



BOARD OF DIRECTOR'S REPORT



**Prince Muhammad Bin Salman
Bin Abdulaziz Al Saud**

His Royal Highness, Crown Prince, Deputy
Prime Minister, Minister of Defense of the
Kingdom of Saudi Arabia

King Salman Bin Abdulaziz Al Saud
The Custodian of the Two Holy Mosques

06	Economic Update
10	Financial Results
14	Business Highlights
18	The Company's Main Business Activities
24	Directors' and Top Five Executives' Remuneration
28	Board of Directors and Board's Committees
36	Any Contractual Interest, Securities and Warrants That are Beneficially Owned by the Directors or Executive Management and their Families in any of the Company's Stocks or Debt Instruments
40	Any Business or Contracts in Which the Authorized Person is a Party thereto and a Director, the Chief Executive Officer, or Head of Finance, or any Related Person has an Interest Therein

44	Bank Borrowings
48	Related Party Transactions and Balances
52	Subsidiaries
56	Results of the Annual Audit for the Effectiveness of the Internal Control Procedures of the Company
60	NCB Capital Risk Management
68	Staff
72	Fines and Penalties

01

Economic Update



ECONOMIC UPDATE

The spread of COVID-19 across the globe made 2020 an unprecedented year with extreme levels of volatility and uncertainty, requiring extraordinary measures and exceptional stimulus packages. Global GDP declined by -3.5% yoy in 2020 as Advanced economies shrunk by -4.9% yoy, mainly in the Euro Area (-7.2% yoy). This, was partially mitigated by a smaller decline of -2.4% in Emerging Markets ("EM"), partially lifted by China which grew by +2.3%.

Markets started 2020 on a positive note, continuing 2019's double digit growth. However, the spread of COVID-19 in March 2020, which was followed by unprecedented lockdown measures, led to major sell-offs across equity markets with losses exceeding 30%. Generous stimulus packages along with accommodating monetary policies increased market liquidity and played an essential role in lifting investor's sentiments, leading to one of the fastest market recoveries in history. Although markets remained highly volatile, the rollout of COVID-19 vaccines in Q4 provided further support to the positive momentum.

Despite the year's unparalleled challenges, positive returns were recorded across most benchmarks, with the MSCI World index increasing +14.1%, supported by growth of +14.7% and +15.3% in MSCI G7 and MSCI EM, respectively. However, Frontier markets saw a negative return (MSCI FM -2.4%).



Global Growth (%)	Year over year						Q4 over Q4		
	Est		Projections		Vs. Oct 2019 Projections		Est.		Projections
	2019	2020	2021	2022	2021	2022	2020	2021	2022
World Output	2.8	-3.5	5.5	4.2	0.3	0.0	-1.4	4.2	3.7
Advanced Economies	1.6	-4.9	4.3	3.1	0.4	0.2	-3.9	4.6	1.9
United States	2.2	-3.4	5.1	2.5	2.0	-0.4	-2.1	4.0	2.0
Euro Area	1.3	-7.2	4.2	3.6	-1.0	0.5	-6.8	5.8	2.0
Other Advanced Economies	1.8	-2.5	3.6	3.1	0.0	0.0	-2.2	4.5	1.9
Emerging Markets	3.6	-2.4	6.3	5.0	0.3	-0.1	0.9	3.7	5.4
China	6.0	2.3	8.1	5.6	-0.1	-0.2	6.2	4.2	6.0
India	4.2	-8.0	11.5	6.8	2.7	-1.2	0.6	1.7	7.8
Middle East and Central Asia	1.4	-3.2	3.0	4.2	0.0	0.2	-	-	-

Source: IMF.

Saudi Macro review

The Saudi government remains committed to achieve the goals set by Vision 2030 and its Vision Realization Program (VRPs), despite the ongoing changes in oil market dynamics and the unexpected impact of COVID-19. The economy is expected to rebound by +3.2% (according to MoF) in 2021 after declining by -4.1% (according to GASTAT) in 2020. The growth is expected to be primarily driven by the recovery of economic activities post COVID-19. Moreover, the progress on different VRPs along with PIF's 2021-2025 strategy will continue to strengthen the role of the private sector to drive sustainable economic growth. Over the medium term, GDP growth is expected to maintain at the same pace, largely supported by growth in the non-oil sector.

Oil

Oil prices were volatile in 2020, ranging between US\$19.3 and US\$68.9. COVID-19 implications on the global economy had strong impact on oil demand, with prices falling to its lowest levels of US\$19.3 in April 2020. However, the historical OPEC and non-OPEC agreement to cut oil production by 10mn b/d was a key factor in restoring supply-demand balance and provided a support to prices. As global demand started to recover after easing lockdowns measures, prices continued to improve and producers agreed to increase oil supply gradually. Brent ended the year down -21.5% yoy at US\$51.8. Oil prices averaged US\$43.2 in 2020 compared to US\$64.2 in 2019.

Saudi Banks

The Saudi banking sector remained robust in 2020, despite the impact of COVID-19. The sector's ability to deal with COVID-19 challenges was augmented by a range of measures taken by the Saudi government, including strong and timely support provided by SAMA. The sector remained well capitalized with stable credit quality metrics and healthy liquidity levels. Moreover, the strong growth of financing activity mitigated the impact of lower interest rates. The financing activity growth was underpinned by a rapid expansion in mortgage financing as a result of the Government's Housing Program initiatives under Vision 2030. Mortgage lending grew 83% yoy in 2020 to reach a record high of SAR135bn. Furthermore, the progress in the construction of giga projects such as NEOM, Qiddiyah and the Red Sea Project, along with PIF 2021-2025 strategy would further support the positive outlook of the Saudi banking sector.

Saudi and Regional Markets

TASI traded in a wide range in 2020, with the index hovering between 5,959 and 8,760 points. It reached a high of 8,760 in December 2020 driven by the rollout of COVID-19 vaccines and government stimulus, increasing by 47% from its lowest level of 5,959 recorded in March 2020. Overall the market ended the year with a gain of +3.6% in 2020 vs +7.2% in 2019. Average value traded (excluding SABIC - Aramco deal) grew +112% yoy to SAR7.2bn, reaching the highest level in 7 years.

TASI was the best performing market in the region, followed by Qatar (+0.1%). Dubai and Oman markets recorded a decline of -9.9% and -8.1%, respectively.

2020

Financial Results



Financial Results

NCB Capital's consolidated operating income, for the year ended 31 December 2020 increased by 45.1% from SAR 787 million in 2019 to SAR 1,142 million, mainly due to higher brokerage revenue. At SAR 322 million, overall expenses were in line with budget. The company ended the year with a net income before zakat of SAR 815 million against a net income of SAR 457 million in 2019. Total equity increased from SAR 1,520 million in 2019 to SAR 2,278 million in the year 2020.

Total assets for the year 2020 stood at SAR 2,982 million (SAR 1,914 million in 2019) with investments increasing to SAR 1,628 million (SAR 970 million in 2019) and balances at banks of SAR 199 million (SAR 97 million in 2019).

