2018 Board of Director’s Report

1. Economic Update

Global review

After a strong start to 2018, a combination of multiple factors including stretched valuations, US Fed rate hike and trade tensions, (primarily between the US and China) took their toll on global equity markets. As a result, towards the end of the year the global economy showed signs of lower growth, with the IMF estimating global growth of 3.7% for 2018 (-0.2% from January 2018 estimates) and projecting growth of 3.5% for 2019 (-0.4% from January 2018 estimates), compared to growth of 3.7% in 2017.This weakened financial market sentiment with MSCI World and MSCI G7 indices declining by -10.4% and -9.8%, respectively in 2018. The impact was more profound on emerging and frontier markets which declined by -16.6% and -16.7%, respectively in 2018, as rising interest rates impacted exchange rates, with the US Fed increasing rates by 100bps in 2018.

Rhetoric and news flow from 2017 turned into political action in 2018. US growth is estimated at 2.9% for 2018 and projected to ease to 2.5% in 2019 and 1.8% in 2020 as a result of on-going trade disputes and the late cycle nature of the US economy. The increase in US rates have also made money markets more attractive relative to the recent past. Valuations corrected in 2018 and was accompanied by a return of volatility. Nonetheless, a combination of cheaper valuations and a more dovish US Fed stance, signaling no more hikes in 2019 and possibly one in 2020, have seen US equity markets rally off their 2018 lows.

Euro area growth is estimated to have moderated in 2018 to 1.8% (vs 2.4% in 2017), and is projected to ease further in 2019 to 1.6% and thereafter increase marginally to 1.7% in 2020. Politics continue to dominate the region, especially Brexit, which was extended to April 12th as the UK attempts to renegotiate with the European Union. The risk of a No Deal Brexit remain in sharp focus, given a fragmented British parliament and hard stance of EU. Germany's growth continued to fall to 1.5% in 2018 (vs 2.5% in 2017) and is projected to further decelerate to 1.3% in 2019, as the industrial sector suffered a sharp slowdown, soft private consumption and subdued foreign demand. In France the "Yellow Vests" protests that started in late 2018, triggered by fuel tax protests, and now including cost of living issues, continued into 2019. The French protestors and industrial action have resulted in the government backing down on fuel tax rises and announcing a package of tax and pay measures. French GDP growth continued to shrink in 2018 to an estimated 1.5% in 2018 from 2.3% in 2017 and growth is projected to remain flat for the next couple of years, with consumer confidence plunging. Italy's economy continues to slowdown as growth in 2018 is estimated at 1.0% growth in 2018 and projections of just 0.6% in 2019, due to weak domestic demand and higher borrowing costs. Overall business sentiment across the Eurozone is falling. Whilst the European Central Bank ended its net asset purchases in December, it confirmed monetary policy would remain accommodative, with no increase in rates until at least the end of 2019 and providing the third round of TLTRO starting September.

Chinese GDP continued to decelerate, albeit at a modest pace and is estimated at 6.6% for 2018 and is expected to further ease to 6.2% in 2019 and 2020. A greater than envisaged slowdown in China remains a concern. Indian GDP growth, in contrast, is estimated to have accelerated to 7.3% in 2018 and is expected to continue to grow in 2019 and 2020 with growth of 7.5% and 7.7%, respectively. Central banks in both China and India maintained policy rates on hold and acted to ease domestic funding conditions.

MENAP GDP growth grew to 2.4% in 2018, and is expected to remain at a similar rate in 2019 and then jump to 3.0% in 2020, although still below the rates of emerging Asia of 6.3% and 6.4% over the same time period.

Risks that could impact equity markets in 2019 are:

- Oil prices fluctuations
- Trade tensions between the US and China
- Political development in Europe, mainly in the UK and France
- Geopolitical factors in the Middle East and East Asia

Saudi Macro

For 2018 and beyond Saudi will continue to pursue an economic reform agenda, driven by Vision 2030 and its associate programs. These have resulted in subsidy reforms, introduction of excise duties and VAT, as well as Expat and Dependent levies to boost government revenues. The fiscal impact will be mitigated by the launch of the Citizens Account, Private Sector Stimulus Program, together with additional allowance programs that will benefit an estimated 5 million Saudi citizens.

The government has also launched several mega projects, which will support Vision 2030 objectives, namely diversifying the economy, increasing Hajj and Umrah pilgrims, growing domestic and international tourism and enhancing domestic entertainment options.

