

Annual Report  
2021

**A DIGITAL-FIRST APPROACH**

مصرف الإنماء  
alinma bank





**Alinma Bank**  
Annual Report 2021



**“My primary goal is to create an exemplary and leading nation in all aspects, and I will work with you in achieving this endeavour”.**

**KING SALMAN BIN ABDULAZIZ AL-SAUD**  
CUSTODIAN OF THE TWO HOLY MOSQUES



**“We are a G20 country. One of the biggest world economies. We are in the middle of three continents. Changing Saudi Arabia for the better means helping the region and changing the world”.**

**MOHAMMED BIN SALMAN BIN ABDULAZIZ AL-SAUD**  
CROWN PRINCE, DEPUTY PRIME MINISTER, MINISTER OF DEFENSE, AND CHAIRMAN OF THE COUNCIL OF ECONOMIC AND DEVELOPMENT AFFAIRS



## A Digital-First Approach

Alinma Bank has adopted a digital-first approach to banking. We have transformed the Bank and embraced digital through every aspect of our business and operations. As a result of this transformation, Alinma is able to deliver its products and services with the agility and responsiveness that our customers demand. The objective of all our client solutions is to make them simple, fast and convenient, with digital at the core.

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# About the Report

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## Report structure

The Report has been structured to present a balanced, concise and clear assessment of Alinma Bank's performance, operations and strategy, as it creates value over time against trends shaping its operating context.

## Report boundary

The boundary for financial reporting includes Alinma Bank (referred to as "the Bank" in this Report) and its subsidiaries (which, together with the Bank, are collectively referred to as the "Group").

The reporting of the Bank focuses on aspects that may substantively affect the Bank's ability to create value over the short, medium and long term and which may have a significant probability of occurrence.

## Reporting period

The Report covers the 12-month period from 1 January 2021 to 31 December 2021, which is consistent with the Bank's usual annual reporting cycle. The most recent previous integrated report covered the 12-month period ended 31 December 2020 and is available on the Bank's website: [www.alinma.com](http://www.alinma.com). There are no restatements of information provided in previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries.

## Compliance

This Report has been prepared in compliance with all applicable laws, regulations and standards, and guidelines for voluntary disclosures. Additional details can be found in the Board of Directors Report (pages 76 to 103), and in the Financial Statements and the Notes thereon (pages 113 to 198).

The Consolidated Financial Statements as of and for the year ended 31 December 2021 are in line with International Financial Reporting Standards (IFRS) as endorsed in the KSA and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA). The Statements comply with the provisions of the Banking Control Law, the Regulations for Companies in the KSA, and the Bank's Articles of Association.

## Precautionary principle

The precautionary principle has been applied in relation to the Bank's social and environmental sustainability. As a responsible corporate citizen, necessary measures have been taken by the Bank to mitigate the risks caused to society and environment through its actions.

## Queries

Your comments on this Report are most welcome. Please direct your feedback to:

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Tel: +966 112 185555  
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Address: 9033 King Fahad Road,  
Olaya Unit 8,  
Riyadh 12214 - 2370



# About the Bank

Overview >

Established by Royal Decree in 2006, Alinma Bank is a fully-fledged Islamic services provider in the Saudi financial sector, engaged in Shariah-compliant banking and investment services. In 2008, the Bank became a public listed company on the Saudi Stock Exchange (Tadawul). The youngest bank in the Kingdom of Saudi Arabia (KSA), Alinma Bank serves 2.9 million customers and is dedicated to highest standards in Shariah-compliant banking.

## Our Vision

To be your preferred financial partner.

## Our Mission

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

## Our Values



Overview >

# About the Bank

## Strength of Alinma Bank

Alinma Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia with a market capitalization of SAR 48 Bn. as at 31 December 2021. This strong financial foundation allows Alinma to deliver sustainable growth, to meet the financial needs of its customers, to develop and empower its employees and to generate strong returns for its shareholders. The Bank is a key player in the Saudi market, with a track record of strong financial performance and of delivering value to all stakeholders.

Alinma Bank is managed by a team of highly qualified professionals with strong management skills and experience. Alinma has adopted digital transformation

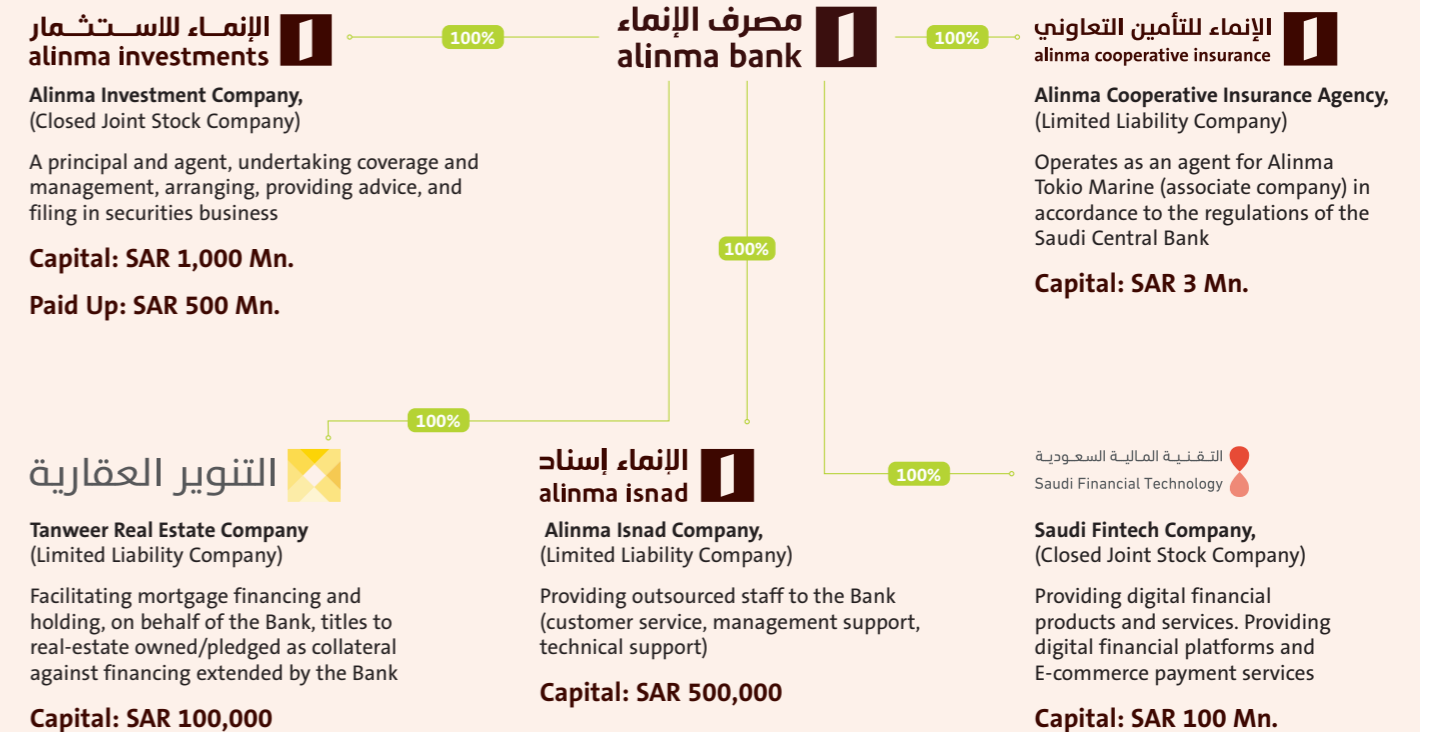
and digital banking throughout its business, which has delivered efficiency, speed, and high levels of customer satisfaction. With a strong commitment to governance, Alinma Bank has the structure, systems and processes to ensure its management of risk is of the highest calibre.

## Reach

Alinma Bank provides a comprehensive set of banking, advisory and financial services that all comply with the provisions of Islamic Shariah. Alinma Bank operates a network of 178 branches, over 1,500 ATMs and 100,764 POS terminals across all regions of the Kingdom.

## Subsidiary companies

The Bank has five fully owned subsidiaries established and operating in the KSA.





**Net income**  
**SAR 2,709 Mn.**

2020 – SAR 1,966 Mn.  
Increase of 38%

**ROA**  
**1.6%**

2020 – 1.4%

**ROE**  
**10.8%**

2020 – 8.4%



**98.94%**  
**Retail digital financial transactions**



**Customer engagement via digital channels:**  
**60%** financial transactions  
**70%** non-financial transactions



**Total assets**  
**SAR 173,476 Mn.**

2020 – SAR 156,877 Mn.  
Increase of 11%



**2.9 million customers connected via digital platforms nearly**  
**150 million times**



**1.2 million active Smart App users**



**1.4 million active digital retail users**



**Staff strength**  
**2,712**  
2020 – 2,461  
Increase of 10%



**94%**  
**Saudization rate**



**Female staff**  
**442**  
2020 – 309  
Increase of 43%

**16%**  
**of new hires were women**



**Employee training hours**  
**55,552**  
2020 – 5,336  
Increase of 941%



# Message from the Chairman

Overview >

**At Alinma Bank, we always strive to continue to provide services that live up to the aspirations of our customers, meet their needs by adopting the latest technologies, and providing the best banking services and products to distinguish our capabilities in terms of speed, safety and ease.**

**Abdulmalek bin Abdullah Al-Hogail**  
Chairman



Scan to view the online version of the Chairman's Message  
<https://annualreport.plus/alinmabank2021/>

Overview >

## Message from the Chairman

It is my pleasure, on behalf of the Board of Directors, to present to you the Annual Report of Alinma Bank for the financial year ended 31 December 2021.

After a tumultuous twenty months following the COVID-19 pandemic, a sense of normalcy is setting in the global economy. In the Middle East, resumption of international travel without major restrictions provided the Gulf Cooperation Council (GCC) economies an opportunity to regroup and start a cautious recovery process. Furthermore, the robust and diligent strategy of the Saudi government and the stellar progress of the vaccination drive facilitated the Kingdom to refocus on its economic priorities. In this milieu, the Saudi banking sector continued to lead the charge towards recovery in 2021. The successful initiatives taken by the government, regulators and banks, enabled the banking sector to post strong results without reporting any single domestically significant corporate credit default.

Our performance was in tandem with our strong operating foundations, which continued to take advantage of growth opportunities. Consequently, the net income amounted to SAR 2.7 Bn. which is an increase of SAR 743 Mn. compared to 2020, with year-on-year (YoY) growth of 38%, and total operating income increased by 17% (YoY) to SAR 6.7 Mn. in fiscal year 2021. Total assets increased to SAR 173.5 Bn. as at 31 December 2021, reflecting a YoY growth of 11%. The net financing portfolio increased by 14% to SAR 126.3 Bn. as at 31 December 2021 and customer deposits increased to SAR 121.1 Bn. for the same period.

The Board remains committed to ensuring that the Bank is future-ready and resilient, through effective corporate governance and risk management oversight with a focus on internal controls, policies and procedures that would lead to long-term value creation.

Alinma Bank remained resilient against potential risks and was poised to benefit from the recovery. We continued to accord the highest priority to ongoing service to our customers and the safety of our employees. Our employees demonstrated utmost dedication and immense professionalism towards the successful navigation of the Bank, upholding the ethos of the Institution. The risk framework of the Bank, within which the business was conducted, proved resilient in the face of the disruption caused by the pandemic.

Our strategic positioning is to be recognized and celebrated as the fastest and most convenient bank in the Kingdom of Saudi Arabia (KSA) and be the number one in Net Promoter Score (NPS) across the KSA banks. The strategy which is aligned with the Saudi Vision 2030, is based on three pillars that represent the Nation's competitive advantages – vibrant society,

thriving economy and an ambitious nation. Our strategic positioning is built on four strategic pillars, namely: be the most digitally advanced, fastest, and most convenient retail bank in the KSA, be the corporate bank with the best customer experience offering the fastest turnaround time in the KSA, be the most innovative Shariah-compliant treasury partner across the KSA, and be the number one employer of choice across the KSA banks.

At Alinma Bank, we always strive to continue to provide services that live up to the aspirations of our customers, meet their needs by adopting the latest technologies, and providing the best banking services and products to provide distinguished services in terms of speed, safety and ease. The Bank made a significant contribution towards the goals of Vision 2030 by focusing on women empowerment, improving financial inclusion, expanding home-ownership and developing the SME sector. Our customer-centric strategy enabled us to launch digital alternatives for customers to stay connected and meet their financial needs. In recognition of the Bank's commitment to digital excellence through the provision of Shariah-compliant products and services that adhere to the best international standards, assuring the highest levels of reliability and security, Alinma Bank is proud to be named the Best Digital Innovation Bank in the Kingdom of Saudi Arabia by the Union of Arab Banks. We continue to work cooperatively with the regulators and the government to develop and support the growth of digital transactions and to bring about tangible development in financial services and products in Saudi Arabia and the broader region, whilst keeping pace with the aspirations of our customers. Furthermore, surpassing some of the largest financial institutions in the Kingdom, Alinma Bank topped the Forbes Middle East list, and was named the Strongest Islamic Retail Bank in Saudi Arabia affirming the strength and resilience of the Bank in the highly competitive Saudi banking sector.

In conclusion, we at Alinma Bank express our gratitude to The Custodian of the Two Holy Mosques, His Royal Highness, The Crown Prince, the Deputy Prime Minister, and Minister of Defense for their ongoing support of the economy and development of the Kingdom, including elevation of the banking sector, which is a core pillar of our national economy. We extend our thanks to the Ministry of Finance, the Ministry of Commerce, the Saudi Central Bank (SAMA), the Capital Market Authority (CMA), and other related government authorities for their ongoing support of the banking sector and the national economy. I express my gratitude to the Honourable Head and members of the Shariah Board at Alinma Bank for their valuable advice and guidance. I thank my esteemed colleagues, the members of the Board of Directors, for their consistent support in leading the Bank. My gratitude is extended to the staff members for their dedication and tireless efforts at all times.

**Abdulmalek bin Abdullah Al-Hogail**  
Chairman of the Board of Directors

# Chief Executive Officer's Review

Overview >

The improved digital experience resulted in a Digital Engagement Index of 96.4% during 2021. Additionally, digital channel traffic for financial transactions increased by 60%, and for non-financial transactions by 70%, compared to the previous year.

Abdullah bin Ali AlKhalifa  
Chief Executive Officer



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Overview >

## Chief Executive Officer's Review

2021 was an extraordinary year of recovery and growth across the globe. In the Kingdom of Saudi Arabia, a focus on non-oil economic activity spurred the economy forward with banks and other financial institutions playing a major role in the Kingdom's ongoing transformation, especially with regard to the digital enablement of Saudi Arabia's cashless ecosystem.

To keep pace with a landscape that was rapidly changing as a result of the ongoing COVID-19 crisis, Alinma Bank fast-tracked the introduction of its 2021-2025 strategy, which strives to position Alinma as the fastest and most convenient bank in the Kingdom. The strategy is focused on digitalization and process automation as catalysts for improved customer experience and faster turnaround times. The efficiencies achieved through this approach, have driven new customer acquisition and increased digital adoption across the Bank's entire customer base.

Alinma Bank will continue to push toward a digital future that serves its customers and that serves the Kingdom, as a whole, through the Vision 2030 initiative. Of particular importance will be adoption of artificial intelligence (AI), introduction of new digital products, increased online services, expansion of digital branches, and digitally enhancing the user experience. Furthermore, Alinma will look to capitalize on opportunities related to large and mid-sized corporates, project finance across diversified sectors, SMEs, cash management, and trade finance.

As for 2021, execution was the primary focus, with the understanding that in order to offer the most innovative banking products and services, key initiatives had to be delivered. These included digitalizing Alinma products and services, such as online financing, virtual cards, IPS (Sarie), and card printing services, while simultaneously improving the digital customer journey for all digital services. The Bank also invested in digital platforms and infrastructure to handle increased demand for digital services. As a result of its commitment to execution, Alinma was able to provide its customers with seamless, uninterrupted service, despite the challenges posed by the pandemic.

Alinma's digital platform enables its customers to manage their financial activities from multiple digital channels including smartphones, as well as the Bank's retail and corporate internet banking services. The improved digital experience resulted in a Digital Engagement Index of 96.4% during 2021. Additionally, digital channel traffic for financial transactions increased by 60%, and for non-financial transactions by 70%, compared to the previous year.

The Bank also continued to emphasize new customer acquisition, with special focus on digitally savvy affluent and high-net worth customers and digitally savvy youth. Moreover, there was a significant surge in digital adoption, with over three million customers

connecting through the Bank's digital platforms, nearly 150 million times, resulting in three billion financial and non-financial transactions and inquiries. Furthermore, approximately 1.2 million active smart device application users performed close to 46 million fund transfers in 2021, constituting 98% of payments made by customers.

To drive its digital strategy, Alinma hired a chief digital officer and established a digital factory as the nucleus of the Bank's digital innovation efforts, with a mandate to scale customer experience and operational excellence throughout the Bank, and to own Alinma's digital strategy. In 2021, the Bank also adopted Robotic Process Automation (RPA), which automates manual processes and procedures, thus significantly reducing human errors and operational costs. Advanced Analytics (AA) and AI were also employed to enhance decision-making, and to facilitate cross-selling, behavior scoring, and asset utilization. And in terms of forward facing activities, Alinma deployed 70 new digital zones in its branches, deployed its Field Sales Mobility service, and launched a point-of-sale (POS) management system to facilitate POS sales and after sales activities for Alinma's 100,764 POS terminals across the Kingdom.

In 2021, Alinma Bank worked with the Saudi Central Bank (SAMA) and the Gulf Payments Company (GPC) to become one of the first Saudi banks to join the AFAQ network, which accelerates cross-border transfers within the Gulf Cooperation Council (GCC) by connecting to real-time gross settlement (RTGS) platforms. Data security also remained a top priority, with the Bank establishing a comprehensive security strategy and road map, under which multiple initiatives were implemented to strengthen security and to ensure compliance with SAMA regulations.

Alinma's financial strength and resilience was reflected in its 2021 financial performance, with a cost/income ratio of 35.5%, ROE of 10.8%, and ROA of 1.6%. An improvement in credit quality was evidenced by Alinma's NPL coverage, which increased by 55% YoY to 177%, with NPLs amounting to 1.75%, a decline of 30% YoY. Customer deposits increased by 14% YoY. The Bank's shares became the second largest traded stock in the Kingdom in terms of volume and value, with a market capitalization of SAR 48 Bn. as at 31 December 2021, showcasing investor confidence and trust in the Bank.

The health and well-being of employees and customers remained paramount throughout the year, and Alinma strictly adhered to government protocols to ensure a safe working environment. By coordinating with health authorities, the bank facilitated the vaccination of its employees during the year, while strengthening its staff communications, and facilitating work-from-home and shift-based work arrangements for staff.

In accordance with the Saudization program of the government, Alinma achieved a Saudization Level 1 ranking for 2021, by implementing recruitment and training programs. Furthermore, to increase the number of female recruits, the Bank established a "Women Empowering Department" which succeeded in increasing the number of female recruits to 16% of the workforce in 2021, compared to 12.5% in 2020.

Working towards the social well-being of all, the Bank allocated 1% of its annual profits for corporate social responsibility (CSR) projects and continued to support and uplift SMEs through its dedicated services, especially through the Kafalah program. Some of the key CSR activities conducted during the year included, blood donation campaigns, donations to public charities, sponsorships, and educational and awareness programs.

In an extraordinary year, Alinma has stood strong, recording a commendable performance. Going forward, the Bank will continue to champion Vision 2030 through its own efforts to be the most digitally advanced, fastest, most innovative, Shariah-compliant bank in the Kingdom.

In closing, I extend my deep gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and HRH Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, for their efforts to serve and safeguard the Kingdom. I wish to express my appreciation to the Bank's staff for their dedication and commitment. I am grateful to our customers for their continued patronage and trust in Alinma Bank. I extend my appreciation to the Chairman and the members of the Board of Directors for their invaluable guidance and conscientious stewardship of the Bank. I am thankful to the Bank's Shariah Committee for their continued support and valuable contributions to Alinma's Shariah-compliant banking mission. And lastly, I am grateful to the Saudi Central Bank (SAMA) and the supervisory and regulatory authorities for the guidance and support extended.

**Abdullah bin Ali AlKhalifa**  
Chief Executive Officer

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## Our Business Context and Strategy

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# The Economic and Business Background

## Global context

Reflecting the stronger-than-projected recovery on average across regions in the second half of the year, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The strength of the recovery is expected to be highly divergent across nations, due to access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis. However, the multiple vaccine approvals and the launch of vaccination in some countries provides a stronger starting point for the 2021–22 global outlook forecast. Despite the high and rising human toll of the pandemic, economic activity has adapted to subdued contact-intensive activity over time. The additional policy measures announced in the United States and Japan are expected to provide further support in 2021–22 to the global economy.

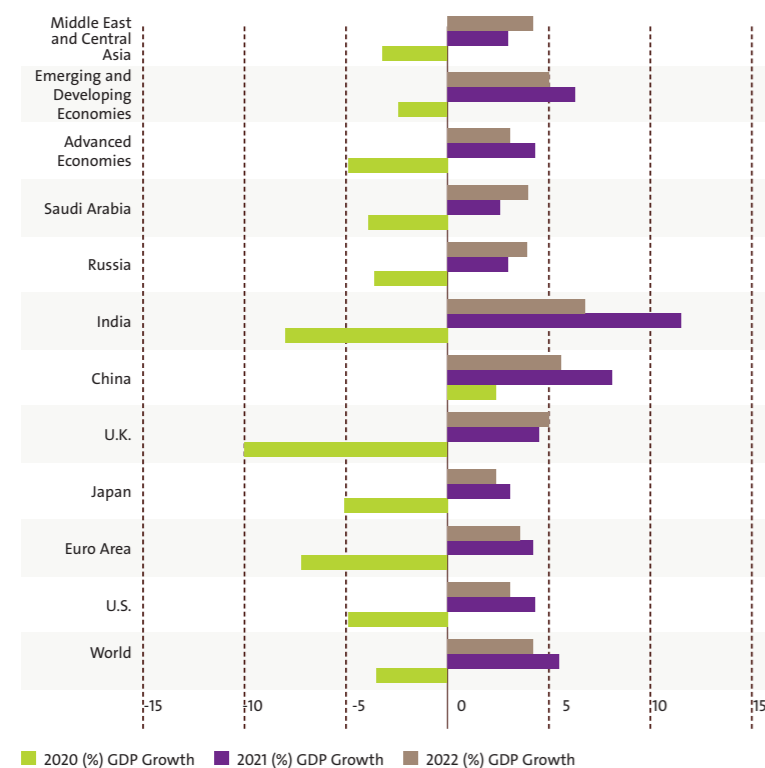
In advanced economies, recovery paths vary, with the United States and Japan projected to regain end-2019 activity levels in the second half of 2021. Activity is expected to remain below end-2019 levels into 2022 in the euro area and the United Kingdom. The wide divergence across countries reflects the differences in behavioral and public health responses to infections,

flexibility and adaptability of economic activity to low mobility, preexisting trends, and structural rigidities entering the crisis. The recovery paths are expected to be diverging. Compared to other nations in the region, China is expected to facilitate a strong recovery with effective containment measures, a forceful public investment response, and central bank liquidity support. Considering the expected slow normalization of cross-border travel and the subdued outlook for oil prices, oil exporters and tourism-based economies within the group are expected to face particularly difficult prospects.

Global trade volumes are expected to grow about 8% in 2021, before moderating to 6% in 2022, and services trade is expected to recover more slowly due to subdued cross-border tourism and business travel until transmission declines everywhere. Inflation is expected to remain subdued during 2021–22, with advanced economies projected at 1.5% and emerging market and developing economies at just over 4%, which is lower than the historical average.

The local transmission of virus is expected to be brought to low levels everywhere by the end of 2022, with growing vaccine availability, improved therapies, testing, and tracing.

## World Economic Growth (%)



Source: World Economic Outlook, January 2022

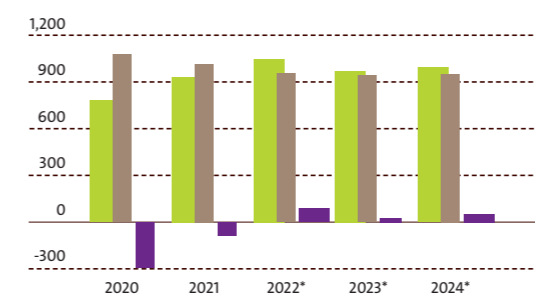
## Saudi economy

As per the Ministry of Finance (MoF) Budget Statement for FY 2022 of the Kingdom of Saudi Arabia, real GDP growth is estimated to expand by 2.9% in fiscal year 2021, supported largely by a broad increase in non-oil economic activity. Amid an easing of domestic pandemic-related containment measures and rebound in consumer and business confidence due to high international oil prices, most components of non-oil GDP have continued to expand.

The Kingdom's total 2021 revenues are projected to rise to SAR 930 Bn. (USD 248 Bn.) from SAR 782 Bn. (USD 208 Bn.) in 2020, despite a 3.4% drop in Saudi crude production in January-October 2021. The revenue is expected to be at SAR 1.045 Tn. (USD 279 Bn.), reflecting a 12% increase from 2021, as the OPEC+ production cuts continue to be unwound. Expenditures are expected to shrink from Riyals 1.015 Tn. (USD 271 Bn.) in 2021 to SAR 955 Bn. (USD 255 Bn.) in 2022, turning a 2.7% budget deficit into a 2.5% surplus. Planned expenditure will continue to focus on economic growth, improving spending efficiency, generating employment, and developing education, healthcare and social development as a part of its mission to fulfill Vision 2030 objectives.

Reflecting the weaning off its dependency on oil revenues by promoting its non-oil industries, the Kingdom's non-oil GDP has grown by 5.4% in the third quarter of 2021. The ongoing recovery of the domestic non-oil sector combined with an expected increase in oil production is projected to support GDP growth in 2022.

## Saudi Arabia Fiscal Balances (SAR Bn.)



Source: Saudi Budget Statement, 2022

## Banking sector

### Global view

During the COVID-19 shock, banks have benefited from the support of public authorities, through direct support in the form of fiscal and monetary policy measures and indirect support in the form of easing of liquidity requirements. Regulators globally eased rules and guidance to spur bank lending and soften procyclical effects.

Net rating outlooks improved significantly, from negative 31% in October 2020, to positive 2% in November 2021. About 74% of banks are on stable outlook, 12% on negative outlook, and 14% on positive outlook.

The COVID-19 pandemic accelerated the digital transformation; and banks swiftly reacted to lockdowns by strengthening their digital products and services. The increasing usage of card and mobile payments is accelerating the move to cashless economies. It has become crucial for banks to be prepared and agile, to shift business models to the new digital normal to deliver on faster-changing client preferences. However, personal relationships will continue to play an important role. Corporate and investment banking and asset management segments will increase its digital offering. Regulators are expected to push for digital transformation and they will catch up on new emerging trends and increase supervisory focus in blockchain technology.

### Saudi banking sector

The banking sector plays a central role in Saudi Vision 2030, in attracting foreign direct investment and facilitating economic diversification. The main areas of growth in the Kingdom's banking sector have been residential mortgages and corporate lending.

According to Saudi Central Bank (SAMA) there has been an extraordinary growth in residential mortgage finance (houses, apartments, and land) contracts since 2016. This growth is fueled by initiatives from the Ministry of Housing and the Real Estate Development Fund (REDF), to achieve the key goal of ensuring 70% homeownership by 2030.

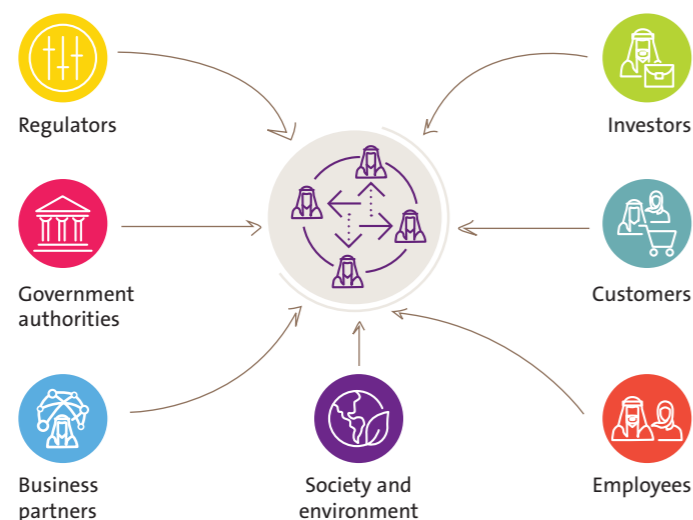
Expanding funding for small and medium-sized enterprise (SME) through the Kafalah program is another key area of emphasis, which has expanded rapidly over the years. Digitalization to increase banking penetration and move towards a cashless economy is another important area. Banks adopt digitalization to expand SME access and approximately, 80% of new accounts are being opened digitally, and 30-50% of banking transactions have been converted to digital mode.

# Our Stakeholders

The Bank defines stakeholders as individuals or entities who potentially have the most significant impact on the Bank's value creation process and those who are materially impacted by its activities.

Although there is an extensive range of stakeholders who are able to directly or indirectly impact the performance, the Bank is able to effectively manage its interactions with those that matter most to its operations by categorizing key stakeholder groups as given below.

Accordingly, the Bank's key stakeholders are:



The unprecedented conditions that prevailed during the year (refer The Economic and Business Background on page 20 for details), created a critical need for the Bank to engage with its stakeholders. The Bank strengthened collaboration by maintaining continuous and open engagement with its stakeholders through multiple platforms, in order to clearly identify their concerns and aspirations and facilitate sustainable value delivery. The Bank's stakeholder engagement process enables to better adapt to meet the evolving challenges, drive innovation, and gather invaluable insights for the Bank's strategic planning process.

## Stakeholder engagement process

The Bank's stakeholder engagement process is an ongoing process to ensure that the Bank remains relevant and responsive to stakeholder concerns. The stakeholder engagement process of Alinma Bank is illustrated as follows:

## Stakeholder engagement method

Formal mechanisms are in place to connect with the Bank's stakeholder groups. The responsibility for such engagement is shared across the Bank at every stakeholder point of contact.

### Investors

**Subjects of engagement**

- Financial performance
- Governance
- Risk management
- Business expansion plans
- Transparency and disclosure
- Business continuity
- Sustainable growth
- Resilience to the effects of the pandemic
- Dedicated Investor Relations Department

Engagement mechanism	Frequency
Annual General Assembly	Annually
Extraordinary General Meetings	As required
Corporate website	Continuous
Interim financial statements	Quarterly
Investor presentations and quarterly earning calls	Quarterly
Press conferences and releases	As required
Investor disclosures and road shows	Quarterly
One-to-one discussions and meetings	Continuous
Annual Report	Annually
Announcements made to the Saudi Stock Exchange	As required
Investor Relation road shows and conferences	Quarterly, annually and continuous
Dedicated investor relation website	Continuous

### Customers

**Subjects of engagement**

- Financial support for revival of business
- Speedy service
- Customer security and privacy
- Service quality
- Affordability of services and convenience
- Financial education and literacy
- Access to financial services
- Enrolment to digital platforms
- Real time information

Engagement mechanism	Frequency
Customer visits	As required
ATMs	Continuous
Online banking	Continuous
Service centers	Continuous
Branches	Continuous
Media advertisements	As required
Corporate website	Continuous
Customer workshops	As required
Social media	Continuous

### Employees

**Subjects of engagement**

- Performance standards
- Training and development
- Saudization
- Remunerations and benefits
- Retirement benefit plans
- Diversity and inclusion
- Safety at workplace
- Corporate values

Engagement mechanism	Frequency
Induction program	Once
Career development guidance	Annually
Staff societies	As required
Training program	As required
Volunteerism	As required
Special staff events	Annually
Internal communication	As required
Employee satisfaction survey	As required
Virtual meetings	As required

**Society and Environment**

**Subjects of engagement**

- Affordable financing
- Community empowerment
- Financial inclusion
- Microfinance and SME
- Ethics and business conduct
- Environmental performance
- Employment opportunities
- Assistance to disadvantaged groups

Engagement mechanism	Frequency
Services channels	Continuous
Press releases, conferences and media briefings	As required
Informal briefings and communications	As required
Public events	As required
Corporate website	Continuous
Social media	Continuous
Educational programs	As required
Microfinance for women	As required
Assistance to needy and vulnerable	As required

**Business partners**

**Subjects of engagement**

- Contractual performance
- Continued business opportunities
- Maintaining healthy relationships
- Timely settlement of dues
- Collaboration for new technological advances in the financial sector
- Opportunities for growth
- Ease of working

Engagement mechanism	Frequency
Supplier relationship management	As required
On-site visits and meetings	As required

**Government institutions and regulators**

**Subjects of engagement**

- Compliance with directives and codes
- Microfinance and SME development
- Financial performance
- Shareholder returns
- Cybersecurity
- Saudization
- Governance
- Employment generation
- Strategy

Engagement mechanism	Frequency
Consultations	As required
Relationship building meetings	As required
General Assembly Meeting	Annually
Annual Report	Annually
Interim financial statements	Quarterly
Announcements made to the Saudi Stock Exchange	As required
Extraordinary General Meetings	As required

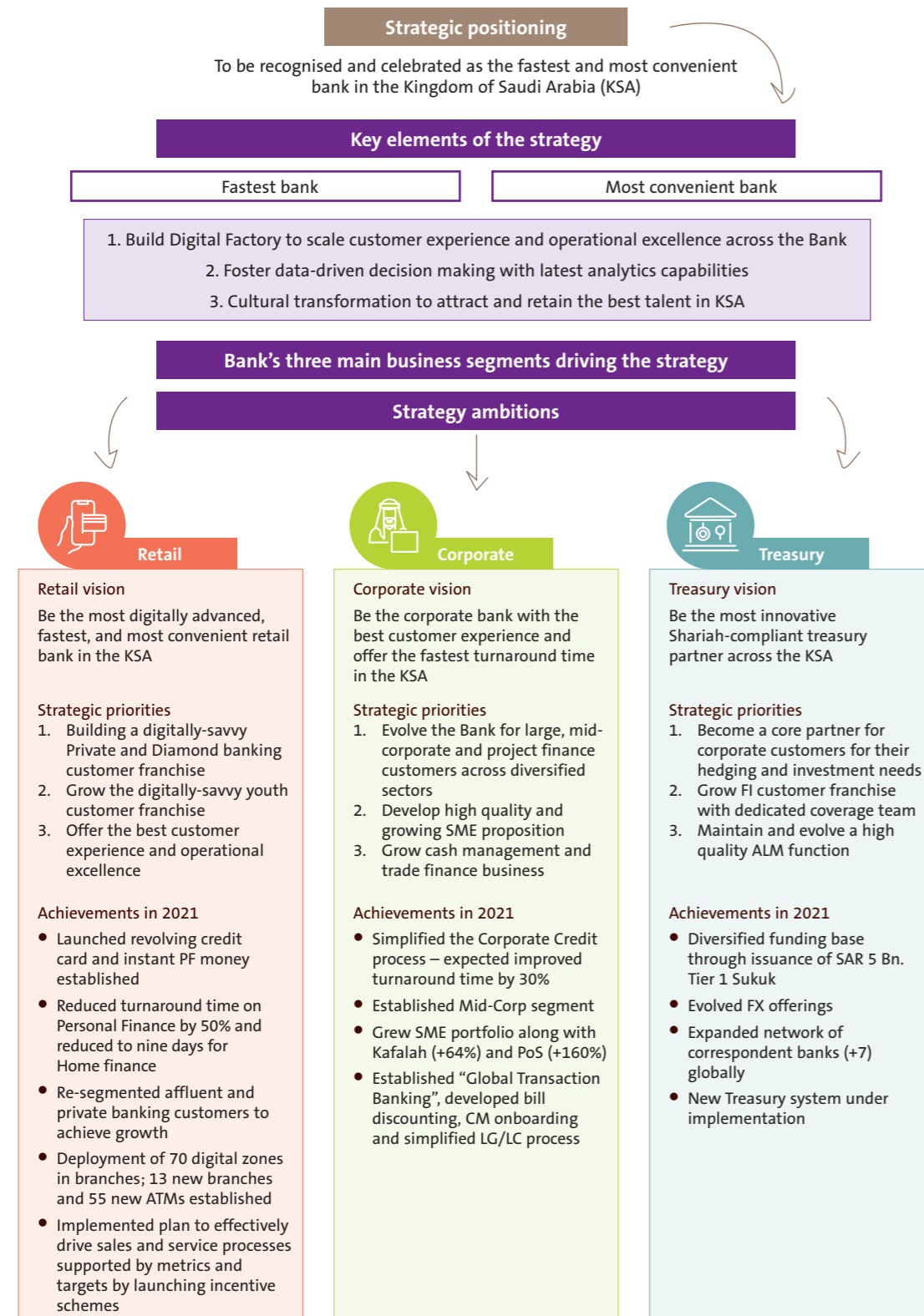
Alinma Bank's strategic positioning is to be recognised and celebrated as the fastest and most convenient bank in the Kingdom of Saudi Arabia (KSA) and be the number one in Net Promoter Score (NPS) across the KSA banks.

The Bank's strategy is aligned with the Saudi Vision 2030, which is based on three pillars that represent the Nation's competitive advantages – vibrant society, thriving economy and an ambitious nation. The financial sector serves as a key enabler of the Saudi Vision 2030. The several goals included in Vision 2030 have created opportunities for the Bank, such as increasing female participation, promoting home ownership, improving household savings, increasing SME contribution, promoting private sector participation and privatization. Accordingly, as one of the largest commercial banks in the KSA, Alinma Bank aims to achieve growth by focusing on four key customer segments, namely the affluent, youth, women and the private sector.

Alinma Bank's strategic positioning is built on four strategic pillars:



**Alinma Bank Strategy 2021-2025**



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# Chief Financial Officer's Review

Our Performance >



Despite the slowdown in the global and domestic economy due to the pandemic, Alinma Bank recorded a strong performance in FY 2021.

Adel Saleh Abalkhail  
Chief Financial Officer

The COVID-19 pandemic continued to disrupt economies, as many geographies experienced multiple waves of infections despite having controlled the outbreak through aggressive precautionary measures such as imposing travel restrictions, lockdowns and strict social distancing measures. Despite the slowdown in the global and domestic economy due to the pandemic, Alinma Bank recorded a strong performance in FY 2021.