Statement of Financial Position	2020	2019	2018	2017	2016
	Amount in SR '000				
Assets					
Cash and cash equivalent	198,666	97,215	126,471	150,030	113,032
Investments	1,628,177	970,364	693,315	736,939	832,699
Investment in an associate	2,173	18,101	29,605	31,825	25,196
Property and equipment	127,884	117,947	188,294	170,383	172,990
Investment properties	76,272	77,333	-	-	-
Right of use of asset	10,557	11,715			
Margin Receivables	635,137	378,552	246,765	78,577	-
Prepayments and other assets	302,986	242,967	191,600	133,606	120,019
Total assets	2,981,852	1,914,194	1,476,050	1,301,360	1,263,936
Liabilities					
Amount due to National Commercial Bank	34,776	31,125	37,185	8,261	17,336
Lease liabilities	11,470	12,039			
Bank borrowings	288,341	32,123			
Employee benefits	93,942	97,158	51,651	64,156	52,984
Account payable and accruals	275,465	222,244	238,453	222,474	174,457
Total liabilities	703,994	394,689	327,289	294,891	244,777
Equity					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NCBC Funded Shares	(247,807)	(246,004)	(222,870)	(213,698)	(202,904)
Statutory reserve	285,248	209,248	167,248	134,248	104,248
Other reserves	2,174	(211)	(26,609)	6,859	15,058
Share based payments	17,334	5,901	51,434	22,938	19,173
Retained earnings	1,213,418	540,833	169,790	45,485	73,046
Non- Controlling interest	7,491	9,738	9,768	10,637	10,538
Total equity	2,277,858	1,519,505	1,148,761	1,006,469	1,019,159



Statement of Profit or Loss	2020	2019	2018	2017	2016
	Amount in SR '000				
Fee from services, net					
Asset Management	538,737	502,244	512,185	442,728	322,526
Brokerage	428,524	123,431	136,769	149,921	197,776
Investment Banking	117,231	88,886	48,709	32,272	43,275
Other operating income	57,740	72,281	25,932	23,396	18,559
Total operating income	1,142,232	786,842	723,595	648,317	582,136
Salaries and employee related expenses	200,871	219,925	229,173	217,955	207,558
Depreciation	19,896	19,085	15,955	19,894	34,825
Other general and administrative expenses	101,094	87,109	104,784	118,826	112,564
Total operating expenses	321,861	326,119	349,912	356,675	354,947
Finance cost	(5,912)	(2,072)	(1,832)	-	-
Other non-operating income	330	(1,195)	3,865	12,118	20,117
Net income for the year	814,789	457,456	375,716	303,760	247,306

Statement of Cash Flows	2020	2019	2018	2017	2016
	Amount in SR '000				
Net cash (used in) / from operating activities	(134,352)	21,262	336,150	304,671	350,940
Net cash generated (used in) / from investing activities	(11,921)	(27,439)	(161,363)	18,774	(92,535)
Net cash (used in) / generated from financing activities	247,724	(23,079)	(198,346)	(286,447)	(662,127)
Net change in cash and cash equivalent	101,451	(29,256)	(23,559)	36,998	(403,722)

The External Auditor of the Company did not list any reservations on the 2020 year-end financial statements.

03

Business Highlights



Business Highlights

As Saudi Arabia's largest investment bank and asset manager, NCB Capital continues to be well-positioned to capture future growth. In 2020, the firm's strategic focus areas were to:

- Sustain and grow market leadership through product innovation,
- Grow recurring revenues by increasing assets under management,
- Grow brokerage and securities services revenue market share,
- Support the growing needs of Government-related entities in line with Vision 2030, and
- Continue to increase efficiency and improve productivity.

On December 24, 2020, National Commercial Bank's ("NCB") announced on Tadawul that the committee responsible for preparing the integration plan for the merger of NCB and Samba Financial Group approved of the merger of NCB Capital and Samba Capital Company, once the bank merger has been completed. The proposed merger of both Capital Arms is expected to result in the Kingdom's largest asset manager, brokerage house and investment bank.

In light of the above, NCB Capital in 2021 will continue to focus on: (i) the strategic focus areas listed above, (ii) pursuing the proposed merger of NCB Capital and Samba Capital Company, in addition to (iii) planning for the integration of the two firms and the capture of the synergies that can be expected to arise from the proposed transaction in question.



04

The Company's
Main Business Activities



The Company's Main Business Activities

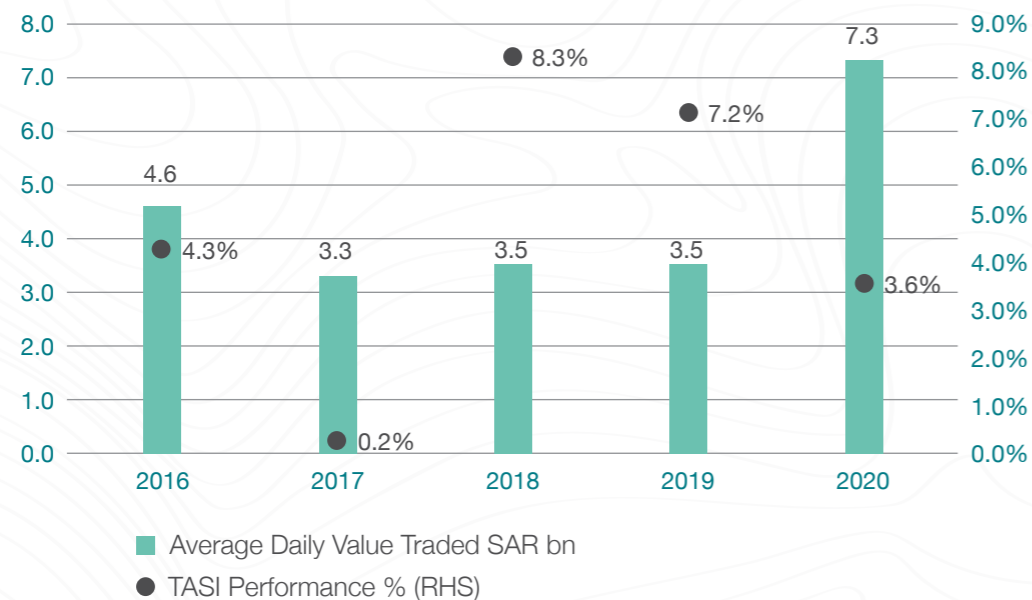
Dealing Activity: Securities

The Saudi market traded in a wide range in 2020 between 5,959 and 8,760. It recorded a strong recovery of +47% from the lowest levels reached in March 2020. By the year end, the market increased +3.6% compared to a gain of +7.2% in 2019. Average value traded (excluding SABIC - Aramco deal) grew +112% yoy to SAR7.2bn, reaching the highest level in 7 years. Individual investors remained net sellers in 2020 with a net sale of SAR31.8bn vs SAR42.2bn in 2019. Individual investors' traded value accounted for 85.0% of 2020's total value traded, the highest level in more than 5 years. After the inclusion of the Saudi market in EM indices in 2019 which resulted in a net inflow of SAR99.0, QFI's were net buyers in 2020 with a net inflow of SAR22.4bn. This increased their ownership to SAR159bn (12.2% of the free float market cap).