Saudi launched National Industrial Development and Logistics Program (NIDLP), one of the largest programs of Vision 2030. The program focuses on four strategic sectors: Mining, Industrial, Logistics and Energy. The program, which has been developed with the coordination of the private sector, is a roadmap for the development of the Saudi's industrial sector for the next decade. Over 300 initiatives, 65 investment opportunities and 37 MoUs were announced, which will accelerate Saudi economic growth and diversification.

Vision 2030 provides the roadmap for the Saudi economy, with favorable oil dynamics stimulating growth. Saudi GDP grew by 2.2% in 2018 vs a contraction of 0.7% in 2017. The recovery is largely driven by better oil sector performance with Saudi oil production increasing to 10.3mn b/d in 2018, (+3.6% yoy). The non-oil sector also grew, by 2.1% yoy in 2018.

The growth momentum is expected to continue in 2019 as the government expects GDP growth to improve further to 2.6% yoy driven by increasing capex expenditure of SAR246bn (+20.0% yoy). The government has raised the GDP growth target to 3.0% by 2023.

SAMA raised interest rates four times in 2018 by a total of 100bps to 2.5%, mirroring the Fed Rate hikes. We believe there is a possibility of at least one more hike in 2019.

Fiscal revenue increased +29% YoY in 2018 to SAR 895bn, +14% higher than the budgeted amount of SAR 783bn. The growth in fiscal revenue was mainly driven by a 39% yoy growth in oil revenue. Oil prices increased +31% YoY to US$72/bbl driven by an agreement between OPEC and leading non-OPEC countries to cut oil production.

Non-oil revenues reached the highest level on record, growing +12.7% yoy to SAR288bn. Introduction of VAT, expats levy and excise taxes alongside revision of other fees were the main drivers. Economic reforms such as VAT and energy price rationalization prompted an increase in inflation, with CPI reaching 2.5% in 2018 vs -0.9% in 2017. Inflation is expected to remain manageable, reaching below 2.0% by 2023.

Fiscal expenditure reached SAR1,030bn in 2018, up +10.8% yoy and was +5% higher than the budget. The variance is mainly due to higher spending on education and healthcare by +6.8% and +8.2%, respectively. Spending on military represented 21.2% of the total expenditure, followed by education (19.9%) and healthcare (15.4%).

The total deficit declined to SAR 135bn in 2018 (4.6% of GDP), compared to 2017 fiscal deficit of SAR 238bn (9.2% of GDP). This is also significantly lower than the government's initial target of SAR195bn.

The government continued its strategy of adopting a diversified financing policy by using a mix of debt issuance and reserves. According to the Ministry of Finance, the government raised SAR120bn locally and internationally, taking the total public debt to SAR560bn in 2018 (19.1% of GDP), compared to SAR443bn in 2017 (17.2% of GDP). This is still significantly lower than international peers and the government target ceiling of 30%.

Oil

OPEC and non-OPEC countries (OPEC+) reached an agreement in December 2016 aimed to cut oil production by 1.8mn bpd for six months. The agreement was ultimately extended until the end of 2018.

Over-compliance by OPEC+ and the decline in supply from Venezuela, Libya and Iran increased oil prices, with Brent reaching a four-year high of US$86/bbl in October 2018. OPEC+ increased supply in anticipation of US sanctions on Iran. However, due to exemptions for Iran and concerns on lower demand, oil prices declined c40% to touch US$51 by the end of 2018.

US shale oil production remained strong and exceeded its earlier peak, highlighting the efficiency gains of US shale producers. The US Energy Information Administration (EIA) estimates the US shale oil production to surge to 8.2mn bpd in January 2019 (+25% yoy). US crude oil production averaged 10.9mn bpd in 2018 and is expected to average 12.3mn bpd in 2019, up from 9.4 mn bpd in 2017.

At its December 2018 meeting, OPEC+ reinstated supply cuts of 1.2mn bpd for a period of six months starting January 2019, with OPEC countries contributing 0.8mn bpd and non-OPEC countries contributing 0.4mn bpd to the cuts.

The EIA expects Brent prices to average US$63 in 2019, down -11.7% from an average of US$71 in 2018. However, following the announcement from Saudi that it would cut production further than agreed, oil prices rallied, and risk are expected to remain to the upside in the first six months of 2019.

The slowdown in the global economy, US-China trade tensions and significant declines in EM currencies which could impact oil demand from these countries, are the key risks to global oil prices.