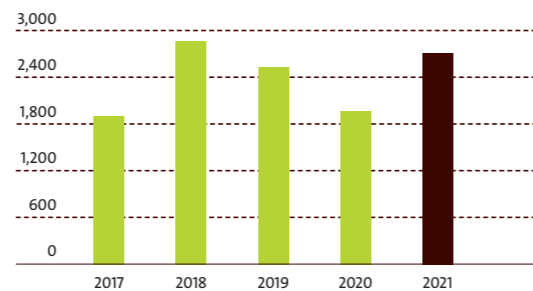
The Bank continued to effectively manage its business operations amid the challenging operating conditions whilst offering the support measures announced by the Saudi Government to its customers affected by the pandemic. The Bank recorded a net income of SAR 2,709 Mn. in FY 2021 compared to SAR 1,966 Mn. recorded in 2020, reflecting a growth of 38% year-on-year (YoY). Total assets increased by 10.6% to SAR 173,476 Mn. as of 31 December 2021 compared to SAR 156,877 Mn. in the previous comparable year.

Given below is a detailed review of the Bank's results of operations and financial position.

## Income Statement

The Bank recorded a 38% growth in net income, from SAR 1,966 Mn. in 2020 to SAR 2,709 Mn. in 2021. The growth was mainly driven by the increase in operating income due to higher yield income over the year, reflecting the increase in average balances in investment and financing, in addition to the growth in banking services fees, gains on investments and other operating income.

## Net income after Zakat (SAR Mn.)



Accordingly, total operating income increased by 17.3% from SAR 5,682 Mn. in 2020 to SAR 6,667 Mn. in 2021 mainly due to the growth in the financing and investment portfolios and the increase in Bank's core operations and activities. Consequently, net income from investment and financing reached SAR 5,137 Mn. in 2021 compared to SAR 4,648 Mn. in the previous year. Bank's non-yield income including fee income, gain on investments and other income also increased by 48% to reach SAR 1,530 Mn. compared to SAR 1,034 Mn. in 2020. The Bank continued to invest in the execution of business strategic initiatives throughout 2021. Bank's net financing recorded a solid growth of 14% YoY. The gross funded income for 2021 increased by 4% to SAR 5,674 Mn., investment income by 15%. Despite the average lower interest rates during 2021 compared to 2020, Alinma Bank managed to lower the impact by efficiently managing the cost of funding and increasing the average profit-earning assets. The Bank's net profit margin stood at 3.42% as of 31 December 2021.

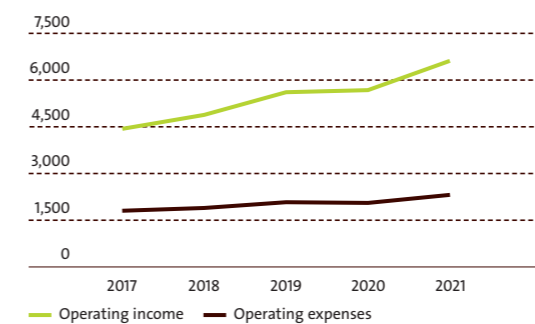
Our Performance >

## Chief Financial Officer's Review

Non-funded income for 2021 increased 48% to SAR 1,530 Mn. fueled by a 16% growth in banking services fees and a 204% increase in investment gains.

Operating expenses increased by 14% to SAR 2,365 Mn. mainly due to the increase in the VAT rate in the KSA from 5% to 15% from 1 July 2020, and the increases in communication expenses, POS terminal costs, software maintenance and subscriptions. Despite the increase in operating expenses, the higher income growth resulted in a 90bps improvement in the cost to income ratio which amounted to 35.5% in 2021.

## Operating income vs operating expenses (SAR Mn.)



## Impairment charges

The Bank continued to strengthen its financial position and increased the provisions for credit losses by SAR 1,266 Mn. to reach SAR 4,401 Mn. at the end of financial year 2021 compared to SAR 3,626 Mn. as at end of 2020. In Q4 2020, the Bank has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) which are the same factors and weightings used in 2021. As a result, for the period ended 31 December 2021, no additional ECL was recorded related to the macroeconomic factors.

Credit quality has improved as evidenced by an overall improvement in both NPL and NPL coverage ratios. The cost of risk for 2021 declined by 32bps to 1.02%. The NPL ratio declined by 74bps to 1.75% as of 31 December 2021. NPL coverage improved by 63bps to 177.1% as of 31 December 2021.

## Net income and profitability

The Bank's net income before Zakat increased by 37.2% to SAR 3,022 Mn. for the financial year 2021 compared to SAR 2,202 Mn. in 2020. The Zakat expense for 2021 was SAR 312 Mn.

## Five-year summary of the Income Statement

SAR Mn.	2021	2020	2019	2018	2017
<b>Operating Results</b>					
Income from investment and financing, net	5,137	4,648	4,323	3,798	3,493
Fee, exchange and other income	1,530	1,034	1,287	1,047	880
Total operating income	6,667	5,682	5,610	4,845	4,373
Operating expenses*	(2,380)	(2,061)	(2,087)	(1,861)	(1,751)
Net income before provisions	4,287	3,620	3,523	2,984	2,622
Provision for financing and other assets	(1,266)	(1,418)	(706)	(467)	(611)
Net Income before Zakat	3,022	2,202	2,817	2,517	2,011
Zakat**	(312)	(236)	(282)	340	(104)
Net Income after Zakat	2,709	1,966	2,535	2,857	1,907

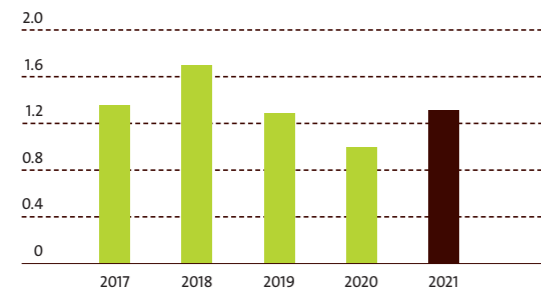
\* Share on Profit and Loss from associates and joint ventures is included

\*\* For the year 2018, Zakat surplus due to settlement with ZATCA



Bank's financial matrices improved during the year as a result of the growth in net profit after Zakat. Earnings per share reached SAR 1.31 in 2021 compared to SAR 0.99 in the previous year. ROA and ROE reached 1.6% and 10.8% respectively in 2021 compared to 1.4% and 8.4% in the previous year.

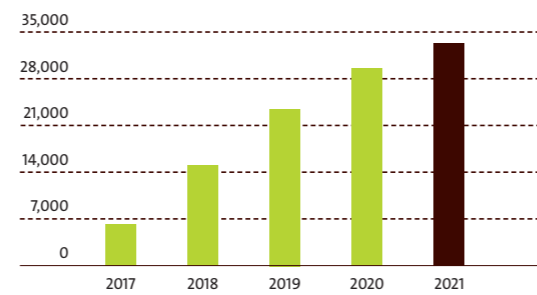
Earnings per share (SAR)



Investments

Investments increased by 13% YoY to SAR 33,278 Mn. and the net financing increased by 14% to SAR 126,271 Mn. while the total assets recorded an overall growth of 10.6% to SAR 173,476 Mn. as of 31 December 2021, compared to SAR 156,877 Mn. in the previous year.

Investments (SAR Mn.)



Statement of Financial Position

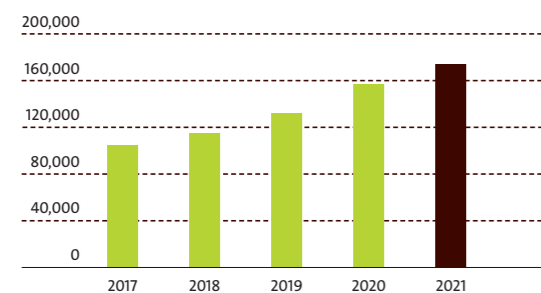
Alinma Bank recorded a strong growth in assets and liabilities during the year 2021.

Five-year summary of the Statement of Financial Position.

SAR Mn.	2021	2020	2019	2018	2017
<b>Financial Position</b>					
Financing, net	126,271	111,196	94,801	79,063	70,312
Investments	33,278	29,526	23,478	15,066	6,157
Total assets	173,476	156,877	131,839	114,752	104,730
Customers' deposits	121,061	119,454	102,063	89,065	80,612
Total liabilities	142,765	132,448	109,395	94,408	85,551
Total equity*	30,711	24,429	22,445	21,298	20,344

\* Equity includes SAR 5 Bn. Tier 1 Sukuk issued in July 2021

Asset growth (SAR Mn.)



Net financing

Net financing grew by 14% in 2021 as compared to 2020. Mortgage Financing increased by 23.4%, Retail Personal Financing by 9%, SME Financing by 13% and Corporate Financing by 13% YoY.

Stability

Alinma Bank remained well-capitalized as indicated by the capital adequacy ratio of 22.8% as of 31 December 2021, which was well above the minimum regulatory requirements. The ratio recorded an increase of 18% YoY reflecting the Tier 1 (T1) Sukuk issued by the Bank in July 2021. Total equity increased by 24% to SAR 33.1 Bn. in 2021.

Liquidity

The Bank maintained a healthy liquidity position throughout 2021 with the loans to deposits ratio (LDR) at 85.8%, which was below the regulatory maximum. The Liquidity Coverage Ratio (LCR) stood at 134.1% and, the Net Stable Funding Ratio (NSFR) at 111.7% which were well above the regulatory minima.

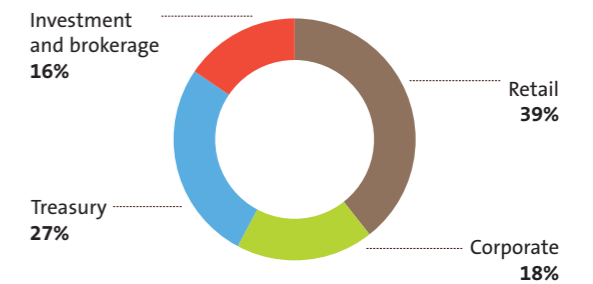
Segmental performance

SAR Mn.	Retail	Corporate	Treasury	Investment and brokerage	Total
<b>Segments</b>					
Total assets	26,602,261	98,764,556	45,725,528	2,383,739	173,476,084
Total liabilities	81,503,711	23,727,274	36,924,221	609,851	142,765,057
Yield income	2,265,163	2,104,778	675,001	92,057	5,136,999
Non-yield income	443,749	166,412	375,976	544,232	1,530,189
Operating income	2,708,912	2,271,190	1,050,797	636,289	6,667,188
Operating expenses	1,638,401	336,155	237,320	153,286	2,365,162
Provision charges	(124,789)	1,375,931	2,576	12,613	1,266,331
Net operating income	1,195,300	559,104	810,901	470,390	3,035,695
Gain/loss from associate and joint venture			-14,140		
Net income before Zakat	1,195,300	559,104	796,761	470,390	3,021,555

Future outlook

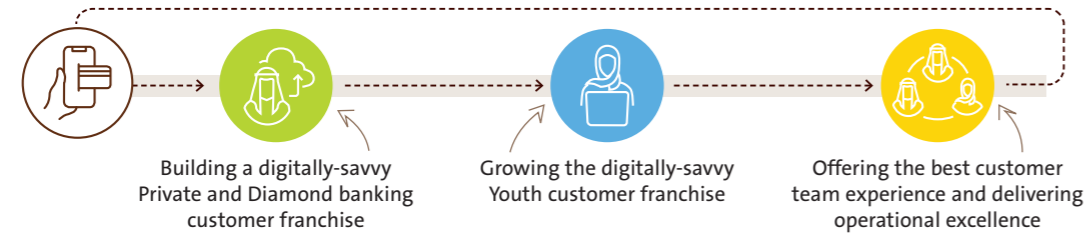
Going forward, Alinma Bank will continue its journey towards being celebrated as the fastest and most convenient bank in the KSA. The Bank will continue focusing on elevating the customer experience by offering differentiated products and services and ongoing investments in its digital capabilities and resources.

Net operating income by segment



## Retail Banking and Digital Group

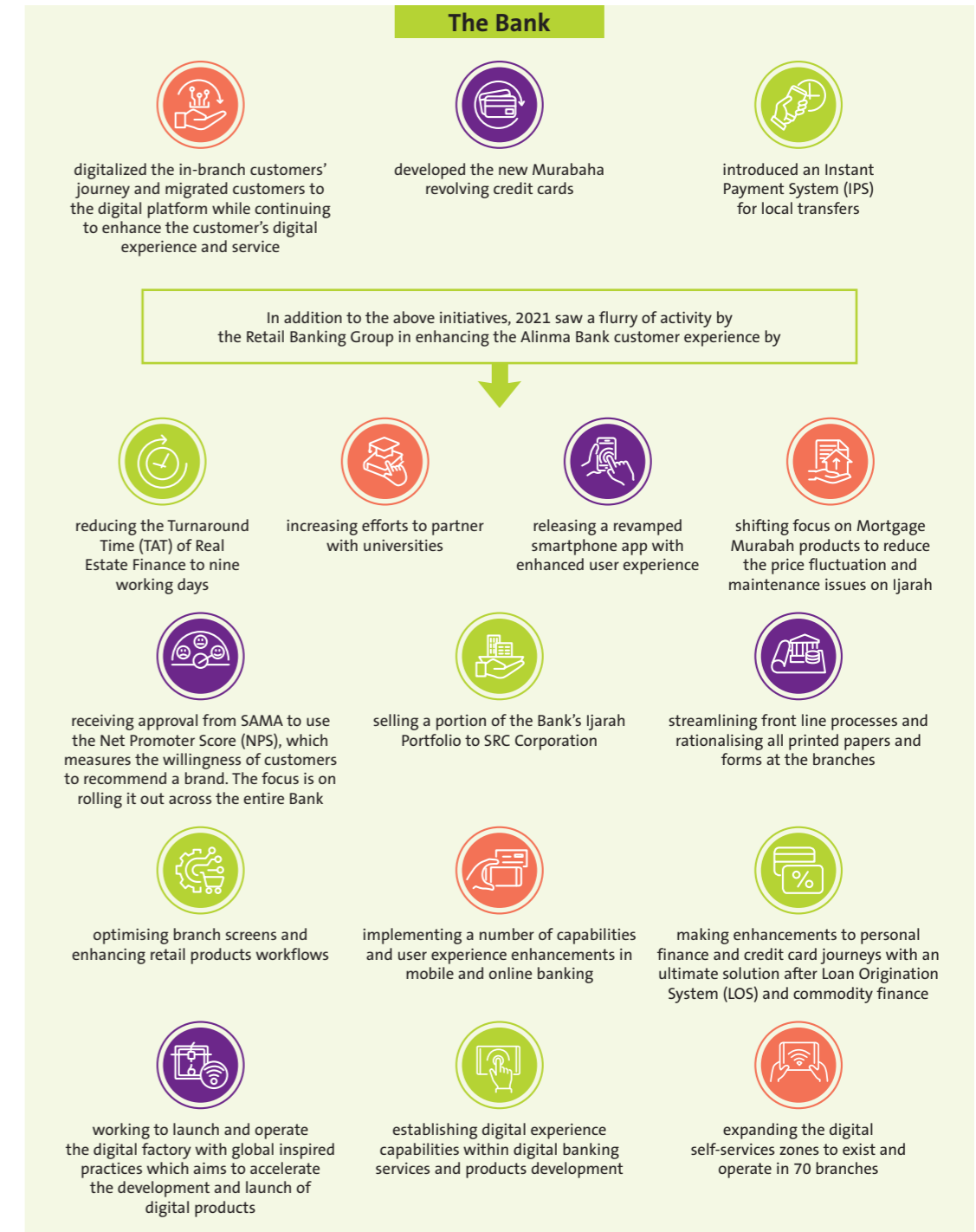
Retail banking is the visible face of banking to the general public, with the Bank's branches located in abundance throughout the country. During the year, Alinma Bank continued to pursue the achievement of its strategic goals of



Opening of Al-Jawhara branch in Al-Khobar

## New retail products/services introduced during 2021 for retail customers

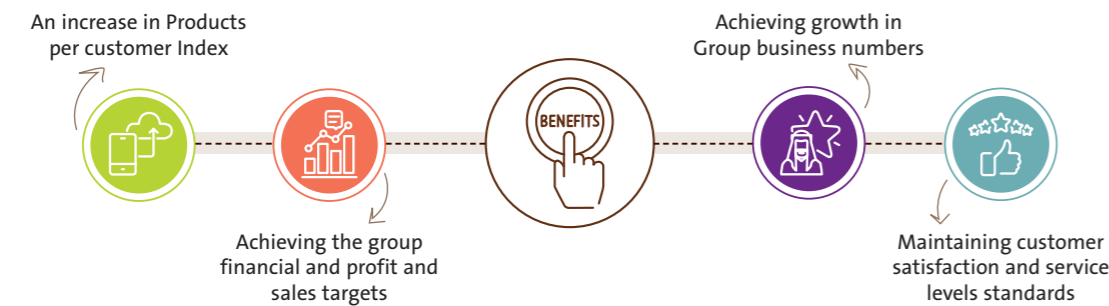
In dealing directly with the public, Alinma Bank developed many products and services that continue to feed the needs of the general populace and included the following initiatives during 2021.



Digital transformation is one of the main pillars to achieve the Saudi Vision 2030, and in the current environment of increased digitalisation, the Bank's emphasis and efforts were primarily on this aspect of its operations. During the year, the Digital Engagement Index reached 96.4%. This was supported by an improved customer digital experience through cross platform offerings, digitally enabled Shariah-compliant investment and savings products, digitization CX and analytics capabilities in resources and tools.

- Financial transactions conducted digitally amounted to 98.92% of total transactions.
- Products per customer increased to 2.13.

The benefits that flowed through to the Bank from the above activities resulted in:



One of the ways to fuel growth at the Bank is to acquire new customers. In this regard, the Bank focussed their efforts on the experienced professionals, the digitally savvy self-employed, young Saudi professionals and university students.

The growth in customer numbers in turn calls for an increase in available facilities. In the course of the year, five new Men's Branches were opened as were four new Women's Branches, and digital channel users showed a 30% increase to two million.

The following table exemplifies one of the keys to the Bank's success in the Retail Banking environment with the constantly increasing and diverse traditional and modern channels of the Bank, spanning the Kingdom.

	2021 (Dec)	2020	2019
Gents Branches	100	98	95
Ladies Branches	78	75	75
Sales Centres	4	0	0
ATMs	1,584	1,557	1,527
POS	100,764	74,277	43,933
Remittances Center	52	53	53
Digital Zones	70	0	0
Online Channels Users (million)	2.08	1.52	1.14

Awards



Looking ahead in 2022 and beyond

The market experienced increasing competition from the big Saudi banks. Yet Alinma Bank, through its focus on service standards and efficiency of processes and digital and physical facilities, maintained a 90% customer satisfaction rating.

In preparation for the future, the Bank commenced working on the following initiatives to introduce the following products and services:

- Develop the home ownership ecosystem and enhance the family account ecosystem
- Introduce a unique youth offering,
- strengthen customer acquisition partnerships by improving marketing effectiveness and efficiency
- Introduce auto-financing and personal financing through commodity purchasing
- Implement a "Buy Now Pay Later" scheme

- Implement a Loan Origination System (LOS) to improve the efficiency of the loan process and reduced Turnaround Time (TAT)
- Expand digital Investment products and services.

The future progress of the Bank is heavily dependent on the digital environment with increasing demands by customers for speed, convenience and reliability. The Bank's response to this is evidenced by the development of new products and services, such as:

- Online refinancing
- Online Loan Buyout
- Buy Now Pay Later (Fully-digital microfinancing)
- Chatbot
- Open Banking
- Youth super App
- Personal Finance Management (PFM) Tool

The use of advanced analytics through artificial intelligence tools is also being explored.

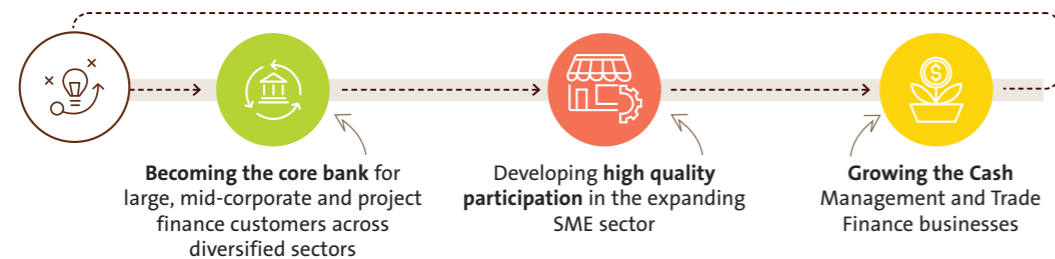
**Corporate Banking Group**

In the 2021 fiscal year, Alinma Bank continued to experience the challenges brought on by the prolongation of the COVID-19 pandemic.

**Focus on the strategy continues**

Despite the difficult economic conditions, the Corporate Banking Group (CBG) focused their attention on the key pillars of the 2021 – 2025 strategy and supporting the CBG’s vision of “Being the Corporate bank with the best customer experience and offering the fastest turnaround time in KSA”.

In addition, the Corporate Banking Group directed its attention to fulfilling its Group strategic objectives of:



These objectives were supported by,

Delivering an advanced Digital Banking platform	Creating a mid-corporate segment and growing this business	Providing core banking facilities for business partners	Committing to offer the fastest in service delivery, and the best in customer experience
Achieving more than 60% growth in SME financing under KAFALAH program	Providing Corporate customers with full banking services, while increasing opportunities for cross selling the Bank’s products and services	Continuing to achieve double-digit growth	Striving to exceed corporate customer expectations

The formation of the Global Transaction Banking (GTB) Division was a key component in supporting the overall Corporate Banking Group 2021 – 2025 strategy.

The GTB Division provides a range of banking services to all corporate segments in the market. The services are aimed at offering effective solutions to enable our customers to facilitate, optimise and control their cash flows while supporting their business growth plans.

Some of the more notable achievements of the Corporate Banking Group are related to

- Improving its delivery channels through enhanced internet banking facilities,
- Introducing a flexible Murabaha facility to enable pricing the medium/long-term financing at a variable rate,

- Directing more attention to the Commercial Banking segment and using the Bank’s capabilities to serve it.
- Re-engineering cash management support processes and allocating tasks between business lines and operations, thereby segregating duties and improving internal controls.

The Corporate Banking Group is a significant contributor to the Bank’s operating income and net income through its assets/credit facilities portfolio. The division achieved high growth in 2021 and at the same time enhanced the portfolio risk profile by diversifying the credit portfolio and acquiring new assets with better risk ratings.



The business generated extremely good results from its Point of Sale transactions business. The Bank currently operates 100,764 POS terminals, making it the fourth largest bank in the market.

The digitalisation of corporate banking continued apace with online banking registrations enhanced through the linking of online registrations to the online account opening process.

The Bank also participated in financing or partially financing several major government projects conducted by the Ministry of Interior and the Ministry of Housing. Additionally, the Bank’s Project Finance team is involved in financing Public Private Partnerships (PPP) projects such as Madinah, Tabouk, Buraydah Sewage Treatment Plants, Madinah AlAnsaar Hospital, Tatweer Building Co. for construction of schools, three residential compounds for Saudi Aramco, as well as supporting a number of privatization programs such as those sponsored by Saudi Grains Organization.

**COVID-19 assistance to Corporate customers**

The Bank is ever mindful of its corporate social responsibilities. In compliance with the Saudi Central Bank instruction, the Bank extended several programs to support the corporate customers in dealing with the impacts of the pandemic, through general financing support and the Private Sector Job Retention Scheme. The Bank also worked closely with companies that were severely affected by COVID-19 and the ensuing restrictions and restructured outstanding facilities and extended additional credit facilities on a case-by-case basis.

The Saudi Central Bank (SAMA) assisted the Bank by easing the subscribing rules on some major services and products. AlinmaBank has responded to all SAMA initiatives to support the SMEs in effectively managing the challenges and expected consequences of the Covid-19 pandemic such as “Deferred Payments Program” and “Guaranteed Loan Program”. This was in addition to so many other initiatives from the Ministry of Finance, the Industrial Fund, SMEA/Monshaat, MODON, Saudi Food and Drug Authority, Saudi Export Development Authority, Funding Support Program, etc.

**Growth opportunities**

The growth opportunities for the Bank are excellent with multiple channels for products and services registration process providing an excellent customer experience. In addition, the use of the omnichannel to carry out all required financial services for corporates, contributes to a unifying experience for customers across all platforms, products, and services. This will help in positioning the Bank as the preferred bank for its current and prospect customers to house their main accounts.

The growth journey is expected to continue, with growth coming from Mid Corporate (new Commercial Banking) and SMEs. Global Transaction Banking is expected to enhance the Bank’s cash management solutions and attract more deposits.

### Small and Medium Enterprises (SMEs)

The Bank's participation in the SME sector is poised for growth despite the COVID-19 pandemic, particularly in the Kafalah and POS portfolios. Therefore, there were many initiatives that have been considered to support this promising growth as follows:

- Introduction of fast track approvals for amendments requests and new POS/Kafalah requests to expedite the work process while enhancing our customers' experience
- Introduction of different new products in the pipeline which are designed with less requirements and restrictions to fulfill the customers' needs, especially the Micro and Small Enterprises
- The creation of a new organizational structure to enhance the workflow by having special teams and Relationship Managers in three promising regions (Qassim, Al Madina and Abha) to serve the SMEs in program based lending (POS Finance)

### Impact of Kafalah Program on SME portfolio

The focus on Kafalah SME program has helped to increase the coverage of existing and new SME customers. Consequently, this has reflected positively on the SME portfolio's growth and the increase in the customer base. Furthermore, POS financing has also significantly increased from SAR 19 Mn. (37 customers) in 2020, to SAR 224 Mn. (276 customers) by December 2021.

### Performance of SME portfolio

By the end of December 2021, the outstanding Business Banking portfolio reached SAR 4.1 Bn. including funded and non-funded. Gross Income, during the same period reached SAR 225 Mn.

On the other hand, at the end of 2020, the non-performing loans were SAR 222 Mn. and at the end of Q3 2021 were SAR 221 Mn.

### SME digital transformation progress in 2021

Digitalization of the Bank's operations remains an area of key focus. A special team has been assigned to handle the digitalization of the SME customer journey. Weekly meetings between business banking teams and digital product development teams are convened to discuss the design, required functions, and weekly deliverables to ensure the project progresses to meet its assigned deadline.

### New products/services introduced during 2021 for the SME customer segment

In the quest to service the SME customer segment with relevant products and new initiatives, the Bank introduced the following measures:

- POS Financing Product: Increased the financing limit from SAR 1 Mn. to SAR 3 Mn.
- POS Financing Product: Increased the financed percentage from 25% of total POS deposits to 37%
- POS Financing Product: The tenure of financing was also increased from 24 months to 36 months
- An agreement with Monsha'at was signed, to finance the franchising of Saudi brands.

In addition, the following products/partnerships are under consideration:

- An agreement with Agriculture Development Fund (ADF) is under review by the ADF team to finance the SMEs work in the agriculture sector
- An Agreement with the Ministry of Health is under review by the Ministry of Health to finance the starts up in the healthcare sector
- Microfinance based on the Current Account movement is under review and to be launched in Q1-2022
- Daman (Performance Bond) for SMEs in contracting sector is in the final stage and to be launched in Q1-2022



### Impact of COVID-19 on SME portfolio

The impact of COVID-19 provided an opportunity for the Bank to evaluate its relationship with existing and new SME customers. In light of the findings, the Bank prevent any future defaults on their loan portfolios.

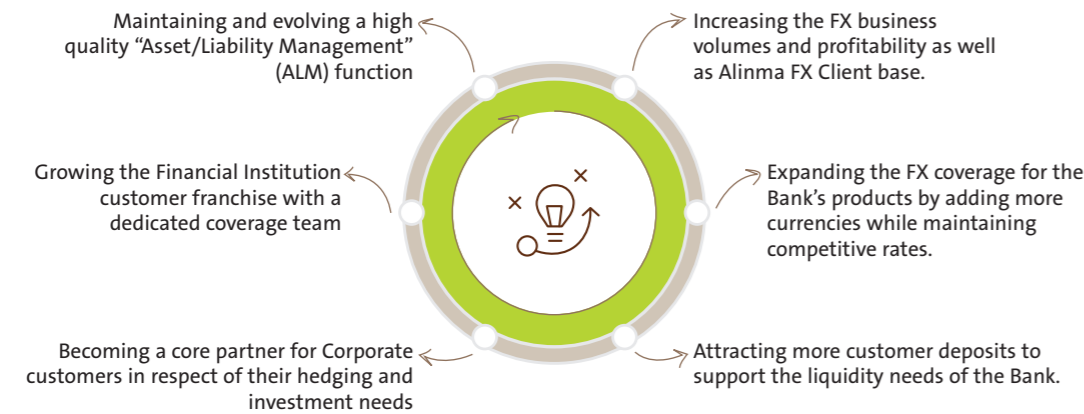
Instead, the Bank offered to restructure the repayment schedules of those badly affected, based on their financial performance, to support their cash flow during this difficult time. Also, Alinma Bank has successfully applied the Deferred Payment Program (DPP) which introduced by SAMA to support SME during the COVID-19 pandemic. The DPP has been applied through multiple rounds, to make sure the SME businesses have started to recover from the impacts of COVID-19.

In addition, Alinma has achieved impressive records in Guaranteed Loan Program, initiated by SAMA in co-operation with the Kafalah program, to guarantee any new or existing SME customer up to 95%. The program has helped the Bank to maintain growth in the SME market during this period.

Overall, the SME sector is receiving great support from the government and semi-government agencies. There are now many programs to support SMEs by providing direct financing or guarantees, for banks and other financial institutions.

### Treasury Group

The Treasury function showed continuous progress in achieving the goals of the 2021 – 2025 strategy of the Bank. In support, the strategic ambitions for the Treasury Group were focused on:



The Fiscal Sustainability Program, which essentially contributes to developing public finances through the establishment of the National Debt Management Center, is a part of the 2030 vision realization program.

The Bank was appointed as a primary dealer in 2018 and hence Government Sukuks became a key component of the investment portfolio by providing an acceptable yield income, as well as assisting in managing the high quality liquid asset stock of the Bank.

In this regard, Alinma Bank announced on 28 Shawwal 1442 Hijri (corresponding to 9 June 2021G) on the Saudi Exchange (formerly known as Tadawul), the commencement of the issuance of additional Tier 1 Sukuk, by way of a private placement offer and subject to market conditions. The SAR 5 Bn. offer was completed with the total number of Sukuk made up of 5,000 at a par value of SAR 1 Mn. each.

### Economic environment

Signs of the positive global economic recovery have given the Bank the chance to explore new opportunities with international banks especially from a funding perspective.

Locally, the Saudi Central Bank continued its liquidity support and payment deferral programs that enabled greater creation of assets.

### Product offerings

New products and services introduced by the Treasury Group during the year were:

- FX Forward:** Used with customers to hedge their currency volatility risk and used with banks as well to hedge their currency volatility risk.
- FX Swap:** Used by banks currently as a hedging tool and to cover the foreign currency needs of the Bank.
- Profit Rate Swap:** Used for hedging against profit rate fluctuation risk.

Meanwhile, it is expected that the Treasury Group's contribution to the overall performance of the Bank will be enhanced through the increased cross-sell of its services to other business groups, offering of financial derivatives solutions to customers and the addition of the afore mentioned new products.

It is also envisaged that the Group's services will be boosted with the implementation of the new Treasury System to expand its product range in line with the Bank's strategy to modernize and automate Treasury activities.

During the year, the Investments portfolio grew by 18.0% (from September 2020 to September 2021) and its overall performance increased by 13.7%, while the fee income increased by 4.3% over the same comparative period and the FX exchange income has increased by 3% from Jan 2020 to Jan 2021.



### Government's Primary Dealer Agreement with Alinma Bank

The Primary Dealers Program enabled the Bank to participate in the development of the financial sector in Saudi Arabia in accordance with Vision 2030 objectives. The investor base in the primary market was expanded and the development of the secondary market was supported by increasing the liquidity of government securities.

From the beginning of the PDs program Alinma Bank, along with other selected Primary Dealers, participated in the efforts as the National Debt Management Center (NDMC) raised SAR 302.718 Bn. from the domestic market out of which SAR 75.281 Bn. raised in year 2021.

### The Strategic Customer Service Plan

The NDMC will continue its strategy of engaging with its investors in both non-deal roadshows abroad and reverse investor roadshows in the Kingdom of Saudi Arabia. Further investor diversification is a key target for 2022 as the NDMC continues its commitment towards Primary Dealers' initiatives to enhance the domestic market infrastructure.

## Human Capital Management

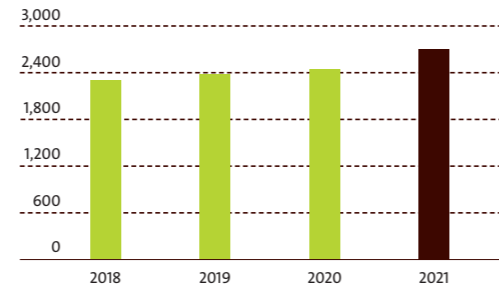
The goal of Human Capital Management is to maximise employees' contributions in order to achieve optimal productivity and effectiveness, while simultaneously supporting individual objectives (such as having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).

In order to remain competitive, grow and diversify, Alinma Bank ensures that its employees are qualified, placed in appropriate positions, properly trained, managed effectively and are committed to the Bank's success.

The Bank undertook major organisational restructuring during the year that better enabled the execution of its strategy. In this regard, the Bank, created a "Women

Empowering Department" to increase the numbers of females hired and are supported and assisted in the workplace. The following tables show the progress made over the past four years.

**Total number of employees (Nos.)**



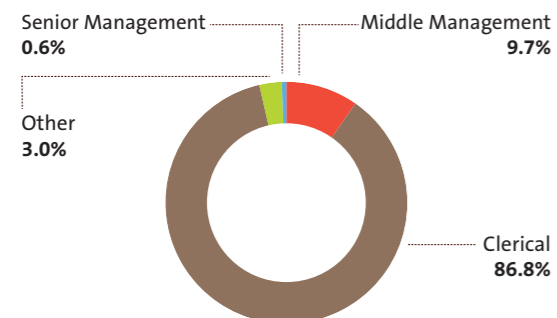
## Male/Female distribution

	Male		Female		Total	
	Number	%	Number	%	Number	%
2021	2,270	84	442	16	2,712	100
2020	2,152	87.44	309	12.56	2,461	100
2019	2,084	87.16	307	12.84	2,391	100
2018	2,025	87.66	285	12.34	2,310	100

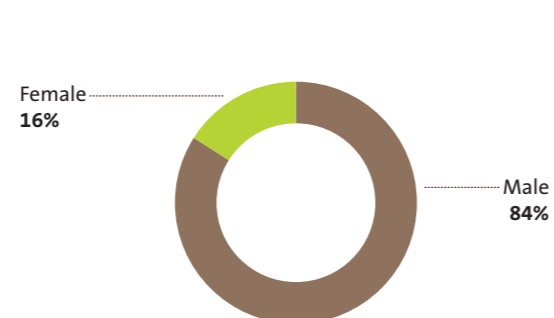
## Male/Female distribution by category of employment

	Male		Female		Total	
	Number	%	Number	%	Number	%
SM – Senior Management	15	100	0	0	15	100
MM – Middle Management	248	95	14	5	262	100
C – Clerical	1,926	82	428	18	2,354	100
O – Other	81	100	0	0	81	100
<b>Total</b>	<b>2,270</b>	<b>84</b>	<b>442</b>	<b>16</b>	<b>2,712</b>	<b>100</b>

## Employees by category



## Gender distribution



## Male/Female distribution by category of employment and education

	Male (Numbers)				Female (Numbers)				Total (Numbers)			
	SM	MM	C	O	SM	MM	C	O	SM	MM	C	O
Doctorate	1	1	0	0	0	1	0	0	1	2	0	0
Master's	8	48	71	12	0	7	9	0	8	55	80	12
Graduates	6	160	1,192	62	0	8	396	0	6	168	1,588	62
Other	0	39	663	7	0	1	20	0	0	40	683	7
<b>Total</b>	<b>15</b>	<b>248</b>	<b>1,926</b>	<b>81</b>	<b>0</b>	<b>17</b>	<b>425</b>	<b>0</b>	<b>15</b>	<b>265</b>	<b>2,351</b>	<b>81</b>

The Bank increased employee engagement by providing flexible working hours, enabled employees to work-from-home and encouraged interaction amongst employees by staging social activities.

The Human Capital Division enhanced the hiring process and the onboarding program, to enrich the employee experience. In addition, a "Creating Employee Experience Department" was established to support this initiative and draw closer to international best practice.



### Total new hires by age group and gender

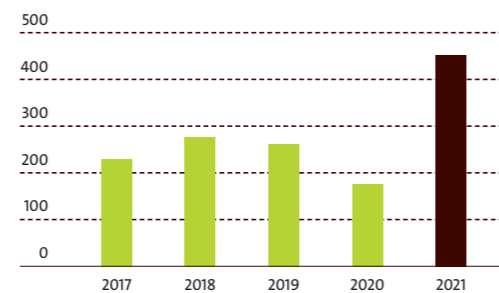
Year	18 to 30 years			Over 30 years		
	Male	Female	Total	Male	Female	Total
2021	199	129	328	103	21	124
2020	104	26	130	44	2	46
2019	149	41	190	65	7	72
2018	107	39	146	112	18	130
2017	92	26	118	98	14	112

The promotion of business performance and the steps to increase employee productivity were aided by the design and implementation of an incentive scheme for employees in retail banking. The scheme covers the activities in multiple segments such as, Branch banking, Retail sales, Bancassurance and Retention, and is intended to increase motivation and satisfaction amongst the employees.

Other initiatives included, enhancing the Bank's compliance with SAMA Rules for compensation practices and conducting a comprehensive benchmarking exercise on compensation (fixed and variable) allowances and benefits offered in the banking sector.

Based on the study, it is proposed to implement an "Employee Life Insurance" scheme in the near future, to support the Bank's quest to retain employees. The "Employee Housing Program" was introduced and added to the roster of benefits this year. No further additions or revisions are being considered at this stage, as the existing benefits are found to be competitive with market standards.