In this competitive local brokerage sector, NCB Capital's Securities business succeeded in maintained its ranking, closing the year as Saudi Arabia's second largest broker, NCB Capital Securities market share in 2020 jump to 13.95% from 10.40% in 2019, NCB Capital executed approximately 25.6 million trades, which is the second largest number of trades in the market. In addition, online business maintained its ranking as Saudi Arabia's second largest online broker, NCB Capital Securities market share in 2020 grew to 14.98% from 12.72% in 2019. Net operating revenue rose steeply to SAR 418.9 mn, up 242% yoy. On the international brokerage side, NCB Capital has secured a 10% market share and this considering that NCB Capital has just joined the international market via online platform last year.

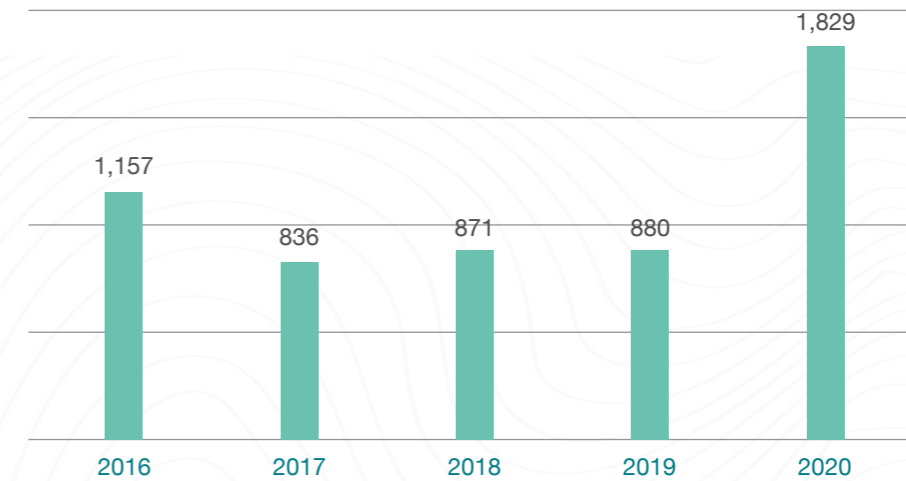
Much of these results can be attributed to strengthening of the firm's retail and institutional offerings (e.g. significantly online enhancements as well as the expansion of research and margin trading activities).

TASI Performance & Average Daily Value Traded*



*Source: Tadawul

Annual Total Value Traded – 5 Year*



* Source: Tadawul

Managing Activity:

Asset Management

NCB Capital was able to sustain performance across all classes of assets under management, as our multi-year transformation plan, which was launched in 2014, progressed in line with the targets. We maintained adherence to our solid fundamental investment philosophy and processes. Most of our total public mutual funds closed the year in the first or second quartile in terms of performance. Furthermore, a number of the funds stayed at the similar rank as last year vs peers.

Among Equity Funds, AIAhli Small & Mid Cap Fund was the star-performer of the year, providing returns in the top quartile. The Fund also won 2020 MENA Lipper Fund Award for 1 Year Performance. Furthermore, Al Ahli Freestyle Fund was declared as the winner for 2020 MENA Lipper Fund Award for 3 Years Performance. For Money Market & Fixed Income Desk, three actively managed funds (AIAhli DSRTF, AIAhli Diversified USD Fund and AIAhli US Dollar Sukuk Fund) remained in the top quartile. Our Multi-Asset Funds consolidated their track record in 2020 with Moderate and Growth strategies ending the year as the best performing funds in Saudi Arabia in each category over 1, 3, 5 and 7 years. AIAhli Multi-Asset Growth Fund won the 2020 Lipper MENA Award for 3 year Performance.

AIAhli REIT Fund (1) performed fairly well in 2020 with a 4.5% dividend payout, despite the severe

effect of the pandemic on the real estate market. The Real Estate arm was able to minimize the negative impact of the pandemic due to its proactive management of the underlying properties and new investment in the office sector that provided more robust cash flows and diversification benefits.

As the productivity of our teams enhanced over the year, the asset management division broadened its coverage to include more asset classes, markets and securities. The performance was also complemented by our improved insight of global and regional economic and market outlooks.

New Initiatives:

NCB Capital continues to invest in improving the quality of its processes, systems, and people in the asset management division. NCB Capital also maintained the asset manager rating of MQ1 from Moody's in 2020. NCB Capital is maintaining its claim of compliance with the Global Investment Performance Standards (GIPS) which are a set of principles developed to provide an ethical framework for the calculation and presentation of investment performance."

Assets under Management (AUMs):

As of 31 December 2020 NCB Capital was managing AUM/AUA of SAR 189 billion.

The Company's Main Business Activities

Arranging & Advising Activity:

Investment Banking

Picking up from its spectacular successes in 2019, Investment banking continued to maintain its compelling growth trajectory into 2020, starting the year with the Kingdom's sovereign bond issue and the First Abu Dhabi Bank sukuk in early Q1. This was closely followed by the successful closure of the project financing for Khair Inorganic Chemical Industries Company (InoChem) where NCB Capital acted as the financial advisor and debt arranger to InoChem.

While Covid-19 brought along its challenges in Q2, NCB Capital continued to demonstrate its strong resilience with the closure of NCB's blockbuster Tier 1 sukuk (where NCB Capital acted as the sole book runner, lead arranger and lead manager) followed by the hugely successful IPO of Amlak International, the first post disruption - virtual technology lead IPO on Tadawul and solely advised, lead managed and underwritten by NCBC.

The success story continued into the 2nd half of the year with the Tadawul listing of Bin Dawood Holding followed by Aramco's jumbo USD bond issuance.

On the advisory side, investment banking continued to be the advisor of choice on a slew of M&A trades, including advising the MiSK Foundation on its acquisition of a strategic stake in the KOSDAQ listed SNK Corporation, the Japanese video game hardware and software company.

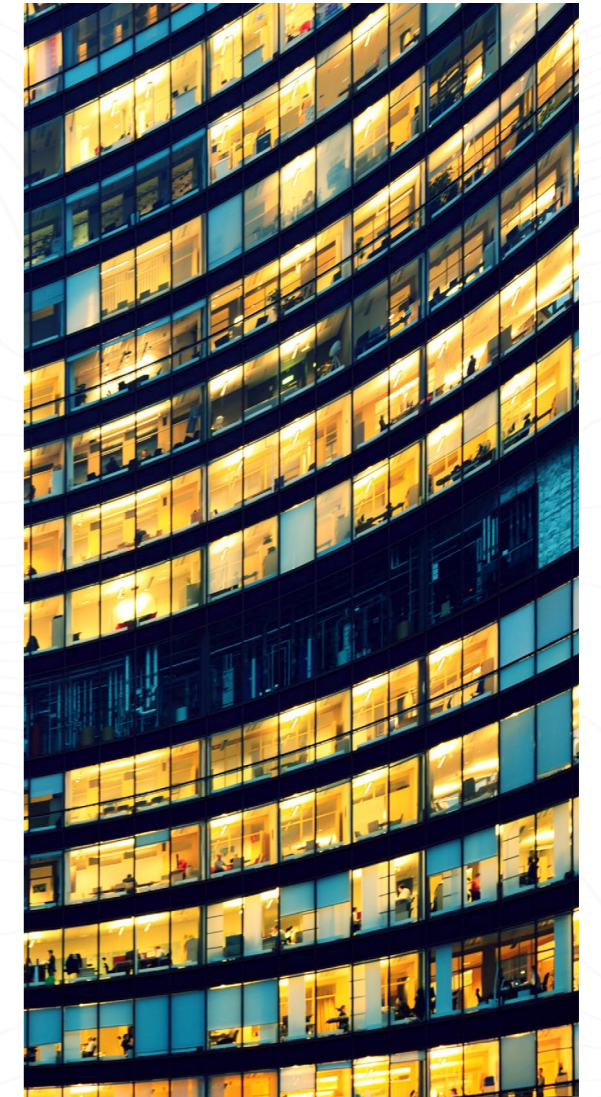
Investment banking remains poised for a strong 2021 - and the robust pipeline going forward, is a definitive validation of the trust reposed by clients in NCB Capital while endorsing the investment bank's capability to successfully lead trades across product lines.