Saudi Banks

Net income of Saudi banks grew 10.7% in 2018 to SR48.3bn (based on SAMA's January 2019 monthly report). The growth is driven by increase in net special commission income (NSCI), as the sector benefited from higher interest rates. SAMA followed US Fed rate hikes which increased the rate by four times in 2018 (25bps each). This thereby exerted upward pressure on SAIBOR, which in turn feeds into NIMs expansion.

Loans and advances increased 2.8% YoY to SR1.4tn in 2018 vs a decline of -1.0% YoY in 2017. Customer deposits increased 2.6% YoY to SR1.7tn in 2018 with demand deposit shares remaining +60% in total deposits. Effective from April 2018, LDR calculation was modified through placing higher weights for long-term deposits to encourage banks to introduce savings products. Subsequently, loan/deposit ratio declined to 77.4% in 2018 from 80.1% in 2017. We expect loan growth to pick up in 2019 and rise further thereafter, driven by higher government spending, better oil market dynamics and improvement in GDP growth. Furthermore, the long outstanding Zakat issue has been resolved, with the overall impact remaining manageable.

Balance sheet metrics remain strong despite slowdown in the domestic economy. By the end of Q3 2018, sector NPL and provision coverage ratios stood at 1.9% and 158% respectively. Saudi Bank's implemented IFRS 9 and took upfront provisioning this year. Tier I and Capital adequacy ratios stood at 18.5% and 20.3% respectively.

Saudi and Regional Markets

TASI traded in a broad range in 2018, between 7,226 and 8,490 points. It reached a high of 8,490 points in July 2018, driven by the inclusion in the MSCI Emerging Markets, while the lowest point was recorded in October 2018. Saudi was also added to the FTSE Emerging Markets index as well as the S&P Emerging Markets. Inclusion in these benchmark indices is expected to result in substantial inflows from foreign institutional investors in 2019 and beyond. Overall the market ended the year with a gain of +8.3% in 2018, recording the best performance in 5 years. Average daily traded value stood at SAR3.5bn, increasing 4.1% yoy.

In 2018, seven sectors saw gains, with Media being the best performer (+31.6%), followed by Banks (+31.1%). The Real Estate and Utilities sectors were worst performers, declining (-31.3%) and (-26.1%) respectively.

The top performing stocks were Industrial Exports (+193%), Extra (+61.0%) and Riyad Bank (+59.0%), whilst the worst performing stocks were Wafa Insurance (-63.0%), Atheeb Telecom (-45.0%) and Dallah Healthcare (-44.0%).

In 2018, Tadawul announced the listing and trading of government debt instruments. Tadawul also implemented the auction mechanism to calculate opening and closing prices.

During the year, Tadawul had nine IPOs consisting of seven REITS, Fitness Time, and National Company for Learning and Education.

TASI was the third best performing market in the region. Qatar was the top performer in the GCC, gaining (+20.8%), followed by Abu Dhabi (+11.7%). Dubai, Oman and Egypt markets recorded declines of (-24.9%), (-15.2%) and (-13.2%), respectively.

2. Financial Results

NCB Capital's consolidated operating income, for the year ended 31 December 2018 increased by 12% from SAR 648 million in 2017 to SAR 724 million, mainly due to higher Asset Management Revenue. Overall expenses were in line with budgeted SAR 352 million. The company ended the year with a net income before zakat of SAR 376 million against a net income of SAR 304 million in 2017. Total equity increased from SAR 1,006 million in 2017 to SAR 1,149 million in the year 2018.

Total assets for the year 2018 stood at SAR 1,480 million (SAR 1, 301 million in 2017) with investments decreasing to SAR 693 million (SAR 737 million in 2017) and balances at banks of SAR 126 million (SAR 150 million in 2017).

Statement of Financial Position	2018	2017	2016	2015	2014
	Amount in SR '000				
Assets					
Balances with banks	126,471	150,030	113,032	516,754	200,551
Investments	693,315	736,939	832,699	911,420	1,205,426
Investment in an associate	29,605	31,825	25,196	25,221	28,260
Property and equipment	188,294	170,383	172,990	171,966	150,838
Margin Receivables	250,882	78,577	-	-	-
Prepayments and other assets	191,600	133,606	120,019	99,505	56,066
Total assets	**1,480,167**	**1,301,360**	**1,263,936**	**1,724,866**	**1,641,141**
Liabilities					
Amount due to National Commercial Bank	37,185	8,261	17,336	488	6,611
Dividends payable	14,568	14,635	10,409	372,405	2,729
Employee benefits	51,651	64,156	52,984	60,987	68,023
Account payable and accruals	228,002	207,839	164,048	191,762	231,429
Total liabilities	**331,406**	**294,891**	**244,777**	**625,642**	**308,792**
Equity					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NCBC Funded Shares	(222,870)	(213,698)	(202,904)	(181,215)	(77,383)
Statutory reserve	167,248	134,248	104,248	80,248	47,748
Other reserves	(26,609)	6,859	15,058	11,953	8,766
Share based payments	51,434	22,938	19,173	10,194	8,250
Retained earnings	169,790	45,485	73,046	165,293	292,384
Minority interest	9,768	10,637	10,538	12,751	52,584
Total equity	**1,148,761**	**1,006,469**	**1,019,159**	**1,099,224**	**1,332,349**