**Total new hires**  
(Nos.)



### Salaries and benefits

	2021 SAR	2020 SAR	2019 SAR	2018 SAR	2017 SAR
Salaries paid	614,807,599	585,660,150	547,301,392	521,532,074	475,198,144
Benefits paid	107,429,189	91,164,359	123,555,797	120,290,400	64,104,172
Social security contributions	46,989,195	44,462,917	41,395,361	38,644,413	34,368,123
Staff insurance	40,262,743	32,819,280	33,863,392	26,373,962	24,243,214
<b>Total salaries and benefits</b>	<b>809,488,726</b>	<b>754,106,707</b>	<b>746,115,944</b>	<b>706,840,850</b>	<b>597,913,653</b>

### Service analysis of workforce

Number of years of service	Male			Female		
	2021	2020	2019	2021	2020	2019
0-5 years	1,119	927	850	321	183	180
6-10 years	702	736	756	97	102	107
11-15 years	449	489	506	24	24	25
16-20 years	0	0	0	0	0	0
Over 20 years	0	0	0	0	0	0

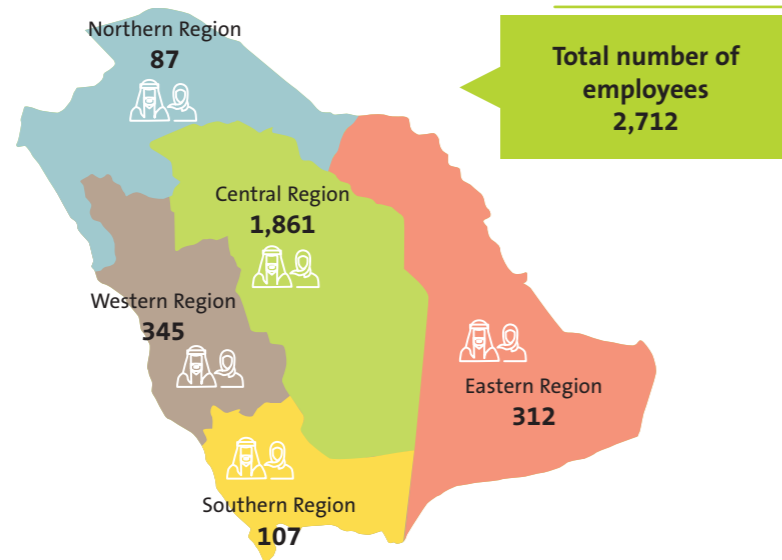
### Employees by age and gender

Age group	Male			Female			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
18-30 years	772	762	805	253	157	176	1,025	919	981
31-40 years	1,001	841	902	162	128	114	1,163	969	1,016
41-50 years	393	350	305	21	20	19	414	370	324
Over 50 years	104	99	100	6	4	3	110	103	103
<b>Total</b>	<b>2,270</b>	<b>2,052</b>	<b>2,112</b>	<b>442</b>	<b>309</b>	<b>312</b>	<b>2,712</b>	<b>2,361</b>	<b>2,424</b>



### Employees by region/grade

Region	Senior Management	Middle Management	Clerical	Other	Total
Central Region	15	223	1,542	81	1,861
Eastern Region	0	15	297	0	312
Northern Region	0	0	87	0	87
Southern Region	0	0	107	0	107
Western Region	0	24	321	0	345
	<b>15</b>	<b>262</b>	<b>2,354</b>	<b>81</b>	<b>2,712</b>



Multiple development programs that target Bank leadership, professional certifications and fresh graduates have commenced, with a “Vitality Program” run by the Tawuniya company, launched to support and strengthen employees’ wellness.

An initiative that started the previous year was the Saudization of the workforce at the Bank. In 2021 the Saudization Rate stood at 94%.

#### Employee health during the pandemic

The health and well-being of the employees are paramount for Alinma Bank, as it is committed to follow government protocols to have a safe and healthy working environment. All safety and health protocols have and are being strictly adhered to throughout the pandemic.

The Bank facilitated the vaccination of its employees by coordinating with the health authorities. Vaccinations are made available to staff to receive within the Bank’s premises. The Bank also allows employees who contract the virus, to stay at home on full pay, until they recover.

In addition, the Bank facilitated the “work-from-home set-up”, allowing most head office employees to work remotely using VPN, Cisco Jabber and Webex tools. The Bank also made available direct support for employees to get a free COVID-19 test.

The pandemic has prompted a re-evaluation of workplace procedures. It is therefore very likely that practices such as social distancing, the use of face masks, remote meetings via Webex, and “work-from-home” for staff who are considered “not essential” to be physically present, will continue well into the future.

#### Saudization Policy

In accordance with the Saudization program initiated by the Saudi Government, Alinma Bank has put in place recruitment opportunities, support and training for the Bank’s national workforce

The Bank has been working on the proposed plan to Saudization on some jobs, including requiring companies to whom work is outsourced, to increase Saudization rates in technical and sensitive positions. The Bank has been able to achieve the Saudization target for Level 1 positions at the Bank.



#### Training and development

Training and development of its employees is at the core of the Bank’s strategies in capacitating employees to produce their best at the workplace. The “Alinma Academy for Education and Development” has been set up for this purpose. It conducts training needs analyzes to uncover the existing gaps in either leadership or core activities. It also provides updated products training to all branches frequently and conducts awareness training courses to cover SAMA regulations. A professional certification program has been introduced for all employees, along with Board member training courses.

In 2021, the following key training programs were delivered.

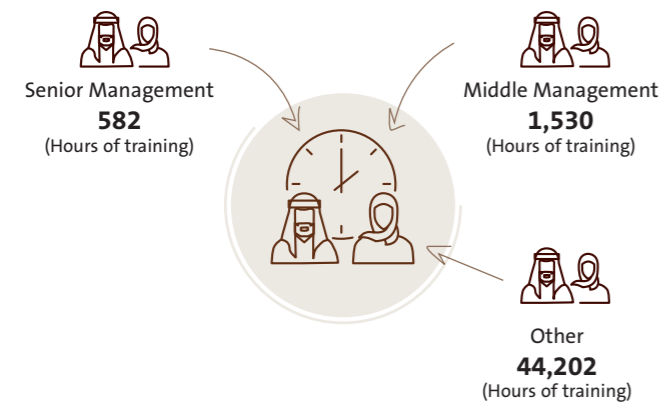
- The internal training was provided virtually on the Alinma Learning Management System (LMS).
- Leadership development for executives.
- Core leadership and technical training.
- Customised technical programs covering customer care, call centre, awareness of regulatory requirements, information technology, FBP, and, cooperate banking.
- Branch Managers Development Program.

Training evaluation methods consisting of pre and post training assessments were also introduced during the year.

### Training

Description of training	Male (Numbers)	Female (Numbers)
Core	1,397	736
Leadership	1,740	851
Technical	977	730
Induction programs	343	
Awareness and Saudi Central Bank requirements training courses	1,538	
Updated products	1,289	
Preparation for professional certificate for branches	2,523	
Board member training courses	9	
Leadership development programs for executives	28	
Branch development programs	108	54
Core leadership and technical training	4,027	2,084
Customized technical programs such as customer care, cooperate, call center, FBP, and information technology	95	50

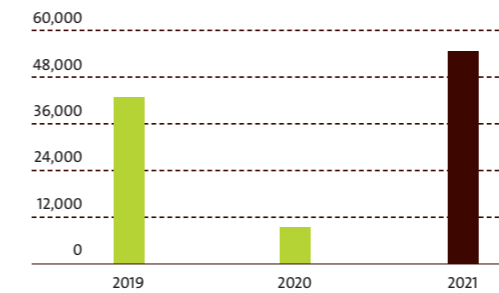
### Hours of training by grade



### Number of training programs, participants and time

	2021	2020	2019
Number of training programs	108	252	89
Total number of participants	7,745	1,739	2,327
Training days	9,075	1,565	7,140
Hours spent on training	54,450	9,390	42,840

### Total number of training hours (Nos.)



### Hours of training undergone by Bank's employees in 2021, by gender

Type	Number of employees			Number of training hours		
	Male	Female	Total	Male	Female	Total
Mandatory	1,311	227	1,598	1,362	7,866	9,228
Non-mandatory	2,792	1,889	4,681	11,334	16,752	28,086
e-Learning	10,187			61,122		

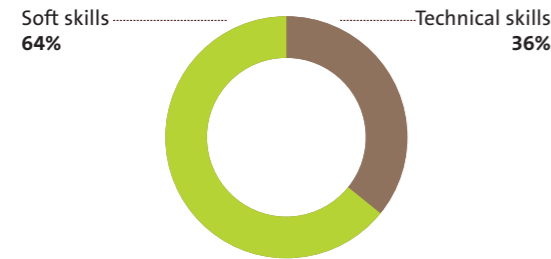
### Hours of training undergone by Bank's employees in 2021, by category

Type	Number of employees			Number of training hours		
	Male	Female	Total	Male	Female	Total
Senior Management	74	0	74	444	0	444
Middle Management	99	3	102	594	18	612
Other	3,129	1,973	5,102	18,774	11,838	30,612

### Hours of training undergone by bank's employees in 2021, by skill type

Type	Number of persons trained	Hours on training
Technical skills	1,707	10,242
Soft skills	3,058	18,348

Type of training



Human capital related awards and achievements

- The Bank was nominated by the Ministry of Human Resources to join the Tawteen program and benefit from the support of nationalisation rewards. 200 employees have so far been added to the Program.
- Alinma Bank maintained their rating of “excellence” from the Ministry of Human Resources for the third year in a row, in relation to the Al-Safwa Program
- The Bank maintained the platinum range for Saudization since 2019.

Human Capital initiatives planned for 2022

The focus for 2022 will be on developing and growing the employees in their capabilities to fulfill the 2021 – 2025 strategy and objectives of the Bank and consequently elevate the quality of work performed. Some of the initiatives center around measuring and improving employee engagement in the activities of the Bank, while regularly celebrating their successes, hiring talented individuals who are more technically inclined, implementing more rotational programs and assisting in career path progression through the Organization.

There are in addition, steps planned to digitalize and streamline HR processes that will lead to improved efficiencies. The improved processes are also designed to contribute to:

- assist in conducting training needs analyzes,
- spread learning and development throughout the Organisation.
- enhance employee experience through an improved learning management system.
- better management of the evaluation of the training program.
- facilitate improved communication with all employees.

The Bank looks forward to the coming year with optimism as the rigours of the pandemic begin to ease, with cases of COVID-19 having been well controlled and all employees vaccinated.

Please refer the women empowerment section under Our People on page 63 of this Report for more details about our efforts on women empowerment at the workplace.

Shared Services

Shared services group provides the required support to achieve the strategic vision of the Bank by developing its digital capabilities, streamlining the operating and delivery models, and improving the Bank's operational excellence.

Alinma Bank has developed a strong and ambitious “Strategy 2025” to provide its customers with the most innovative banking products and services. The strategy and its five years road map includes major initiatives to be undertaken by the different bank groups including shared services. The key initiatives of shared services include progressing on Advanced Analytics (AA) while establishing AA Center of Excellence, centralization of operations functions to increase efficiency across the Bank by shifting operational activities of the Bank to the Operations Division under shared services, streamlining and digitalizing operations through implementation of Robotic Process Automation (RPA), increasing proportion of Information Technology (IT) projects delivered through agile delivery, and improving the operating model between the IT and Business Units (BUs) including formulating delivery Service Level Agreements (SLAs). In addition to that, shared services is contributing to support the other business initiatives.

Shared services comprised five main divisions and departments: Information Technology, Operations, Facilities Management, Procurement, and Planning and Excellence.

Information Technology

The COVID-19 pandemic was an unprecedented catalyst for digital banking across the world, and the increased consumer demand for digital banking services gave rise to numerous technological advancements, allowing users to conduct banking transaction remotely, with ease and speed in a secure manner. Alinma Bank continued to provide an excellent customer experience, by facilitating digital banking services, which are efficient, easy and accessible to all, by adopting the latest technologies.

The year 2021 saw the rapid recovery of business performance after the slowdown experienced in the previous year due to the global pandemic. In responding to the pace of recovery, the Bank introduced its 2021 – 2025 strategy which focuses on the digitalization and automation of multiple aspects of the Bank including:

- Adopting Artificial Intelligence (AI), Advanced Analytics (AA), and Robotic Process Automation (RPA)
- Introducing new digital products and services
- Expanding the digital services at branches
- Enhancing the user experience and interface of the digital channels
- Automating many of the internal processes and procedures to reduce the turnaround time and increase team efficiencies.

In addition to the Bank's planned initiatives as part of its strategy over the coming years, the Bank has successfully implemented the following high priority initiatives during 2021:

- **Advanced Analytics (AA)**, which supports better business decision-making, through the use of advanced data analytics.
- **Robotic Process Automation (RPA)**, which automates the repeatable operational processes, thereby reducing time, human errors and increasing team productivity and efficiency.
- **Revolving Credit Card**, which provides Alinma customers with a credit limit through a financing formula consistent with Sharia provisions and controls. The card enables its customers to make purchases or withdraw cash and pay the amounts due in easy monthly instalments.
- **Instant Stock Financing Deposit**, which enables the Bank to instantly transfer the proceeds from the sales of stock, to customers' accounts without having to wait for two days, as was the previous practice.
- **Anti-Fraud Management System**, an intelligent software designed to effectively detect, analyze, and report on any potential fraudulent events.
- **Field Sales Mobility System**, which allows Alinma sales agents to work remotely in offering Alinma products and services to its customers.
- **Instant Payment System (IPS)**, which enables customers to transfer Saudi payments instantly between local banks.

Operations

Alinma Bank constantly strives to improve processing efficiencies, reduce costs and mitigate risks as part of its overall operations. In 2021, the Bank started to implement several measures to centralize all operational activities from its different groups such as Retail, Finance and Merchant Management to the Bank's Operations Division to promote efficiencies, reduce costs and optimize the controls to align with the Bank's risk appetite.

In 2021, one of the key initiatives was initiated to adopt RPA in order to streamline and digitalize operations processes, thereby mitigating the incidence of human errors and reducing operational costs. With processes re-engineering, and automation (including using RPA), the Turn Around Time (TAT) was continuously improved in many banking products and services. Another initiative was introduced to reduce operating costs by outsourcing and converting the operation of the Ha'il Cash Centre to a Multi Bank Cash Centre (MBCC). Global Payment Innovation (GPI) System was implemented to extend real time tracking of foreign currency payments to customers. This enabled to minimize inquiries as all events are communicated automatically.

Furthermore, in 2021, the Operations Division implemented many projects and initiatives that resulted in saving of employees' time, reducing operating costs, increasing productivity and efficiency, assuring accuracy of operational work, minimizing errors due to less manual intervention and improving customer experience. The major initiatives and achievements include:

- Alinma E-Trade System – an in-house digital channel that automates all trade services.
- Reconciliation System – automating the internal accounts reconciliations to increase efficiency and ensure accuracy.
- The "Name Matching" function was implemented on incoming local transfers to reduce fraudulent transactions and protect the Bank from potential financial losses, while improving efficiencies and reducing processing cycle times
- The Cash Agent Service was enhanced by introducing Electronic Direct Debit Authorization (EDDA) with multiple clearings during the day.
- *Wethaq* (Letter of Guarantee) – a digital service that enables checking and monitoring of Letters of Guarantee (LGs) through integration with *Tabadul* via *Wethaq* portal.
- *Etimad* LG Verification – direct integration using B2B with *E'timad* portal for verification of LGs.
- Cheque Clearing and Cash Management System – Installation of encoding machines in the main cash centers to automate the cheque clearing process into the customers' accounts.
- Real Estate Turnaround time (TAT) Reduction by 65%.
- Personal Finance (TAT) Reduction by 80%.
- Credit card processing time reduced by 75%.
- Unexpected Withholding Tax (WHT) collection from non-resident shareholders through local brokerage houses.
- Migrating the Operations Department to a new office location with Zero Downtime.

### Facilities Management

Facilities management has successfully executed many solid initiatives during 2021 to align with the Bank's business expansion plans for facilities and mortgages along with meeting the highest security requirements in all Bank projects. The following initiatives have been achieved:

- 8 branch construction projects were completed.
- 64 ATM site construction projects were completed.
- 70 branch digital zones construction projects were completed.
- Redesigning and replenishment of seven branch to support universal employee concept.
- Modified all planned off-site ATMs to comply with SAMA new requirements.

- Completed the installation of back-up generators in one branch per region to comply with SAMA new requirements.
- Implemented the solar system.
- 80 branch CCTV cameras have been upgraded to IP cameras as planned to comply with SAMA new requirements.
- 937 ATM CCTV cameras have been upgraded to IP cameras as planned to comply with SAMA new requirements.
- Expanded the GPS tracking service for off-site ATMs to comply with SAMA new requirements.
- Development of the property management electronic system and transferring the manual property contracts to electronic contracts.
- Fulfilled all real estate mortgage requests and deeds management according to the specified Service Level Agreement (SLA).
- Improved cost reduction for some functions along with maintaining the improvement for the quality of services.
- Designing and constructing/replenishment of three locations in Riyadh to provide additional offices for the new male and female employees.
- 6,321 maintenance requests have been fulfilled according to SLA.

### Procurement

Procurement Department has successfully executed many initiatives to facilitate all Bank purchases to achieve the Bank strategic objectives aligned with the best practices in the market. The following initiatives have been accomplished:

- Improved the procurement governance and re-engineered the procurement process in order to meet the business needs.
- Enhanced the procurements' financial approvals to be aligned with the Bank authority matrix by re-developing the approval process and restructuring the Procurement Committee membership and engagement.
- Reduced cost and improved product delivery quality by conducting effective price negotiation rounds with saving 7% from the total purchased value.
- Continued improvement of automation for Bank contracts and purchase orders process.

### Planning and Excellence

Strategic planning is one of the most important areas that help organizations succeed and overcome any potential risks. In 2021, planning and excellence has managed the planning and monitoring of 55 successfully implemented initiatives across shared services. Furthermore, planning and excellence has approved 1,171 business requests that were successfully closed.

Planning and excellence has also managed the budgets of the shared services, facilitating and coordinating all financial aspects within the portfolio of initiatives, as well as, ensuring that various cost-saving initiatives across Information Technology, Operations, and Facilities Management are implemented, which result in a decent savings.

In addition, planning and excellence has strongly governed and continuously streamlined the policies, processes, and procedures of IT, Operations, Facilities Management, and Procurement, and enhanced their performance through improving Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) with SAMA and BUs. The planning and excellence has also controlled the environment through Key Risk Indicators (KRIs) to ensure relevant risks were understood and mitigated, to ensure smooth delivery of Bank's services in a 24/7 operating environment.

Being the first Bank to be certified for Capability Maturity Model Integration (CMMI) in the GCC region, Alinma has enhanced its process and behavioral model that helped minimize risks in software, product, and service development by streamlining process improvement and encouraging productive, efficient behaviors. This certification which is recognized internationally as a mark of business competency and quality, showcase the Bank's successful efforts in maintaining a competitive edge in its products and services.

### Digital products and participation

The onset of the pandemic served to trigger the fast tracking of digital transformation in most industries. The banking industry was no different. Multiple initiatives undertaken by Alinma Bank have contributed to acquiring new digital platforms and enhancing its customer experience. The digitalization of products and services such as Online Financing, Virtual Cards, Interbank Payment System (IPS – Sarie), Card Printing Services, as well as increasing the percentage of branches that contain Digital Kiosks (*Thati*) services to 66% compared to 10% in 2020, have all made the customers' journey in accessing Alinma banking services convenient and at their fingertips.

Furthermore, Alinma Bank has acquired state-of-the-art machine learning and advanced Artificial Intelligence (AI) tools. This capability enables Alinma to search, conduct, analyze, forecast, predict and explore the Bank's extensive data library, thereby paving the way to create much growth and new business opportunities. For instance, in 2021, Alinma implemented number of AA use cases, which provide AI capabilities in areas such as churn prediction, hidden affluent, cross selling, and behavior scoring. Although the Bank is at the beginning of its AI journey, the intentions are to use AI widely in retail, prevention of fraud and risk, marketing, trading, and operations, covering multiple use cases in the future.

In order to cater for the expected growth as a result of these initiatives, Alinma Bank has also invested in acquiring the necessary infrastructure to handle the large increase in its customers, which gives assurance to the Management and the public in the Bank's capacity to cater to their customers' needs, efficiently. It was noted that the digital engagement of Alinma customers has grown during 2021, which increased the digital transactions to 97%.



Saudi Arabia Grand Prix 2021 Formula 1 event

Alinma Bank remains committed to becoming the preferred financial partner for all by delivering an excellent customer experience, in the community and achieving sustainable growth. The Bank aims to achieve this through digitalization, delivering an exceptional customer service, using advanced analytics and deploying the right talent in a conducive work environment.

## Customer centricity

Alinma Bank aims to become the fastest and most convenient bank in the Kingdom of Saudi Arabia (KSA) to deliver an exceptional customer experience. Keeping pace with the rapidly changing Saudi society, the Bank anticipates future banking requirements and proactively meets the evolving customer needs in an efficient manner.

Alinma offers a range of personalized products to meet the diverse needs of its customers. The Bank opened 13 new branches and 55 ATMs. Additionally, the Bank has equipped 70 branches with digital zones that provide modern, convenient, self-service banking facilities. Close to 99% of total banking transactions conducted by our customers were digital.

During the year, the Bank participated in the Formula 1 Grand Prix held in Jeddah. This participation enabled the Bank to provide an exclusive Alinma branded pavilion to the Bank's private banking customers, including a range of unique experiences such as visits with the racing teams and tours of the raceway. A range of banking services were also showcased at the event. The event was a great success in enhancing relationships with this important customer segment.

	2021	2020
Number of customers	2.9 Mn.	2.5 Mn.

## Partnering for success

Alinma's ambition to be the "Preferred Financial Partner" for its stakeholders means exploring and capturing cross-selling opportunities.

The Bank collaborated with the following parties to improve its service delivery.

- Ministry of Human Resources and Social Development
- Ministry of Education
- General Authority for Awqaf
- Saudi Banks Media and Awareness Committee

## A responsible Bank

Alinma Bank is deeply committed to its responsibilities towards the communities in which it operates. The Bank expresses its values through community service, which is one of its sustainability pillars. Community service influences the Bank's strategy and enhances the engagement of its employees. Furthermore, the Bank is committed to supporting SMEs through its dedicated teams and services.

The Bank allocates 1% of its 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, with amounts and powers approved by the Board of Directors. Please refer the Sustainability section on page 59 for the community development programs engaged by the Bank during 2021.

The Bank engaged in numerous CSR activities to uplift the communities as stated below:

- Extended donations to public charities
- Donated SAR 1 Mn. to the Ehsan platform
- Conducted three blood donation campaigns
- A sponsorship of SAR 3 Mn. was given to the National Center for the Development of Technical Sciences, Engineering, and Mathematics Education in Qassim
- Sponsored the Two Holy Mosques Architecture Exhibition in partnership with King Abdulaziz Foundation for Research and Archives (Darah)
- Extended a no-profit/no-fee education financing program for needy families
- Engaged in multiple partnerships with major charities and government bodies to drive community service such as the Public Endowments Authority
- Extended support and gave gifts to children with cancer in collaboration with the Sanad Charitable
- Facilitated entrepreneurial families to sell meals to Bank's employees in cooperation with the Human Resources Fund
- Supported the Ataa program of the Association of Children with Disabilities, which facilitates Bank customers to purchase an hour of medical, educational, or rehabilitative service for a child in need
- Special accommodations for the blind and sight-impaired include:
  - Braille compatible ATM keypads and voice enabled ATM services
  - Special ATM security features for safety and privacy which includes black screen during use and special headphone/earpiece connectivity
  - Voice enabled Alinma internet access
  - Voice enabled Alinma smart device applications
  - Special Alinma Mobile (WAP) access

## Education and awareness programs

Several awareness programs were conducted to increase volunteerism including:

- COVID-19 awareness efforts to increase vaccination among employees
- Support for students engaged in research
- Creating awareness about ATMs
- Conducted media campaigns to increase customer awareness
- Speakers from the Bank participating in the Saudi Banks Media and Awareness Committee initiatives to educate the community through a series of lectures on Islamic Banking

## Environmental sustainability

Alinma Bank remains committed to managing, and reducing its environmental impact by incorporating sustainability considerations in its daily operations. The Bank aligned itself to support Kingdom of Saudi Arabia Vision 2030 to enable the Kingdom to reach carbon neutrality by 2060. The sustainability framework of the Bank supports global and local efforts that focus on banking sustainability. More details on Alinma Bank's environmental sustainability efforts are given in the sustainability section on page 59.

## الإثمار للاستثمار alinma investments

### Alinma Investment Company

Alinma Investment Company (the "Company") is a Saudi Closed Joint Stock Company established by ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009G). The Company is a wholly owned subsidiary of Alinma Bank, a Saudi Joint Stock Company (the "Parent Company") which is also the ultimate controlling party of the Company.

### Business activities

The principal activities of the Company are to dealing as Principal and Agent, underwriting, managing investment funds, portfolio management, arrangement, providing advisory and custodial services with respect to securities business, as licensed by the Capital Market Authority ("CMA") under license number 09134-37 dated 23 Rabi Thani 1430H (corresponding to 19 April 2009).

### Capital structure

The company has paid up capital of SAR 500 Mn. from a nominal share capital of SAR 1 Bn.

The company is a wholly owned subsidiary of Alinma Bank.

### Initiatives

During the year the company launched the Sukuk online trading facility including a new smart phone trading application and also enabled institutional e-services.

### Financial performance

The company generated operating income of SAR 482 Mn. in 2020 and is expected to increase that to SAR 566 Mn. in 2021. The higher revenue was achieved mainly due to higher brokerage revenue and better proprietary investment performance through an increase in Assets under Management. While revenue exceeds budget by 16%, total expenses remain within budget, yielding a net income to Alinma Investment Company of SAR 390 Mn. for 2021 compared with SAR 322 Mn. in the previous year.

### Achievements

Alinma Investments was adjudged to be the Best Broker in 2020 by the Saudi Stock Exchange (Tadawul).

The company launched nine investment funds with a total Assets under Management value of SAR 1.8 Bn.

The growth in revenue in 2021 reached 17% when compared with the previous year.

### Future plans

As a progressive company, Alinma Investments are planning to launch a new Custody platform, enhance the current systems and introduce new systems that will automate services provided to clients and introduce tailored multi-asset products in 2022.

## التقنية المالية السعودية Saudi Financial Technology

### Saudi Financial Technology Company

Saudi Financial Technology Company is a licensed payments company wholly owned by Alinma Bank. It was established in support of the efforts to achieve the objectives of the Kingdom's Vision 2030 and the Financial Sector Development Program in promoting financial inclusion and access to a cashless society. It is expected that the company will contribute to reducing the need for cash transactions and stimulating the culture of electronic payment by providing innovative financial technology products.

### Business activities

The main activities of the company are centred around creating Digital Wallets.

Digital wallets are financial accounts that allow users to store funds, make transactions, and track payment histories by computer. This software is included in the Bank's mobile app and are all encrypted with the same type of fraud detection and payment protection features used on debit and credit cards. It's an app that stores the client's credit card or debit card information, and it has two main benefits.

First, it can be used to make contactless payments using just a smartphone instead of needing to carry a physical wallet.

Second, it can make online shopping checkouts, a quicker and easier experience (similar to PayPal). A digital wallet app is usually accessed by way of a username and a password, saving the effort in filling in a payment form with personal and card details each time a payment is made.

### Capital structure

The company has nominal and paid up capital of SAR 100 Mn.

The company is a wholly owned subsidiary of Alinma Bank.

### Initiatives

In 2021, the following initiatives were undertaken:

- Introduced a Payment Gateway product
- A new method to top up the balance through Apple Pay in AlinmaPay wallet was created
- Launched AlinmaPay for teens and labour
- Launched AlinmaPay with Entertainer
- Mobile and ID number validation
- Changed Tahakum to ELM (Registration Activation)
- Ersal integrated with AlinmaPay (Authentication)
- Enabled instant local transfers (IPS)
- Facilitated the creation of a VAT – E-Invoice.

### Future plans

In addition to the products described above, the company is planning on the following activities in 2022.

- Introduce a soft Point of Sale (POS) product
- Enable multi-currency cards in AlinmaPay
- Launch the AlinmaPay VISA card with a CashBack service
- Improve the fraud monitoring system
- Design and launch new website for the company

## التنوير العقارية



### Altanweer Real Estate Company

Altanweer Real Estate Company (limited liability) has been established and is reflected in the Commercial Register No. (1010272689), dated 24/08/1430.

#### Business activities

The key business activities of the company are geared towards,

- Controlling and managing assets, the title of which will be transferred to the Bank and other parties as collateral.
- Selling, purchasing and transferring titles of properties for finance purposes.

The company is the last step in the Ijara finance operations and through which the title of the deed is transferred from the customer to the company as well as keeping, managing and selling the deed or return it back to the customer. Another aspect of its responsibilities is the management and sale of properties of delinquent customers.

#### Capital structure

The company has nominal and paid up capital of SAR 100 thousand.

#### Challenges

Suspending the company's services with municipalities due to violations committed by customers whose real estate is registered in the name of the company as a finance guarantee, which affects both the company's business and the services of other customers.

#### Future plans

The company will continue to fulfil its responsibilities in the most efficient manner as evidenced by the current year's activities.

## الإئماء إسناد



### Alinma Isnad Company

Alinma Isnad Company was established in 2019 and began its operations on 1 January 2020.

#### Business activities

- Providing employment services for Alinma Bank and subsidiaries
- Control and reducing financial cost
- Raising the Saudization rates in Alinma Bank and subsidiaries
- Increase quality and service for the business
- Risk control

#### Capital structure

The company has nominal and paid up capital of SAR 500,000. Alinma Isnad Company is a wholly owned subsidiary of Alinma Bank.

#### Initiatives

Several initiatives were launched to achieve the strategic plans in a short time.

#### Financial performance

Alinma Isnad Company recorded a profit of more than SAR 3,000,000 Mn. in 2021, compared to a return of SAR 1,884,000 Mn. in the previous year.

## الإئماء للتأمين التعاوني



### Alinma Cooperative Insurance Agency

Alinma Cooperative Insurance Agency is a wholly owned subsidiary of Alinma Bank.

# 59 Sustainability



As an Islamic bank, the values of integrity, ethics, responsibility and altruism are intertwined with Alinma Bank’s corporate culture. These foundations form the bedrock of the Bank’s values, behaviors and beliefs. It is for this reason that Alinma welcomes the growing focus on Environmental, Social and Governance (ESG) factors in determining the valuation of banks, and this section of our Annual Report seeks to summarize the Bank’s ESG achievements that we started measuring in 2021.

## Environment

The Bank adopted the following measures to reduce its environmental impact during the year under review:

- Investments in digital channels to reduce use of paper; encouraging employees to use digital signatures, avoid printing of emails and use less paper in daily operations
- Using energy efficient lighting in branches that contribute to lower energy consumption
- Maximizing the use of natural lighting by fixing special windows to branches to reduce electricity consumption
- Recycling of paper
- Planned expansion for the use renewable energy sources (solar) across branches (installed in two branches to date)
- Planned expansion of air conditioning timers to reduce electricity consumption in across branches (installed in three branches to date)

### Electricity consumption of the Gadeer branch

	December 2019	January 2020	December 2020	January 2021	December 2021	January 2022
Electric consumption (SAR)	13,198.50	11,403.00	13,731.00	11,454.00	11,764.50	9,855.50

### Electricity saving of the Gadeer branch

	Comparison from December 2019 to January 2020	Comparison from December 2020 to January 2021
Electricity saved (%)	10.8% – 13.5 %	14.3% – 13.9%

### Number of branches where regular lights were fully replaced with LED lights

	Installed since the start of the operating period	Replaced in 2020	Replaced in 2021	Total
Number of branches with only LED lights	18	38	48	104

## Social

### Our people

Our people are the most important resource available to the Bank to ensure the execution of its strategy and the provision of excellent service to our customers. An engaged and committed workforce is therefore a critical element in the success of the Bank.

In 2021, the Bank improved its employee engagement score through the provision of flexible working hours, enabling employees to work-from-home and encouraging interaction and communication among employees.

We also launched a new incentive scheme for employees in retail banking. The scheme covers branches, sales, bancassurance and retention, and is designed to increase motivation and satisfaction among employees. The

“Employee Housing Program” was introduced and added to the roster of staff benefits this year.

Another positive people development in 2021 saw the establishment of a “Women Empowering Department” to increase the number of female hires and to embed female support structures in the workplace.

### Achievements:

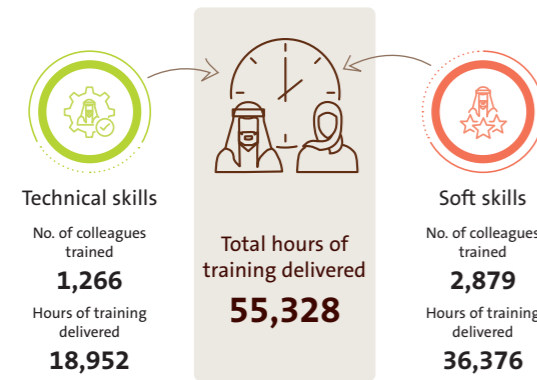
- Conducted six town halls across the Kingdom, around 1,500 employees participated, and 32 employees were awarded for their achievements
- Launched a women empowerment program and 16% of new hires were women
- 94% Saudization Rate



### Learning and development

Learning and development is how Alinma grows and develops its people, preparing the business leaders of tomorrow from the cohorts of today. Alinma Academy for Education and Development has been set up for this purpose. It conducts analyzes to uncover any gaps in both leadership and core capabilities. It also provides updated product training to all branches and conducts awareness training to cover SAMA and other regulations. A professional certification program has been introduced for all employees, along with Board member training courses.

### Hours of training undertaken by employees in 2021



### Hours of training undertaken by employees in 2021

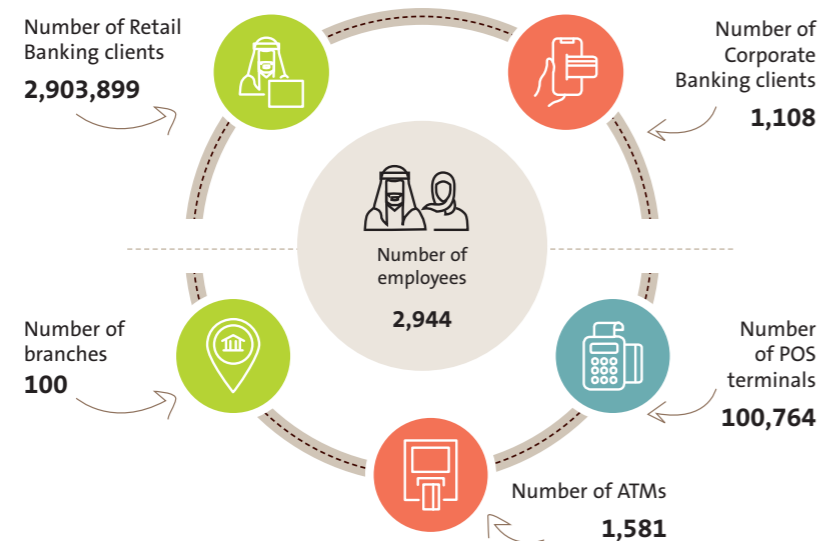
Type	Number of colleagues trained	Hours of training delivered
Technical skills	213	1,278
Soft skills	1,352	8,112
<b>Total</b>	<b>1,565</b>	<b>9,390</b>

Total hours training delivered per employee amounted to 18.8 based on a total employee count of 2,944 and the total E-courses and leadership trainings delivered were over 500.

Program name	Total number of trainees in 2021
COOP trainees	227
Orphans special needs training courses	48
* Tamheer	9
Future Bankers Program (Fresh Graduate Program)	45
Hire employees with special needs	28

\* Tamheer is an on-the-job training program for tertiary education graduates, aimed at providing practical training and experience.

### Our business in numbers:



Participation in "Empowerment of Saudi Women in the Era of King Salman Conference"

During the year under review, Alinma Bank took several steps to promote employee engagement and well-being considering the impact of the COVID-19 pandemic. These include extending utmost priority and care for our employees and implementing safety protocols for the well-being of our employees and their families. We also introduced a work-from-home policy in compliance with the Regulatory requirements and the Bank's business continuity needs. Furthermore, the Bank provides special incentives to its women employees such as competitive benefits and continuously striving to create a differentiation.

The main challenges faced by Alinma Bank pertains to talent attraction and talent retention. There is an increasing challenge with the heightened competition to attract and retain women employees at a time when the KSA market is attracting talented women employees to take on bigger and challenging roles to drive the 2030 Vision. Furthermore, getting talented women employees to support and drive the Bank's new strategic direction including digitalization ambitions and the establishment of the Digital Factory is also a challenge. To address this, the Bank is redesigning its talent management practices to attract women employees.

In order to address talent retention, the Bank is creating a value proposition that appeals to women employees. The Bank is also developing a robust leadership pipeline with significant inclusion of women employees and redesigning its talent management practices to strengthen the retention of women employees.

### Women empowerment

With the vision of inspiring and empowering women to pioneer excellence in-line with the KSA 2030 Vision, Alinma Bank set up the Women Empowerment Department. Its mission is to champion women in driving the progressive agenda of the Bank through influencing policies, sharing knowledge, leading initiatives and enhancing representation in decision-making positions to contribute towards the KSA 2030 Vision pertaining to Women Empowerment.

The key objectives of the Women Empowerment Department

- Enhance the working environment for women
- Establish end-to-end governance related to women at the workplace
- Measure and improve women effectiveness (engagement and enablement)

The key developments and achievements of the department in 2021

- Increasing women employment across Alinma by 40% YoY
- Increasing women employment in Head Office by 400% YoY
- Increasing women employment in branches by 14% YoY
- Increasing women employment ratio by 3% YoY
- Increasing hiring of women by 404% YoY

	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Number of female employees hired	11	13	17	21	24	12	14	82

	2017	2018	2019	2020	2021
Total number of female employees	250	285	307	309	441

## Outlook

Drastic changes have happened in the past two years following the COVID-19 pandemic for businesses, leaders and for the employees. As a sense of normalcy is setting in, one fact becomes clear – the power has shifted from organizations to people, from profit to mutual prosperity and from “me” to “we”.