Custody Activity:

Custody and Securities Services Activities

2020 was a transformative year for NCB Capital in its Custody and Securities Services activity and strategy. During the year we executed 3 new multi-year contracts for STC, Savola and Saudi Aramco in our Securities Services business, providing each company services related to their Employee Share Plans. We also reviewed the role of Custody within NCB Capital and embarked on a strategic path towards becoming the leading Global Custody provider in Saudi Arabia through our alliance with Bank of New York Mellon. Our efforts in growing the Custody business were kicked off by the successful acquisition of key companies in Saudi and we anticipate 2021 to deliver further mandates for Custody services on a local and global level.

While the financial revenues from Custody and Securities Services may have begun in 2020, the long term revenue that will be generated from the contracts that have been executed, as well as the potential growth in the platform by capturing more clients will continue to grow in 2021 and subsequent years. The key differentiating factor in this business line is the lack of dependency on market volumes, trading activity or Client transactions; the revenue generated in Custody and Securities Services is mostly recurring revenue on non-transaction services provided by NCB Capital to the Client.



05

Directors' and Top Five Executives' Remuneration



Directors' and Top Five Executives' Remuneration

Statement	Executive Board Members*	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	20,000	60,000	40,000
Allowance for attendance of the committees' sessions	30,000	75,000	30,000
Periodic and annual remunerations	300,000	1,100,000	600,000
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	350,000	1,235,000	670,000

*As members of the board of directors.

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	5,846,047
Allowances	3,424,713
Periodic and annual remunerations	15,449,090
Incentive plans	13,349,774
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
Total	38,069,624

There have been no arrangements whereby any member of the board of directors or the executive management waived any compensation or remuneration.



06

Board of Directors and Board's Committees



Board of Directors and Board's Committees

Board of Directors:

The Board of NCB Capital consists of 6 members including two independent members appointed by the ordinary general assembly. The Board meets on a quarterly basis or more as it may deem necessary.

Name	Position / Classification	Other Positions/Memberships
Saeed M. AlGhamdi	<ul style="list-style-type: none"> Chairman Non-Executive Member 	<ul style="list-style-type: none"> Chairman of the National Commercial Bank The Misk Foundation Chairman of Manga Productions Real Estate General Authority The Institute of International Finance (IIF)
David J. Meek	<ul style="list-style-type: none"> Vice Chairman Non-Executive Member 	<ul style="list-style-type: none"> The National Commercial Bank Chairman of the Board Risk Committee of NCB Capital DIFC (Dubai) Board Advisor of Equiti Capital UK This Land, Real Estate Company Founder and Director Innomotion Limited Chair of the Board of Trustees of Getting on Board The British Liver Trust Non Executive Chairman at Equiti Capital UK Ltd
Sarah J. Al Suhaimi	<ul style="list-style-type: none"> CEO Executive Member 	<ul style="list-style-type: none"> Chairperson of the Saudi Stock Exchange (Tadawul) Chairperson of NCB Capital DIFC (Dubai) Chairperson of BACO (Bahrain) Trustee of IFRS Foundation
Talal A. Al Khereiji	<ul style="list-style-type: none"> Non-Executive Member 	<ul style="list-style-type: none"> Member of the Executive Committee of the National Commercial Bank Member of the Risk Committee of the National Commercial Bank Chairman of Higher Management Committee of the National Commercial Bank Chairman of Assets and Liabilities Committee of the National Commercial Bank Chairman of Credit Administration and processing Committee of the National Commercial Bank Chairman of Information Security Committee of the National Commercial Bank Chairman of Small and Medium Business Committee of the National Commercial Bank Chairman of Customer Service Committee of the National Commercial Bank Chairman of Compliance Committee of the National Commercial Bank Member of the Saudi Banks Committee, Saudi Banks
Adnan A. Soufi	<ul style="list-style-type: none"> Independent Member 	<ul style="list-style-type: none"> Savola Group Fitaihi Holding Group Panda Retail Company Wadi Jeddah Company Member of Advisory Council to the Institute of Islamic Economics of KAU, King Abdulaziz University Board member in Saudi Industrial Services Co (SISCO)
Abdullah F. AlAbdul Jabbar	<ul style="list-style-type: none"> Independent member 	<ul style="list-style-type: none"> Saudi Arabian Investments Company "Sanabil Investments" Richard Attias & Associates Saudi Digital Payments Company "STC Pay" Caffeine Inc

Meeting Attendance:

Name	29 January	11 May	29 September	14 December	Total
Saeed M. AlGhamdi	✓	✓	✓	✓	4
David J. Meek	✓	✓	✓	✓	4
Sarah J. Al Suhaimi	✓	✓	✓	✓	4
Talal A. Al Khereiji	✓	✓	✓	✓	4
Adnan A. Soufi	✓	✓	✓	✓	4
Abdullah F. Al Abduljabbar	✓	✓	✓	✓	4

The Board of Directors has the widest authority in managing the affairs and business of the company within and outside of the kingdom and their responsibilities include:

- Establish, monitor, review and guide the strategy and policies of NCB Capital Group including approving the vision, mission, and philosophy and guiding principles of NCB Capital Group.
- Approve the annual business plan and the budget as submitted by the CEO and monitor the performance including interim and annual results.
- Approve the overall performance objectives for NCB Capital Group and review progress against these objectives.
- Authorise major investments, capital expenditure, acquisitions and disposals that have not been included as a part of the annual budget.
- Monitor and manage potential conflicts of interest of management, Board members and shareholders. The Board must take all reasonable steps to avoid actual, potential or perceived conflicts of interests within the NCB Capital Group.



Audit Committee

The Audit Committee consists of 3 members, all non-executives including two independent members. The Committee meets on a quarterly basis or more as it may deem necessary.

