

Branch	Area	Street
Al Khaledya Branch (Gent's & Ladies)	Al Khaledya	Ring Road near Al Naghi Agency
Al Defa Branch (Gent's & Ladies)	Al Defa Dest.	Alimam Albukhari street
Qiblatain Branch (Gent's & Ladies)	Qiblatain	Sultana street
Prince Mohammed bin Abdulaziz Airport Branch	Inside Prince Mohammad Bin Abdulaziz Airport in Medina	between arrival Hall and departure lounge

Yanbu

Branch	Area	Street
Yanbu Branch (Gent's & Ladies)	Al Nakheel Dist	King Fahd Road

Dammam

Branch	Area	Street
Al Tubaishi Branch (Gent's & Ladies)	Al Tubaishi	Prince Mohammad Bin Fahad (First Street)
Rayaan Branch (Gent's & Ladies)	Rayaan	Ali Bin Abi Talib street
Uhod Branch (Gent's & Ladies)	Uhod	King Fahad Road
Gurnata Branch (Gent's & Ladies)	Ghirnatah Dist	King Saud Road
Taybah Branch (Gent's & Ladies)	Taybah Dist	Southern Ring Road
King Fahad Airport Branch	King Fahad Airport	International arrivals Gate (5)
Currency Exchange counter	King Fahad Airport	International departures terminal

Khobar

Branch	Area	Street
Al Raka Branch	Al Raka	Dammam - Khobar Coastal Road
Al Yarmouk Branch (Gent's & Ladies)	Al Yarmouk	Prince Turki street
Al Thoqba Branch	Al Thoqba	Makkah AlMokarramah street
Al Tahliah Branch (Gent's & Ladies)	Al Tahliah	King Khalid Street
Hada Branch (Gent's & Ladies)	Hada	King Saud Road

Dhahran

Branch	Area	Street
Doha Branch (Gent's & Ladies)	Doha District	Abdullah bin Abbas intersection with Prince Sultan District
Al Qusour Branch	Al Qusoor Dist	Prince Mohammed Bin Fahd Road

Al QATIF

Branch	Area	Street
Al Qatif Branch	Fifth Area	Al Quds street

Jubail

Branch	Area	Street
Jubail Industrial Site Branch (Gent's & Ladies)	Al Fanateer	Al lulu street
Jubail Balad Branch (Gent's & Ladies)	Taibah	King Faisal Road

Ras Tanura

Branch	Area	Street
Ras Tanura Branch	Al Fayha Dist	King Abdulaziz Road

Hafr Al Batin

Branch	Area	Street
Hafr Al Batin Branch (Gent's & Ladies)	Al Baladiya	King Faisal Road
King Khalid Military City Branch	King Khalid Military City Dist	King Khaled Road

Mubarraz

Branch	Area	Street
Mubarraz (Gent's & Ladies)	Al Khars	King Fahad Road

Al Hofouf

Branch	Area	Street
Al Souq Branch	Al Souq	King Abdulaziz Road
Al Rodah Branch (Gent's & Ladies)	AlRodha Dest.	Al Khaleeg Road

Buraidah

Branch	Area	Street
AlSafra Branch (Gent's & Ladies)	Al Safra	King Abdullah Road
AlRayyan Branch (Gent's & Ladies)	Al Rayyan dest.	Umar ben AlKhatab street

Onaiza

Branch	Area	Street
Onaiza Branch (Gent's & Ladies)	Al Ahrafia	Al Zolfi Road

Al Rass

Branch	Area	Street
Al Rass Branch (Gent's & Ladies)	King Abdulaziz	King Abdulaziz Road

Al Bukayriah

Branch	Area	Street
Khalidiya Branch (Gent's & Ladies)	Al Khaldiyeh Dist	King Abdulaziz Road

Abha

Branch	Area	Street
Abha Branch (Gent's & Ladies)	Al Sad	Al Hozam Ring Road

Khamis Mushait

Branch	Area	Street
Khamis Mushait Branch (Gent's & Ladies)	Al Rowda	King Khalid near King Fahad Mosque

Bisha

Branch	Area	Street
Bisha Branch (Gent’s & Ladies)	Al Matar District	King Saud Road

Al Baha

Branch	Area	Street
Al Baha Branch (Gent’s & Ladies)	Al Dfeer Dist	King Saud Road

Najran

Branch	Area	Street
Najran Branch (Gent’s & Ladies)	Prince Mishal	King Abdulaziz Road

Jazan

Branch	Area	Street
Al Shati Branch (Gent’s & Ladies)	Al Shati Dist.	AlImam Mohammed ben Abdulaziz Road
Sabia Branch (Gent’s & Ladies)	Muhammadiyah area	King Abdulaziz Road
Safa Branch (Gent’s & Ladies)	Safa	King Abdullah Road

Hail

Branch	Area	Street
Almuntazih District (Gent’s & Ladies)	Almuntazih Dist.	Prince Nayef bin Abdulaziz
Airport Branch (Gent’s & Ladies)	Al Matar	King Abdulaziz Road

Tabouk

Branch	Area	Street
Tabouk Branch (Gent’s & Ladies)	Al Morouj	King Abdullah Road

Skaka

Branch	Area	Street
Skaka Branch (Gent’s & Ladies)	Al Shelhob Area	King Fahad Road

Arar

Branch	Area	Street
Arar (Gent’s & Ladies)	Al Rowda	Intersection of King Saud with Prince Abdulaziz Bin Masa’ad

Rafha

Branch	Area	Street
Alaziziyah (Gent’s & Ladies)	Alaziziyah Dist.	International road

Alinma ATMs

The bank has a kingdom-wide network of more than 1,551 state-of-the-art ATMs. For more information about the bank’s branches and ATMs, please visit our website www.alinma.com or call the Alinma Phone service at 800 120 8000.

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