In such context, we need to strive hard to create a robust and dynamic employee value proposition which caters to the needs of the Bank’s strategic direction, for both our current and future employees. Our focus will be more on “performance and incentivization” of employees.

## Small business banking

Alinma Bank recognizes the importance of the Micro, Small and Medium Enterprise (MSME) sectors to the Kingdom’s economy and works to advance these sectors through financing and banking services. The Bank’s financing of SMEs grew by 12% in 2021, demonstrating the Bank’s commitment to this segment.

## Kafalah programme

The government led Kafalah financing programme provides a direct financial benefit to small businesses. Alinma was an enthusiastic participant in the program, and Bank’s financing via Kafalah increased by 64% in 2021. Point of sale financing, another direct and important service to SMEs, increased by 160%.

## Digital

The Bank’s digital strategy aims to drive financial inclusion and promote a cashless society through the delivery of the most innovative banking products and services. The digital strategy and road map of the Bank include major initiatives to be undertaken by 2025.

2021 recorded a significant increase in customer engagement via digital channels: 60% for financial transactions and 70% for non-financial transactions.

Our customers continued their migration to digital channels through 2021: we welcomed 575,000 new digital users, an increase of 74% from 2020. In addition, more than three million customers connected with the Bank on its digital platforms nearly 150 million times, resulting in some 3 billion hits relating to financial and non-financial transactions across our platforms.

The Bank’s 1.2 million active Smart App users performed approximately 46 million fund transfers in 2021, 98% of the total individual and small business customers using all digital channels.

The Bank employs state-of-the-art technology and IT in its business operations to ensure that all the Bank’s services are operating in a 24/7 environment. As it stands, all of Alinma’s business operations is available through its core banking systems.

## Alinma’s digital story in statistics (FY2021)

Transactions	
STP transactions	47,452,822
Digital payment transactions (POS and E-comm transactions on Alinma cards)	350,275,966
Digital account opening transactions	399,839
Total financial transactions	135,816,079
Branch financial transactions	1,438,099
Digital financial transactions	134,377,980
Digital financial transactions (% of total)	98.94%
Branch financial transactions (% of total)	1.06%

Financial transactions	
Digital financial transactions	134,377,980
Digital financial transactions (% of total)	98.94%
Branch financial transactions (% of total)	1.06%

Customers	
Active digital retail users	1,400,219
Total active retail customers	3,073,731
Active digital corporate users	97,624
Total active corporate customers	88,218

Mobile app	
Mobile banking app: average monthly users (AMU) (PDD)	12,096,847
Mobile banking app: average daily users (ADU) (PDD)	403,228
Mobile banking app: IOS rating	4.7

## Other achievements:

- Finalized the digital factory operating model
- Created a digital function, hired a Chief Digital Officer, and capacity building is underway
- 41% Agile IT Projects delivered; Operations, Eight Advanced Analytics use cases and productivity models established
- Deployed 70 digital zones in branches and established 13 new branches and 55 new ATMs

## Cyber Security

The Cyber Security Department (CSD) has introduced initiatives, which cover data governance and protection covering confidentiality, availability and integrity. The initiatives include:

- Cyber security risk assessments
- Enhanced security monitoring activities, processes and technologies
- Forensic process and lab
- Certifications for PCI DSS, ISO27001 and SWIFT
- Enhanced Incident Response and Monitoring Management
- Alinma cyber security policies
- A comprehensive cyber security awareness program



## Corporate Social Responsibility

Community service is one of the pillars of Alinma Bank. Not only does our CSR program reflect the role we play in the communities in which we operate, it also enhances the engagement and professionalism of employees. As the Bank is an integral part of Saudi society, we take high responsibility towards the communities we serve.

Alinma Bank allocates 1% of its annual profits for corporate social responsibility (CSR) projects.

2021 Community programs included:

- Extended donations to public charities (SAR 2,200,000 for the Autism Centre in Riyadh)
- Donated SAR 1 Mn. to the Ehsan platform (This is a contribution from Alinma Bank as part of a public support campaign)
- Conducted three blood donation campaigns
- Extended support and gave gifts to children with cancer in collaboration with the Sanad Charitable (SAR 150,000)
- Supported the Ataa program of the Association of Children with Disabilities, which facilitates Bank customers to purchase an hour of medical, educational, or rehabilitative service for a child in need (This is not a fund support, it is a solution from Alinma Bank to enable our customers to pay their contribution to the charity through their account at Alinma using www.alinma.com)

## Governance

The Saudi Central Bank (SAMA), our regulator, sets the regulatory framework in which we operate, and it is the responsibility of all employees to ensure this framework is adhered to – the “first line of defence”.

The Senior Management of the Bank is responsible for establishing, maintaining an adequate and effective internal control system. This internal control system includes the policies, procedures and processes, which are designed to underpin and to achieve the strategic objectives of the Bank. The Bank’s internal control

system has been designed to provide assurance to the Board that management of risks are adequate to achieve the Bank's strategic objectives.

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.

### Investor Relations

In 2021, Alinma began to institutionalize its investor relations (IR) capabilities. It set an ambition for its IR program to be aligned with the Bank's vision to "be recognized and celebrated as the most digitally advanced, fastest and convenient bank in KSA". To achieve this ambition, Alinma is already in the process of transforming from a basic IR capability to a proactive, institutionalized, and advanced IR program that adheres to international best practices.

Furthermore, Alinma strives to not only be loved by its customers, but also by the local, regional and international investment community, by achieving the following strategic IR objectives:

- Alignment of Alinma's vision, mission, values and purpose
- Corporate strategy that is clearly defined
- Financial performance that is well-understood
- Sustainability and ESG embedded into corporate strategy
- Proactive engagement with analysts and investors
- Digital, Fast, Convenient; becoming Alinma's IR motto

As part of the above bank's strategic IR objectives, ESG is an area that will be reported and presented as part of the bank's DNA and all ESG materials and disclosures will be part of Alinma Bank's overall investment thesis and reporting process, which will require to not only collating and presenting data but also developing a coherent narrative for Alinma Bank's current and future ESG/sustainability framework and strategy.

## 2021 IR Achievements

### Team staffing and onboarding

An experienced new IR team was officially staffed and onboarded in the second half of 2021 with an IR Manager and IR Analyst under the imperative of raising IR excellence and enhancing the current IR function for the Bank in line with its peers globally.

### IR strategy and operating model

The IR team under the guidance of the executive leadership have developed and implemented an overarching IR strategy and operating model which included aspects of governance including policies, procedures and terms of reference and sets forth the scope of strategic IR activities that will help the Bank achieve its objective of becoming best in practice in the region.

### Institutionalized Quarterly Earnings Process

#### Earnings Calls and Webcasts

- In November 2021, Alinma successfully held its inaugural earnings call with the global investment community. During the call, the CEO along with the CFO, presented an overview of the Bank, discussed strategy and strategic objectives and presented the 3Q financial performance. Over 75 global investors and analysts dialed into the call and very positive feedback was received from the investment community.

### Quarterly Disclosures

- Enhanced earnings presentations, more detailed investor presentations and financial data supplements are now made available to the investment community through the Company's website and are used for engaging with investors through conferences and meetings. This process has been institutionalized through the IR function.

### Interactive IR Website

- The IR team successfully overhauled the IR section of the Bank's website and developed an IR website with significantly more content including shareholder information, financial disclosures and interactive data that is up to date and made available to the investment community.

### Investor Engagement

- The Alinma team together took part in over 35 investor meetings and three investor conferences in 2021 and coupled these engagements with the enhanced set of presentations and disclosures.

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# Board Members

Stewardship >



**Dr. Abdulmalek  
Abdullah Al-Hogail**

**Current Position**  
Chairman

**Previous Positions**

Al-Faisaliah Group several positions, most recently Vice President and Executive Director of Finance  
Faculty member at the Institute of Public Administration (1994-2005) and member of the Accounting Standards Committee Saudi Organization for Certified Public Accountants in addition to other committees

**Qualifications**

Ph.D. in Accounting/Finance – Case Western Reserve University – USA



**Dr. Hamad  
Suliman Al-Bazai**

**Current Position**  
Vice Chairman

**Previous Positions**

Deputy Minister of Finance  
Governor of Saudi Arabia – OPEC Fund for International Development (OFID)  
Finance Ministry Undersecretary for Economic Affairs

**Qualifications**

Ph.D. in Economics - Colorado State University – USA



**Mr. Abdulmohsen  
Abdulaziz Al-Fares**

**Current Position**  
Member

**Previous Positions**

CEO, Alinma Bank  
Managing Director for Financial Services, Abdul Latif Jameel Group  
General Manager, Department of Zakat and Tax

**Qualifications**

Master's Degree in Accounting – University of Western Illinois – USA

# Board Members

Stewardship >



**Mr. Mohammed  
Abdulrahman Bin Dayel**

**Current Position**  
Member

**Previous Positions**

Executive Director – Raidah Investment Co. Treasury Department – Saudi Aramco

**Qualifications**

Master in Business Administration – American University – USA (Washington, d.c)



**Mr. Abdulmuhsin  
Abdulaziz Al-Hussein**

**Current Position**  
Member

**Previous Positions**

Local Shares Trading Manager, Hasanah Co.  
Senior Financial Analyst, Financial Investment Management, General Organization for Social Insurance.

**Qualifications**

Bachelor's Degree in Accounting – King Saud University – KSA



**Mr. Mutlaq  
Hamad AlMorished**

**Current Position**  
Member

**Previous Positions**

Vice President, Finance, SABIC  
Vice President, Shared Services, SABIC  
Head of Mineral Sector, SABIC

**Qualifications**

Master's Degree – Stanford University – Princeton University, USA

## Board Members

Stewardship >



Mr. Abdulrahman  
Mohammed R Addas

**Current Position**  
Member

**Previous Positions**

SEDCO Holding Group – Managing Director of Real Estate Investments.  
National Commercial Bank (NCB) – Corporate Banking Sector Head.  
National Commercial Bank (NCB) – Chief Risk Officer.

**Qualifications**

Master In Finance – University of Denver – USA



Dr. Saud bin Mohammad  
Al-Nemer

**Current Position**  
Member

**Previous Positions**

Board Member – Saudi Electricity Company.  
Board Member – Saudi solidarity takaful company.  
Professor, Department of Public Administration (with distinction), King Saud University.

**Qualifications**

Ph.d. in Regulation and Behaviour – University of Florida – USA



Mr. Hytham Rashid  
AL sheikh Mubarak

**Current Position**  
Member

**Previous Positions**

Head of Wealth Management (then Chief Executive charged) – Saudi fransi capital.  
Head of Asset Management – Aran National Investment.  
Head of Portfolio Management – National Commercial Bank (NCB).

**Qualifications**

Master of Business Administration – Business Management (Investment Management) - North Carolina University – USA

Stewardship >

## Executive Management



Mr. Abdullah bin  
Ali AlKhalifa

**Current Position**  
Chief Executive Officer

**Previous Positions**

Chief Financial Officer – Banque Saudi Fransi,  
Chief Financial Officer – Al Rajhi Bank  
CFO – Arab National Bank

**Qualifications**

Master of Accounting – University of Miami – United States



Mr. Saleh Abdullah  
Al-Zumaie

**Current Position**

Senior VP, Head of Retail and Digital Banking

**Previous Positions**

General Manager of Digital and Payments – Al Rajhi Bank  
General Manager of the Retail Banking Group – Al Rajhi Bank  
Manger of remittances Department – Al Rajhi Bank  
Manager of the Investment Department – Al Rajhi Bank

**Qualifications**

Bachelor's degree in English language – Imam Muhammad bin Saud Islamic University



Mr. Emad Abdulrahman  
Al-Butairi

**Current Position**

Head of Corporate Banking

**Previous Positions**

General Manager of Corporate Banking – Bank Albilad  
Head of Commercial Banking Services for the Eastern Region – Al Ahli Bank  
Head of Corporate Banking Services – United Saudi Commercial Bank

**Qualifications**

Master of Business Administration – King Fahd University of Petroleum and Minerals



Mr. Abdullah  
Jamaan Al-Zahrani

**Current Position**

Head of Treasury

**Previous Positions**

Head of Investment and Treasury – Gulf Bank  
Senior Vice Treasurer – Riyadh Bank  
Assistant General Manager of the Governor – Arab Bank

**Qualifications**

Bachelor of Industrial Management  
King Fahd University of Petroleum and Minerals



Mr. Meshary  
Abdulaziz Al-Jubair

**Current Position**

Chief Operating Officer (COO)

**Previous Positions**

General Manager of the Information Technology Division – Alinma Bank  
Deputy General Manager of the Information Technology Division – Alinma Bank  
Manager of Information Security Planning Department – Saudi Telecom Company  
Manager of Systems Department – SAMA

**Qualifications**

Bachelor of Science in Computer Engineering – King Saud University



Mr. Mohammed  
Sultan Al-Sehali

**Current Position**

Chief Internal Audit Officer

**Previous Positions**

Executive Director – Pwc Company  
Head of the Accounting Department, College of Business Administration – King Saud University  
Team Leader of the Regulatory Bodies Development Project – King Saud University

**Qualifications**

PhD in Accounting – University of Melbourne – Australia



Mr. Hamoud Abdulaziz  
Al-Humaidan

**Current Position**

Chief Compliance Officer (CCO)

**Previous Positions**

Control & Follow-up Deputy General Manager  
Head of Treasury & Investment Operations Dept. – Bank Albilad  
Head of Treasury & Investment Operations Dept. – Al Rajhi Bank

**Qualifications**

Bachelor of Business Administration – American University of London



Mr. Eyad Osama  
Al-Othman

**Current Position**

General Counsel & Board Secretary

**Previous Positions**

Legal General Manager – Alinma Bank  
Senior Legal Advisor – Manager – Bank Albilad  
Senior Legal Advisor – Communications and Information Technology (CITC)

**Qualifications**

Master in Business Administration  
Hull University



Mr. Fahad Abdulaziz  
Al-Mohaimed

**Current Position**

Head of Strategy & Business Excellence

**Previous Positions**

Member of Board of Directors of ANBI Shariah Compliant Funds.  
Member of Islamic Banking Committee at SAMA, representing ANB.



Mr. Yaser Abdulaziz Al-Marshde

**Current Position**

Shariah General Secretary

**Previous Positions**

Chief of Shariah Advisors – Al Rajhi Bank  
Chief Information Officer – Al Rajhi Bank

**Qualifications**

Master Islamic Law – Imam Muhammad bin Saud University



Mr. Hisham Abdullah Al-Turaigi

**Current Position**

Chief Credit Officer (CCRO)

**Previous Positions**

Director of Credit Risk Management – Alinma Bank  
Manager of Credit evaluation Department – Al Rajhi Bank

**Qualifications**

Master of Accounting – King Saud University



Mr. Abdullah Mohammed Al-Salamah

**Current Position**

Chief Human Capital Officer (CHCO)

**Previous Positions**

Deputy General Manager of Human Capital Division – Alinma Bank  
Deputy General Manager of the Information Technology Division – Alinma Bank  
Manager of Information Security Awareness Department – Saudi Telecom Company  
Teaching Assistant – King Saud University

**Qualifications**

Master's in Information Systems – King Saud University



Mr. Adel Saleh Abalkhail

**Current Position**

Chief Financial Officer (CFO)

**Previous Positions**

Deputy General Manager of the Financial Group – Al Rajhi Bank  
CFO – Al Rajhi Bank – Malaysia  
CFO – Al Rajhi Bank – Jordan  
Manager of the Reports and Budget Department at the Financial Group – Al Rajhi Bank

**Qualifications**

Master of Accounting – University of Illinois – USA  
Master of Finance – University of Illinois – USA



Mr. Meshal Hamad Al-Rabiah

**Current Position**

Chief Risk Officer (CRO)

**Previous Positions**

Deputy General Manager Market Risk, ERM and basel – Alinma Bank  
Assistant General Manager, Market Risk, ERM and basel – Alinma Bank  
Senior Market Risk, ERM and basel Manager – Alinma Bank

**Qualifications**

Master of Management – University of Leeds MT – UK

The Board of Directors of Alinma Bank ("the Bank") is pleased to present the Thirteenth Board of Directors Report for the year ended 31 December 2021. This report provides information about the bank's operations, financial results 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 paid up capital of the Bank is SAR 20,000,000,000 divided into 2,000 million ordinary shares, with a nominal value of SAR 10 each.

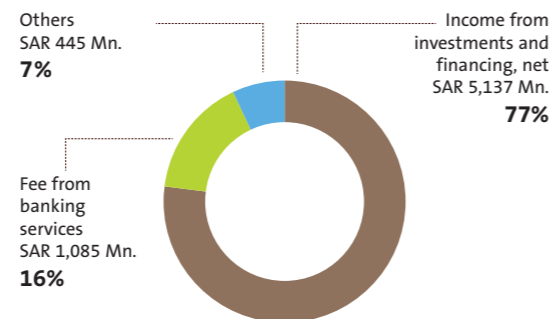
**Description of the principal activities of the Bank and its subsidiaries, statement of each activity and its impact on the size of the Bank's business and contribution to results**

## Principal activities of the Bank

Alinma provides a comprehensive range of Shariah-compliant banking services. It takes care of the needs of its customers and strives to provide the best possible services through (182) locations (100 for men, 78 for women and 4 sales centers) as at the end of

2021, supported by the state of the art technology, professionally trained staff, and the best electronic channels including Alinma internet www.alinma.com, Alinma phone 8001208000, Alinma mobile and the wide network of (1,584) ATMs spread across all regions of the Kingdom of Saudi Arabia.

The below graph shows the activities of the Bank together with their respective contribution to the Gross Revenues:



## Credit rating of the Bank

During 2021, Fitch Rating has 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:

Financial Position	(SAR Mn.)				
	2021	2020	2019	2018	2017
Financing, net	126,271	111,196	94,801	79,063	70,312
Investments	33,278	29,526	23,478	15,066	6,157
Total Assets	173,476	156,877	131,839	114,752	104,730
Customers' Deposits	121,061	119,454	102,063	89,065	80,612
Total Liabilities	142,765	132,448	109,395	94,408	85,551
Shareholders' Equity	30,711	24,429	22,445	21,298	20,344

Operating Results	(SAR Mn.)				
	2021	2020	2019	2018	2017
Income from investment and financing, net	5,137	4,648	4,323	3,798	3,493
Fee, Exchange and other income	1,530	1,034	1,287	1,047	880
Total operating income	6,667	5,682	5,610	4,845	4,373
Operating expenses*	(2,380)	(2,061)	(2,087)	(1,861)	(1,751)
Net income before provisions	4,287	3,620	3,523	2,984	2,622
Provision for financing and other assets	(1,266)	(1,418)	(706)	(467)	(611)
Net Income before Zakat	3,022	2,202	2,817	2,517	2,011
Zakat*	(312)	(236)	(282)	340**	(104)
Net Income after Zakat	2,709	1,966	2,535	2,857	1,907

\* Includes net profit/loss of subsidiaries.

\*\* Includes refunds related to Zakat expenses and prior years Zakat provisions reflected pursuant to the settlement agreement between the Bank and the Zakat, Tax and Customs Authority.

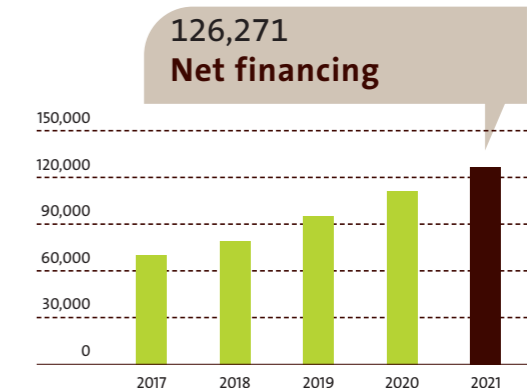
## Financial Position

All major banking activities of Alinma Bank showed positive growth during 2021, with total assets rising from SAR 156,876.8 Mn. last year to SAR 173,476.1 Mn. in 2021, an increase of 10.6%. Likewise, the finance portfolio increased by 13.6% to SAR 126,271.5 as at 31 December 2021, compared to approximately SAR 111,195.6 last year.

## Total assets (SAR Mn.)



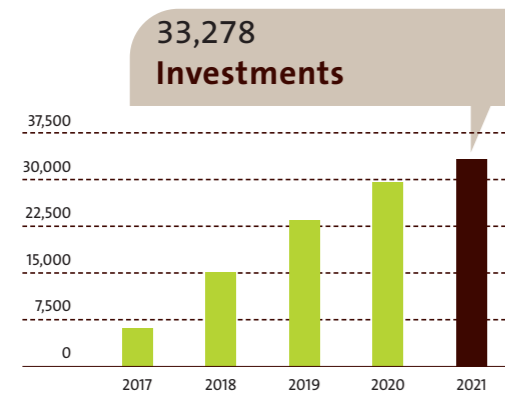
## Net financing (SAR Mn.)



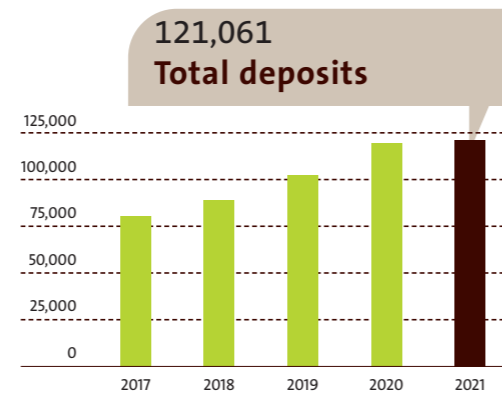


Investments stood at SAR 33,278 Mn., compared to SAR 29,526 as at the end of last year, an increase of 12.7% and total deposits increased reached SAR 121,061 Mn., compared to SAR 119,454 Mn. for the year 2020.

Investments (SAR Mn.)



Total deposits (SAR Mn.)



### Shareholders' equity and capital adequacy

At the end of the fiscal year 2021, shareholder's equity reached SAR 30,711 Mn., compared to SAR 24,429 Mn. at the end of the fiscal year 2020, an increase of 25.7%. Shareholders' equity includes the first tranche Sukuk of SAR 5 Bn., which was issued by the Bank in early July 2021 through Shariah-compliant arrangements and after obtaining necessary approvals from regulatory authorities and the Board of Directors of the Bank. The expected rate of return to Sukukholders is 4% annually as of the date of issuance until 2026 and shall be subject to reassignment every five (5) years.

The Sukuk has had a positive impact in providing liquidity to support the Bank's activities and raising the capital adequacy to 23% by the end of the year compared to 19% during 2020, putting the Bank at a leading position in the industry. This rate exceeds the minimum required by SAMA and Basel at 8%.

### Geographic analysis of total revenues

Almost the entire revenues have been derived from the banking activities in the Kingdom of Saudi Arabia. The bank's business locations are divided into five regions. The following table shows the bank's revenue allocation across regions:

Total revenues	(SAR Mn.)					Total
	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	
Financial year ended 31 December 2021	547	493	88	90	5,449	6,667
Financial year ended 31 December 2020	470	424	76	78	4,634	5,682

### Operating results

The Bank recorded net income at the end of the fiscal year 2021, amounting to SAR 2,709.4 Mn. after Zakat payment compared to SAR 1,966 Mn. in 2020, an increase of 38%.

This growth corresponds to the strong operational foundations of the Bank. These foundations have continuously been strengthened by the Bank in order to avail of the increased growth opportunities, particularly those related to the Kingdom's growing positive shifts in line with 2030 vision, including the growth of the real estate and personal finance portfolios. The Saudi banking sector is a leading player and supportive partner of such vision to develop the national economy through the optimal investment in qualitative national projects.

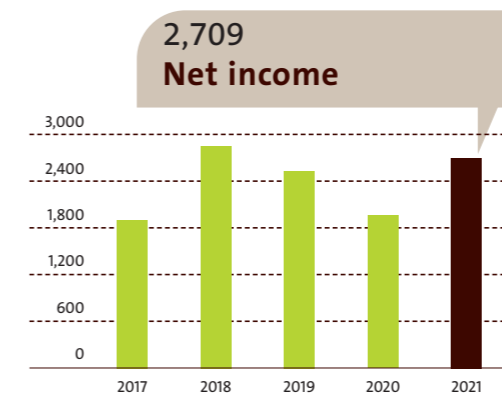
These positive results have directly been supported by the 17.3% growth in total operating income during 2021, mainly due to the rise in net financing and investment income, fair value investment income through income statement, banking services fee income and other operating income.

effects of low profit rates on finances since 2020, the Bank managed to achieve distinct growth in 2021. The net income from investment and financing increased by 10.5% to reach SAR 5,137 Mn. compared to SAR 4,647.8 Mn. during the same period of 2020. The total of other revenues, banking services income, exchange and investment returns have also increased by 48% to reach SAR 1,530 Mn. compared to SAR 1,034 Mn. for year 2020.

On the other hand, the operating expenses, including profits/losses of subsidiaries, reached SAR 2,380 Mn. compared to the SAR 2,061 Mn. for the previous year 2020. The Bank has increased provisions for credit and other losses by SAR 1,266 Mn. and thereby the finance provisions reached SAR 4,041 Mn. at the end of 2021 compared to SAR 3,266 Mn. at the end of 2020. Financial indicators also showed a significant improvement over the period, with 177.1% coverage of non-operating funding compared to 114.5% for the previous year.

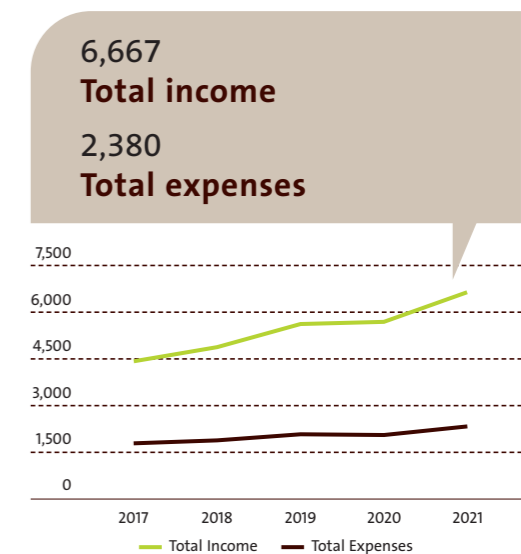
The Bank also continued to implement its plans for the strategic expansion of its branches by adding 2 new sites for men, 5 sites for women and 33 ATMs, bringing the total number of Alinma ATMs to 1,584 by the end of 2021.

Net income (SAR Mn.)



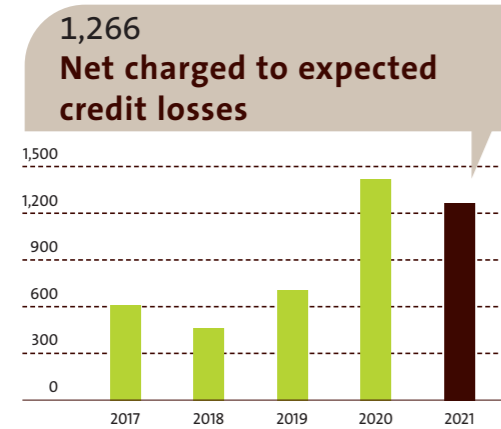
Despite the slowdown in the global and domestic economy due to the conditions of the pandemic outbreak during the fiscal years 2020 and 2021, all major banking activities of Alinma Bank showed positive growth in 2021. Total operating income has grown by 17.3% to reach SAR 6,667 Mn. for the year 2021 compared to SAR 5,682 Mn. for year 2020. This was mainly due to the significant growth of the financing and investment portfolios and the increase in the bank's core operations and activities. Despite the continuous

Total income and expenses (SAR Mn.)



\* Total operating expenses do not include provisions for credit losses.

### Net charged to expected credit losses (SAR Mn.)



### Earnings per share

Earnings per share for the financial year 2021 reached SAR 1.31, compared to SAR 0.99 for the financial year 2020, with a growth rate of 32% as compared to last year.

### Subsidiary companies: name, capital, percentage of ownership, main activity, principal place of business, place of incorporation

Alinma Bank owns five Subsidiary Companies conducting different business activities. Following are the corporate details of Subsidiaries:

Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of Incorporation	Principal Place of Business
<b>Saudi Fintech Company, (Closed Joint Stock Company)</b>	Providing the digital financial products and services in cooperation with banks, together with the providing the digital financial platforms and engaging in banking agency activity for providing the e-commerce payment services	SAR 100 Mn.	100	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
<b>Alinma Insurance Agency for Cooperative Insurance (a Limited Liability Co.)</b>	The company operates according to the regulations of the Saudi Arabian Monetary Authority and operates as an agent for the Alinma Tokyo Marine (associate company)	SAR 3 Mn.	100	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
<b>Esnad Company (a Limited Liability Co.)</b>	To provide outsourced staff to the Bank (customer services, management support, technical support)	SAR 500,000	100	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
<b>Tanweer Real Estate Company (a Limited Liability Company)</b>	Facilitates mortgage financing and to hold, on behalf of the Bank, the title 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
<b>Alinma Investment Company, (Closed Joint Stock Company)</b>	Dealing as principal and agent, undertaking coverage and management, arranging, providing advice and filing in securities business	Authorized: SAR 1,000 Mn., Paid Up: SAR 500 Mn.	100	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

In addition to the above-mentioned subsidiaries, the Bank has effective control over the funds listed below. The financial statements of these funds are consolidated with those of the Bank:

Investment Fund	Purposes	Net Assets	Percentage of Ownership	Country of Incorporation	Principal Place of Business
<b>Alinma Sukuk Fund</b>	Investment in domestic sovereign Sukuk issued by the government of Saudi Arabia	SAR 1,277 Mn.	63.6	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
<b>Alinma IPO Fund</b>	Enhancing capital on the long-run by investing mainly in Saudi joint stock companies	SAR 126.8 Mn.	75.5	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

The below table summarizes the Operational activities and gross revenues of the Subsidiary Companies together with their contributions to the bank's results:

	Activity's profit (SAR Mn.)	Percentage %
Fund Management	369	52
Investment banking and brokerage	142	20
Others	201	28
<b>Total operating income</b>	<b>712</b>	<b>100</b>

### 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	50,000,000	100	–	–
Saudi Fintech Company	10,000,000	100	–	–
Alinma Insurance Agency for Cooperative Insurance	300,000	100	–	–
Esnad Company	50,000	100	–	–
Tanweer Real Estate Company	10,000	100	–	–

### Major Shareholders, a description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company of their, together with any change to such interests during the last fiscal year

The following table shows major shareholders of the Bank during the financial year 2021:

Name	Beginning of the year		End of the year	
	Shares	Ownership	Shares	Ownership
Public Investment Fund	200,000,000	10.00%	200,000,000	10.00%

### Branches and ATM networks

The Bank opened 2 new locations for men, 5 for women during the year 2021 bringing the total number of locations to 182, including 100 for men, 78 for women and 4 sales centers, in addition to operating an additional 33 ATMs during 2021, so the total number of ATMs that were provided and operated by the end of 2021 rose to 1,584 ATMs.

### Due to banks and other financial institutions

As part of its normal business, the Bank deals with other banks and financial institutions through Morabaha transactions and short-term deposits. As at 31 December 2021, Morabaha balances with other banks and financial institutions amounted to SAR 15,240 Mn., as shown in note (11) of the bank's consolidated financial statements for the period ending December 31, 2021.

### First Tranche Sukuk

On 1 July 2021, the Bank issued Shariah-compliant of SAR 5 Bn., after obtaining necessary approvals from regulatory authorities and the Board of Directors of the Bank. The expected annual rate of return is 4% as of the date of issuance until 2026 and shall be subject to reassignment every five (5) years, as shown in note (18) of the consolidated financial statements of the Bank for the period ending 31 December 2021.

### Dividends Distribution Policy

As stipulated in article (45) of Alinma bank's By-Laws, the Bank distributes its net income after deducting all general expenses, other costs, 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 dividends beyond the one recommended by the Board of Directors.
4. Remaining balance of profits (after allocating the amounts referred to in paragraphs 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 has recommended the following appropriations:

	2021 (SAR Mn.)
Net income for the year	2,709
Retained earnings-brought forward	3,760
Amount available for appropriation	6,469
Transfer to statutory reserve (25% of net income)	(677)
Final profit distributions for 2020, represent 3.0% of the share nominal value	(596)
Interim profit distributions for the first half of 2021, represent 3.5% of the share nominal value	(696)
Final profit distributions for the second half of 2021, represent 4% of the share nominal value	(795)
Costs of issuing the first tranche Sukuk and relevant returns	(107)
Net transferred to other Reserves	(12)
Retained earnings-carried forward	3,586

### Description of any transaction between the Bank and a related party

During its normal course of business, the Bank deals with related parties. Transactions with related parties shall be subject to the ratios stipulated in the Banking Control Law and the instructions of SAMA.

The table below shows balances resulted from transactions with related parties and included in the consolidated financial statements as at 31 December.

	2021 (SAR '000)	2020 (SAR '000)
<b>Members of the Board of Directors, senior executives, major shareholders and related companies</b>		
Senior Executive Finance	43,685	26,114
Related Parties Finance	745,520	493,820
Customer Deposits*	323,538	4,762,552
Investment in Subsidiaries	66,680	80,818
<b>Investment Funds of the Bank</b>		
Investments in Funds	1,755,631	1,665,653
Investment Funds Finance	–	2,627,303
Deposits from Investment Funds	216,662	429,132
Financing from Investment Funds	50,388	–

\* Customer deposits include mainly deposits from major shareholders and related companies and members of the Board of Directors

(A) Below is an analysis of revenues and expenses with respect to transactions with related parties listed in the consolidated income statement:

	2021 (SAR '000)	2020 (SAR '000)
Finance Income	10,877	125,129
Returns on Customers Time Investments	25,151	135,805

Advances and expenses of executive directors are in line with normal employment conditions.

(B) Below is an analysis of total compensations paid to senior executives during the year:

	2021 (SAR '000)	2020 (SAR '000)
Short-term Benefits	71,363	73,759
End of Service Benefits	7,682	8,931

### Contracts and transactions concluded with the Bank in which a Board member, Senior Executive or any person related to any of them is or was interested

Contract/Business Nature	Contract/Business Amount	Contract/Business Duration	Contract/Business Terms	Name of the Board Member, Senior Executive or any Related Person
Alinma Tokyo Marine Co. Issuance and renewal of insurance policies	42,970,000	1/1/2021 to 31/12/2021	No preferential terms	<b>Abdullah Ali Al-Khalifa</b> (CEO, Alinma Bank) (Non-Executive member, Alinma Tokyo Marine)  <b>Emad Abdulrahman Al-Butairi</b> (Head of Corporate Banking Group, Alinma Bank) (Non-Executive member, Alinma Tokyo Marine)  <b>Abdulmohsen Abdul Aziz Al-Fares</b> (Former CEO, Alinma Bank) (Chairman of the Board of Directors, Alinma Tokyo Marine)

### A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period

The following table shows the value of regulatory and outstanding payments for the financial period ended 31 December 2021:

Statement	Amount Paid (SAR Mn.)	Accrued Amount (SAR Mn.)	A brief description of Accrued/Paid Amounts
Zakat	227.6	312.2	The amount paid represents the zakat paid for the year 2020, and the accrued amount represents the Zakat calculated for the financial year 2021 and will be paid in April 2022.
Withholding Tax	16.8	1	The amount paid represents the withholding tax paid for the period from January 2021 to November 2021 and the accrued amount represents the withholding tax for December 2021, payable in January 2022.
Value Added Tax	148.1	44.1	The amount paid represents the VAT paid for the period from January 2021 to November 2021, and the accrued amount represents the VAT for December 2021, payable in January 2022.

### Disclosures related to Small, Medium and Micro Enterprises

SMEs shall be defined as follows:

Type of Enterprise	Revenues (SAR Mn.)	Staff
Micro Enterprise	0 to 3	1 to 5
Small Enterprise	< 3 to 40	6 to 49
Medium Enterprise	< 40 to 200	50 to 249

Total number of employees in the SME sector in the Bank stood at 42 employees at the end of the fiscal year 2021.

During 2021, the Bank focused on developing the business of the SME sector through:

- Expanding the SME services in all regions of the Kingdom of Saudi Arabia;
- Expansion through Kafalah program for financing Small and Medium Enterprises;
- Expansion through the Guaranteed Financing Program, an initiative of SAMA in cooperation with Kafalah Program for Financing Small and Medium Enterprises;
- Providing support to SME clients in all sectors affected by the Corona pandemic through deferred payments program introduced by SAMA;
- Creating new task forces to expand the POS financing program;
- Designing and developing new products and services tailored to meet the needs of the SME sector;
- Strengthening cooperation with the Public Authority for Small and Medium Enterprises (Monshaat) through increasing funded opportunities through the financing portal;
- Developing staff performance through an intensive training program with global standards in collaboration with MOODY'S;

- Restructuring the SME sector through three main sections, including:
  - Management of SME customer relations;
  - Sales Network, which focuses on financing the sector through flexible sector-specific products and financing programs on concessional terms;
  - Developing business and products through market study and building strategic partnerships with the public and private sectors.

	Number of Training Days
Number of man-days training provided to SMEs staff	75

The following are the main performance indicators of the SME sector during the year 2021 compared to 2020:

	2021 (SAR '000)			
	Micro Enterprise	Small Enterprise	Medium Enterprise	Total
Small and Medium enterprises Financing – On Balance Sheet	28,587	1,084,441	2,716,542	3,829,570
Small and Medium enterprises Financing – Off Balance Sheet	–	55,717	224,875	280,592
SMEs Financing as a percentage of total financing – On Balance Sheet	0.02%	0.86%	2.15%	3.03%
SMEs Financing as a percentage of total financing – Off Balance Sheet	0.00%	0.40%	1.61%	2.01%
Number of Financing transactions (on/off Balance Sheet)	39	636	1069	1744
Number of Financing customers (on/off Balance Sheet)	28	315	168	511
Number of Financing transactions guaranteed by Kafalah program	33	403	297	733
Total Financing amounts guaranteed by Kafalah program	14,198	326,604	458,156	798,958

	2020 (SAR '000)			
	Micro Enterprise	Small Enterprise	Medium Enterprise	Total
Small and Medium enterprises Financing – On Balance Sheet	19,466	590,956	2,465,765	3,076,187
Small and Medium enterprises Financing – Off Balance Sheet	–	54,504	214,172	268,676
SMEs Financing as a percentage of total financing – On Balance Sheet	0.02%	0.52%	2.15%	2.69%
SMEs Financing as a percentage of total financing – Off Balance Sheet	0.00%	0.39%	1.54%	1.93%
Number of Financing transactions (On/Off Balance Sheet)	28	541	1,104	1,673
Number of Financing customers (On/Off Balance Sheet)	24	171	162	357
Number of Financing transactions guaranteed by Kafalah program	24	217	144	385
Total Financing amounts guaranteed by Kafalah program	10,020	179,085	277,781	466,886

### Kafalah Program

The bank continued its contribution in supporting small and medium and micro enterprises through the Kafalah program, where several achievements were achieved in 2021.