الأهلي كابيتال
NCB Capital

Statement of Profit or Loss	2018	2017	2016	2015	2014
	Amount in SR '000				
Fee from services, net					
Asset Management	512,185	442,728	322,526	363,526	373,502
Brokerage	136,769	149,921	197,776	274,446	366,501
Investment Banking	48,709	32,272	43,275	39,541	6,464
Other operating income	25,932	23,396	18,559	2,049	11,182
Total operating income	**723,595**	**648,317**	**582,136**	**679,562**	**757,649**
Salaries and employee related expenses	229,173	217,955	207,558	227,648	243,911
Rent and premises related expenses	7,726	12,618	13,056	11,435	10,655
Depreciation	15,955	19,894	34,825	24,072	21,507
Provision for impairment in available-for-sale investments	-	-	-	686	25,046
Impairment charge on property and equipment	-	-	-	-	16,035
Other general and administrative expenses	98,890	106,208	99,508	106,800	136,902
Total operating expenses	**351,744**	**356,675**	**354,947**	**370,641**	**454,056**
Other non-operating income	3,865	12,118	20,117	15,041	4,375
Net income for the year	**375,716**	**303,760**	**247,306**	**323,962**	**307,968**

Statement of Cash Flows	2018	2017	2016	2015	2014
	Amount in SR '000				
Net cash from operating activities	336,150	304,671	350,940	515,898	68,809
Net cash generated (used in) / from investing activities	(161,363)	18,774	(92,535)	(34,807)	(20,544)
Net cash (used in) / generated from financing activities	(198,346)	(286,447)	(662,127)	(164,888)	12,091
Net change in cash and	**(23,559)**	**36,998**	**(403,722)**	**316,203**	**60,356**

cash equivalent					

There has been no reservations made by the External Auditor of the Company on the 2018 year-end financial statements.

3. Business Highlights

In 2018 NCB Capital continued to focus on its three strategic objectives: 1) growing our mix of recurring revenues as a share of total revenues, thus creating the necessary financial stability to enable us to invest in building the capabilities to compete even during weak market conditions, 2) focusing our spending on areas that positively impact financial performance and improve quality of client experience, and 3) strengthening our control environment to meet the needs of our stakeholders and in light of changing regulations and business mix.

There have been some important organizational changes this past year, including the re-establishment of the Wealth Management Division, the merging of the Business Development Division into the other business lines and the inclusion of the governance role to the Legal Division's role. These changes have been made to enhance client focus in Wealth Management and greater product focus in the Asset Management and Securities Divisions.

Future plans

NCB Capital will continue to focus on its three strategic objectives, while supporting Vision 2030. Our business plan contemplates the shifting of some business activities and personnel from our regional offices to our headquarters in Riyadh.

4. The Company's Main Business Activities

Securities

The Saudi market traded in a broad range in 2018, gaining +8.3% and ending the year at 7,826. The broad trading range was due to several factors including oil price movements, MSCI upgrade and geopolitical events. TASI gained +8.3% in 2018, following a flat 2017 and an increase of +4.3% in 2016.

In 2018, the total traded value in the market was SAR871.9bn, up +4.14% YOY. The average daily value traded was SAR 3.49bn, marginally higher than SAR3.34bn in 2017. However excluding non-investor activity, average daily value traded declined in 2018.

Net operating revenue stood at SAR135.3 mn, down -10.5% YOY. NCB Capital Securities market share decreased in 2018 to 10.50% from 11.82% in 2017.

NCB Capital executed approximately 7.4 million trades, which is the second largest number of trades in the market.