Name	Members
Lama A. Ghazzaoui	Chairperson
Abdullah S. Al Anizi	Independent Member
Abdulaziz AlBabtain	Independent Member

Responsibilities and Audit Committee Report:

- Oversee the work of the external auditor and approve all auditing and permitted non-audit services performed by external auditors.
- Evaluate the internal audit and compliance functions. The Head of Internal Audit and Compliance functions will functionally report to the Chairperson of the Audit Committee
- Have access to NCB Capital Group officers, Board members or officers of NCBC and its subsidiary companies, external auditors or outside counsel, including access to all relevant information, as necessary to carry out its activities.
- Ensure the adequacy of the resources available to carry out its activities.
- Establish procedures for dealing with concerns of employees regarding accounting, internal control and auditing.
- Financial Statements.
- Compliance and Anti Money Laundering (AML).
- Reporting responsibilities (to the Board of Directors).

The 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 Company's activities, to the materiality of the financials and other risks inherent in those activities and to 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 the material misstatement and loss. In addition, the board of directors has formed an audit committee, which periodically reviews the reports submitted by the Internal Audit (Audit reports)/external auditors (ML). Such reports also include the evaluation of the effectiveness or otherwise of the internal controls on the stipulated scope of work. In view of the above, we believe that the company has 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 effectiveness of internal control system and procedures of the company.

Meeting Attendance:

Name	21 January	23 April	21 July	18 October	30 November	Total
Lama A. Ghazzaoui	✓	✓	✓	✓	✓	5
Abdullah S. Al Anizi	✓	✓	✓	✓	✓	5
Abdulaziz AlBabtain	✓	✓	✓	✓	✓	5

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of 3 members who meet twice a year or more as the case may be deemed necessary.

Name	Members
David J. Meek	Chairman
Adnan A. Soufi	Independent Member
Abdullah F. Al Abduljabbar	Independent Member

Responsibilities:

- Develop NCB Capital's general compensation policy, after due discussion with the management and refer it to the Board for approval.
- Oversee the development and implementation of the compensation framework within the Company and its subsidiaries to ensure it is in line with various jurisdictional regulations.
- Approve the Board of Directors' remuneration and Board committees. If the Board is compensated as part of the dividends, the NRCOM to recommend to the Board and then to the General Assembly for approval in accordance with the Companies Regulations.
- Review and approve award recommendations for the NCB Capital Executive Trust.
- Approve NCB Capital representatives on the boards of directors of companies and establishments, both local and overseas that are owned fully or partially by the Company.
- Clarifies the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviations
- Suggests clear policies and standards for membership of the Board and the Executive Management
- Prepares a description of the capabilities and qualifications required for membership of the Board and Executive Management positions
- Ensures annually the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company
- Determines the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

Meeting Attendance:

Name	28 January	14 April	14 December	Total
David J. Meek	✓	✓	✓	3
Adnan A. Soufi	✓	✓	✓	3
Abdullah F. Al-Abduljabbar	✓	✓	✓	3

Board of Directors and Board's Committees

Risk Committee

The Board Risk Committee consists of 3 members who meet four times a year or more as may be deemed necessary.

Name	Members
David J. Meek	Chairman
Talal A. Al Khereiji	Member
Sarah J. Al Suhaimi	Member

Responsibilities:

- Annually review and recommend for Board approval risk management strategy, risk management policies, risk appetite and limits;
- Review and recommend for Board approval the implementation of the enterprise risk management framework and periodic updates as and when required;
- Annually review risk management structures and annual operating plans;
- Quarterly review of risk management reports incorporating operational risk, liquidity risk, credit risk, capital adequacy, margin trading reports, fiduciary risk and reputational risk and margin trading;
- Annually review and recommend for Board approval the ICAAP and quarterly review of capital adequacy monitoring;
- Review and recommend for Board approval risk framework and oversight of prop book management;
- Review and recommend for Board approval the margin trading program including funding, product programs and margin risk control framework

Meeting Attendance:

Name	28 January	9 April	10 May	14 May	16 September	7 December	Total
Sarah J. Al Suhaimi	✓	✓	✓	✓	✓	✓	6
David J. Meek	✓	✓	✓	✓	✓	✓	6
Talal A. Al Khereiji	✓	✓	✓	✓	✓	✓	6



O7

Any Contractual Interest, Securities and Warrants That are Beneficially Owned by the Directors or Executive Management and their Families in any of the Company's Stocks or Debt Instruments



Any contractual interest, securities and warrants that are beneficially owned by the directors or executive management and their families in any of the Company's stocks or debt instruments

The Board confirms that none of the directors or executive management and their families own any contractual interest, securities and warrants in any of the company's stocks or debt instruments. The Company has a long term incentive program for its employees. Some members of the executive management are granted shares as staff compensation and for details please refer to the financial statements.



08

Any Business or Contracts in Which the Authorized Person is a Party thereto and a Director, the Chief Executive Officer, or Head of Finance, or any Related Person has an Interest Therein



Any business or contracts in which the Authorized Person is a party thereto and a director, the chief executive officer, or Head of Finance, or any related person has an interest therein

The Board confirms that none of the members including the Chief Executive Officer and its Chief Financial Officer or any related person has any business or contracts to which NCB Capital is party.



09

Bank Borrowings



Bank Borrowings

The Board confirms that NCB Capital has utilized a facility line from the National Commercial Bank in the amount of SAR 286.75 million for a period of maximum one year and as of 31 December 2020 the total principal amount is outstanding.



10

Related Party Transactions and Balances



Related Party Transactions and Balances

The Company has mainly related party transactions with The National Commercial Bank, Key management personnel and funds managed by the Company and for details please refer to note 19 of the financial statements.

Transactions with The National Commercial Bank (the Bank – Parent Company):

	2020	2019
Transactions included in consolidated statement of profit or loss:		
Management and performance fee charged to the Bank	19,833	8,106
Investment banking fees charged to the Bank	310	310
Incentive expense charged by the Bank	588	460
IT related expenses charged by the Bank	30,608	27,357
Premises related expenses charged by the Bank	6,292	1,236
Finance cost on borrowing from the Bank	4,019	123
Rental income charged to the Bank	5,056	--

	2020	2019
Balances included in consolidated statement of financial position:		
Balances with the Bank	125,867	74,488
Amount due to the Bank	34,776	31,125
Bank borrowings (including accrued finance cost)(note (i) below)	288,341	32,123

During the year ended December 31, 2019, the Company obtained financing from National Commercial Bank ("the Parent" or "the Bank") with an approved facility limit of SR 250 million (further extended to SR 800 million during the year ended December 31, 2020), with final repayment due by August 26, 2021 and carrying profit at commercial market rate.