#### Key achievements of the Kafalah program during 2021:

- Finance under Kafalah program recorded a growth rate of 65%.
- The number of guarantees issued to the bank's clients increased by 78% during 2021.
- The number of the bank's customers under Kafalah program grew by 81% compared to 2020.
- Growth of finance under SAMA initiative "Guaranteed Finance Program" by 216%.
- The finance product portfolio through the POS grew by 160%.
- The Bank ranked fourth among finance parties cooperating with Kafalah program by the end of the third quarter of 2021.
- The "Emerging Kafalah Portfolio" product, which is offered by Kafalah program to pioneering finance entities, has been made available during the third quarter of 2021.

### Treasury shares

The Bank held part of its shares at intervals during 2010 and 2011, with a view to granting them to a specified category of employees who meet relevant terms. Pending the transfer of share ownership beneficiaries, the shares are treated as treasury shares used to finance long-term employee remuneration plans paid on a stock basis, as shown in note (22) of the bank's consolidated financial statements for the period ended 31 December 2021.

The details of the treasury shares held by the Bank are as follows:

Number of treasury shares held by the Bank as on 31 December 2021	Value (SAR)
12,172,371	94,158,748

### Staff benefits

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at 31 December 2021, the balance due to employees on account of the end of service benefits obligation amounted to SAR 438 Mn. Additionally, the Bank makes monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law.

**Any punishment, penalty, precautionary procedure or preventive measure imposed on the Bank by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future**

In exercising its day-to-day operations, the Bank applies all banking and regulatory rules and regulations issued by supervisory authorities. The Bank is keen to reduce violations and, if they do occur, take the necessary corrective action. There are no fines of material effect imposed on the Bank.

The following table shows fines imposed on the Bank during the preceding financial year 2020 and the current year 2021:

### Saudi Central Bank (SAMA):

Violation	Financial Year 2020*		Financial Year 2021	
	Number of Penalties	Total Amount (SAR)	Number of Penalties	Total Amount (SAR)
Violation of SAMA Supervisory directives	10	590,000	7	381,000
Violation of SAMA directives related to customer protection	2	1,520,000	2	2,682,400
Violation of SAMA directives related to conducting due diligence	1	1,835,000	nil	nil
Violation of SAMA directives related to ATMs and POS performance level	nil	nil	nil	nil
Violation of SAMA directives related to conducting due diligence with respect to the Anti- Money laundering and Terrorism Financing	2	205,000	2	345,000
<b>Total</b>	<b>15</b>	<b>4,150,000</b>	<b>11</b>	<b>3,408,400</b>

\*The change in the number and value of penalties disclosed in 2020 report resulted from adding the penalties imposed on Ersal Co.

### Ministry of Municipal, Rural Affairs and Housing

Violation	Current Financial Year	
	Number of penalties	Total amount of financial penalties in Saudi Riyals
ATM rooms space rules and advertisement posters-Riyadh Region Municipality	5	1,065,000
No licenses to operate ATMs-The Holy Capital Region Municipality	1	15,000

Most of the penalties imposed on the Bank relate to operational issues that have been rectified.

### Financial reporting

In preparing the consolidated financial statements of the Bank, the Bank follows:

- 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";
- 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.

The Board of Directors confirms the following:

- Proper books of accounts have been maintained as required by law.
- The system of internal controls is sound in design and has been effectively implemented.
- There are no doubts about the bank's ability to continue as a going concern.
- Apart from the information provided in note (35) to the consolidated financial statements, there are no contracts entered into by the Bank during the financial year 2021, in which any related party has any material interest.

### Auditors Notes on Financial Statements

The Audit report did not include any notes by the external auditors on the annual financial statements of the Bank.

### Composition of the Board and classification of its members

**A.** The Bank is being 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.

Name	Position	Membership Status
Dr. Abdulmalek Abdullah Al-Hogail	Chairman	Independent
Dr. Hamad Sulaiman AlBazai	Vice Chairman	Non-Executive
Mr. Abdulmohsen Abdulaziz Al-Fares	Member	Non-Executive
Mr. Mohammed Abdulrahman Bin Dayel	Member	Independent
Mr. Abdulmuhsin Abdulaziz Al-Hussein	Member	Non-Executive
Mr. Mutlaq Hamad Al Morished	Member	Non-Executive
Mr. Abdulrahman Mohammed Ramzi Addas	Member	Independent
Dr. Saud Muhammad Al Nemer	Member	Independent
Mr. Hytham Rashid AL sheikh Mubarak	Member	Independent

### B. Qualifications, positions and experience of the Non-Board Committee Members

#### (B/1) Audit Committee:

Name	Current Positions	Previous Positions	Qualifications
Dr. Saad bin Saleh Al-Rowaite	Prince Sultan University – Vice President for Administrative and Financial Affairs	Part-time consultant – Ministry of Health, Head of Accounting Department – King Saud University.	PhD in Accounting – University of Colorado – USA
Dr. Ahmed Abdullah Al Moneef	Head of Accounting Department, General Supervisor of the Internal Audit Unit – King Saud University	Lecturer, Accounting Department – King Saud University, Assistant Account Auditor – Saudi Industrial Development Fund.	PhD in Accounting and Finance – University of Dundee, UK.
Mr. Khalid Mohammed Al Khowaitir	Membership of Board of Directors and committees	CFO, Advanced Electronic Co., Vice-President of Accounting Standards Committee, the Saudi Organization for Certified Public Accountants.	Bachelor of Accounting, King Saud University, CPA.

**(B/2) Shariah Committee:**

Name	Current Positions	Previous Positions	Qualifications
Dr. Abdulrahman Saleh Al Atram	Chairman of the Shariah Committee of Alinma Bank	Associate Professor, College of Shariah, Jurisprudence Department, Imam University, Assistant Professor, College of Shariah, Jurisprudence Department, Imam University, Lecturer, College of Shariah, Jurisprudence Department, Imam University.	PhD in Jurisprudence, Imam University.
Dr. Abdullah Wikayyil Al Sheikh	Vice-Chairman of Alinma Bank Shariah Committee	Associate Professor, Department of Sunnah and its Sciences, College of Fundamentals of Religion, College of Shariah, College of Da'awa and Information, Imam University, Professor of postgraduate studies in the Department of Sunnah and its Sciences and the College of Education, General Presidency of Girls' Education, Worked as a Consultant for a law firm for four (4) years.	PhD in Sunnah and its Sciences, Imam University.
Dr. Suleiman Turkey Al Turkey	Assistant Professor, Department of Shariah Policy, Higher Judicial Institute, Imam University- Member of Alinma Bank Shariah Committee	Lecturer, Department of Shariah Policy, Higher Judicial Institute, Imam University, Lecturer, Department of Jurisprudence, College of Shariah, Imam University.	PhD in Jurisprudence, Imam University, PhD in Law, London University, UK.
Dr. Yousef Abdullah Al-Shubaily	Professor of Comparative Jurisprudence, Higher Judicial Institute- Member of Alinma Bank Shariah Committee	Deputy of Comparative Jurisprudence Department, the Higher Judicial Institute	PhD in Comparative Jurisprudence, Imam University.

**(C) Executive Management**

The executive management is composed of a number of executives headed by the CEO, and manage the business of the Bank.

### Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager name Membership in the Boards of Directors of other Companies

Name	Membership in the Boards of Directors of other Companies
Dr. Abdulmalek Abdullah Al-Hogail	Saudi Company for Maritime Transport, Americana Group – Kuwait food, National Chemical Carriers.
Dr. Hamad Sulaiman AlBazai	Southern Cement Company, Building Development Company, Tatweer Holding
Mr. Abdulmohsen Abdulaziz Al-Fares	Alinma Tokyo Marine, Alinma Investment Company.
Mr. Mohammed Abdulrahman Bin Dayel	–
Mr. Abdulmuhsin Abdulaziz Al-Hussein	–
Mr. Mutlaq Hamad Al Morished	Saudi Arabian City Group Company, Metal company National Manufacturing Company, Nabco National Corporation.
Mr. Abdulrahman Mohammed Ramzi Addas	Savola Group, Saudi Spring Food Company, Diyar Al Khayyal Real Estate Development Company, Tunisian Saudi Bank, Arcoma Company, Environment Fund.
Dr. Saud Muhammad Al Nemer	Saudi Public Transport Company, Najmat Almadayin Co., Tamkeen account at the Ministry of Energy.
Mr. Hytham Rashid Al-AlShaikh Mubarak	–

### The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting

The Board held six (6) meetings during the financial year 2021 as shown in the table below:

Name	Meeting Date						Total
	07/02/2021	04/03/2021	07/04/2021	28/07/2021	24/10/2021	23/12/2021	
Dr. Abdulmalek Abdullah Al-Hogail	✓	✓	✓	✓	✓	✓	6
Dr. Hamad Sulaiman AlBazai	✓	✓	✓	✓	✓	✓	6
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓	✓	✓	✓	6
Mr. Mohammed Abdulrahman Bin Dayel	✓	✓	✓	✓	✓	✓	6
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓	✓	✓	✓	✓	✓	6
Mr. Mutlaq Hamad Al Morished	✓	✓	✓	✓	✓	✓	6
Mr. Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	6
Dr. Saud Muhammad Al Nemer	✓	✓	✓	✓	✓	✓	6
Mr. Hytham Rashid Al-AlShaikh Mubarak	✓	✓	✓	✓	✓	✓	6

### A brief description of the competencies and duties of the committees, indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting

The Board has formed various committees to assist in discharging its duties and responsibilities, as follows:

- Executive Committee
- Nomination and Remuneration Committee
- Risk Committee
- Audit Committee
- Shariah Committee

### A. Executive Committee

The Executive Committee has been 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 eleven (11) meetings during the financial year 2021 as shown in the table below:

Name	Meeting date										Total	
	25/01/2021	09/02/2021	24/02/2021	31/03/2021	26/05/2021	28/07/2021	28/09/2021	24/10/2021	07/11/2021	14/11/2021		01/12/2021
Dr. Abdulmalek Abdullah Al-Hogail (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Mohammed Abdulrahman Bin Dayel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Mutlaq Hamad Al Morished	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11

### B. Nomination and Remuneration Committee

The Nomination and Remuneration Committee has been 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 policies related to benefits and compensation of the Board members and senior executives. The Committee held seven (7) meetings during the financial year 2021 as shown below:

Name	Meeting date							Total
	18/01/2021	10/02/2021	09/03/2021	28/03/2021	12/07/2021	07/10/2021	09/12/2021	
Dr. Saud Muhammad Al Nemer (Chairman)	✓	✓	✓	✓	✓	✓	✓	7
Dr. Hamad Sulaiman AlBazai	✓	✓	✓	✓	✓	✓	✓	7
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓	✓	✓	✓	✓	✓	✓	7
Mr. Hytham Rashid Al-AlShaikh Mubarak	✓	✓	✓	✓	✓	✓	✓	7



### C. Risk Committee

The Risk Committee has been formed by the Board of Directors to assist it in managing risks and fulfilling other relevant responsibilities. The Committee is composed of four (4) members and held four (4) meetings during the financial year 2021 as shown below:

Name	Meeting date				Total
	17/02/2021	05/05/2021	01/08/2021	07/10/2021	
Dr. Hamad Sulaiman AlBazai (Chairman)	✓	✓	✓	✓	4
Mr. Abdulmohsen Abdulaziz Al-Fares	✓	✓	✓	✓	4
Dr. Saud Muhammad Al Nemer	✓	✓	✓	✓	4
Mr. Hytham Rashid Al-AlShaikh Mubarak	✓	✓	✓	✓	4

### D. Audit Committee

The Audit Committee is composed of five (5) non-executive members, including an independent Board member and non-executive Board member in addition to three independent non-Board members. The Audit Committee's role is to study the financial statements and accounting/control policies, supervise the work of internal auditing as well as external auditors to ensure their independence. The Committee held six (6) meetings during the fiscal year 2021 as shown in the following table:

Name	Meeting date						Total
	18/01/2021	03/02/2021	18/04/2021	27/07/2021	21/09/2021	21/10/2021	
Mr. Mutlaq Hamad Al Morished (Chairman)	✓	✓	✓	✓	✓	✓	6
Dr. Ahmed Abdullah Al Moneef	✓	✓	✓	✓	✓	✓	6
Dr. Saad Saleh Al-Rowaite	✓	✓	✓	✓	✓	✓	6
Mr. Abdulrahman Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓	6
Mr. Khalid Mohammed Al Khowaitir	✓	✓	✓	✓	✓	✓	6

### E. Shariah Committee

Alinma Bank is committed to conduct its business in compliance with Shariah. Article (51) of the Articles of Association stipulates that "all the company's business shall be subject to the provisions and controls of Shariah". The Bank appointed a Shariah Committee 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. The Committee held thirty-seven (37) meetings during the fiscal year 2021, as shown in the following table:

Name	Number of Meetings				Total
	Q1	Q2	Q3	Q4	
Dr. Abdulrahman Saleh Al Atram	10	8	10	9	37
Dr. Abdullah Wikayyil Al Sheikh	10	7	10	9	36
Dr. Suleiman Turkey Al Turkey	10	8	10	9	37
Dr. Yousef Abdullah Al-Shubaily	10	8	10	9	37

### General Assembly Meetings during the year and names of attendees

The General Assembly held an extra ordinary meeting on 7 April 2021. The following table provides the names of the members of the Board who attended the meeting:

Name	Attendance Record
Dr. Abdulmalek Abdullah Al-Hogail (Chairman)	✓
Dr. Hamad Suleiman Al-Bazai (Vice-Chairman)	✓
Mr. Abdulmohsen Abdulaziz Al-Fares	✓
Mr. Mohammed Abdulrahman Bin Dayel	✓
Mr. Abdulmuhsin Abdulaziz Al-Hussein	✓
Mr. Mutlaq Hamad Al Morished	✓
Mr. Abdulrahman Mohammed Ramzi Addas	✓
Dr. Saud Muhammad Al Nemer	✓
Mr. Hytham Rashid Al-AlShaikh Mubarak	✓

## Disclosure of Remunerations of Members of the Board of Directors, Board's Committees and the Executive Management

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 related to the Board of Directors remunerations. Compensations of employees and senior executives shall be 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.

### A. Remunerations of the Board Members

	Fixed remunerations				Total	Aggregate amount	Expenses allowance
	Specific amount*	Allowance for attending Board meetings	Total Allowance for attending committee meetings	Remunerations of the Chairman, Managing Director or Secretary, if a Member**			
<b>1. Independent Directors</b>							
Dr. Abdulmalek Abdullah Al-Hogail **	415,000	30,000	55,000	2,000,000	2,500,000	2,500,000	–
Dr. Saud Muhammad Al Nemer	415,000	30,000	55,000	–	500,000	500,000	–
Mr. Abdulrahman Mohammed Ramzi Addas ***	565,000	30,000	85,000	–	680,000	680,000	34,800
Mr. Mohammed Abdulrahman Bin Dayel	415,000	30,000	55,000	–	500,000	500,000	–
Mr. Hytham Rashid Al-AlShaikh Mubarak	415,000	30,000	55,000	–	500,000	500,000	–
<b>Total</b>	<b>2,225,000</b>	<b>150,000</b>	<b>305,000</b>	<b>2,000,000</b>	<b>4,680,000</b>	<b>4,680,000</b>	<b>34,800</b>
<b>2. Non-Executive Directors</b>							
Dr. Hamad Sulaiman AlBazai	415,000	30,000	55,000	–	500,000	500,000	–
Mr. Abdulmohsen Abdulaziz Al-Fares	395,000	30,000	75,000	–	500,000	500,000	–
Mr. Abdulmuhsin Abdulaziz Al-Hussein	435,000	30,000	35,000	–	500,000	500,000	–
Mr. Mutlaq Hamad Al Morished ***	565,000	30,000	85,000	–	680,000	680,000	–
<b>Total</b>	<b>1,810,000</b>	<b>120,000</b>	<b>250,000</b>	<b>–</b>	<b>2,180,000</b>	<b>2,180,000</b>	<b>–</b>
<b>Grand Total</b>	<b>4,035,000</b>	<b>270,000</b>	<b>555,000</b>	<b>2,000,000</b>	<b>6,860,000</b>	<b>6,860,000</b>	<b>34,800</b>

\* This amount includes annual remuneration for membership of the Board of Directors and fixed remunerations for membership of committees in accordance with the "Remunerations and Allowances Policy for members of the Board of Directors, committees, secretariat and executive management".

\*\* Special reward for the Chairman of the Board of Directors, in accordance with paragraph (2) of Article (81) of the Companies Law.

\*\*\* Remuneration for membership in the Audit Committee in addition to the remuneration he receives as a member of the Board of Directors and other Committees, in accordance with Article (3) of regulatory rules and procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.

### B. Remunerations of Members of Committees

	Fixed Remunerations (Except for meeting attendance allowance)	Meeting Attendance Allowance	Total
<b>Executive Committee Members</b>			
Dr. Abdulmalek Abdullah Al-Hogail (Chairman)	150,000	55,000	205,000
Mr. Abdulmohsen Abdul Aziz Al-Fares	150,000	55,000	205,000
Mr. Mohammed Abdulrahman Bin Dayel	150,000	55,000	205,000
Mr. Mutlaq Hamad Al Morished	150,000	55,000	205,000
Mr. Abdulrahman Mohammed Ramzi Addas	150,000	55,000	205,000
<b>Total</b>	<b>750,000</b>	<b>275,000</b>	<b>1,025,000</b>

	Fixed Remunerations (Except for meeting attendance allowance)	Meeting Attendance Allowance	Total
<b>Nomination and Remuneration Committee Members</b>			
Dr. Saud Muhammad Al Nemer (Chairman)	150,000	35,000	185,000
Dr. Hamad Sulaiman AlBazai	150,000	35,000	185,000
Mr. Abdulmuhsin Abdulaziz Al-Hussein	150,000	35,000	185,000
Mr. Hytham Rashid Al-AlShaikh Mubarak	150,000	35,000	185,000
<b>Total</b>	<b>600,000</b>	<b>140,000</b>	<b>740,000</b>

	Fixed Remunerations (Except for meeting attendance allowance)	Meeting Attendance Allowance	Total
<b>Risk Committee Members</b>			
Dr. Hamad Sulaiman AlBazai (Chairman)	150,000	20,000	170,000
Mr. Abdulmohsen Abdulaziz Al-Fares	150,000	20,000	170,000
Dr. Saud Muhammad Al Nemer	150,000	20,000	170,000
Mr. Hytham Rashid Al-AlShaikh Mubarak	150,000	20,000	170,000
<b>Total</b>	<b>600,000</b>	<b>80,000</b>	<b>680,000</b>

	Fixed Remunerations (Except for meeting attendance allowance)	Meeting Attendance Allowance	Total
<b>Audit Committee Members</b>			
Mr. Mutlaq Hamad Al Morished (Chairman)	150,000	30,000	180,000
Dr. Ahmed Abdullah Al Moneef	150,000	30,000	180,000
Dr. Saad bin Saleh Al-Rowaite	150,000	30,000	180,000
Mr. Abdulrahman Mohammed Ramzi Addas	150,000	30,000	180,000
Mr. Khalid Mohammed Al Khowaitir	150,000	30,000	180,000
<b>Total</b>	<b>750,000</b>	<b>150,000</b>	<b>900,000</b>

	Fixed Remunerations (Except for meeting attendance allowance)	Meeting Attendance Allowance	Total
<b>Shariah Committee Members</b>			
Dr. Abdulrahman Saleh Al Atram (Chairman)	300,000	185,000	485,000
Dr. Abdullah Wikayyil Al Sheikh	300,000	180,000	480,000
Dr. Suleiman Turkey Al Turkey	300,000	185,000	485,000
Dr. Yousef Abdullah Al-Shubaily	300,000	185,000	485,000
<b>Total</b>	<b>1,200,000</b>	<b>735,000</b>	<b>1,935,000</b>

### C. Remunerations of Senior Executives

Top Six Senior Executives who received the highest remuneration from the Bank, including the CEO and CFO		Total (SAR)
<b>Fixed remunerations</b>	Salaries	9,734,141
	Allowances	5,130,954
	In-kind benefits	-
	<b>Total</b>	<b>14,865,095</b>
<b>Variable remunerations</b>	Periodic remunerations	5,077,826
	Profits	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Granted shares (Market value at the vesting date)	860,705
<b>Total</b>	<b>5,938,531</b>	
<b>Total remunerations for Board executives</b>		<b>-</b>
<b>Aggregate Amount</b>		<b>20,803,626</b>

### Description of any interest, contractual securities and subscription rights of members of the Board of Directors, Senior Executives and their relatives in the shares or Sukuk issued by the Bank or any of its subsidiaries and any change therein during the financial year

Description of all ownership by members of the Board of Directors, their spouses and minor children in the shares, Sukuks 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		
Dr. Abdulmalek Abdullah Al-Hogail	400,000	-	400,000	-	-	-
Dr. Hamad Sulaiman AlBazai	128,000	-	128,000	-	-	-
Mr. Abdulmohsen Abdulaziz Al-Fares	1,052,931	-	1,371,728	-	318,797	30.28
Mr. Mohammed Abdulrahman Bin Dayel	1,333	-	1,333	-	-	-
Mr. Mutlaq Hamad Al Morished	30,000	-	30,000	-	-	-
Mr. Abdulrahman Mohammed Ramzi Addas	1,145	-	1,145	-	-	-
Dr. Saud Muhammad Al Nemer	70,000	-	70,000	-	-	-

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						
Member's Name	Beginning of the year		End of the year		Net change	% change
	No. of Shares	Sukuks	No. of Shares	Sukuks		
Mr. Emad Abdulrahman AlButairi	208,455	-	235,953	-	27,498	13.19
Mr. Abdullah Jamaan Al Zahrani	4,478	-	4,478	-	-	-
Mr. Meshary Abdulaziz AlJubair	129,784	-	144,787	-	15,003	11.56
Dr. Sulaiman Ali AlHudaif	50,447	-	215,391	-	164,944	326.96
Mr. Adel Saleh Abalkail	4,666	-	-	-	(4,666)	(100)
Mr. Abdullah Mohammed AlSalamah	39,827	-	41,897	-	2,070	5.20
Mr. Meshal Hamad Alrabia	5,250	-	4,000	-	(1,250)	(23.81)
Mr. Hisham Abdullah Altiraigi	-	-	3,150	-	3,150	100
Dr. Mohammed Sultan Alsehali	4,799	-	5,500	-	701	14.61
Mr. Homood Abdulaziz Alhomaidan	10,889	-	-	-	(10,889)	(100)
Mr. Eyad Osama Al Othman	106,533	-	158,400	-	51,867	48.69
Mr. Yasser Abdulaziz Almarshadi	120,036	-	132,110	-	12,074	10.06

### Waiver of Remunerations/ Profits 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) has waived the right to receive any remunerations or compensations. Similarly, there is no any arrangement or agreement by virtue of which any shareholder(s) has waived the right to receive any dividend from the Bank.

### Methods adopted by the Board of Directors in assessing its Performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Bank

The Board of Directors has approved the performance criteria to assess the performance of its members and committees. An independent external entity has been appointed to accomplish this task. The assessment result indicated that the Board has been conducting its duties and responsibilities efficiently in all material respects.

### The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them

There are no recommendations of the Audit Committee that contradict the resolutions of the Board of Directors and the Board has not rejected any recommendations regarding the appointment, termination, assessment and fees of the External Auditor.

### Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Bank and its performance

The Board is keen to enable shareholders to exercise their rights and raise their observations and queries during the meetings of the General Assembly. Such observations and queries are documented in the minutes of the meeting of the General Assembly. Additionally, the Board allocates different means of communication to receive shareholders queries and observations, if any, to be presented to the Board's members at the first subsequent meeting of the Board of Directors.

### Information on any risks facing the Bank (operational, financial or market related) and the policy of managing and monitoring these risks

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

#### a. Credit risk:

This is the major risk the Bank faces. Credit risk is the risk that 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, concentration limits in addition to the day to day account management.

To ensure the integrity of the credit check, the Bank formed an independent risk management group whose task is to implement and follow up the credit risk policy, credit operations and related documents after approval. Additionally, the Group is responsible for following up any credit problems that may arise in customer finances.

#### b. 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.

#### c. 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's management has diversified funding sources and assets are managed with liquidity into consideration, maintaining an adequate balance of cash and cash equivalents.

Exposure to the above mentioned risks is monitored by the Board of Directors and other management committees. The Board of Directors has also constituted a Risk Management Committee to assist it 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 for the financial year 2021.

### Internal Control System

The bank's management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by 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 internal control system and procedures of the Bank.

### Corporate Governance Provisions Implementation

In general, the Bank ensures compliance with the guidance provided by the Corporate Governance Regulation issued by the Capital Market Authority (CMA) as well as with the Key Principles of Governance in Financial Institutions and other directives issued by the Saudi Central Bank (SAMA).

### Work ethics

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

### Social contributions of the Bank

The Bank allocates a percentage not exceeding 1% of the net profits each year to the account of the community service reserve, 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 the year 2020, the following amounts have been spent from the Community Service Reserve:

Social contribution	Amount (SAR)
1 Donation to Ehsan Forum	1,000,000
2 The Bank's contribution to supporting The Autism Center of Excellence for the fourth year	2,200,000
<b>Total</b>	<b>3,200,000</b>

### Number of Bank's requests of shareholders records, dates and reasons thereof

Below are the details of the number and dates of the Bank's requests for the Shareholders Records:

S/R	Request Date	Reasons
1	25/03/2021	Update shareholder register
2	25/03/2021	Meeting of the General Assembly
3	25/03/2021	Dividend Distribution for 2020
4	04/07/2021	Update shareholder register
5	04/10/2021	Update shareholder register
6	06/10/2021	Update shareholder register
7	06/10/2021	Update shareholder register
8	06/10/2021	Update shareholder register
9	06/10/2021	Preparation of the Annual Report 2021
10	10/11/2021	Update shareholder register
11	01/12/2021	Update shareholder register
12	22/12/2021	Update shareholder register

### Future plans

The Bank will continue to enhance its ambitious plans through the introduction of more Shariah compliant products and services, expansion of branches/ATMs networks and growth in number of Retail and Corporate customers, growth in financing portfolio and customer deposit, launching digital branches. Alinma has 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.

### Conclusion

The Alinma Bank Board of Directors greatly appreciates the efforts exerted by the Bank in 2021 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 SAMA 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 customers 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 and 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.

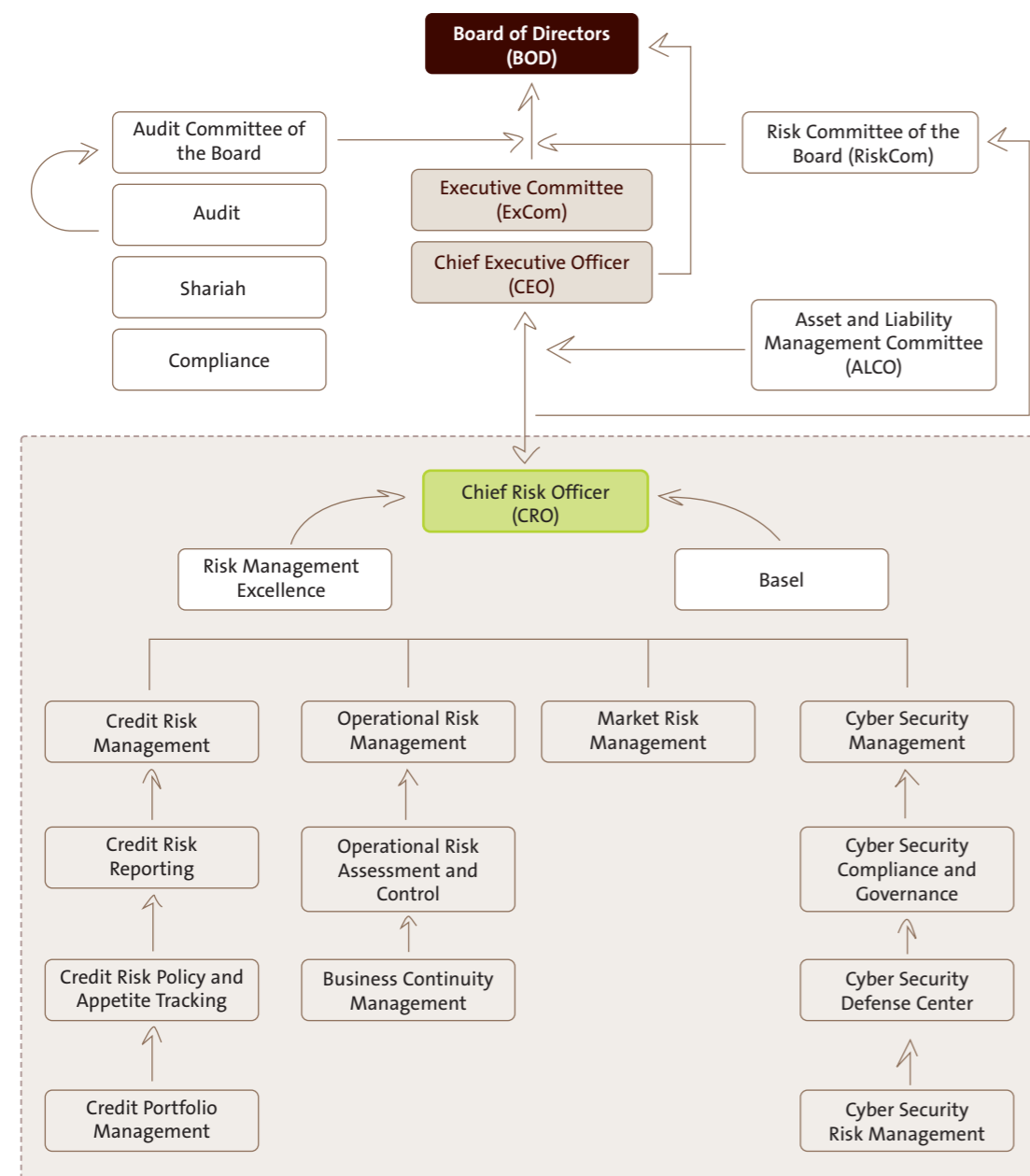
**The Board of Directors**

# Risk Management

Effective risk management is fundamental to the success and resilience of Alinma Bank. The Bank evaluates its risk management framework on an ongoing basis, to ensure appropriateness and relevance of the framework in an environment of increasing intensity of regulatory supervision and numerous emerging developments.

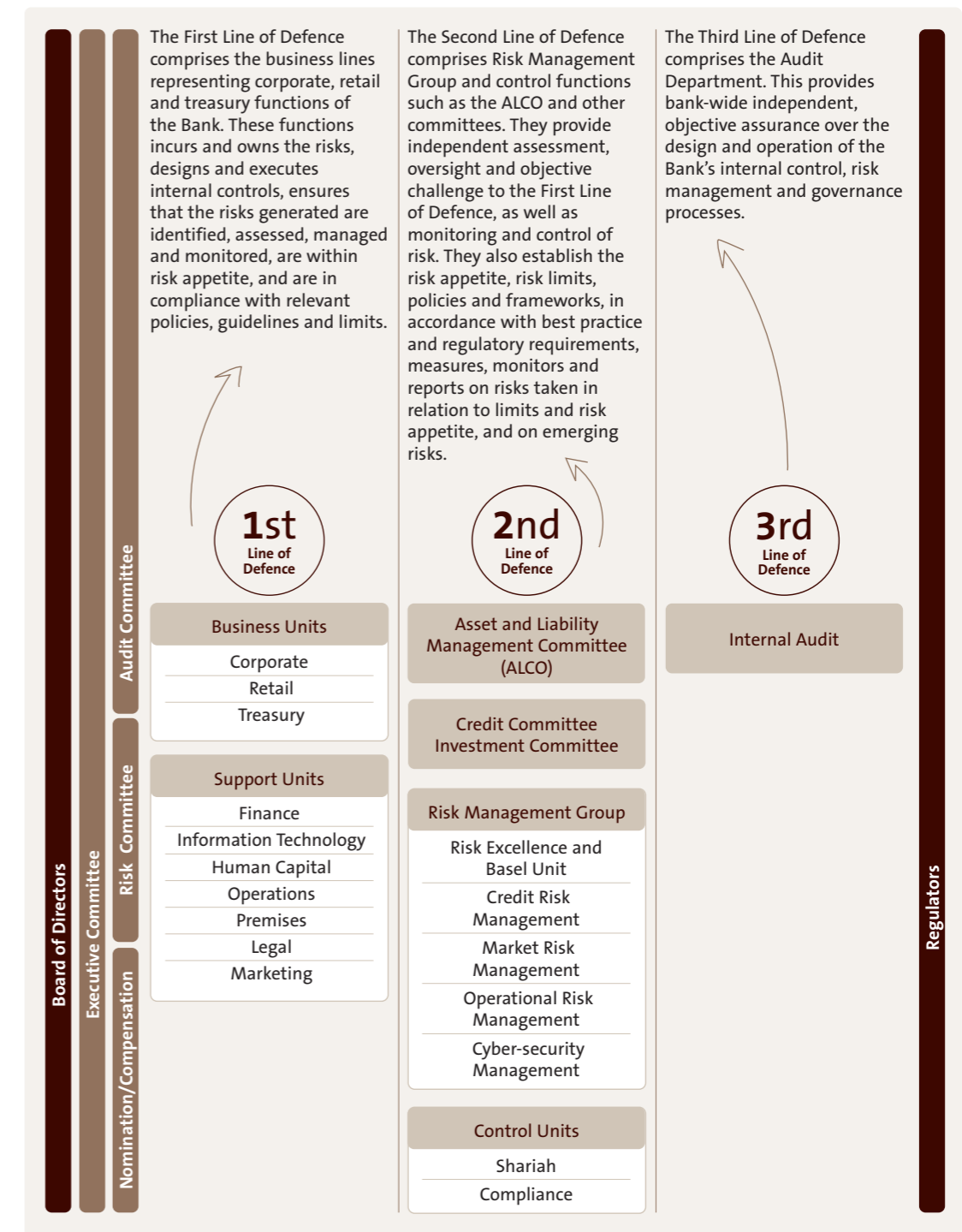
## Risk Management Governance Structure

Alinma Bank has a well-established risk governance structure, with an active and engaged Board of Directors and Risk Committee supported by an experienced Executive Management team. Decision-making is centralized through a number of executive and senior risk management committees.



## Risk Governance

The Bank's risk management framework is founded on the Three Lines of Defence Model.



### Risk appetite

Risk appetite articulates the amount and types of risk the Bank is willing to take, in pursuit of business to achieve its strategic and financial objectives. A clearly articulated and effectively embedded risk appetite supports a strong risk culture and finding an optimal balance between risk and return whilst ensuring that the Bank stays within the established risk boundaries of the prevalent regulatory framework.

### Risk identification and management

A comprehensive process to identify risks and assess their materiality is essential for effective risk management. Risk is defined as the potential impact of deviations from expected outcomes on the Bank's earnings, capital, liquidity, reputation and resilience caused by internal and external vulnerabilities.

### Principal types of risk

During the normal course of business, the Bank is exposed to numerous risks. Effective systems and procedures are in place to identify, control, and report major risks that could have a significant impact on the Bank. The principal risks are those risks which are considered of primary importance as having a significant impact or influence on the Bank's primary business and revenue generating activities (Financial Risks), or inherent in the Bank's business and can have significant adverse strategic, business, financial and/or reputational consequences (Non-Financial Risks).

The principal risks of the Bank are given below:

#### 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 due to 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 downgrading of the Bank's credit rating, which may dry up certain sources of funding immediately. To mitigate this risk, the Management has diversified funding sources, assets are managed taking liquidity into consideration and by maintaining an adequate balance of cash and cash equivalents. In accordance with Banking Control Law and the Regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 11% of total demand deposits and 4% of customers' time investments. The Bank also maintains liquid reserves not 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.

#### 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's operational risk is monitored and controlled by the Operational Risk Team on a regular basis, and the Bank has successfully tested its operational disaster recovery site and documented its business continuity plan. To systematize the assessment and mitigation of operational risks, the Bank has established the Business Environment and Internal Control Framework Indicators (KPIs) for all business and support units, which are monitored proactively.

#### Shariah non-compliance risk

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

#### 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 aspects of reputational risk is non-compliance to Shariah principles. In addition, negative publicity could arise from major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has established controls to mitigate and avoid such risks and adopted a scorecard-based approach to measure the reputational risk to derive the Bank's overall risk indicators.