The Securities Division undertook several initiatives in 2018, namely

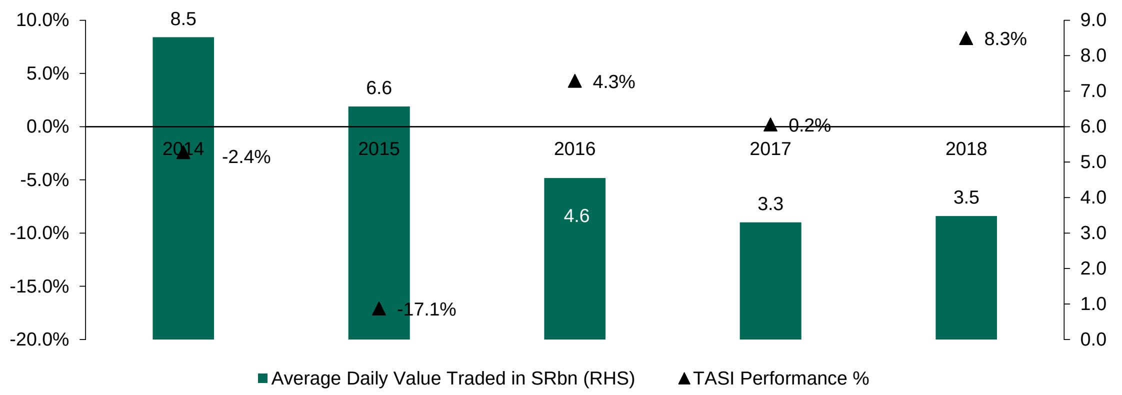
i. Development of the institutional platform, with strategy development and execution including partnering with an international broker, two international roadshows targeting QFI clients, as well as systems development

ii. Channel enhancement initiatives

iii. Enhance the product offering for the margin product

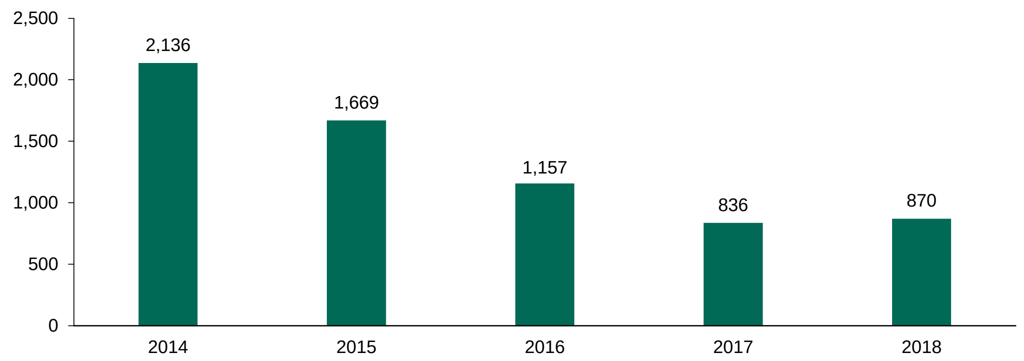
The benefits of the above initiatives are expected to be seen in 2019 and beyond.

TASI Performance & Average Daily Value Traded*



*Source: Tadawul

Annual Total Value Traded – 5 Year*



* Source: Tadawul

Asset Management

Two factors, namely (a) the continuation of the multi-year transformation plan launched in 2014, and (b) adherence to solid fundamental investment process; were instrumental for us in sustaining an improved performance across all classes of Assets under Management. Two of our equity funds, AlAhli GCC Growth & Income Fund and AlAhli IPO Fund, had returns in the first quartile of all asset managers. Other funds, including Al Ahli GCC Trading Equity and Al Ahli Freestyle Saudi Equity Fund, were placed in the second quartile. Our Fixed Income & Money Market portfolios further improved their performance with Al Ahli Diversified SR Trade Fund and Al Ahli Diversified US Dollar Trade Fund achieving first quartile standing whereas Al Ahli SR Trade Fund and Al Ahli International Trade Fund returned second quartile (on gross basis) for the period under review. The Multi-Asset desk which manages the largest Shariah-compliant index fund platform globally, also achieved first quartile ranking for its Al Ahli Global Equity Fund and second quartile rankings for Al Ahli Multi-Asset Moderate Fund and for Al Ahli Multi-Asset Growth Fund.

New Initiatives

We continue to focus on improving the quality of our asset management. In 2018, we have achieved compliance with the GIPS, assessed our asset management business (MQ1) and rated our MM&FI funds.

Assets under Management (AUMs)

As of December 2018 NCB Capital was managing AUM/AUA amounting to SAR 149.22 billion as compared to SR 123.3 billion as of 31 December 2017.