Assets held in a fiduciary capacity

Bank's assets under management	3,225,844	3,180,122
--------------------------------	-----------	-----------



Transactions with investment funds managed by the Group:

	2020	2019
Transactions included in consolidated statement of profit or loss:		
Management fee earned on funds managed by the Group	448,833	298,013
Performance and transaction fee earned on funds managed by the Group	20,759	21,344
Balances included in consolidated statement of financial position:		
Investment in funds managed by the Group (note 9)	1,346,268	718,580
Advance against purchase of investment	--	9,375
Management and performance fee receivable from funds managed by the Group	108,782	93,938

Transactions with key management personnel:

Key management personnel of the Company comprise senior executive management and the Board of Directors. Details of the remuneration charged to the Group's consolidated statement of profit or loss and relevant balances outstanding at the year-end are as follows:

	2020	2019
Transactions included in consolidated statement of profit or loss:		
Short term benefits	35,824	34,976
Board of Directors remuneration	2,820	3,120
Balances included in consolidated statement of financial position:		
End-of-service benefits	9,049	7,356
Loans and advances	153	814

11

Subsidiaries

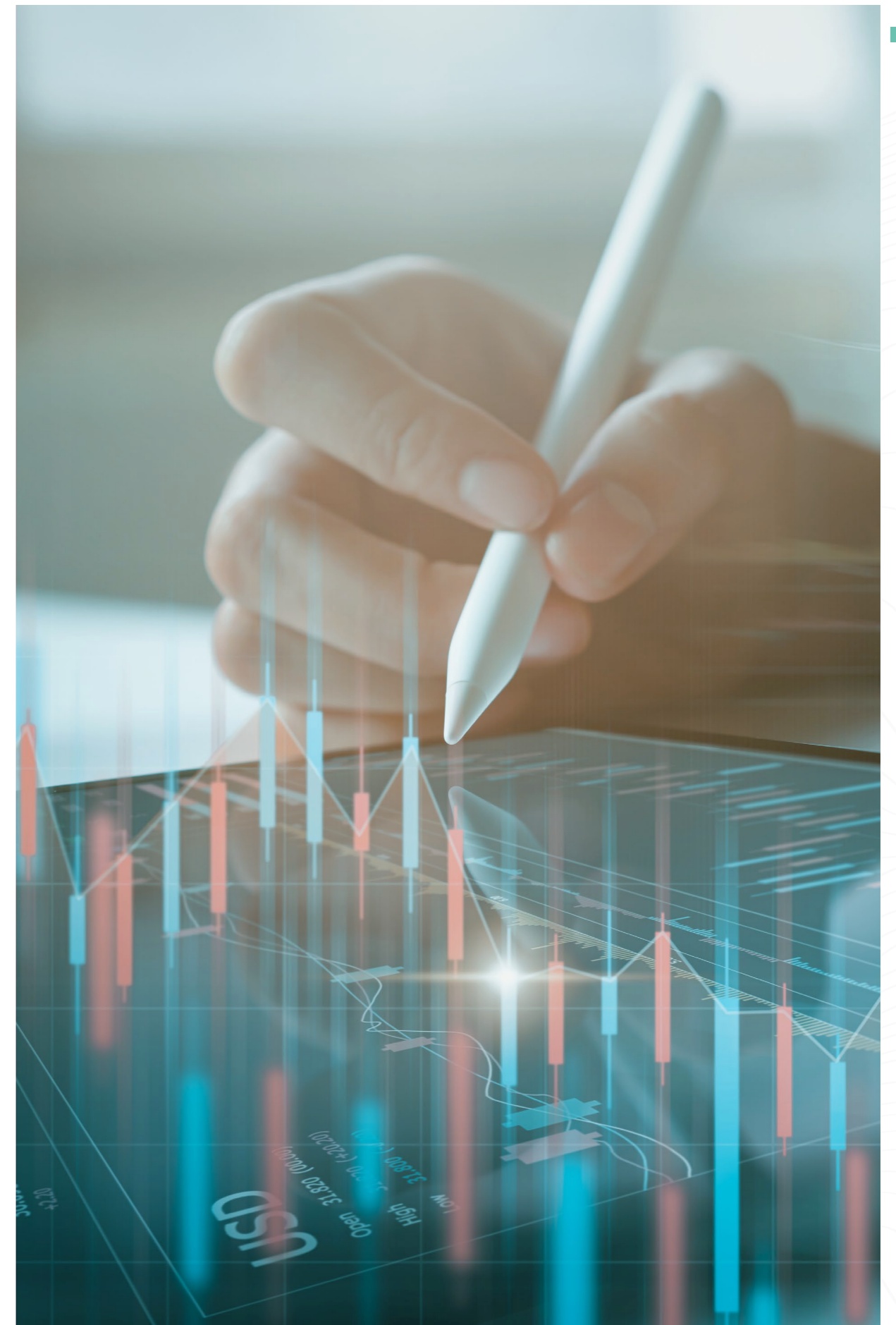


Subsidiaries

Entity Name	Capital	Ownership Percentage	Objective	Domicile of Residence & Place of Business
NCB Capital Real Estate Investment Company	10,000 SAR	100%	Hold and register real estate on behalf of real estate funds	Saudi Arabia
NCB Capital DIFC Limited*	2,500,000 USD	100%	Investment management services	DIFC, Dubai
The Capital Partnership (Cayman) Holdings Limited (SPV)**	50,000 USD	100%	Investment	Cayman Islands
ORYX Regional Private Equity Fund Company*	1,000 BD	50%	Fund Company	Bahrain
BACO WLL*	20,000 BD	100%	Employee Investment Scheme Programme	Bahrain

* via the holding company, NCB Capital Dubai Inc.

** Some of the Subsidiaries are created by NCB Capital as Special Purpose Vehicles (SPVs) which don't have real commercial activities. Further details can be found in the Audited Financial Statements.



12

Results of the Annual Audit for the Effectiveness of the Internal Control Procedures of the Company



Results of the Annual Audit for the effectiveness of the Internal Control Procedures of the Company

NCB Capital's Internal Audit is an independent function that assesses the Company's internal control structure, advises management on developing control solutions, and monitors the implementation of these measures.

Internal Audit is mandated through Board Audit Committee's Annual Audit plan. It encompasses annual audit reviews, special / compliance reviews, advisory engagements and constant follow-ups on issues highlighted during the audits to ensure satisfactory closure throughout the year. Internal Audit during 2020 completed and finalized the audits that were planned for 2020, with some exceptions that were highlighted to the Audit Committee. It also validated successful closure of various findings during the year. It also performed special reviews as requested by the CEO and/or senior management.

Opinion of the Audit Committee

Based on the periodic reports presented by the Internal Audit Division, the Compliance Division, the external auditors and the Compliance Committee to the Audit Committee during the fiscal year ending 31 December 2020, the Audit Committee confirms that the internal control measures did not show any significant gaps in the control environment of the Company's business that may affect the soundness and effectiveness of the efficiency of the financial and operational systems, controls, and procedures and that the assessment of the control measures adopted by the executive management will continue throughout the year.