### Risk performance of Alinma Bank

Risk category and parameter	Key risk indicator	Policy parameter (by SAMA or by Bank)	Actual position	
			As at 31 December 2021	As at 31 December 2020
<b>Credit Risk</b>				
Quality of financing portfolio	Gross Non-Performing Financing ratio		1.75%	2.49%
	Net Non-Performing Financing ratio		0.68%	1.21%
	Impairment as a percentage over total Non-Performing Financing		177.07%	114.47%
	Weighted average rating score of the overall financing portfolio		6	6
Concentration	Financing portfolio by product – Highest exposure to be maintained as a percentage of the total financing portfolio		57%	51%
	Advances by economic subsector (using HHI-Herfindahl-Hirschman index or other methodology)		1,024	1,039 Above HHI reflects the current Alinma sector
	Aggregate of exposures exceeding 15% of the eligible capital		Under group connected obligor basis 4,743,722,712	8,112,236,104
Cross border exposure	Rating of the highest exposure of the portfolio on Fitch Investment Grade		BB+	BBB-

Risk category and parameter	Key risk indicator	Policy parameter (by SAMA or by Bank)	Actual position	
			As at 31 December 2021	As at 31 December 2020
<b>Market Risk</b>				
Interest rate risk	The "Earnings Approach" is defined by the impact of changes in profit rates on the Bank's earnings. This is measured by the changes in the Net Income before Investments and Financing (NIIF) which is the difference between the total revenues and the costs of funding.	-10%	<b>-7.04%/12.75%</b>	-8.29%/8.92%
	Using the "Economic Value Approach" in analyzing the impact of profit rates on the Bank's economic value or market value, which can be viewed as the present value of the future cash flows of assets and liabilities.	-15%	<b>-8.35%</b>	-6.28%
Liquidity risk	SAMA Liquidity Ratio (SLR)	20%	<b>26.84%</b>	28.62%
	Liquidity Coverage Ratio (LCR)	100%	<b>134.10%</b>	188.19%
	Net Stable Funding Ratio (NSFR)	100%	<b>111.70%</b>	110.19%
<b>Operational Risk</b>				
Operational losses	Operational loss tolerance limit (as a percentage of last three years' average gross income or any other base used by the Bank)	35M	6,258/35,000 = 18%	7,306/35,000 = 21%
Systems availability	Critical systems uptime	T24 System	100%	99.99%
<b>Strategic Risk</b>				
	Capital adequacy ratios: CET 1% Tier I and Tier II capital	14.25%	<b>18.79%</b>	16.79%
	ROE (%)	8%	<b>10.54%</b>	8.39%
	Creditworthiness – Fitch rating	BBB+	<b>BBB+</b>	BBB+

# Shariah Committee

The Sharia Committee comprises specialized scholars in financial transactions jurisprudence and economics. The composition of this committee is approved by the General Assembly of the Bank and it is independent from all executive departments in the Bank. All transactions executed by the Bank are subject to approval and control by the Sharia Committee, and its resolutions are binding upon all departments and personnel of the Bank.

## The goals of the Shariah Committee

- Defining Shariah terms with respect to all transactions executed by the Bank.
- Verifying all transactions of the Bank are Shariah-compliant.
- Supporting the Bank to improve its performance from a Shariah perspective and maintaining its Islamic identity in policies, standards and procedures.
- Augmenting the Bank's contribution in introducing Islamic Banking and contributing to its development.

During the year 2021, the Committee, held 37 meetings within which 262 topics were discussed. These included: products and services, ideas for products and services, modifications to approved documents, Shariah control reports, following-up control observations, inquiries from beneficiary groups within Bank and other related topics.

The results of topics presented to the Shariah Committee in 2021 included issuing 64 resolutions, 117 letters and 26 directives for control observations.

The total number of Sharia Resolutions issued by The Bank by end of 2021 reached 1,204 Resolutions.

Throughout the year 2021, the Sharia committee had various participations including scientific meetings such as hearing sessions with organizations and authorities, and coordinating holding meetings with the Board of Directors and the Audit Committee. The Committee also met with Bank's partners and Bank's shareholders through attending the General Assembly.





### Shariah Committee Secretariat

The Secretariat is a technical and administrative entity, dedicated to support the Shariah Committee to achieve its goals and execute its duties. Reporting directly to the Shariah Committee, the Secretariat is considered an entity of the Bank in terms of administration.

The Shariah Committee Secretariat performs its duties and tasks through its departments as follows:

#### Studies and Consultancy

Studies and Consultancy Department is responsible of Providing Shariah Consultancy and Study Services to all Bank's departments and groups through studying the Bank's transactions, contracts, agreements, documents and forms, preparing researches and presenting a memos before Shariah Committee for products, transactions and activities, the related documentation and forms based on Bank's requirements. It is worth mentioning that one of the department's responsibilities is to prepare the Shariah Committee minutes of meetings, research papers and studies related to banking activities as well as managing the scientific projects and participating in workshops with other bank groups and departments.

#### Shariah Products Development

Shariah Products Development department is responsible of participating in product innovation and development in light of guidelines of Islamic Sharia through effectively contributing to design and develop bank products aligning with relevant business units, Contributing, reviewing and conducting Shariah studies researches regarding to new products

#### Shariah Control

Shariah control is responsible for all matters of compliance with Shariah provisions and guidelines as determined by the Shariah Committee including; managing risks of non-compliance with Shariah Committee resolutions, internal Shariah auditing of the bank's business activity to verify its compliance with such resolutions, and submitting the results and observations of the internal Shariah audit to both the Shariah Committee and the Audit Committee

#### Shariah Secretariat Support

Shariah Secretariat Support Department is responsible of supervising Shariah Committee meetings and ensure publishing the outcomes. Provide support to all Shariah Secretariat works that is connected to providing electronic and paper sources of knowledge to the banks and the secretariat. Ensure and order communication channels between Shariah Secretariat and internal or external customers of the Secretariat. Provide technical and logistic aid for the Secretariat to make forums, seminars and workshops.

The Sharia Committee Secretariat studied 412 topics and extended its support to the Bank in accordance with the resolutions issued by the Sharia Committee. The range of studied topics covered ideas for products and services, new products or services and modifications to approved documents.

The Shariah Committee Secretariat engaged in the development and innovation of products in collaboration with other groups within the Bank, a total of more than 11 products and services.

The Secretariat supported the Bank to respond to the inquiries of Bank's staff and clients through responding to 114 inquiries received from Bank's staff before executing the transactions in accordance with the resolutions of the Sharia committee and 47 responses to inquiries received from Bank's clients pertaining to Sharia compliance of the transactions through the Sharia communication service.

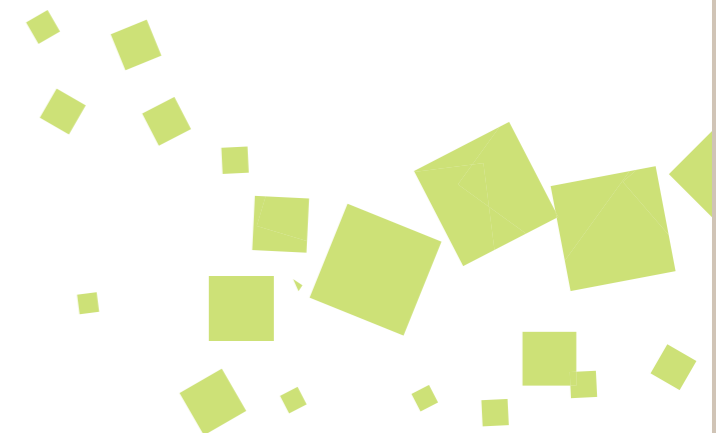
#### Awareness and Training

In order to participate in the Bank's development from the Sharia perspective and to maintain its Islamic identity in Bank's policies, standards and procedures, the consecutive updates of "Alinma Sharia Publications" Smart phone App was continued and it's considered as the first app of its type in the world since its launch by the Bank in 2018, the aim of this app is to publish the Bank's Sharia Committee Resolutions, Research, Scientific and awareness materials and it has been downloaded 9,248 times. The Secretariat organized 2 workshops titled: "Purchasing Vouchers, its reality, Juripudntial specification and the related implications" and "Financing clients through Al-Nama Investment Certificates" attended by around 40 attendees of different related specialties. Also, 8 specialized researches were prepared through the year.

The Secretariat as well executed 11 Training and Awareness Programs for the benefit of 888 employees working in 9 groups of the Bank.

#### Secretariat Participations

1. Participation in the membership of Islamic Banking Committee of the Central Bank, and its related sub-committees.
2. Participation in the "First National Forum for Islamic Banking".
3. Presenting a virtual lecture titled: "Islamic Banking in Banks" to the Chamber of Commerce; organized by the Media Committee of Saudi Banks.
4. Participation in the Symposium on Future Islamic Banking.



# Audit Committee Report

Stewardship >

## The Audit Committee's Report to the General Assembly

For the Fiscal Year ending 31 December 2021

Audit Committee reviews financial statements and accounting policies as well as supervising the activities of internal audit and external auditors. During the fiscal year 2021, the Committee held six (6) meetings. In 2021, Audit Committee performed activities falling within its jurisdiction, the most prominent of which are:

- Review and approval of the internal audit plan for the fiscal year 2021.
- Supervising the internal audit Department and follow-up the execution of the audit plan during the fiscal year 2021.
- Reviewing Internal Audit reports during 2021.
- Reviewing annual financial statements as of 31 December 2021 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 December 2021.
- 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 controls 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 which commensurates with the relative importance of financial and other risks inherent in the Bank's activities with a reasonable cost and benefit in order to achieve business objectives. The internal control system has been designed to mitigate risks in order to achieve specific objectives.

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 currently in place.

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 2021, there were no material observations relating to the effectiveness of the internal control system and procedures in the Bank.

**Dr Ahmed Bin Abdullah AlMunif**  
Member

**Dr Saad Bin Saleh AlRowaiti**  
Member

**Khalid Bin Mohammed AlKhiwaitir**  
Member

**Abdul Rahman Bin Mohammed Ramzy Addas**  
Member

**Eng Mutlaq Bin Hamad AlMurishid**  
Chairman

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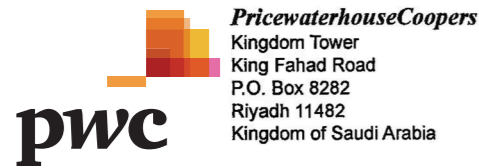
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# Independent Auditors' Report



**Ernst & Young Professional Services (Professional LLC)**  
**Paid-up capital (SR 5,500,000 — Five million five hundred thousand Saudi Riyal)**  
 Head Office  
 Al Faisaliah Office Tower, 14<sup>th</sup> Floor



## 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, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matter below, a description of how our audit addressed the matter is provided in that context:

#### Key audit matter

#### How our audit addressed the key audit matter

##### Expected credit loss allowance against financing

December 31, 2021, the gross financing of the Bank was Saudi Riyals ("SAR") 130,312 million against which an expected credit loss ("ECL") allowance of SAR 4,041 Mn. was maintained.

We considered impairment of financing as a key audit matter as the determination of ECL involves significant estimation and management judgment and this has a material impact on the consolidated financial statements of the Bank. Furthermore, the COVID-19 pandemic continues to pose challenges to businesses thus increasing the levels of judgment and uncertainty needed to determine the ECL. The key areas of judgment 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.

- 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 the counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.
- The need to apply overlays using expert credit judgment to reflect all relevant risk factors especially relating to ongoing COVID-19 pandemic that might not have been captured by the ECL model.

Application of these judgments and estimates, particularly in light of COVID-19 pandemic, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculation as at 31 December 2021.

*Refer to the summary of significant accounting policy note 3 (j) for the impairment of financial assets; note 2 (e) (i) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Bank; note 8 which contains the disclosure of impairment against financing; and note 28.1 for details of credit quality analysis and key assumptions and factors considered in determination of ECL; and note 38 for impact of the COVID-19 pandemic on 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 during the year.
- 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:
  - the ECL model, including governance over the model, its validation and any model updates performed during the year including approval of the credit committee of the key inputs, assumptions and post model adjustments, if any;
  - the classification of financing into Stages 1, 2 and 3 and timely identification of SICR and the determination of default/ individually impaired exposures;
  - the IT systems and applications supporting the ECL model; and
  - the integrity of data inputs into the ECL model.
- For a sample of customers, we assessed:
  - the internal ratings determined by management, based on the 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 continued impacts of the COVID-19 pandemic and also assessed that these were consistent with the ratings used as input in the ECL model; and
  - management's computations for ECL.
- For selected loans, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.
- We assessed the appropriateness of Bank's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Bank's financing portfolio with specific focus on customers operating in sectors most affected by the COVID-19 pandemic, particularly those that continue to be eligible for deferral of instalments under government support programs based on the SAMA regulation and eligible definition for the affected customers and industry as at December 31, 2021.



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We tested the completeness and accuracy of data supporting the ECL calculations as at December 31, 2021.</li> <li>Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in post model overlays.</li> </ul> <p>We assessed the adequacy of disclosures in the consolidated financial statements.</p>

### Other information included in the Bank's 2021 annual report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

### Responsibilities of 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 Alinma 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 intends to liquidate the Bank or to cease operations, or has 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.
- 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.

### 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 Alinma 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 Alinma Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements.

PricewaterhouseCoopers

Ali A. Alotaibi  
Certified Public Accountant  
License No. 379

Ernst & Young Professional Services

Saad M. Al-Khathlan  
Certified Public Accountant  
License No. 509



13 Rajab 1443H  
(February 14, 2022)



# Consolidated Statement of Financial Position

As at December 31

Financial Reports >

	Notes	2021 SAR '000	2020 SAR '000
<b>ASSETS</b>			
Cash and balances with Saudi Central Bank (SAMA)	4	9,177,296	12,207,742
Due from banks and other financial institutions, net	5	738,073	443,002
Investments held at fair value through statement of income (FVSI)	6	2,365,750	2,185,553
Investments held at fair value through other comprehensive income (FVOCI)	6	7,412,625	4,516,121
Investments held at amortized cost, net	6	23,432,514	22,743,302
Investments in an associate and a joint venture	6	66,680	80,818
Financing, net	8	126,271,491	111,195,559
Property, equipment and right of use assets, net	9	2,382,732	2,365,286
Other assets	10	1,628,923	1,139,420
<b>TOTAL ASSETS</b>		<b>173,476,084</b>	<b>156,876,803</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to SAMA, banks and other financial institutions	11	15,239,791	7,312,034
Customers' deposits	12	121,060,551	119,454,278
Amount due to Mutual Funds' unitholders	13	495,990	110,381
Other liabilities	14	5,968,725	5,571,323
<b>TOTAL LIABILITIES</b>		<b>142,765,057</b>	<b>132,448,016</b>
<b>EQUITY</b>			
Share capital	15	20,000,000	20,000,000
Statutory reserve	16	1,268,845	591,498
Other reserves	17	155,366	177,046
Retained earnings		3,585,844	3,760,239
Proposed dividends	15.2	795,131	-
Treasury shares	17	(94,159)	(99,996)
<b>Equity attributable to the shareholders of the Bank</b>		<b>25,711,027</b>	<b>24,428,787</b>
Tier 1 Sukuk	18	5,000,000	-
<b>TOTAL EQUITY</b>		<b>30,711,027</b>	<b>24,428,787</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>173,476,084</b>	<b>156,876,803</b>

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

# Consolidated Statement of Income

For the year ended December 31

Financial Reports >

	Notes	2021 SAR '000	2020 SAR '000
Income from investments and financing	20	5,674,385	5,470,006
Return on time investments	20	(537,386)	(822,183)
<b>Income from investments and financing, net</b>	20	<b>5,136,999</b>	<b>4,647,823</b>
Fees from banking services – income	21.1	1,559,485	1,312,336
Fees from banking services – expense	21.1	(474,241)	(376,278)
Fees from banking services, net	21.1	1,085,244	936,058
Exchange income, net		214,670	219,938
Income/(loss) from FVSI financial instruments, net	6.1	129,398	(149,984)
Gain from FVOCI sukuk investments, net		209	944
Dividend income on FVOCI equity investments		8,820	15,851
Other operating income	21.2	91,848	11,009
<b>Total operating income</b>		<b>6,667,188</b>	<b>5,681,639</b>
Salaries and employees' related expenses	22	1,120,471	1,042,258
Rent and premises related expenses		56,824	52,081
Depreciation and amortization	9	251,160	251,319
Other general and administrative expenses		936,707	720,260
<b>Operating expenses before impairment charges</b>		<b>2,365,162</b>	<b>2,065,918</b>
Impairment charge of financing, net of recoveries	8.2	1,251,603	1,419,182
Impairment charge for/(reversal of) other financial assets		14,728	(685)
<b>Total operating expenses</b>		<b>3,631,493</b>	<b>3,484,415</b>
<b>Net operating income</b>		<b>3,035,695</b>	<b>2,197,224</b>
Share of (loss)/profit from an associate and a joint venture	6.5,6.6	(14,140)	4,536
<b>Income for the year before zakat</b>		<b>3,021,555</b>	<b>2,201,760</b>
Zakat	24	(312,168)	(235,768)
<b>Net income for the year after zakat</b>		<b>2,709,387</b>	<b>1,965,992</b>
Basic and diluted earnings per share (SAR)	23	1.31	0.99

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

# Consolidated Statement of Comprehensive Income

For the year ended December 31

Financial Reports >

	Notes	2021 SAR '000	2020 SAR '000
<b>Net income for the year after zakat</b>		<b>2,709,387</b>	1,965,992
<b>Other comprehensive income:</b>			
Items that cannot be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI equity investments		(411)	9,032
Actuarial loss on re-measurement of End of Service Benefits Scheme balances	26.2	(6,311)	(11,706)
Items that can be reclassified back to consolidated statement of income in subsequent periods			
Net change in fair value of FVOCI sukuk investments		(41,482)	17,201
Net gain realized on sale of FVOCI sukuk investments		(209)	(944)
<b>Total other comprehensive (loss)/income</b>		<b>(48,413)</b>	13,583
<b>Total comprehensive income for the year</b>		<b>2,660,974</b>	1,979,575

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

# Consolidated Statement of Changes in Equity

For the year ended December 31

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2021 (SAR '000)	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Treasury shares	Total equity attributable to the shareholders	Tier 1 Sukuk	Total equity
<b>Balance at the beginning of the year</b>		<b>20,000,000</b>	<b>591,498</b>	<b>177,046</b>	<b>3,760,239</b>	<b>-</b>	<b>(99,996)</b>	<b>24,428,787</b>	<b>-</b>	<b>24,428,787</b>
Net income for the year after zakat		-	-	-	2,709,387	-	-	2,709,387	-	2,709,387
Net change in fair value of FVOCI equity investments		-	-	(411)	-	-	-	(411)	-	(411)
Actuarial loss on re-measurement of End of Service Benefits Scheme balances	26.2	-	-	-	(6,311)	-	-	(6,311)	-	(6,311)
Net change in fair values of FVOCI sukuk investments		-	-	(41,482)	-	-	-	(41,482)	-	(41,482)
Net gain realized on sale of FVOCI sukuk investments		-	-	(209)	-	-	-	(209)	-	(209)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(42,102)</b>	<b>2,703,076</b>	<b>-</b>	<b>-</b>	<b>2,660,974</b>	<b>-</b>	<b>2,660,974</b>
Gain on sale of FVOCI equity investments		-	-	(12,911)	12,911	-	-	-	-	-
Issuance of Tier 1 Sukuk and related costs		-	-	-	(106,724)	-	-	(106,724)	5,000,000	4,893,276
Transfer to statutory reserve	16	-	677,347	-	(677,347)	-	-	-	-	-
Dividends paid for 2020	15.2	-	-	-	(596,218)	-	-	(596,218)	-	(596,218)
Interim dividends paid for 2021	15.2	-	-	-	(695,736)	-	-	(695,736)	-	(695,736)
Proposed final dividends for 2021	15.2	-	-	-	(795,131)	795,131	-	-	-	-
Employees share based plan and other reserve	17	-	-	33,333	(19,226)	-	5,837	19,944	-	19,944
<b>Balance at the end of the year</b>		<b>20,000,000</b>	<b>1,268,845</b>	<b>155,366</b>	<b>3,585,844</b>	<b>795,131</b>	<b>(94,159)</b>	<b>25,711,027</b>	<b>5,000,000</b>	<b>30,711,027</b>

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

## Consolidated Statement of Changes in Equity

For the year ended December 31

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2020 (SAR '000)	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed issue of bonus shares	Treasury shares	Total equity
<b>Balance at the beginning of the year</b>		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	26.2	-	-	-	(11,706)	-	-	(11,706)
Net change in fair values of FVOCI sukuk investments		-	-	17,201	-	-	-	17,201
Net gain realized on sale of FVOCI sukuk investments		-	-	(944)	-	-	-	(944)
<b>Total comprehensive income</b>		-	-	25,289	1,954,286	-	-	1,979,575
Gain on sale of FVOCI equity investments		-	-	(21,031)	21,031	-	-	-
Transfer to statutory reserve	16	-	491,498	-	(491,498)	-	-	-
Issuance of bonus shares	15.1	5,000,000	-	-	-	(5,000,000)	-	-
Employees share based plan and other reserve	17	-	-	11,691	(10,882)	-	3,479	4,288
<b>Balance at the end of the year</b>		20,000,000	591,498	177,046	3,760,239	-	(99,996)	24,428,787

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

# Consolidated Statement of Cash Flows

For the year ended December 31

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	Notes	2021 SAR '000	2020 SAR '000
<b>OPERATING ACTIVITIES</b>			
Income for the year before zakat		3,021,555	2,201,760
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Depreciation and amortization	9	251,160	251,319
Gain on disposal of property and equipment, net		(1,572)	(2,631)
Unrealized (gain)/loss from FVSI financial instruments, net		(111,747)	212,969
Gain from sukuk investments held at amortized cost		(23,604)	-
Gain from FVOCI sukuk investments, net		(209)	(944)
Dividend income on FVOCI equity investments		(8,820)	(15,851)
Impairment charge of financing, net of recoveries	8.2	1,251,603	1,419,182
Impairment charge/(reversal) of other financial assets		14,728	(685)
Recoveries from written-off accounts		31,855	13,828
Deferred payment program modification loss, net of amortization		54,776	33,126
Fair value benefit from profit free SAMA deposit, net of unwinding		(75,923)	(46,861)
Employees share based plans reserve	22.2	25,004	22,187
Share of loss/(profit) from an associate and a joint venture	6.5,6.6	14,140	(4,536)
		4,442,946	4,082,863
<b>Net (increase)/decrease in operating assets:</b>			
Statutory deposit with Saudi Central Bank		(322,121)	(822,774)
Due from banks and other financial institutions with original maturity of more than three months		-	-
Investments held at FVSI		(68,450)	(143,662)
Financing		(16,415,523)	(17,691,698)
Other assets		(502,226)	(194,508)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to SAMA, banks and other financial institutions		8,043,216	4,127,215
Customers' deposits		1,606,273	17,391,443
Other liabilities		618,665	1,330,429
Zakat paid		(227,639)	(139,843)
Financing cost paid on lease liability		(14,284)	(15,853)
<b>Net cash (used in)/from operating activities</b>		<b>(2,839,143)</b>	<b>7,923,612</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of investments held at FVOCI		(3,475,268)	(1,158,176)
Purchases of investments held at amortized cost		(7,575,833)	(5,278,000)
Proceeds from sales and maturities of investments held at FVOCI		546,871	292,100
Proceeds from maturities of investments held at amortized cost		6,899,328	73,600
Purchase of property and equipment		(190,817)	(161,971)
Proceeds from disposal of property and equipment		3,599	5,810
Dividends received from FVOCI equity investments		8,820	18,664
<b>Net cash used in investing activities</b>		<b>(3,783,300)</b>	<b>(6,207,973)</b>

	Notes	2021 SAR '000	2020 SAR '000
<b>FINANCING ACTIVITIES</b>			
Proceeds for the issuance of Tier 1 Sukuk, net of related costs		4,993,276	-
Profit payment on Tier 1 Sukuk		(50,000)	-
Dividend paid		(1,291,954)	-
Payment for principal portion of lease liability		(87,137)	(70,924)
<b>Net cash from/(used in) financing activities</b>		<b>3,564,185</b>	<b>(70,924)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,058,258)</b>	<b>1,644,715</b>
Cash and cash equivalents at beginning of the year		6,268,782	4,624,067
<b>Cash and cash equivalents at end of the year</b>	25	<b>3,210,524</b>	<b>6,268,782</b>
Income received from investments and financing		5,444,212	5,409,174
<b>Return paid on time investments</b>		<b>502,798</b>	<b>862,863</b>
<b>Supplemental non-cash information:</b>			
Net changes in fair value of FVOCI investments		(42,102)	25,289
Financing written off during the year	8.1	509,792	583,479
Issuance of bonus shares	15.1	-	5,000,000
Proposed dividends	15.2	795,131	-

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

# Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

## 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 100 branches (2020: 98 branches) in the Kingdom of Saudi Arabia ("KSA"). 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:

Subsidiaries	Bank's 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 the Bank and others.
Isnad 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's ownership	Establishment date	Date of effective control	Purpose
Alinma Sukuk ETF	63.6% (2020 – 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	75.5% (2020 – 85.5%)	April 26, 2015	January 1, 2020	To achieve capital appreciation 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 Shariah, 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 Shariah Board in accordance with its commitment to comply with Islamic Shariah Laws. Shariah 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 as at and for the year ended December 31, 2021 and 2020 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 Chartered and Professional 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 which are measured using projected unit credit method under IAS-19.

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 thousand.

### (d) 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.

### (e) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank’s accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other

factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The 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.

### Judgement of equity vs liability for Tier 1 Sukuk

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

### Critical accounting estimates

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(j), 28, 38)  
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 34)
  - iii. Useful lives of property and equipment and determination of depreciation and amortization (Note 3(k))
  - iv. Assessment of control over investees (Note 3(r), 26)
  - v. Valuation of End of Service benefits scheme (Notes 3(r), 26)
  - vi. Government grant (Notes 3(z), 11, 38)

## 3 Summary of significant accounting policies

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

### (a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2020 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, 2021. 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

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

### IBOR Transition (Interest Rate Benchmark Reforms):

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 with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

The LIBOR administrator, ICE Benchmark Administration, is consulting on ceasing publication of all sterling LIBOR settings at the end of 2021, leaving just one year for firms to remove their remaining reliance on these benchmarks.

On March 5, 2021, the Financial Conduct Authority (FCA), the UK regulator, announced that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

- December 31, 2021, for Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- June 30, 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

These reforms are expected to cause some interest rate benchmarks to either perform differently to the way that they do currently or to disappear. As the Bank believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at December 31, 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies.

During 2020, the Bank established a steering committee, consisting of key finance, risk, corporate and retail businesses, treasury, legal and compliance personnel and external advisors, to oversee the Bank's IBOR transition plan. This steering committee put in place a transition project for those contracts which reference IBOR to transition them to applicable benchmark, with the aim of minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at December 31, 2021, changes required to systems, processes and models have been identified. There have been general communications with counterparties. The Bank has identified that the areas of risk arising from the replacement of IBOR are mainly on the processes which capture IBOR referenced contracts. The Bank continues to engage with industry participant, to ensure an orderly transition to the applicable benchmark and to minimize the risks arising from transition, and it will continue to identify and assess risks associated with IBOR replacement.

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, 2021, the carrying value of non-derivative financial assets using LIBOR as benchmark rates amounted to SAR 2,706 million (2020: 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.

The control indicators set out below are subject to management's judgements that can have a significant effect in the case of the Bank's interests in securitization vehicles and investments funds. Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

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 of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes 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.

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.

All inter-group balances, transactions, income and expenses are eliminated in full in preparing these consolidated financial statements.

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.

## Funds management

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

## (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, and as specifically disclosed in the accounting policies of the Bank.

## (f) Revenue/expenses recognition Income from investments and financing and return on time investments

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 held 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 held at 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 "Income/(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.

A financial asset is measured initially at fair value plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

### (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 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, financial guarantees and loan commitments are measured at higher of amortized cost and the amount of ECL.

A financial liability is measured initially at fair value plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

### (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.

In the context of IBOR reform, the Bank assesses whether a change to an amortized cost financial instrument is substantial. This is made after applying the practical expedient introduced by IBOR reform

Phase 2 which requires that the transition from an IBOR to an appropriate benchmark rate to be treated as a change to a floating interest rate.

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.

## Interest rate benchmark reform

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

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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

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

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

## (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 34.

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 34.

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 “Return on time investments” 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 “Income from investments and financing” and accrued over the life of the reverse repo agreement on an effective yield basis.

## (h) Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency, and commission rate swaps, currency, and commission rate options (both written and purchased) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

## Derivatives held for trading

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

## (i) 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 Shariah 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.

## (j) 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:

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

The 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 financing 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 consolidated 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 "Impairment charge of financing".

### (k) 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 and equipment (including intangibles)	5-10 years
Leasehold improvements	The shorter of lease period or 10 years
Right-of-use assets	Over the lease period

Intangibles pertains mainly to computer software. 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.

### (l) 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.

### (m) 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 FVSI. For other loan commitments, the Bank recognizes loss allowance. Any increase in the liability relating to the financial guarantee is recognized as "Impairment charge 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.

### (n) 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.

### (o) 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.

## (p) 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.

## (q) 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.

## (r) 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.

## (s) 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 Zakat, Tax and Customs Authority ("ZATCA") formerly General Authority for Zakat and Tax ("GAZT"). Zakat expense is charged to the consolidated statement of income.

ZATCA 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, 2021. Zakat is not accounted for as an income tax and as such no deferred tax is calculated relating to Zakat.

## (t) Share capital

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

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

## (u) 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.

## (v) Tier 1 Sukuk

The Bank classifies as part of equity the Tier 1 Sukuk issued with no fixed redemption/maturity dates (Perpetual Sukuk) and not obliging the Bank for payment of profit upon the occurrence of a non-payment event or non-payment election by the Bank subject to certain terms and conditions and essentially mean that the remedies available to sukukholders are limited in number and scope and very difficult to exercise.

The related initial costs and distributions thereon are recognised directly in the consolidated statement of changes in equity under retained earnings.

## (w) 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.

## (x) 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.

## (y) Share-based payments

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

### Employees Share Participation Scheme (ESPS) (Jana)

Under the terms of Employees 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.

### Employees Share Grant Scheme (ESGS)

Under the terms of Employees Share Grant Scheme, eligible employees are granted shares with a vesting period of three to five 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.

### Deferred bonus scheme

Under the terms of the Deferred Bonus Scheme, eligible employees are granted shares with a vesting period of one to three years. At the maturity of each vesting period, the Bank delivers the underlying allocated shares to the employee. The Deferred Bonus Scheme is accounted for similar way with ESGs.

### (z) 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)

	2021 SAR '000	2020 SAR '000
Cash in hand	2,327,646	2,428,303
Statutory deposit	6,704,845	6,382,724
Money market placements	30,000	3,315,862
Others	114,805	80,853
<b>Total</b>	<b>9,177,296</b>	<b>12,207,742</b>

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 on average balance of one month before the end of reporting period. 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	2021 SAR '000	2020 SAR '000
Current accounts		439,025	445,288
Murabaha and Wakala with banks	5.1	300,356	-
Less: Allowance for impairment	5.2	(1,308)	(2,286)
<b>Total</b>		<b>738,073</b>	<b>443,002</b>

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:

	December 31, 2021		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
<b>Gross exposure</b>			
Balance as at January 1	440,161	5,127	445,288
Transfer to 12-month ECL	4,021	(4,021)	-
Net movement	293,796	297	294,093
<b>Balance as at December 31</b>	<b>737,978</b>	<b>1,403</b>	<b>739,381</b>

	December 31, 2020		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
<b>Gross exposure</b>			
Balance as at January 1	2,145,799	-	2,145,799
Transfer to life time ECL, not credit impaired	(5,127)	5,127	-
Net movement	(1,700,511)	-	(1,700,511)
<b>Balance as at December 31</b>	<b>440,161</b>	<b>5,127</b>	<b>445,288</b>

	December 31, 2021		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
<b>Allowance for impairment</b>			
Balance as at January 1	1,269	1,017	2,286
Transfer to 12-month ECL	799	(799)	-
Reversal during the year	(829)	(149)	(978)
<b>Balance as at December 31</b>	<b>1,239</b>	<b>69</b>	<b>1,308</b>

	December 31, 2020		
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Total ECL SAR '000
<b>Allowance for impairment</b>			
Balance as at January 1	1,530	-	1,530
Transfer to life time ECL, not credit impaired	(1,017)	1,017	-
Charge for the year	756	-	756
<b>Balance as at December 31</b>	<b>1,269</b>	<b>1,017</b>	<b>2,286</b>

## 6 Investments

	Notes	2021 SAR '000	2020 SAR '000
<b>Investments held at FVSI</b>	6.1	2,365,750	2,185,553
<b>Investments held at FVOCI</b>	6.2	7,412,625	4,516,121
<b>Investments held at amortized cost, net</b>			
Murabahas with SAMA		906,617	4,905,571
Sukuks	6.3	22,535,783	17,846,720
Less: Allowance for impairment	6.4	(9,886)	(8,989)
		23,432,514	22,743,302
<b>Investments in associate and joint venture</b>			
Investment in an associate	6.5	53,910	59,930
Investment in a joint venture	6.6	12,770	20,888
		66,680	80,818
<b>Total</b>		33,277,569	29,525,794

### 6.1 Investments held at FVSI

	2021 SAR '000	2020 SAR '000
Equities	124,005	94,742
Funds	2,241,745	2,090,811
<b>Total</b>	2,365,750	2,185,553

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

	2021 SAR '000	2020 SAR '000
Trading income/(loss), net	97,404	(213,865)
Dividend income	31,994	63,881
<b>Total</b>	129,398	(149,984)

### 6.2 Investments held at FVOCI

	2021 SAR '000	2020 SAR '000
Sukuk	6,949,049	4,340,751
Equities	463,576	175,370
<b>Total</b>	7,412,625	4,516,121

During the year, the Bank sold FVOCI sukuk instruments with a principal value of SAR 480.2 million (2020: SAR 19.2 million). Additionally, out of the Bank's FVOCI sukuk portfolio, instruments with a principal of SAR 37.5 million matured/redeemed during the year (2020: SAR 135.3 million). In relation to this, the Bank transferred SAR 0.2 million unrealized gains related to FVOCI sukuk instruments from OCI to the consolidated statement of income (2020: SAR 0.9 million).

**6.3** The fair value of sukuks (at amortized cost) as at December 31, 2021 was SAR 22,581 million (2020: SAR 17,903 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:

	12-month ECL	
	2021 SAR '000	2020 SAR '000
<b>Gross exposure</b>		
Balance as at January 1	22,752,291	17,543,045
Purchase of new investments	8,945,688	5,278,000
Disposals and maturities during the year	(8,375,322)	(73,600)
Net movement in profit accruals	119,743	4,846
<b>Balance as at December 31</b>	23,442,400	22,752,291

	12-month ECL	
	2021 SAR '000	2020 SAR '000
<b>Allowance for impairment</b>		
Balance as at January 1	8,989	25,185
Charge/(reversal) for the year	897	(16,196)
<b>Balance as at December 31</b>	9,886	8,989

### 6.5 Investment in an associate

Investment in an associate represents the Bank's share of investment of 28.75%, (2020: 28.75%) in Alinma Tokio Marine Company (a cooperative insurance company). The associate has a paid-up share capital of SAR 300 million (2020: SAR 300 million). It has been established under Commercial Registration No.1010342527 dated 28 Rajab 1433H (corresponding to June 18, 2012).

	2021 SAR '000	2020 SAR '000
Opening balance	59,930	60,128
Share of loss for the year	(6,020)	(198)
	53,910	59,930

The fair value of the above investment based on quoted value as at December 31, 2021 is SAR 270.8 million (2020: SAR 210.3 million).



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

	September 30, 2021 SAR '000 (Un-audited)	December 31, 2020 SAR '000 (Audited)
Current assets	564,907	538,239
Total assets	707,161	655,997
Current liabilities	421,418	386,942
Total liabilities	515,060	454,234
Total equity	192,101	201,763
Total revenue	123,204	167,810
Total expenses	130,307	169,258

## 6.6 Investment in a 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 joint venture 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 net loss for the year is SAR 8.1 million (2020: share of net profit of SAR 4.7 million).

## 6.7 Analysis of investments by type and location

	Domestic		International		Total	
	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000
<b>Investments held at FVSI</b>						
Equities	100,527	79,640	23,478	15,102	124,005	94,742
Funds	1,866,192	1,784,777	375,553	306,034	2,241,745	2,090,811
	1,966,719	1,864,417	399,031	321,136	2,365,750	2,185,553
<b>Investments held at FVOCI</b>						
Fixed-rate investments	2,717,936	1,118,275	444,512	92,704	3,162,448	1,210,979
Floating-rate investments	3,786,601	3,129,772	–	–	3,786,601	3,129,772
Equities	462,640	173,296	936	2,074	463,576	175,370
	6,967,177	4,421,343	445,448	94,778	7,412,625	4,516,121
<b>Investments held at amortized cost, net</b>						
Fixed-rate investments	22,469,536	21,786,032	56,495	56,480	22,526,031	21,842,512
Floating-rate investments	906,483	900,790	–	–	906,483	900,790
	23,376,019	22,686,822	56,495	56,480	23,432,514	22,743,302
<b>Investments in associate and joint venture</b>						
Equities	66,680	80,818	–	–	66,680	80,818
<b>Total</b>	<b>32,376,595</b>	<b>29,053,400</b>	<b>900,974</b>	<b>472,394</b>	<b>33,277,569</b>	<b>29,525,794</b>

## 6.8 Analysis of investments by composition

	Quoted		Unquoted		Total	
	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000	2021 SAR '000	2020 SAR '000
<b>Investments held at FVSI</b>						
Equities	15,564	48,113	108,441	46,629	124,005	94,742
Funds	1,297,537	1,256,599	944,208	834,212	2,241,745	2,090,811
	1,313,101	1,304,712	1,052,649	880,841	2,365,750	2,185,553
<b>Investments held at FVOCI</b>						
Fixed-rate investments	2,201,833	1,200,979	960,615	10,000	3,162,448	1,210,979
Floating-rate investments	7,424	7,655	3,779,177	3,122,117	3,786,601	3,129,772
Equities	447,372	157,403	16,204	17,967	463,576	175,370
	2,656,629	1,366,037	4,755,996	3,150,084	7,412,625	4,516,121
<b>Investments held at amortized cost, net</b>						
Fixed-rate investments	22,526,031	15,667,810	–	6,174,702	22,526,031	21,842,512
Floating-rate investments	–	–	906,483	900,790	906,483	900,790
	22,526,031	15,667,810	906,483	7,075,492	23,432,514	22,743,302
<b>Investments in associate and joint venture</b>						
Equities	53,910	59,930	12,770	20,888	66,680	80,818
<b>Total</b>	<b>26,549,671</b>	<b>18,398,489</b>	<b>6,727,898</b>	<b>11,127,305</b>	<b>33,277,569</b>	<b>29,525,794</b>

## 6.9 Analysis of investments by counter-parties

	2021 SAR '000	2020 SAR '000
Government and quasi government	24,629,700	24,763,043
Banks and other financial institutions	2,582,744	1,096,501
Corporate	6,065,125	3,666,250
<b>Total</b>	<b>33,277,569</b>	<b>29,525,794</b>

## 6.10 Analysis of investments by asset quality

	2021 SAR '000	2020 SAR '000
Government and quasi government	24,629,700	24,763,043
Investment grade	6,339,444	2,591,122
Equities and funds	2,308,425	2,171,629
<b>Total</b>	<b>33,277,569</b>	<b>29,525,794</b>

Investment grade includes exposures in the range of “substantially credit risk free to very good credit risk quality”. The maximum exposure to credit risk for financial assets carried at fair value as of December 31, 2021 is SAR 6,914 million (2020: SAR 4,263 million).

## 7 Derivative financial instruments

The table below summarizes the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, if any, nor market risk.

	Derivative financial instruments December 31, 2021		
	Positive fair value SAR '000	Negative fair value SAR '000	Total notional amount SAR '000
<b>Held for trading:</b>			
Profit rate swaps	1,121	–	60,000
Foreign exchange forward contracts	–	0.3	7,341

The maximum credit exposure for positive value derivatives as of December 31, 2021 is SAR 1.1 million (2020 – SAR Nil).

## 8 Financing, net

2021	Performing	Non-performing	Gross	Allowance for impairment (Note 8.1)	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Retail	27,818,477	148,958	27,967,435	(460,500)	27,506,935
Corporate	100,211,706	2,133,063	102,344,769	(3,580,213)	98,764,556
<b>Total</b>	<b>128,030,183</b>	<b>2,282,021</b>	<b>130,312,204</b>	<b>(4,040,713)</b>	<b>126,271,491</b>

2020	Performing	Non-performing	Gross	Allowance for impairment (Note 8.1)	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Retail	23,932,878	256,327	24,189,205	(655,258)	23,533,947
Corporate	87,675,393	2,596,651	90,272,044	(2,610,432)	87,661,612
<b>Total</b>	<b>111,608,271</b>	<b>2,852,978</b>	<b>114,461,249</b>	<b>(3,265,690)</b>	<b>111,195,559</b>

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 Shariah rules.

The below table shows the product-wise analysis of Gross Financing:

	2021			2020		
	Retail SAR '000	Corporate SAR '000	Total SAR '000	Retail SAR '000	Corporate SAR '000	Total SAR '000
Murabaha	21,538,490	3,293,350	24,831,840	17,954,570	2,974,910	20,929,480
Ijarah	4,496,559	35,698,218	40,194,777	4,495,133	35,711,379	40,206,512
Bei Ajel	1,000,040	63,353,201	64,353,241	1,040,857	51,585,755	52,626,612
Others	932,346	–	932,346	698,645	–	698,645
<b>Total</b>	<b>27,967,435</b>	<b>102,344,769</b>	<b>130,312,204</b>	<b>24,189,205</b>	<b>90,272,044</b>	<b>114,461,249</b>

## 8.1 Movement in gross exposure and allowance for impairment of financing:

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

	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
<b>Gross exposure</b>				
<b>Retail</b>				
Balance at the beginning of the year	23,554,910	377,968	256,327	24,189,205
Transfer to 12-month ECL	239,136	(210,203)	(28,933)	-
Transfer to life time ECL, not credit impaired	(70,728)	82,256	(11,528)	-
Transfer to life time ECL, credit impaired	(79,627)	(14,186)	93,813	-
New financial assets, net of financial assets derecognized and repayments	3,983,349	(44,398)	(60,233)	3,878,718
Write-off	-	-	(100,488)	(100,488)
<b>Balance as at December 31, 2021</b>	<b>27,627,040</b>	<b>191,437</b>	<b>148,958</b>	<b>27,967,435</b>
<b>Corporate</b>				
Balance at the beginning of the year	81,343,613	6,331,780	2,596,651	90,272,044
Transfer to 12-month ECL	385,935	(385,935)	-	-
Transfer to life time ECL, not credit impaired	(2,914,499)	2,914,499	-	-
Transfer to life time ECL, credit impaired	(32,296)	(74,711)	107,007	-
New financial assets, net of financial assets derecognized and repayments	12,497,547	145,773	(161,291)	12,482,029
Write-off	-	-	(409,304)	(409,304)
<b>Balance as at December 31, 2021</b>	<b>91,280,300</b>	<b>8,931,406</b>	<b>2,133,063</b>	<b>102,344,769</b>
<b>Total</b>				
Balance at the beginning of the year	104,898,523	6,709,748	2,852,978	114,461,249
Transfer to 12-month ECL	625,071	(596,138)	(28,933)	-
Transfer to life time ECL, not credit impaired	(2,985,227)	2,996,755	(11,528)	-
Transfer to life time ECL, credit impaired	(111,923)	(88,897)	200,820	-
New financial assets, net of financial assets derecognized and repayments	16,480,896	101,375	(221,524)	16,360,747
Write-off	-	-	(509,792)	(509,792)
<b>Balance as at December 31, 2021</b>	<b>118,907,340</b>	<b>9,122,843</b>	<b>2,282,021</b>	<b>130,312,204</b>

	December 31, 2020			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
<b>Gross exposure</b>				
<b>Retail</b>				
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	4,328,989	(59,035)	(5,819)	4,264,135
Write-off	-	-	(181,620)	(181,620)
<b>Balance as at December 31, 2020</b>	<b>23,554,910</b>	<b>377,968</b>	<b>256,327</b>	<b>24,189,205</b>
<b>Corporate</b>				
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	13,795,280	(390,882)	(9,961)	13,394,437
Write-off	-	-	(401,859)	(401,859)
<b>Balance as at December 31, 2020</b>	<b>81,343,613</b>	<b>6,331,780</b>	<b>2,596,651</b>	<b>90,272,044</b>
<b>Total</b>				
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	18,124,269	(449,917)	(15,780)	17,658,572
Write-off	-	-	(583,479)	(583,479)
<b>Balance as at December 31, 2020</b>	<b>104,898,523</b>	<b>6,709,748</b>	<b>2,852,978</b>	<b>114,461,249</b>

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

	December 31, 2021			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
<b>Allowance for impairment</b>				
<b>Retail</b>				
Balance at the beginning of the year	419,049	95,838	140,371	655,258
Transfer to 12-month ECL	59,240	(49,480)	(9,760)	–
Transfer to life time ECL, not credit impaired	(589)	4,795	(4,206)	–
Transfer to life time ECL, credit impaired	(2,136)	(4,056)	6,192	–
Net (reversal)/charge for the year	(134,430)	6,856	33,304	(94,270)
Write-off	–	–	(100,488)	(100,488)
<b>Balance as at December 31, 2021</b>	<b>341,134</b>	<b>53,953</b>	<b>65,413</b>	<b>460,500</b>
<b>Corporate</b>				
Balance at the beginning of the year	383,343	862,206	1,364,883	2,610,432
Transfer to 12-month ECL	43,676	(43,676)	–	–
Transfer to life time ECL, not credit impaired	(47,064)	47,064	–	–
Transfer to life time ECL, credit impaired	(116)	(3,005)	3,121	–
Net (reversal)/charge for the year	(119,488)	1,093,268	405,305	1,379,085
Write-off	–	–	(409,304)	(409,304)
<b>Balance as at December 31, 2021</b>	<b>260,351</b>	<b>1,955,857</b>	<b>1,364,005</b>	<b>3,580,213</b>
<b>Total</b>				
Balance at the beginning of the year	802,392	958,044	1,505,254	3,265,690
Transfer to 12-month ECL	102,916	(93,156)	(9,760)	–
Transfer to life time ECL, not credit impaired	(47,653)	51,859	(4,206)	–
Transfer to life time ECL, credit impaired	(2,252)	(7,061)	9,313	–
Net (reversal)/charge for the year	(253,918)	1,100,124	438,609	1,284,815
Write-off	–	–	(509,792)	(509,792)
<b>Balance as at December 31, 2021</b>	<b>601,485</b>	<b>2,009,810</b>	<b>1,429,418</b>	<b>4,040,713</b>

	December 31, 2020			Total SAR '000
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	
<b>Allowance for impairment</b>				
<b>Retail</b>				
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
Write-off	–	–	(181,620)	(181,620)
<b>Balance as at December 31, 2020</b>	<b>419,049</b>	<b>95,838</b>	<b>140,371</b>	<b>655,258</b>
<b>Corporate</b>				
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
Write-off	–	–	(401,859)	(401,859)
<b>Balance as at December 31, 2020</b>	<b>383,343</b>	<b>862,206</b>	<b>1,364,883</b>	<b>2,610,432</b>
<b>Total</b>				
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
Write-off	–	–	(583,479)	(583,479)
<b>Balance as at December 31, 2020</b>	<b>802,392</b>	<b>958,044</b>	<b>1,505,254</b>	<b>3,265,690</b>

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.

For better presentation, the Bank reclassified the presentation of modification loss arising from the deferral of micro, small and medium-sized entities (MSME) financing by deducting the modification loss directly against the gross financing instead of adding them in the allowance for impairment. Presentation for comparative periods have also been reclassified.

#### Write-off

As at December 31, 2021, the contractual amount outstanding on financial assets that were written off and that are still subject to enforcement activity is SAR 1,489.4 million (2020: SAR 1,011.5 million).

## 8.2 Impairment charge of financing, net of recoveries

	2021 SAR '000 ECL	2020 SAR '000 ECL
Charge for impairment on financing	1,284,815	1,264,411
(Reversal of)/charge for impairment of non-funded financing and credit related commitments [Note 19 (c)]	(1,357)	168,599
Recoveries of previously written off bad debts	(31,855)	(13,828)
	1,251,603	1,419,182

## 8.3 Financing includes Ijarah as follows:

	2021 SAR '000	2020 SAR '000
Less than 1 year	6,998,486	6,149,683
1 to 5 years	25,338,723	21,588,422
Over 5 years	16,760,969	22,145,454
Gross receivables from Ijarah	49,098,178	49,883,559
Unearned future finance income on Ijarah	(8,903,401)	(9,677,047)
<b>Net receivables from Ijarah</b>	<b>40,194,777</b>	<b>40,206,512</b>

## 9 Property, equipment and right-of-use assets, net

	Land and buildings SAR '000	Leasehold improvements SAR '000	Furniture and equipment SAR '000	Right-of-Use assets SAR '000	Total 2021 SAR '000	Total 2020 SAR '000
<b>Cost:</b>						
Balance at beginning of the year	1,476,248	441,452	1,660,298	566,986	4,144,984	4,012,726
Additions during the year	27,600	32,748	130,469	80,098	270,915	218,238
Disposals during the year	(2,025)	–	(1,848)	(548)	(4,421)	(85,980)
Balance at end of the year	1,501,823	474,200	1,788,919	646,536	4,411,478	4,144,984
<b>Accumulated depreciation:</b>						
Balance at beginning of the year	120,518	303,576	1,181,499	174,105	1,779,698	1,598,833
Charge for the year	20,655	29,600	107,048	93,857	251,160	251,319
Disposals during the year	–	–	(1,846)	(266)	(2,112)	(70,454)
Balance at end of the year	141,173	333,176	1,286,701	267,696	2,028,746	1,779,698
<b>Net book value-as at December 31, 2021</b>	<b>1,360,650</b>	<b>141,024</b>	<b>502,218</b>	<b>378,840</b>	<b>2,382,732</b>	
<b>Net book value-as at December 31, 2020</b>	<b>1,355,730</b>	<b>137,876</b>	<b>478,799</b>	<b>392,881</b>		<b>2,365,286</b>

Property and equipment includes work in progress as at December 31, 2021 amounting to SAR 278 million (2020: SAR 263 million).

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

## Information technology-related assets:

	Tangible SAR '000	Intangible SAR '000	Total SAR '000
<b>Cost</b>			
January 1, 2021	541,677	940,438	1,482,115
Additions during the year	35,046	72,897	107,943
Disposals during the year	(1,846)	–	(1,846)
<b>December 31, 2021</b>	<b>574,877</b>	<b>1,013,335</b>	<b>1,588,212</b>
<b>Accumulated depreciation/amortization</b>			
January 1, 2021	350,421	678,077	1,028,498
Charge during the year	40,840	54,635	95,475
Disposals during the year	(1,846)	–	(1,846)
<b>December 31, 2021</b>	<b>389,415</b>	<b>732,712</b>	<b>1,122,127</b>
<b>Net book value-as at December 31, 2021</b>	<b>185,462</b>	<b>280,623</b>	<b>466,085</b>
<b>Net book value-as at December 31, 2020</b>	<b>191,256</b>	<b>262,361</b>	<b>453,617</b>

Intangibles pertains mainly to computer software. Right-of-use asset pertains mainly to leases of the Bank's head office, branches and ATM kiosks.

## 10 Other assets

	Note	2021 SAR '000	2020 SAR '000
Fee receivable for asset management services		428,152	305,635
Real estate held for sale	10.1	244,439	474,629
Financing inventory		137,402	28,067
Prepayments		98,655	97,922
Receivable against POS reimbursement		–	90,157
Others		720,275	143,010
<b>Total</b>		<b>1,628,923</b>	<b>1,139,420</b>

**10.1** These properties were acquired in settlement of financing due from customers. During the year ended December 31, 2021, properties have been acquired in settlement of financing claims is SAR 2.2 million (2020: Nil).

## 11 Due to SAMA, banks and other financial institutions

	Notes	2021 SAR '000	2020 SAR '000
Due to SAMA	11.1	6,990,223	6,534,009
Time investments from banks and other financial institutions	11.2	7,858,406	756,941
Current accounts		391,162	21,084
<b>Total</b>		<b>15,239,791</b>	<b>7,312,034</b>

**11.1** This balance represents interest free deposits received from SAMA with gross amount of SAR 7.2 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 38).

As a result, the Bank's "Income from investments and financing" for the year ended December 31, 2021 included the fair value benefit of SAR 158.2 million (2020: SAR 96.1 million) arising from the interest free deposits.

**11.2** This balance represents Murabaha, Mudaraba and Wakala with banks.

## 12 Customers' deposits

	Notes	2021 SAR '000	2020 SAR '000
Demand		70,761,657	62,839,786
Savings		7,675,701	6,159,083
Customers' time investments	12.1	41,390,005	49,380,486
Others	12.2	1,233,188	1,074,923
<b>Total</b>		<b>121,060,551</b>	<b>119,454,278</b>

**12.1** These represent Murabaha and Mudaraba with customers.

**12.2** Others represent cash margins for letters of credit and guarantees.

**12.3** The above includes foreign currency deposits as follows:

	2021 SAR '000	2020 SAR '000
Demand	1,941,424	1,342,023
Customers' time investments	3,147,831	1,520,558
Others	80,051	72,965
<b>Total</b>	<b>5,169,306</b>	<b>2,935,546</b>

## 13 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.

## 14 Other liabilities

	Notes	2021 SAR '000	2020 SAR '000
Accounts payable		1,745,970	1,518,854
Outward drafts payable		1,703,972	1,882,208
Advance fees against financing		495,955	392,621
End of service liability	26.2	438,073	404,375
Lease liability	14.1	381,982	389,303
Provision for credit-related commitments	19 (c)	347,179	348,536
Accrued expenses		339,302	308,618
Provision for zakat	24	311,545	227,016
Others		204,747	99,792
<b>Total</b>		<b>5,968,725</b>	<b>5,571,323</b>

### 14.1 Lease liability and lease-related expenses

Below is the undiscounted contractual cash flows for lease liability:

	2021 SAR '000	2020 SAR '000
Less than 1 year	103,668	100,256
1 to 5 years	235,586	233,859
Over 5 years	89,957	110,627
<b>Total</b>	<b>429,211</b>	<b>444,742</b>

Other general and administrative expenses include finance cost of SAR 14.3 million (2020: 15.9 million). Rent and premises related expenses include payments for leases excluded in the calculation of lease liability (i.e., short-term leases and leases of low value assets) of SAR 2.4 million (2020: SAR 1.5 million).

## 15 Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2020: 2,000 million shares) of SAR 10 each.

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

	2021 Percentage	2020 Percentage
Public Investment Fund ("PIF")	10.00	10.00
General public and others	90.00	90.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 15.1 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.

## 15.2 Dividends

The Board of Directors in its meeting held on March 4, 2021 proposed a final 2020 dividend of SAR 596.2 million for 2020 (2019: SAR Nil) which was approved in the extraordinary general assembly meeting held on April 7, 2021 (corresponding to 25 Sha'aban 1442H). This resulted to a net payment of SAR 0.30 per share to the shareholders of the Bank (2019: SAR Nil).

The Board of Directors approved on August 1, 2021 an interim dividend of SAR 695.7 million for the first half of 2021. This resulted to a net payment of SAR 0.35 per share to the shareholders of the Bank.

## (b) Other reserves

2021	Fair value reserve for FVOCI investments SAR '000	Employees share-based plan reserve (Note 22.2) SAR '000	Social community reserve SAR '000	Total SAR '000
<b>Balance at the beginning of the year</b>	<b>81,630</b>	<b>33,852</b>	<b>61,564</b>	<b>177,046</b>
Net change in fair value of FVOCI equity investments	(411)	–	–	(411)
Net change in fair values of FVOCI sukuk investments	(41,482)	–	–	(41,482)
Net gain realized on sale of FVOCI sukuk investments	(209)	–	–	(209)
Gain on sale of FVOCI equity investments	(12,911)	–	–	(12,911)
Employee share-based plan reserve	–	9,439	–	9,439
Appropriations, net of utilizations	–	–	23,894	23,894
<b>Balance at the end of the year</b>	<b>26,617</b>	<b>43,291</b>	<b>85,458</b>	<b>155,366</b>

The Board of Directors in their meeting held on December 29, 2021 has proposed a final 2021 dividend of SAR 795.1 million (2020: SAR 596.2 million). This will yield a net payment of SAR 0.40 per share to the shareholders of the Bank (2020: SAR 0.30 per share). The proposed final dividend is included within equity.

## 16 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 677.3 million (2020: SAR 491.5 million) has been transferred from the net income for the year to the statutory reserve. The statutory reserve is not available for cash distribution.

## 17 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 22.2).

2020	Fair value reserve for FVOCI investments SAR '000	Employees share-based plan reserve (Note 22.2) SAR '000	Social community reserve SAR '000	Total SAR '000
<b>Balance at the beginning of the year</b>	<b>77,372</b>	<b>20,772</b>	<b>62,953</b>	<b>161,097</b>
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)
<b>Balance at the end of the year</b>	<b>81,630</b>	<b>33,852</b>	<b>61,564</b>	<b>177,046</b>

During the year an amount of SAR 27.1 million for 2021 (2020: SAR 19.7 million) was appropriated from retained earnings to social community reserve. Such reserves will be utilized towards discharging the Bank's corporate social responsibilities.

## 18 Tier 1 Sukuk

On July 1, 2021, the Bank through a Shariah compliant arrangement issued Tier 1 Sukuk (the "Sukuk"), amounting to SAR 5 billion. The issuance was approved by the regulatory authorities and the Board of Directors of the Bank.

These Sukuks are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuks in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement. These securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of SAMA.

The applicable profit rate is 4% per annum from date of issue up to 2026 and is subjected to reset every 5 years. The applicable profit on the Sukuks is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

## 19 Commitments and contingencies

### (a) Legal proceedings

As at December 31, 2021 and 2020, there were no significant legal proceedings outstanding against the Bank.

### (b) Capital commitments

As at December 31, 2021, the Bank had capital commitments of SAR 44 million (2020: SAR 63 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.

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

2021	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Letters of credit	968,796	893,385	164,553	–	2,026,734
Letters of guarantee*	735,700	5,412,284	4,572,057	341,022	11,061,063
Acceptances	323,329	21,633	–	–	344,962
Irrevocable commitments to extend credit	–	–	512,273	–	512,273
<b>Total</b>	<b>2,027,825</b>	<b>6,327,302</b>	<b>5,248,883</b>	<b>341,022</b>	<b>13,945,032</b>

2020	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
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
<b>Total</b>	<b>11,476,516</b>	<b>957,262</b>	<b>1,385,578</b>	<b>102,506</b>	<b>13,921,862</b>

\*This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.

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

	2021 SAR '000	2020 SAR '000
Government and quasi government	4,365	376,114
Corporate	12,683,709	12,445,760
Banks and other financial institutions	1,256,958	1,099,988
<b>Total</b>	<b>13,945,032</b>	<b>13,921,862</b>

(iii) The outstanding unused portion of commitments as at December 31, 2021 which can be revoked unilaterally at any time by the Bank, amounts to SAR 29,302 million (2020: SAR 31,390 million).

(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":

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## Notes to the Consolidated Financial Statements

For the year ended December 31

	December 31, 2021			
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
<b>Gross exposure of credit commitments and contingencies</b>				
Balance at the beginning of the year	11,620,627	1,568,559	732,676	13,921,862
Transfer to 12-month ECL	35,151	(35,151)	–	–
Transfer to life time ECL, not credit impaired	(708,111)	708,111	–	–
Transfer to life time ECL, credit impaired	(1,731)	(6,750)	8,481	–
Net commitments, net of expired/ matured commitments during the year	206,187	(17,692)	(165,325)	23,170
<b>Balance as at December 31, 2021</b>	<b>11,152,123</b>	<b>2,217,077</b>	<b>575,832</b>	<b>13,945,032</b>

	December 31, 2020			
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
<b>Gross exposure of credit commitments and contingencies</b>				
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	–
Net commitments, net of expired/ matured commitments during the year	11,437	(25,653)	(219,420)	(233,636)
<b>Balance as at December 31, 2020</b>	<b>11,620,627</b>	<b>1,568,559</b>	<b>732,676</b>	<b>13,921,862</b>

	December 31, 2021			
	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
<b>Provision for credit-related commitments</b>				
Balance at the beginning of the year	51,330	53,735	243,471	348,536
Transfer to 12-month ECL	139	(139)	–	–
Transfer to life time ECL, not credit impaired	(4,818)	4,818	–	–
Transfer to life time ECL, credit impaired	(12)	(286)	298	–
Net (reversal)/charge for the year	(9,211)	16,909	(9,055)	(1,357)
<b>Balance as at December 31, 2021</b>	<b>37,428</b>	<b>75,037</b>	<b>234,714</b>	<b>347,179</b>



	December 31, 2020			Total SAR '000
	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	
	SAR '000	SAR '000	SAR '000	
<b>Provision for credit-related commitments</b>				
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
<b>Balance as at December 31, 2020</b>	<b>51,330</b>	<b>53,735</b>	<b>243,471</b>	<b>348,536</b>

## 20 Income from investments and financing, net

	2021 SAR '000	2020 SAR '000
<b>Income from investments and financing:</b>		
Investments in Murabaha with SAMA	13,015	33,211
Investments in Sukuk held at amortized cost	659,747	563,255
Investments in Sukuk held at FVOCI	140,521	100,756
Murabaha with banks and other financial institutions	2,839	14,190
<b>Financing:</b>		
Murabaha	1,059,594	966,012
Ijarah	1,621,750	1,658,906
Bei Ajel	2,093,488	2,066,752
Other financing products	83,431	66,924
<b>Total income from financing</b>	<b>4,858,263</b>	<b>4,758,594</b>
<b>Total</b>	<b>5,674,385</b>	<b>5,470,006</b>
<b>Return on time investments:</b>		
Customers' time investments	(429,732)	(747,939)
Time investments from SAMA, banks and other financial institutions	(107,654)	(74,244)
<b>Total</b>	<b>(537,386)</b>	<b>(822,183)</b>
	<b>5,136,999</b>	<b>4,647,823</b>

## 21 Fees from banking services, net and other operating income

### 21.1 Fees from banking services, net

	2021 SAR '000	2020 SAR '000
<b>Income from:</b>		
Trade finance services	118,433	112,949
Card services	739,892	575,858
Brokerage fees	118,897	102,194
Fund management and other banking services	582,263	521,335
	<b>1,559,485</b>	<b>1,312,336</b>
<b>Expense on:</b>		
Card services	(470,707)	(373,540)
Other fees	(3,534)	(2,738)
	<b>(474,241)</b>	<b>(376,278)</b>
	<b>1,085,244</b>	<b>936,058</b>

### 21.2 Other operating income

	2021 SAR '000	2020 SAR '000
Gain on sale of properties acquired under settlement	47,907	–
Gain from Sukuk investments held at amortized cost	23,604	–
Gain on sale of property and equipment	1,572	2,631
Others, net	18,765	8,378
	<b>91,848</b>	<b>11,009</b>

## 22 Salaries and employees-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	Number of employees		Fixed compensation		Variable Compensation paid					
					Cash		Shares (Note 22.2)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Senior executives requiring SAMA no objections	24	21	56,080	44,751	15,942	16,554	10,064	4,820	26,006	21,374
Employees engaged in risk taking activities	828	715	276,299	238,010	56,198	50,107	1,417	1,134	57,615	51,241
Employees engaged in control functions	320	211	105,667	73,822	18,487	15,003	1,151	930	19,638	15,933
Other employees	2,108	1,645	386,902	381,286	57,797	63,240	2,650	2,222	60,447	65,462
Outsourcing employees (engaged in risk taking activities)	-	-	-	-	-	-	-	-	-	-
	3,280	2,592	824,948	737,869	148,424	144,904	15,282	9,106	163,706	154,010
Variable compensation accrued	-	-	162,871	172,106	-	-	-	-	-	-
Other employee related benefits	-	-	132,652	132,283	-	-	-	-	-	-
<b>Total</b>	<b>3,280</b>	<b>2,592</b>	<b>1,120,471</b>	<b>1,042,258</b>	<b>148,424</b>	<b>144,904</b>	<b>15,282</b>	<b>9,106</b>	<b>163,706</b>	<b>154,010</b>

Refer to Note 22.2 for more details on shares paid during the year ended December 31, 2021 and 2020.

### 22.1 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 and 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 and/or shares over a period of three years.

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

Year	Total amount deferred SAR '000	Amount vested SAR '000	Amount unvested SAR '000	Amount paid in 2020 SAR '000
2018 (awarded in cash)	9,495	7,160	2,335	4,077
2019 (awarded in cash)	10,468	5,627	4,841	5,626
2020 (awarded in shares)	11,379	-	11,379	-

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 Shariah compliant bank, the Bank uses claw back of previously paid bonuses in its purest form to be appropriate in the context of Shariah 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/shares 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/shares payments are introduced, the Bank provides criteria for determining the value for allocation of deferred payments within the plan rules or guidelines. Payouts of such conditional deferred cash/shares 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/shares 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.

## 22.2 Employees share-based plans

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

Nature of scheme	ESPS (Jana)	ESGS Plan A	ESGS Plan B	Deferred bonus
Number of outstanding Schemes	1	1	1	1
Grant date	May 1, 2019	May 1, 2019	May 1, 2019	March 4, 2021
Maturity date	April 30, 2022	April 30, 2024	April 30, 2022	March 4, 2024
Number of shares granted – adjusted after issuance of bonus issue	2,798,754	1,167,452	1,820,169	699,985
Vesting period	3 years	5 years	3 years	3 years
Value of shares granted (SAR)	58,909,113	21,864,357	38,822,625	11,535,753
Strike price per share at grant date (SAR) – adjusted after issuance of bonus issue	16.13	–	–	–
Fair value per share at grant date (SAR) – adjusted after issuance of bonus issue	20.25	20.25	20.25	16.48
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	Employee remain in service and meets prescribed performance criteria
Method of settlement	Equity	Equity	Equity	Equity
Valuation model used	Market Value	Market Value	Market Value	Market Value
Weighted average remaining contractual life	0.3 Year	2.3 Years	0.3 Year	2.2 Years

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

December 31, 2021	ESPS (Jana)		ESGS Plan A		ESGS Plan B		Deferred bonus	
	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	Weighted average exercise price (SAR)	Number of shares in scheme
Beginning of the year	16.13	2,117,037	20.25	1,112,381	20.25	1,349,107	–	–
Granted during the year	–	–	17.74	310,034	–	–	16.48	699,985
Vested during the year	–	–	–	–	20.25	(754,667)	–	–
Expired during the year	16.13	(292,404)	–	–	20.25	(28,031)	16.48	(15,051)
<b>End of the year</b>	<b>16.13</b>	<b>1,824,633</b>	<b>19.70</b>	<b>1,422,415</b>	<b>20.25</b>	<b>566,409</b>	<b>16.48</b>	<b>684,934</b>
<b>Exercisable at year end</b>	<b>16.13</b>	<b>1,824,633</b>	<b>19.70</b>	<b>1,422,415</b>	<b>20.25</b>	<b>566,409</b>	<b>16.48</b>	<b>684,934</b>

December 31, 2020	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
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)
<b>End of the year</b>	<b>16.13</b>	<b>2,117,037</b>	<b>20.25</b>	<b>1,112,381</b>	<b>20.25</b>	<b>1,349,107</b>
<b>Exercisable at year end</b>	<b>16.13</b>	<b>2,117,037</b>	<b>20.25</b>	<b>1,112,381</b>	<b>20.25</b>	<b>1,349,107</b>

These rights are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized in consolidated statement of income during the year ended December 31, 2021 in respect of these schemes was SAR 25 million (2020: SAR 22.2 million).

## 23 Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income adjusted for Tier 1 Sukuk costs by the weighted average number of outstanding shares which were 1,987.7 million shares at December 31, 2021. Basic and diluted earnings per share as at December 31, 2020 were divided by 1,987.1 million shares. The diluted earnings per share is the same as the basic earnings per share.

## 24 Zakat liability

	2021 SAR'000	2020 SAR'000
Opening balance	227,016	131,091
Zakat expense	312,168	235,768
Payments during the year	(227,639)	(139,843)
<b>Ending balance</b>	<b>311,545</b>	<b>227,016</b>

## 25 Cash and cash equivalents

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

	2021 SAR'000	2020 SAR'000
Cash in hand	2,327,646	2,428,303
Balances with SAMA excluding statutory deposit	144,805	3,396,715
Due from banks and other financial institutions maturing within three months of acquisition	738,073	443,764
<b>Total</b>	<b>3,210,524</b>	<b>6,268,782</b>

## 26 Employee benefit obligations

### 26.1 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.

**26.2** 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:

	2021 SAR'000	2020 SAR'000
Defined benefit obligation at the beginning of the year	404,375	347,217
Charge for the year	56,218	49,713
Discount cost	10,489	10,881
Benefits paid	(39,320)	(15,142)
Actuarial loss on re-measurement recognized in OCI	6,311	11,706
<b>Defined benefit obligation at the end of the year</b>	<b>438,073</b>	<b>404,375</b>

Charge for the year is comprised of:

	2021 SAR'000	2020 SAR'000
Current service cost	56,218	49,713
Past service cost	-	-
	<b>56,218</b>	<b>49,713</b>

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

	2021 SAR'000	2020 SAR'000
Loss from change in experience assumptions	2,857	1,541
Loss from change in financial assumptions	3,454	10,165
	<b>6,311</b>	<b>11,706</b>

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

	2021	2020
Discount rate	3.31% p.a.	2.75% p.a.
Expected rate of salary increase – next three years	5% p.a.	5% p.a.
– thereafter	3.11% p.a.	2.55% 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.

## 26.4 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at December 31, 2021 and 2020:

2021 Base scenario	Impact on defined benefit obligation – Increase/(Decrease)		
	Change in assumption	Increase in assumption SAR'000	Decrease in assumption SAR'000
Discount rate	1%	(39,218)	45,982
Expected rate of salary increase	1%	47,687	(41,371)

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

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

## 26.5 Expected maturity

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

	2021 SAR'000	2020 SAR'000
Less than a year	33,993	51,149
1-2 years	28,191	22,622
2-5 years	83,057	71,915
Over 5 years	476,163	388,743
	<b>621,404</b>	<b>534,429</b>

The weighted average duration of the defined benefit obligation is 14.7 years (2020: 12.3 years).

## 26.6 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 53.9 million (2020: SAR 49.2 million).

## 27 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.

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:

2021	Retail SAR'000	Corporate SAR'000	Treasury SAR'000	Investment and brokerage SAR'000	Total SAR'000
<b>Total assets</b>	26,602,261	98,764,556	45,725,528	2,383,739	173,476,084
<b>Total liabilities</b>	81,503,711	23,727,274	36,924,221	609,851	142,765,057
Income from investments and financing	2,448,360	2,158,326	975,642	92,057	5,674,385
Return on time investments	(183,197)	(53,548)	(300,641)	–	(537,386)
<b>Income from investments and financing, net</b>	2,265,163	2,104,778	675,001	92,057	5,136,999
Fees from banking services and other income	443,749	166,412	375,796	544,232	1,530,189
<b>Total operating income</b>	2,708,912	2,271,190	1,050,797	636,289	6,667,188
(Reversal)/charge for impairment of financing	(124,789)	1,375,931	–	461	1,251,603
Charge for impairment of other financial assets	–	–	2,576	12,152	14,728
Depreciation and amortization	217,562	16,242	11,459	5,897	251,160
Other operating expenses	1,420,839	319,913	225,861	147,389	2,114,002
<b>Total operating expenses</b>	1,513,612	1,712,086	239,896	165,899	3,631,493
<b>Net operating income</b>	1,195,300	559,104	810,901	470,390	3,035,695
Share of loss from an associate and a joint venture	–	–	(14,140)	–	(14,140)
<b>Net income for the year before zakat</b>	1,195,300	559,104	796,761	470,390	3,021,555

2020	Retail SAR'000	Corporate SAR'000	Treasury SAR'000	Investment and brokerage SAR'000	Total SAR'000
<b>Total assets</b>	22,936,078	87,670,882	44,725,846	1,543,997	156,876,803
<b>Total liabilities</b>	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)
<b>Income from investments and financing, net</b>	2,323,386	1,687,225	576,486	60,726	4,647,823
Fees from banking services and other income	303,460	180,208	77,714	472,434	1,033,816
<b>Total operating income</b>	2,626,846	1,867,433	654,200	533,160	5,681,639
Charge for impairment of financing	249,640	1,169,542	–	–	1,419,182
(Reversal)/charge for impairment of other financial assets	–	–	(14,944)	14,259	(685)
Depreciation and amortization	218,190	16,885	10,825	5,419	251,319
Other operating expenses	1,263,540	255,666	175,384	120,009	1,814,599
<b>Total operating expenses</b>	1,731,370	1,442,093	171,265	139,687	3,484,415
<b>Net operating income</b>	895,476	425,340	482,935	393,473	2,197,224
Share of profit from an associate and a joint venture	–	–	4,536	–	4,536
<b>Net income for the year before zakat</b>	895,476	425,340	487,471	393,473	2,201,760

December 31, 2021 Other information	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
<b>Income from:</b>					
– External customers	1,513,762	3,634,911	882,226	636,289	6,667,188
– Inter-segment	1,195,150	(1,363,721)	168,571	–	–
<b>Total operating income</b>	<b>2,708,912</b>	<b>2,271,190</b>	<b>1,050,797</b>	<b>636,289</b>	<b>6,667,188</b>

December 31, 2020 Other information	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
<b>Income from:</b>					
– External customers	1,054,035	3,746,466	347,978	533,160	5,681,639
– Inter-segment	1,572,811	(1,879,033)	306,222	–	–
<b>Total operating income</b>	<b>2,626,846</b>	<b>1,867,433</b>	<b>654,200</b>	<b>533,160</b>	<b>5,681,639</b>

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

2021	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
On balance sheet assets	26,602,261	98,764,556	39,870,397	1,298,985	166,536,199
Commitments and contingencies	–	8,408,820	–	–	8,408,820
<b>Total</b>	<b>26,602,261</b>	<b>107,173,376</b>	<b>39,870,397</b>	<b>1,298,985</b>	<b>174,945,019</b>

2020	Retail SAR '000	Corporate SAR '000	Treasury SAR '000	Investment and brokerage SAR '000	Total SAR '000
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
<b>Total</b>	<b>22,957,029</b>	<b>96,778,427</b>	<b>39,375,562</b>	<b>943,427</b>	<b>160,054,445</b>

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

## 28 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 and disclosed by clients. 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 Heads and Chief Credit Officer. Credits are extended based on the Corporate, Financial Institutions 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.

### 28.1 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 Moody's CreditLens rating system on a regular basis by calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to on-going monitoring and annual review activity, 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
<b>Performing</b>		
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	0.020%
3+	Exceptionally Strong Credit Risk	0.050%
3	Exceptionally Strong Credit Risk	0.060%
3-	Exceptionally Strong Credit Risk	0.080%
4+	Exceptionally Strong Credit Risk	0.140%
4	Excellent Credit Risk	0.240%
4-	Excellent Credit Risk	0.280%
5+	Good Credit Quality	0.550%
5	Good Credit Quality	0.790%
5-	Good Credit Quality	1.350%
6+	Satisfactory Credit Quality	2.350%
6	Satisfactory Credit Quality	6.550%
6-	Borderline Credit Quality	9.760%
7	Weak Credit Quality	26.340%
<b>Non-performing</b>		
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:

- Type of exposure
- Obligor risk rating
- Collateral type
- Collateral value
- Economic cycle and forward-looking scenario
- Date of origination
- Remaining term to maturity
- Geographical location of the obligor
- 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 Impairment 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 write-offs 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 its 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.

### Sensitivity analysis

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

2021	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	1,308	9,886	4,040,713	347,179
Up turn	1,308	9,855	3,926,515	332,082
Down turn	1,308	9,900	4,125,451	358,443

2020	Due from banks and other financial institutions SAR '000	Investments SAR '000	Financing SAR '000	Provision for credit-related commitments SAR '000
Base case (most likely)	2,286	8,989	3,265,690	348,536
Up turn	2,286	8,767	3,231,915	345,011
Down turn	2,286	9,188	3,298,916	354,176

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. The Bank currently uses the weightings of 50% for down turn, 40% for baseline and 10% for up turn.

### 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 three-staged 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

### 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 38 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, 2021 and 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 down turn. 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 2021 ECL model		
	2022	2023	2024
Government Net Borrowing (SAR Billions)	(117.7)	(87.5)	(52.0)
GDP per capita (SAR)	73,610	74,005	74,463
Total government expenditures as % of GDP	35.013	34.244	33.417

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

Assumptions sensitized	ECL impact December 31, 2021 Increase/(Decrease) SAR '000
<b>Macro-economic factors:</b>	
Government Net Borrowing (SAR Billions) increase by 10%	(46,593)
Government Net Borrowing (SAR Billions) decrease by 10%	46,763
GDP per capita (SAR) increase by 10%	(11,370)
GDP per capita (SAR) decrease by 10%	3,887
Total government expenditures as % of GDP increase by 10%	(383,858)
Total government expenditures as % of GDP decrease by 10%	317,959

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

- Updating of the forward-looking macroeconomic indicators;
- Updating of the weighted average PDs; and
- 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.