13

NCB Capital Risk Management

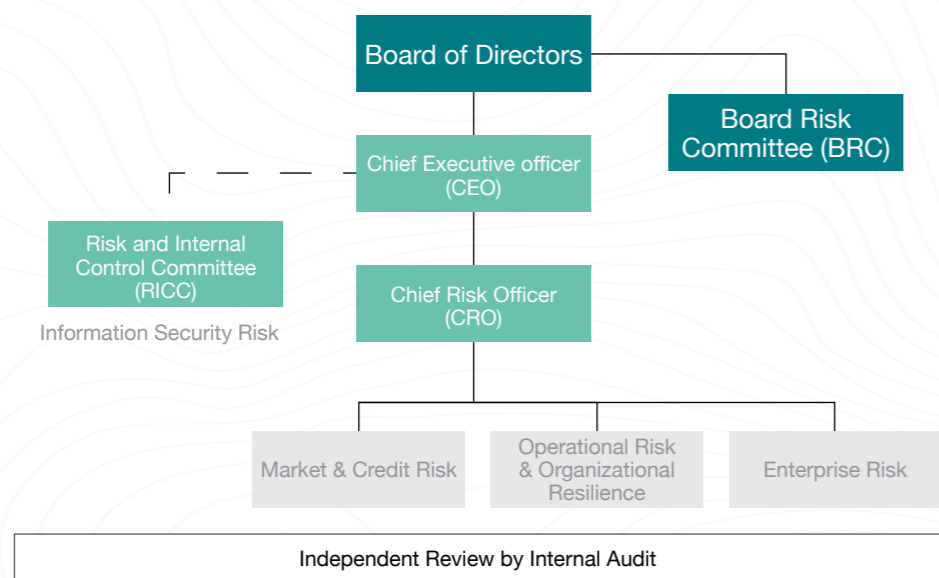


NCB Capital Risk Management

Risk Management is an integral function within NCB Capital (“NCBC”, “Company”) and is responsible for the design, development and implementation of Risk Management Framework (including: policies, procedures, process, and systems) that caters for the identification, assessment, mitigation, monitoring and reporting of credit, market, liquidity, operational, fiduciary, strategic, information security and emerging risks arising from the business activities of NCBC across all its business lines and support functions. Risk management helps ensure that NCBC’s risk profile is in line with the Board approved Risk Appetite.

1 Risk Governance

In recognition to the role of risk, the Company has established the following Risk Management structure:



The **Board Risk Committee (“BRC”)** which assists the Board in discharging its responsibility for risk management oversight. The committee ensures risk management oversight and alignment of risk governance, risk appetite, and overall capital management. Members of the BRC are appointed by the Board. The Chief Risk Officer (“CRO”) is not a member of the BRC, but an invitee. The committee meets at a minimum four times in a year.

The **Risk and Internal Control Committee (“RICC”)** which supports the Chief Executive Officer (“CEO”) in the oversight of the management of operational risk within the Company including supporting implementation of a robust internal control environment covering review and governance framework for policies and procedures, business continuity risk, outsourcing risk management, information security risk, fraud risk and operational risk events and incidences.

The **Risk Management Division (“RMD”)** which is independent of the businesses and forms the second line of defense. It provides independent oversight and ensures that at all times the Firm’s risk profile is in line with Board approved Risk Appetite. The RMD is headed by the CRO who reports to the CEO under the oversight of the BRC.

Moreover, in its quest to establish a robust risk governance, NCBC’s management has instituted various senior management committees to manage risks, as well as business and strategic issues that might affect the overall risk profile of the Company. The CRO is sitting in most of these critical senior management committees, making RMD a key part of the governance and decision making process within NCBC.

NCBC’s risk governance structure is further supported by:

- **Risk Policies:** Risk policies are developed to govern the risk management practice at NCBC by establishing clear set of roles and responsibilities and risk management principles.
- **Standard Operating Procedures (SOPs):** In addition to the above, all NCBC business and support functions operate on the basis of approved SOPs which are reviewed periodically.
- **Risk Limits:** NCBC has defined a set of risk limits at the corporate level. These risk limits are set to monitor adherence of the actual risk profile of the Company to the Board approved Risk Appetite.

2 Risk Management

Credit Risk

To manage counterparty credit risk, NCBC operates within the framework of approved counterparty limits for all lines of business. This includes periodic review of counterparties, brokers and investment guidelines. Credit guidelines at NCBC ensure that limits are approved for only those counterparties that meet the appropriate credit criteria and credit review. Essentially, credit risk mainly arises from Money Market and Multi Asset funds via Murabaha placements with highly rated banks and financial institutions. Furthermore, issuer risk is also endured by these funds but at a lower concentration via the investments in Sukuk.

NCBC is also exposed to credit risk through its principal investment and Margin Trading (MT) activities. The former exposure, composed mainly of placements with banks, and investments in Sukuk and other Fixed Income instruments is contained by dealing with highly rated banks and by performing a thorough risk review. The latter exposure (MT) is managed through strict collateralization rules, which are in compliance with the CMA regulatory requirements, with the setup of initial, maintenance, partial liquidation and full liquidation margin thresholds of respectively 200%, 175%, 165%, and 150%. The margin-trading program is also supported by a robust risk policy and governance framework.

Market Risk

NCBC is exposed to market risk on its proprietary investment portfolio in the form of interest rate risk, foreign exchange risk and equity price risk. On proprietary investments, the Company has an approved proprietary investment framework including board approved exposure limits to various asset classes, which limits risk exposure to the level of approved Risk Appetite. These exposure limits are monitored independently by the Risk Management Division. Further to the above, the Company has detailed risk policies on the management of market risk.

It is worth noting, that investment banking activities may give rise to market risk (as well as credit risk) in case NCBC is unable to fully place underwritten deals with investors. These risks are managed on a case-by-case basis and are mitigated through various arrangements including limits, capital adequacy thresholds and book building that minimize devolvement risks.

Fiduciary Risk

Since NCBC offers funds management, brokerage and advisory services, the primary risk is related to adequately adhering to fiduciary mandates in managing investment funds and customer portfolios. This risk is mitigated by the implementation of specific investment processes, and monitored by reviewing the invested portfolios in comparison to their guidelines and market specifications. NCBC management is fully cognizant of this risk and ensures that NCBC adheres to its fiduciary mandate.

NCB Capital Risk Management

From a governance perspective, NCBC has a Fiduciary Committee in place, composed of the Heads of Wealth Management, Legal, Finance, Risk, and Compliance, which is mandated to provide oversight on delivery of the client fiduciary obligations on a firm-wide basis. Moreover, NCBC has a number of Fund Boards with a mandate of providing oversight on public Equity Funds, Money Market and Fixed Income Funds, and Real Estate Funds.

Mutual Funds

NCBC manages significant volumes of client assets on both mutual funds and on a discretionary basis. All NCBC funds are managed according to approved investment guidelines and risk exposure limits. From an investment perspective, the money market mutual funds carry a relatively low level of market risk as they consist mainly of Murabaha deposits placed with highly rated financial institutions. These are short term in nature which makes them mostly immune to changes in interest rates. The Sukuk allocation of these funds remains relatively moderate and is driven by yield and duration management purposes. Among available measures, RMD reviews and monitors a set of indicators such as the weighted average maturity of the funds, maturity distributions, exposure and concentration to issuers, groups of issuers and economic sectors.

On the other hand, equity funds, when compared to money market and fixed income funds, are exposed to market volatility through equity price risk. This risk is managed through having defined asset allocation strategies and investment guidelines for the funds.

Discretionary Portfolios (DPMs)

All discretionary portfolios are managed according to the approved investment mandates and investment policy statement. Limits and restrictions on discretionary portfolios are independently monitored, on a daily basis, by RMD using automated software.

Closed-End Funds (CEFs)

During the course of the year, RMD performed periodic risk reviews of the Firm's CEFs and reported its findings to the Fiduciary Committee and the Board Risk Committee. Moreover, given the unprecedented and the particularly severe impact of the COVID-19 crisis on NCBC's two aviation funds, a number of stress testing scenarios have been performed and reported to the Product Development committee ("PDC"). Through its risk review and recommendations of new CEF product proposals, RMD has also supported the PDC in its decision making process.

Part of this CEF risk review process, RMD also monitors adherence of the CEFs to their Funds' investment guidelines and limits as per their respective Private Placement Memorandum ("PPM") documents.

Liquidity Risk

Effective liquidity risk management helps to ensure the Company's ability to meet its cash flow obligations and in maintaining diverse funding sources to support the business. Often, liquidity risk arises due to structural mismatches in the maturity pattern of assets and liabilities. NCBC's liquidity management strategy is characterized by the following elements:

- Board approved exposure guidelines requiring a significant portion of the proprietary investments to be in liquid form;
- On client fiduciary portfolios and funds, liquidity risk managed through approved liquidity guidelines, limits, instruments, restrictions on remaining maturity and weighted maturity for money market and fixed income funds;
- Preserving the liquidity and security of cash by investing in NCBC's own money market funds or, alternatively, only with approved counterparties using short-term deposits or Murabahas;
- Investment of cash in highly rated counterparties, whose credit rating and condition are actively monitored independently by the Risk Management Division;

The Company relies on internal operating cash flows and capital as the key sources of funds on a going-concern basis. Should severe liquidity scenarios materialize, reserves or intra-group facilities are available.

Enterprise Risk Management (ERM)

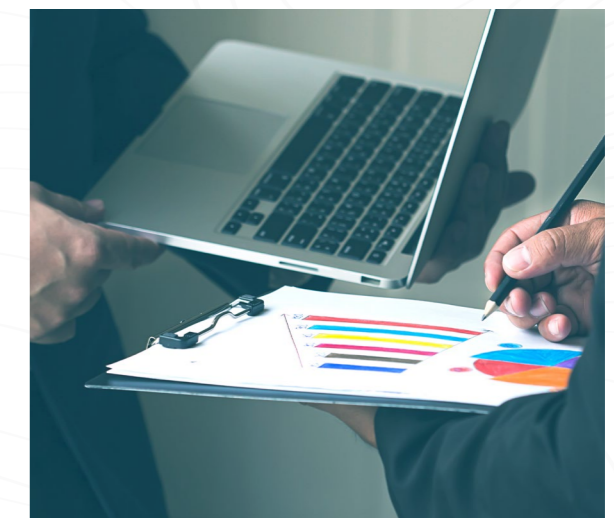
NCBC has an Enterprise Risk Management ("ERM") function within the Risk Management Division. The main responsibility of the function is to develop and implement an ERM framework (including policies, processes and systems) that is compliant with the CMA regulation and aligned with international best practices (e.g. COSO ERM Framework).

The department's other key responsibilities include: corporate risk profile assessment (including strategic and emerging risks), review and monitoring of the Company's Risk Appetite, preparation of the ICAAP report (including: assessment of Pillar 2 risks and stress testing of NCBC's business plan and budget) and the Pillar 3 disclosure report, regular risk reporting to the Senior Management and the BRC.

During the course of the year, the ERM function continued to implement and enhance the Company's ERM framework including a revamp of the Risk Appetite Statements that was approved by the Board.

Operational Risk & Organization Resilience

Operational Risk & Organizational Resilience function is responsible for implementing the operational risk, Business Continuity Management, Policies, and Standard operating procedure frameworks and ensuring that the Company is able to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions.



NCB Capital Risk Management



Operational Risk & Organizational Resilience function is mainly divided into two main units:

1. Operational Risk:

This function implements the Company's Operational Risk Framework. Under this framework, the Company considers breakdowns in internal controls and corporate governance as the most important aspect of Operational risk as such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner. The Company recognizes that good management information systems (MIS), a strong internal control culture, and contingency planning are all crucial elements of effective operational risk management and takes measures to continually develop procedures and systems to support such requirements. Operational risks are reviewed continuously to update risk profiles and ensure that internal controls are proactively realigned to mitigate emerging risks. Individual line managers are responsible for identifying and assessing the operational risks of their area; this process is supported by the Chief Risk Officer.

The Company follows a structured method to identify and mitigate Operational Risk and this includes identification, quantification, and monitoring.

For low-probability high-impact insurable operating risks, the Company makes use of insurance policies and in this respect has insurance coverage under the following insurance policies:

- Professional Indemnity Insurance;
- Directors and Officers Liability Insurance;
- General Public Liability Insurance;
- Cybercrime Risk Liability Insurance;
- Bankers Blanket Bond Insurance; and
- Property All Risk Insurance.

2. Organizational Resilience:

is further organized into two sub-units:

Business Continuity Management and Support (BCM): BCM program goal is to maintain and enhance the operational resilience within NCBC. Various plans and procedures such as Business Continuity Plans (BCPs), Incident and Crisis Management Plan, Strategy and Solutions are in place to strengthen the resilience of NCBC's business.

Policies, and Standard Operating Procedures (SOPs): Establishment of Policies and Standard Operating Procedures governance framework which will ensure effectiveness and consistency of communication within NCB Capital (NCBC), and the availability of clear, written Policies and Standard Operating Procedures that reflect current practice and community expectations assists in accountability. Further, written policies and procedures provide tangible evidence of intended practices that are consistent with NCBC's values.

Information Security

During 2020, the Firm has established an Information Security Risk function within Risk Management Division. Information Security refers to the provision of organizational, technical and procedural measures necessary to safeguard information assets against: unauthorized access, disclosure, duplication, denial of use, modification, diversion, loss, theft or misuse, both intentional and unintentional.

14

Staff



Staff

The Company and its subsidiaries' staffing by the end of December 2020 stood at 269 employees with a nationalization rate of 90%.

**Chairman
Board of Directors**

Corporate
Secretary

**Chief Executive
Officer**

Internal
Audit

Compliance

**Wealth
Management**

**Asset
Management**

Securities

**Investment
Banking**

**International
Alternatives**

Finance &
Operations

Human
Resources

Risk
Management

Legal &
Governance

15

Fines and Penalties



Fines and Penalties

The Company was subjected to two penalties by the Capital Market Authority amounting to SAR 130,000 in 2020 on the grounds that NCB Capital did not apply due skill, care and diligence in their reporting of information about the investment account and holdings of one client and the delay in updating one of NCB Capital clients KYC information; and the means of remedy will be in a form of enhancing / systemizing the current frame-work to ensure the non-occurrence of these observations.

The Board of Directors takes this opportunity to express its appreciation and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and His Royal Highness the Crown Prince Mohammed bin Salman. Appreciation and gratitude are also extended to NCBC's customers, correspondents, shareholders and staff for their support during 2020. The Board also extends its thanks to the Capital Market Authority for their support of all that contributes to the development of the Capital Market sector.

May the peace, mercy and blessings of Allah be upon you.

Board of Directors