### 28.1.1 Due from banks and other financial institutions by risk rating

	2021 SAR '000	2020 SAR '000
<b>Due from banks and other financial institutions</b>		
Grades 1-4: investment grade	705,101	417,027
Grades 5-6: non-investment grade	34,280	23,134
Unrated	–	5,127
<b>Gross</b>	<b>739,381</b>	<b>445,288</b>
Allowance for impairment	(1,308)	(2,286)
<b>Net</b>	<b>738,073</b>	<b>443,002</b>

### 28.1.2 Sukuk and Murabaha investments by risk rating

	12-month ECL	
	2021 SAR '000	2020 SAR '000
<b>Murabahas with SAMA investments – amortized cost</b>		
Grades 1-4: investment grade	906,617	4,905,571
<b>Sukuk investments – amortized cost</b>		
Grades 1-4: investment grade	22,479,261	17,790,240
Grades 5-6: non-investment grade	56,522	56,480
	22,535,783	17,846,720
<b>Sukuk investments – FVOCI</b>		
Grades 1-4: investment grade	6,291,476	4,124,556
Grades 5-6: non-investment grade	657,573	216,195
	6,949,049	4,340,751
<b>Murabahas with SAMA and Sukuk investments – Total</b>		
Grades 1-4: investment grade	29,677,354	26,820,367
Grades 5-6: non-investment grade	714,095	272,675
<b>Gross</b>	<b>30,391,449</b>	<b>27,093,042</b>
Allowance for impairment	(9,886)	(8,989)
<b>Net</b>	<b>30,381,563</b>	<b>27,084,053</b>

### 28.1.3 Financing to customers by risk rating

December 31, 2021	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (Non-performing) SAR '000	Total SAR '000
<b>Financing to customers (at amortized cost) – Retail</b>				
Unrated	27,627,040	191,437	–	27,818,477
Impaired financing	–	–	148,958	148,958
<b>Gross financing</b>	<b>27,627,040</b>	<b>191,437</b>	<b>148,958</b>	<b>27,967,435</b>
Allowance for impairment	(341,134)	(53,953)	(65,413)	(460,500)
	27,285,906	137,484	83,545	27,506,935
<b>Financing to customers (at amortized cost) – Corporate</b>				
Grades 1-4: investment grade	33,920,788	–	–	33,920,788
Grades 5-6: good/satisfactory	57,359,512	5,070,666	–	62,430,178
Grade 7: Watch-list	–	3,860,740	–	3,860,740
Impaired financing	–	–	2,133,063	2,133,063
<b>Gross financing</b>	<b>91,280,300</b>	<b>8,931,406</b>	<b>2,133,063</b>	<b>102,344,769</b>
Allowance for impairment	(260,351)	(1,955,857)	(1,364,005)	(3,580,213)
	91,019,949	6,975,549	769,058	98,764,556
<b>Financing to customers (at amortized cost) – Total</b>				
Grades 1-4: investment grade	33,920,788	–	–	33,920,788
Grades 5-6: good/satisfactory	57,359,512	5,070,666	–	62,430,178
Grades 7: Watch-list	–	3,860,740	–	3,860,740
Unrated	27,627,040	191,437	–	27,818,477
Impaired financing	–	–	2,282,021	2,282,021
<b>Gross financing</b>	<b>118,907,340</b>	<b>9,122,843</b>	<b>2,282,021</b>	<b>130,312,204</b>
Allowance for impairment	(601,485)	(2,009,810)	(1,429,418)	(4,040,713)
<b>Financing, net</b>	<b>118,305,855</b>	<b>7,113,033</b>	<b>852,603</b>	<b>126,271,491</b>

December 31, 2020	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (Non-performing) SAR '000	Total SAR '000
<b>Financing to customers (at amortized cost) – Retail</b>				
Unrated	23,554,910	377,968	–	23,932,878
Impaired financing	–	–	256,327	256,327
<b>Gross financing</b>	<b>23,554,910</b>	<b>377,968</b>	<b>256,327</b>	<b>24,189,205</b>
Allowance for impairment	(419,049)	(95,838)	(140,371)	(655,258)
	23,135,861	282,130	115,956	23,533,947
<b>Financing to customers (at amortized cost) – Corporate</b>				
Grades 1-4: investment grade	29,249,716	–	–	29,249,716
Grades 5-6: good/satisfactory	52,093,897	3,875,670	–	55,969,567
Grade 7: Watch-list	–	2,456,110	–	2,456,110
Impaired financing	–	–	2,596,651	2,596,651
<b>Gross financing</b>	<b>81,343,613</b>	<b>6,331,780</b>	<b>2,596,651</b>	<b>90,272,044</b>
Allowance for impairment	(383,343)	(862,206)	(1,364,883)	(2,610,432)
	80,960,270	5,469,574	1,231,768	87,661,612
<b>Financing to customers (at amortized cost) – Total</b>				
Grades 1-4: investment grade	29,249,716	–	–	29,249,716
Grades 5-6: good/satisfactory	52,093,897	3,875,670	–	55,969,567
Grade 7: Watch-list	–	2,456,110	–	2,456,110
Unrated	23,554,910	377,968	–	23,932,878
Impaired financing	–	–	2,852,978	2,852,978
<b>Gross financing</b>	<b>104,898,523</b>	<b>6,709,748</b>	<b>2,852,978</b>	<b>114,461,249</b>
Allowance for impairment	(802,392)	(958,044)	(1,505,254)	(3,265,690)
<b>Financing, net</b>	<b>104,096,131</b>	<b>5,751,704</b>	<b>1,347,724</b>	<b>111,195,559</b>

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 and borderline credit quality.
Rating Scale (7) represents:	Watch list category.

#### 28.1.4 Commitments and contingencies by risk rating

December 31, 2021	12-month ECL SAR '000	Life time ECL not credit impaired SAR '000	Life time ECL credit impaired (Non-performing) SAR '000	Total SAR '000
<b>Commitments and contingencies</b>				
Grades 1-4: investment grade	1,331,448	–	–	1,331,448
Grades 5-6: good/satisfactory	4,375,561	1,036,153	–	5,411,714
Grade 7: Watch-list	–	403,888	–	403,888
Unrated	971,182	–	–	971,182
Impaired	–	–	290,588	290,588
<b>Total amount at credit equivalents</b>	<b>6,678,191</b>	<b>1,440,041</b>	<b>290,588</b>	<b>8,408,820</b>
<b>Provision for credit-related commitments</b>	<b>37,428</b>	<b>75,037</b>	<b>234,714</b>	<b>347,179</b>

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

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

2021	Performing	Non-performing	Life time ECL for credit impaired financing	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000
Government and quasi government	12,429,991	–	–	12,429,991
Manufacturing	10,014,669	1,150,141	(922,636)	10,242,174
Electricity, water, gas and health services	5,032,171	–	–	5,032,171
Building and construction	6,555,210	579,964	(286,711)	6,848,463
Services	15,137,291	76,668	(27,607)	15,186,352
Mining	–	–	–	–
Agriculture	3,484,484	–	–	3,484,484
Consumer financing	27,818,477	148,958	(65,412)	27,902,023
Transportation and communication	6,046,234	–	–	6,046,234
Commerce	9,902,252	99,494	(43,929)	9,957,817
Real estate business	19,123,535	206,437	(61,932)	19,268,040
Others	12,485,869	20,359	(21,191)	12,485,037
	128,030,183	2,282,021	(1,429,418)	128,882,786
ECL against performing financing				(2,611,295)
<b>Financing, net</b>				<b>126,271,491</b>

2020	Performing	Non-performing	Life time ECL for credit impaired financing	Financing, net
	SAR '000	SAR '000	SAR '000	SAR '000
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 and 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	7,206,091	–	–	7,206,091
	111,608,271	2,852,978	(1,505,254)	112,955,995
ECL against performing financing				(1,760,436)
<b>Financing, net</b>				<b>111,195,559</b>

**28.3 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, 2021, the Bank held collaterals of SAR 164,210 million (2020: SAR 138,316 million) against its secured financing.

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

	2021 SAR '000	2020 SAR '000
<b>Collateral coverage</b>		
Less than 50%	1,390,358	2,191,605
51% to 70%	36,814	–
More than 70%	854,849	661,373
<b>Total</b>	<b>2,282,021</b>	<b>2,852,978</b>

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.

	2021	2020
<b>Types of Collateral</b>		
Real estate and fixed assets	105,870,160	98,857,438
Shares	25,677,410	12,714,069
Others	32,662,385	26,744,148
<b>Total</b>	<b>164,209,955</b>	<b>138,315,655</b>

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

2021	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
<b>Financial assets</b>					
<b>Cash and balances with SAMA</b>	9,177,296	–	–	–	9,177,296
<b>Due from banks and other financial institutions</b>					
Current accounts	–	17,933	245,384	174,494	437,811
<i>Murabaha and Wakala</i> with banks	300,262	–	–	–	300,262
<b>Investments, net</b>					
Investments held at amortized cost	23,376,220	56,294	–	–	23,432,514
Investments held at FVOCI	6,971,999	439,663	963	–	7,412,625
Investments held at FVSI	1,966,719	13,537	–	385,494	2,365,750
Investments in associate and joint venture	66,680	–	–	–	66,680
<b>Financing, net</b>					
Retail	27,506,935	–	–	–	27,506,935
Corporate	96,058,887	–	–	2,705,669	98,764,556
Other assets	1,071,240	–	–	–	1,071,240
<b>Total financial assets</b>	<b>166,496,238</b>	<b>527,427</b>	<b>246,347</b>	<b>3,265,657</b>	<b>170,535,669</b>
<b>Financial liabilities</b>					
<b>Due to SAMA, banks and other financial institutions</b>					
Demand	359,910	24,286	–	6,966	391,162
Time investments and due to SAMA	13,638,324	942,990	–	267,315	14,848,629
<b>Customers' deposits</b>					
Demand, savings and others	79,504,847	–	–	165,699	79,670,546
Customer's time investments	41,390,005	–	–	–	41,390,005
Other liabilities	5,467,382	–	–	–	5,467,382
<b>Total financial liabilities</b>	<b>140,360,468</b>	<b>967,276</b>	<b>–</b>	<b>439,980</b>	<b>141,767,724</b>
<b>Commitments and contingencies</b>					
Letters of credit	2,026,734	–	–	–	2,026,734
Letters of guarantee	11,061,063	–	–	–	11,061,063
Acceptances	344,962	–	–	–	344,962
Irrevocable commitments to extend credit	512,273	–	–	–	512,273
<b>Total commitments and contingencies</b>	<b>13,945,032</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,945,032</b>
<b>Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:</b>					
Letters of credit	405,347	–	–	–	405,347
Letters of guarantee	7,402,375	–	–	–	7,402,375
Acceptances	344,962	–	–	–	344,962
Irrevocable commitments to extend credit	256,136	–	–	–	256,136
<b>Total maximum credit exposure</b>	<b>8,408,820</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,408,820</b>

2020	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
<b>Financial assets</b>					
<b>Cash and balances with SAMA</b>	12,207,742	–	–	–	12,207,742
<b>Due from banks and other financial institutions</b>					
Current accounts	–	8,989	140,566	293,447	443,002
<i>Murabaha and Wakala</i> with banks	–	–	–	–	–
<b>Investments, net</b>					
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
<b>Financing, net</b>					
Retail	23,533,947	–	–	–	23,533,947
Corporate	84,765,955	–	–	2,895,657	87,661,612
Other assets	478,164	–	–	–	478,164
<b>Total financial assets</b>	<b>150,095,262</b>	<b>153,222</b>	<b>142,640</b>	<b>3,459,137</b>	<b>153,850,261</b>
<b>Financial liabilities</b>					
<b>Due to SAMA, banks and other financial institutions</b>					
Demand	21,084	–	–	–	21,084
Time investments and due to SAMA	7,046,498	122,522	–	121,930	7,290,950
<b>Customers' deposits</b>					
Demand, savings and others	70,073,792	–	–	–	70,073,792
Customer's time investments	49,380,486	–	–	–	49,380,486
Other liabilities	5,165,953	–	–	–	5,165,953
<b>Total financial liabilities</b>	<b>131,687,813</b>	<b>122,522</b>	<b>–</b>	<b>121,930</b>	<b>131,932,265</b>
<b>Commitments and contingencies</b>					
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
<b>Total commitments and contingencies</b>	<b>13,921,862</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,921,862</b>
<b>Maximum credit exposure (stated at credit equivalent amounts) of commitments and contingencies:</b>					
Letters of credit	441,239	–	–	–	441,239
Letters of guarantee	8,359,629	–	–	–	8,359,629
Acceptances	461,108	–	–	–	461,108
Irrevocable commitments to extend credit	13,889	–	–	–	13,889
<b>Total maximum credit exposure</b>	<b>9,275,865</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,275,865</b>

**28.5** The distribution by geographical concentration of non-performing financing and allowances for impairment on financing is as follows:

2021	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
<b>Non-performing financing, net</b>					
Retail	148,958	–	–	–	148,958
Corporate	2,133,063	–	–	–	2,133,063
<b>Total</b>	<b>2,282,021</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,282,021</b>
<b>Allowances for impairment on financing</b>					
Retail	460,500	–	–	–	460,500
Corporate	3,572,710	–	–	7,503	3,580,213
<b>Total</b>	<b>4,033,210</b>	<b>–</b>	<b>–</b>	<b>7,503</b>	<b>4,040,713</b>

2021	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East countries SAR '000	Europe SAR '000	Other countries SAR '000	Total SAR '000
<b>Non-performing financing, net</b>					
Retail	256,327	–	–	–	256,327
Corporate	2,596,651	–	–	–	2,596,651
<b>Total</b>	<b>2,852,978</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,852,978</b>
<b>Allowances for impairment on financing</b>					
Retail	655,258	–	–	–	655,258
Corporate	2,606,627	–	–	3,805	2,610,432
<b>Total</b>	<b>3,261,885</b>	<b>–</b>	<b>–</b>	<b>3,805</b>	<b>3,265,690</b>

**29 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).

**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.

**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".

**29.1 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 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.

2021	Average sensitivity of net income from financing and investments	Sensitivity of equity				Total SAR '000
		Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	
<b>Increase/decrease in basis points</b>						
+10	20,586	2,245	18,232	(5,094)	(14,202)	1,181
-10	(20,586)	(2,245)	(18,232)	5,094	14,202	(1,181)

2020	Average sensitivity of net income from financing and investments	Sensitivity of equity				Total SAR '000
		Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	
<b>Increase/decrease in basis points</b>						
+10	18,148	8,236	9,895	(848)	(8,437)	8,846
-10	(18,148)	(8,236)	(9,895)	848	8,437	(8,846)

**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 appropriate reference rates 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:

2021	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Non-profit bearing SAR '000	Total SAR '000
<b>Assets</b>						
Cash and balances with SAMA	30,000	–	–	–	9,147,296	9,177,296
<b>Due from banks and other financial institutions</b>						
Current accounts	–	–	–	–	437,811	437,811
Murabaha and Wakala with banks	300,262	–	–	–	–	300,262
<b>Investments, net</b>						
Investments held at amortized cost	796,253	1,697,697	5,981,616	14,956,948	–	23,432,514
Investments held at FVOCI	16,397	2,173,781	2,808,695	1,950,176	463,576	7,412,625
Investments held at FVSI	–	–	–	–	2,365,750	2,365,750
Investments in associate and joint venture	–	–	–	–	66,680	66,680
<b>Financing, net</b>						
Retail	1,089,888	3,352,881	12,610,678	10,453,488	–	27,506,935
Corporate	29,756,053	62,985,072	5,616,700	406,731	–	98,764,556
Property and equipment, net	–	–	–	–	2,382,732	2,382,732
Other assets	–	–	–	–	1,628,923	1,628,923
<b>Total assets</b>	<b>31,988,853</b>	<b>70,209,431</b>	<b>27,017,689</b>	<b>27,767,343</b>	<b>16,492,768</b>	<b>173,476,084</b>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	–	–	–	–	391,162	391,162
Time investments and due to SAMA	7,609,308	991,335	6,247,986	–	–	14,848,629
<b>Customer deposits</b>						
Demand, savings and others	2,003,996	850,584	4,603,800	217,321	71,994,845	79,670,546
Customer's time investments	19,810,357	19,457,919	1,995,613	126,116	–	41,390,005
Amounts due to Mutual Funds' unit holders	–	–	–	–	495,990	495,990
Other liabilities	–	–	–	–	5,968,725	5,968,725
Total equity	–	–	–	–	30,711,027	30,711,027
<b>Total liabilities and equity</b>	<b>29,423,661</b>	<b>21,299,838</b>	<b>12,847,399</b>	<b>343,437</b>	<b>109,561,749</b>	<b>173,476,084</b>
Yield sensitivity – On statement of financial position	2,565,192	48,909,593	14,170,290	27,423,906	(93,068,981)	–
Yield sensitivity – Off statement of financial position	2,027,825	6,327,302	5,248,883	341,022	–	13,945,032
Total yield sensitivity gap	4,593,017	55,236,895	19,419,173	27,764,928	–	–
<b>Cumulative yield sensitivity gap</b>	<b>4,593,017</b>	<b>59,829,912</b>	<b>79,249,085</b>	<b>107,014,013</b>	<b>–</b>	<b>–</b>

2020	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Non-profit bearing SAR '000	Total SAR '000
<b>Assets</b>						
Cash and balances with SAMA	3,315,862	–	–	–	8,891,880	12,207,742
<b>Due from banks and other financial institutions:</b>						
Current accounts	–	–	–	–	443,002	443,002
Murabaha and Wakala with banks	–	–	–	–	–	–
<b>Investments, net</b>						
Investments held at amortized cost	5,551,642	500,000	8,580,039	8,111,621	–	22,743,302
Investments held at FVOCI	401,842	2,070,819	1,268,025	600,064	175,371	4,516,121
Investments held at FVSI	–	–	–	–	2,185,553	2,185,553
Investments in associate and joint venture	–	–	–	–	80,818	80,818
<b>Financing, net</b>						
Retail	949,495	2,726,564	11,444,257	8,413,631	–	23,533,947
Corporate	28,396,272	48,614,801	8,659,768	1,990,771	–	87,661,612
Property and equipment, net	–	–	–	–	2,365,286	2,365,286
Other assets	–	–	–	–	1,139,420	1,139,420
<b>Total assets</b>	<b>38,615,113</b>	<b>53,912,183</b>	<b>29,952,091</b>	<b>19,116,087</b>	<b>15,281,329</b>	<b>156,876,803</b>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	–	–	–	–	21,084	21,084
Time investments and due to SAMA	439,310	5,368,704	1,482,937	–	–	7,290,950
<b>Customer deposits</b>						
Demand, savings and others	2,281,906	484,647	3,392,530	–	63,914,709	70,073,792
Customer's time investments	26,478,191	21,633,065	1,266,264	2,966	–	49,380,486
Amounts due to Mutual Funds' unitholders	–	–	–	–	110,381	110,381
Other liabilities	–	–	–	–	5,571,323	5,571,323
Total equity	–	–	–	–	24,428,787	24,428,787
<b>Total liabilities and equity</b>	<b>29,199,407</b>	<b>27,486,415</b>	<b>6,141,731</b>	<b>2,966</b>	<b>94,046,284</b>	<b>156,876,803</b>
Yield sensitivity – On statement of financial position	9,415,706	26,425,768	23,810,360	19,113,121	(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	20,892,222	27,383,030	25,195,938	19,215,627	–	–
<b>Cumulative yield sensitivity gap</b>	<b>20,892,222</b>	<b>48,275,252</b>	<b>73,471,190</b>	<b>92,686,817</b>	<b>–</b>	<b>–</b>

## 29.2 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:

	2021 SAR '000	2020 SAR '000
<b>Assets</b>		
Cash and balances with SAMA	199,392	164,585
Due from banks and other financial institutions	738,069	444,229
Investments, net	1,541,066	607,118
Financing, net	3,831,989	3,083,237
Other assets	6,157	4,829
<b>Total currency risk on assets</b>	<b>6,316,673</b>	<b>4,303,998</b>
<b>Liabilities</b>		
Due to SAMA, banks and other financial institutions	1,331,069	636,912
Customers' deposits	5,169,306	2,935,545
Other liabilities	78,578	267,537
<b>Total currency risk on liabilities</b>	<b>6,578,953</b>	<b>3,839,994</b>
<b>Net position – (liability)/asset</b>	<b>(262,280)</b>	<b>464,004</b>

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

	2021 SAR '000	2020 SAR '000
USD	(324,756)	401,906
Euro	(8,772)	855
UAE Dirham	25,780	33,794
BHD	6,145	3,307
QAR	2,782	166
Others	36,541	23,976
<b>Total</b>	<b>(262,280)</b>	<b>464,004</b>

	Change in currency %	Effect on net income SAR '000	Effect on equity SAR '000
<b>Currency Exposures as at December 31, 2021</b>			
Euro	±5%	±439	±439
<b>Currency Exposures as at December 31, 2020</b>			
Euro	±5%	±43	±43

## 29.3 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:

	2021		2020	
	Increase/decrease in market prices %	Effect on equity SAR '000	Increase/decrease in market prices %	Effect on equity SAR '000
Market index – (Tadawul)				
Impact of change in market prices	±10%	± 44,737	±10%	± 15,740

## 30 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, 2021 and 2020 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.

2021	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
<b>Liabilities</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	-	-	-	-	391,162	391,162
Time investments and due to SAMA	7,831,479	991,746	6,246,792	-	-	15,070,017
<b>Customers' deposits</b>						
Demand, savings and others	-	-	-	-	79,670,546	79,670,546
Customer's time investments	19,894,913	19,630,724	1,980,994	171,692	-	41,678,323
Other liabilities	-	-	-	-	6,464,715	6,464,715
<b>Total liabilities</b>	<b>27,726,392</b>	<b>20,622,470</b>	<b>8,227,786</b>	<b>171,692</b>	<b>86,526,423</b>	<b>143,274,763</b>

2020	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
<b>Liabilities</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	-	-	-	-	21,084	21,084
Time investments	519,629	5,354,215	1,507,792	-	-	7,381,636
<b>Customers' deposits</b>						
Demand, savings and others	-	-	-	-	70,073,792	70,073,792
Customer's time investments	26,605,214	21,807,280	1,203,073	3,930	-	49,619,497
Other liabilities	-	-	-	-	5,681,704	5,681,704
<b>Total liabilities</b>	<b>27,124,843</b>	<b>27,161,495</b>	<b>2,710,865</b>	<b>3,930</b>	<b>75,776,580</b>	<b>132,777,713</b>

**(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 reflect the effective maturities as indicated by the historical experience.

2021	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
<b>Assets</b>						
Cash and balances with SAMA	30,000	-	-	-	9,147,296	9,177,296
<b>Due from banks and other financial institutions</b>						
Current accounts	-	-	-	-	437,811	437,811
<i>Murabaha</i> and <i>Wakala</i> with banks	300,262	-	-	-	-	300,262
<b>Investments, net</b>						
Investments held at amortized cost	-	2,025,906	7,701,721	13,704,887	-	23,432,514
Investments held at FVOCI	-	201,822	2,498,117	4,249,110	463,576	7,412,625
Investments held at FVSI	-	-	-	-	2,365,750	2,365,750
Investments in associate and joint venture	-	-	-	-	66,680	66,680
<b>Financing, net</b>						
Retail	1,379,250	3,837,242	11,816,876	10,473,567	-	27,506,935
Corporate	14,396,343	23,600,505	39,863,111	20,904,597	-	98,764,556
Property and equipment, net	-	-	-	-	2,382,732	2,382,732
Other assets	-	-	-	-	1,628,923	1,628,923
<b>Total assets</b>	<b>18,986,117</b>	<b>29,665,475</b>	<b>61,879,825</b>	<b>49,332,161</b>	<b>13,612,506</b>	<b>173,476,084</b>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	-	-	-	-	391,162	391,162
Time investments and due to SAMA	7,830,896	991,511	6,026,222	-	-	14,848,629
<b>Customers' deposits</b>						
Demand, savings and others	-	-	-	-	79,670,546	79,670,546
Customer's time investments	19,875,591	19,502,291	1,885,568	126,555	-	41,390,005
Amount due to Mutual Funds' unitholders	-	-	-	-	495,990	495,990
Other liabilities	-	-	-	-	5,968,725	5,968,725
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,711,027</b>	<b>30,711,027</b>
<b>Total liabilities and equity</b>	<b>27,706,487</b>	<b>20,493,802</b>	<b>7,911,790</b>	<b>126,555</b>	<b>117,237,450</b>	<b>173,476,084</b>
<b>Commitments and contingencies</b>						
Letters of credit	968,796	893,385	164,553	-	-	2,026,734
Letters of guarantee	735,700	5,412,284	4,572,057	341,022	-	11,061,063
Acceptances	323,329	21,633	-	-	-	344,962
Irrevocable commitments to extend credit	-	-	512,273	-	-	512,273



2020	Within 3 months SAR '000	3 months to 12 months SAR '000	1 to 5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
<b>Assets</b>						
Cash and balances with SAMA	3,315,862	–	–	–	8,891,880	12,207,742
<b>Due from banks and other financial institutions</b>						
Current accounts	–	–	–	–	443,002	443,002
<i>Murabaha and Wakala</i> with banks	–	–	–	–	–	–
<b>Investments, net</b>						
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	1,633,991	2,629,691	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
<b>Financing, net</b>						
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
<b>Total assets</b>	<b>18,699,014</b>	<b>21,078,660</b>	<b>58,462,365</b>	<b>43,355,435</b>	<b>15,281,329</b>	<b>156,876,803</b>
<b>Liabilities and equity</b>						
<b>Due to SAMA, banks and other financial institutions</b>						
Demand	–	–	–	–	21,084	21,084
Time investments and due to SAMA	519,465	5,323,530	1,447,955	–	–	7,290,950
<b>Customers' deposits</b>						
Demand, savings and others	–	–	–	–	70,073,792	70,073,792
Customer's time investments	26,575,635	21,699,684	1,102,035	3,132	–	49,380,486
Amount due to Mutual Funds' unitholders	–	–	–	–	110,381	110,381
Other liabilities	–	–	–	–	5,571,323	5,571,323
Total equity	–	–	–	–	24,428,787	24,428,787
<b>Total liabilities and equity</b>	<b>27,095,100</b>	<b>27,023,214</b>	<b>2,549,990</b>	<b>3,132</b>	<b>100,205,367</b>	<b>156,876,803</b>
<b>Commitments and contingencies</b>						
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

### 31 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.

### 32 Shariah non-compliance risk

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

### 33 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 Shariah 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.

### 34 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 repackaging).

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

**Level 3:** Inputs that are unobservable. This category include all instruments for which the valuation technique include inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### 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 December 31, 2021 and December 31, 2020, 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 +/- 10 basis points change will cause the fair value of the unquoted sukuk investments to change by SAR +/- 19.5 million.

### (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:

2021	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
<b>Financial assets held as FVSI</b>				
Equities	110,468	–	13,537	124,005
Mutual funds	188,079	1,827,813	225,853	2,241,745
<b>Financial assets held as FVOCI</b>				
Equities	447,372	–	16,204	463,576
Sukuk	2,201,833	4,747,216	–	6,949,049
<b>Total</b>	<b>2,947,752</b>	<b>6,575,029</b>	<b>255,594</b>	<b>9,778,375</b>

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

Financial assets held as FVSI amounting to SAR 12 million was transferred from Level 2 to Level 3 during the year. There were no other transfers between Stages 1, 2 and 3 during the year.

### Reconciliation of Level 3 fair values

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Financial assets held as FVSI SAR '000	Financial assets held as FVOCI SAR '000
Balance at January 1, 2021	200,780	17,967
Additional/new investments	18,460	6,875
Transfer from Level 2 to Level 3	12,000	–
Capital return and disposals during the year	(20,274)	(1,138)
Net change in fair value (unrealized)	28,424	(7,500)
<b>Balance at December 31, 2021</b>	<b>239,390</b>	<b>16,204</b>

### (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 which is categorized within Level 3 of the fair value hierarchy except for investments in *Sukuks* and *Murabaha* with SAMA which are categorized within Level 2. Following table shows the fair value of financial instruments carried at amortized cost.

	2021		2020	
	Carrying value SAR '000	Fair value SAR '000	Carrying value SAR '000	Fair value SAR '000
<b>Assets</b>				
Due from banks and other financial institutions	738,073	738,073	443,002	443,002
Investments – <i>Murabaha</i> with SAMA	906,617	905,875	4,905,571	4,973,438
<i>Sukuks</i> – Amortized Cost	22,535,783	22,581,490	17,846,720	17,903,361
Financing, net	126,271,491	126,892,032	111,195,559	111,779,629
<b>Liabilities</b>				
Due to SAMA, banks and other financial institutions	15,239,791	15,239,376	7,312,034	7,341,092
Customers' deposits	121,060,551	121,135,509	119,454,278	119,553,624

### 35 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:

	2021 SAR '000	2020 SAR '000
<b>Directors, key management personnel, major shareholders and affiliates</b>		
Financing to key management personnel	43,685	26,114
Financing to other related parties	745,520	493,820
Customers' deposits	323,538	4,762,552
Investments in associate and joint venture	66,680	80,818
<b>Bank's mutual funds</b>		
Investments in mutual funds	1,755,631	1,665,653
Financing to mutual funds	–	2,627,303
Deposits from mutual funds	216,662	429,132
Borrowings from mutual fund	50,388	–

Customers' 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:**

	2021 SAR '000	2020 SAR '000
Income on financing	10,877	125,129
Return on time investments	25,151	135,805
Fee from banking services, net	332,191	292,417
Directors' remuneration	6,271	5,766

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 follows:**

	2021 SAR '000	2020 SAR '000
Short-term employees' benefits	71,363	73,759
End of service benefit	7,682	8,931

**36 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 1, 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 three 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 IFRS 9 (applicable from January 1, 2018) on regulatory capital over five 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).

The impact of these revised transitional arrangements to the Group's Tier 1 and Tier 1 + 2 ratio have been an improvement of 40 bps as of December 31, 2021 (2020: 31 bps).

	2021 SAR '000	2020 SAR '000
<b>Particulars</b>		
Credit Risk weighted Assets	133,095,735	123,738,743
Operational Risk weighted Assets	11,242,756	10,118,355
Market Risk weighted Assets	945,712	4,491,592
<b>Total Pillar-I Risk weighted Assets</b>	<b>145,284,203</b>	<b>138,348,690</b>
Tier I Capital	31,433,895	25,151,654
Tier II Capital	1,663,697	1,546,734
<b>Total Tier I &amp; II Capital</b>	<b>33,097,592</b>	<b>26,698,388</b>
<b>Capital Adequacy Ratio %</b>		
Tier I ratio	22%	18%
<b>Tier I + Tier II ratio</b>	<b>23%</b>	<b>19%</b>

**37 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 72,980 million (2020: SAR 70,047 million).

**38 SAMA support programs and initiatives**

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

The Bank continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Bank has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

**38.1 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.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Bank deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support programs	Type	Instalment deferred/ Tenor extended (SAR million)	Cost of deferral/ extension (SAR million)
April 2020 – September 2020	Instalments deferred	761.0	21.3
October 2020 – December 2020	Instalments deferred	485.8	7.8
January 2021 – March 2021	Instalments deferred	906.1	15.3
April 2021 – June 2021	Tenor extension	1,962.8	86.5
July 2021 – September 2021	Tenor extension	1,652.6	19.1
October 2021 – December 2021	Tenor extension	877.3	11.1
January 2022 – March 2022	Tenor extension	335.7	5.7

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SAR 166.8 million of which SAR 122.4 million has been recorded during the year ended December 31, 2021 (2020: SAR 44.4 million) which has been presented as part of net financing income.

During the year ended December 31, 2021, SAR 67.6 million (2020: SAR 22.5 million) has been credited to the consolidated statement of income relating to amortization of modification losses.

The Bank continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio.

The Bank has performed an assessment with respect to SICR for customers and migrated customers amounting to SAR 691.1 million from Stage 1/2 to Stage 2/3 by downgrading the customer credit rating during the year ended December 31, 2021.

As disclosed in Note 11, in order to compensate the related cost that the Bank is expected to incur under the SAMA program, the Bank received profit free deposits from SAMA amounting to SAR 7,253 million with varying maturities, which qualify as government grants. 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.

The management has exercised certain judgements in the recognition and measurement of this grant income. Total income of SAR 281.3 million out of which SAR 127.9 million has been recognized in the consolidated statement of income during year ended December 31, 2021 (2020: SAR 55.6 million) with respect to related deposits with an aggregate of SAR 97.8 million deferred grant income as at December 31, 2021 (2020: SAR 27.9 million). During the year ended December 31, 2021, SAR 50.9 million has been charged to the interim consolidated statement of income relating to unwinding (2020: SAR 13.7 million).

#### Facility Guarantee Program:

As at 31 December 2021, the Bank has participated in SAMA's facility guarantee program. The Bank has received SAR 1,121 million from SAMA for providing concessional financing to eligible MSMEs under Facility Guarantee program. As the guarantee under the Kafalah 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 7.6 million recognized in the consolidated statement of income for the year ended December 31, 2021 (2020: SAR 5.9 million).

### 39 Prospective changes in the International Financial Reporting Standards

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

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after April 1, 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.  Amendments to IAS 16, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income.  Amendments to IAS 37, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.  Annual improvements make minor amendments to IFRS 1, "First-time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, "Leases".	Annual periods beginning on or after January 1, 2022.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.  Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability.	Annual periods beginning on or after January 1, 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023.
IFRS 17, "Insurance contracts", as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023.

Standard, interpretation, amendments	Description	Effective date
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after January 1, 2023.

#### 40 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. For the year ended December 31, 2020, an amount of SAR 52.6 million has been reclassified from "Other general and administrative expenses" to "Fees from banking services-expense".

#### 41 Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors of the Bank on 2 Rajab 1443H (corresponding to February 3, 2022).

Branch	City
Head Office	Riyadh
Al Amal	Riyadh
Al Aziziyah	Riyadh
Al Deerah	Riyadh
Al Farouq	Riyadh
Al Ghadeer	Riyadh
Al Malaz	Riyadh
Al Morouj	Riyadh
Al Muraba'a	Riyadh
Al Nada	Riyadh
Al Nahda	Riyadh
Al Naseem	Riyadh
Al Nuzha	Riyadh
Al Rabwah	Riyadh
Al Rawabi	Riyadh
Al Rawdah	Riyadh
Al Rayyan	Riyadh
Al Shaifa'a	Riyadh
Al Shifa	Riyadh
Al Suwaidi	Riyadh
Al Yarmouk	Riyadh
Al Yasmeen	Riyadh
Dhahrat Al Badi'ah	Riyadh
Dhart Laban	Riyadh
Digital City	Riyadh
Hitteen	Riyadh
King Faisal	Riyadh
Prince Mohammed bin Abdulaziz Road	Riyadh
Qurtoba	Riyadh
Second Industrial City	Riyadh
Takhassusi	Riyadh
Western Suwaidi	Riyadh
Abha Alsad	Al Baha
Al Baha	Al Baha
Gharnatah	Al Dammam
Ohud	Al Dammam
Alrayan	Al Dammam

Branch	City
Altubaishi	Al Dammam
King Fahad Airport	Al Dammam
Tayyiba	Al Dammam
Aldefaa	Al Madinah
Alkalidyh	Al Madinah
Alqiblatain	Al Madinah
Alkalidyh	Albukairyah
Alkalidyh	Aldereia
Alharamain	Aldowadmi
Taibah District	Aljubail
Alfanateer	Jubail Industrial City
Alkharj	Alkharj
King Fahad	Almajmaah
Alqatif	Alqatif
Alqurayat	Alqurayat
Alrass	Alrass
Alfaisaliyah	Altaif
Alkalidyh	Alzulfi
Alrawdah	Arar
Almatar	Bisha
Alsafr	Buraidah
Alrayan	Buraidah
Aldoha	Dhahran
Alqusour	Dhahran
Albaladia	Hafer Al Baten
King Khalid Military	Hafer Al Baten
Almatar	Hail
Almuntazih Alsharqiu	Hail
Alrawdah	Hofouf
Alsouq	Hofouf
Alnakhil	Industrial Yanbu
Alshatea	Jazan
Alsafa	Jazan
Almanar	Jeddah
Alsafa	Jeddah
Alrabwah	Jeddah
Alrawdah	Jeddah

Branch	City
Albalad	Jeddah
Almarwah	Jeddah
Alaziziyah	Jeddah
Alrehab	Jeddah
Alshatea	Jeddah
Alrawdah	Khamis Mushait
Altahlia	Khobar
Alhada	Khobar
Al Jawhara	Khobar
Alyarmouk	Khobar
Alarakah	Khobar
Althuqba	Khobar
Alawaly District	Makkah
Alaziziyah	Makkah
Alshowgeah	Makkah
Alnuzha	Makkah
Alkhars	Mubaraz
Prince Misha	Najran
Alashrafieh	Onaizah
Alaziziyah	Rafha
Aldanah District	Ras Tanura
Almohammediyah	Sabia
Shaqraa	Shaqraa
Skaka	Skaka
Almorouj	Tabouk
Alyarmouk	Tourif

# Corporate Information

## Name

Alinma Bank

## Trade Name

Alinma Bank

## Commercial Registration No.

1010250808

## Registered Logo

مصرف الإنماء  
alinma bank 

## Legal Form

Joint stock Company – publicly traded

## Stock Exchange Listing

Saudi Exchange since 2008

## Stock Code

1150

## Subsidiary Companies and Branches

Name of subsidiary	Country of operation	Country of establishment
Alinma Investment Company, (Closed Joint Stock Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Saudi Fintech Company, (Closed Joint Stock Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Cooperative Insurance Agency, (Limited Liability Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Esnad Company (Limited Liability Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (Limited Liability Company)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

## Auditors

PricewaterhouseCoopers and Ernst & Young

## Head Office/Registered Office

Al Anoud Tower,  
King Fahad Road,  
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