Investment Banking

Over 2018, NCBC's Investment Banking franchise retained its strong momentum by continuing to deliver innovative solutions outstanding service to clients while building trust through-the-cycle – a reflection of how an engaged board, an inspiring management team, a robust corporate culture and exceptionally talented employees reinforce a leadership position among local banks. NCBC Investment banking also continued to offer its best-in-class advice across broad product categories, including advising Government related entities on various mandates in M&A, debt advisory and capital markets.

Custody and Arrangement Activities

NCB Capital performs the Arrangement Activity by providing arrangement services relevant to the offerings. While the Custody Activity is performed through providing safe custody services to its clients, either directly by the Company or through sub-custodians domiciled abroad. However, both of these activities are not considered among the Company's main activities.

5. Directors' and top five executives' remuneration

Item	Executive Members (SAR)	Non-Executive / Independent Mebers (SAR)	Top 5 Executives (including the CEO and the Head of Finance) (SAR)

Salaries and compensations	325,059	1,668,129	4,734,144
Allowances	-	-	2,967,072
Regular and annual bonus	-	-	16,833,000
Incentive Scheme	-	-	13,696,831
Any compensation or other benefits in-kind paid monthly or annually	-	-	-

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

6. 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 Board Memberships
Saeed M. AlGhamdi	• Chairman • Non-Executive Member	• The National Commercial Bank (Saudi Arabia). • Türkiye Finans Katılım Bankası • Chairman of the Board of Directors of Saudi Credit Bureau (SIMAH), Kingdom of Saudi Arabia. • Member of MasterCard's Regional Advisory Board for the Middle East and Africa.
David J. Meek	• Vice Chairman • Non-Executive Member	• The National Commercial Bank (Saudi Arabia). • Chairman of the Board Risk Committee of NCB Capital DIFC (Dubai) • GETTING ON BOARD. • The British Liver Trust
	• CEO	• Saudi Stock Exchange (Tadawul) • NCB Capital DIFC (Dubai)

الأهلي كابيتال
NCB Capital

Sarah J. Al Suhaimi	• Executive Member	• BACO (Bahrain)
Talal A. Al Khereiji	• Non-Executive Member	• None.
Adnan A. Soufi	• Independent Member	• Bupa Arabia and Head of Audit Committee. • Aej Holding Company. • CMA Advisory Committee. • Trustee in Endowment Neighborhood Centers. • Islamic Economics Institute.
Abdullah F. AlAbdul Jabbar	• Independent member	• Saudi Airlines Cargo Company. • Saudi Air Navigation Services. • GASCO.
Mansour S. Al Maiman*	• Chairman • Non-Executive Member	• The National Commercial Bank (Saudi Arabia). • Saudi Sanabil (Saudi Arabia).
Marwan F. Al Fadl*	• Independent member	• Wared Logistics (Saudi Arabia).
Hamed M. Fayez*	• Non-Executive Member	• Saudi Arabia's Real Estate Development Fund. • Inmaa Al Ruaya • Saudi Arabia's Falcon Club
Faisal M. Charara*	• Independent member	• Carrier Saudi Service Company (Saudi Arabia) • Saudi National Insurance Company (Bahrain) • Wataniya Insurance Company (Saudi Arabia).

*The Term of the Board ended on 17/07/2018G.

Meeting Attendance:

Name	09 April	25 July	22 October	18 December	Total
Saeed M. AlGhamdi**	-	✓	✓	✓	3
David J. Meek**	-	✓	✓	✓	3
Sarah J. Al Suhaimi	✓	✓	✓	✓	4
Talal A. Al Khereiji	✓	✓	✓	✓	4
Adnan A. Soufi**	-	✓	✓	✓	3
Abdullah F. Al Abduljabbar**	-	✓	✓	✓	3
Mansour S. Al Maiman*	✓	-	-	-	1
Marwan F. Al Fadl*	-	-	-	-	0
Hamed M. Fayez*	✓	-	-	-	1
Faisal M. Charara*	✓	-	-	-	1

*The Term of the Board ended on 17/07/2018G.
** The new Board was appointed on 17/07/2018G.

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, including misuse of corporate assets and abuse in related party transactions. 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

الأهلي كابيتال
NCB Capital

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	19 April	12 July	18 October	Total
Lama A. Ghazzaoui	✓	✓	✓	✓	4
Abdullah S. Al Anizi	✓	✓	✓	✓	4
Abdulaziz AlBabtain	✓	✓	✓	✓	4

Siba Khafaji*	✓	✓	✓	-	3
Marwan F. Al* Fadl	-	-	-	-	0

*The term of the Audit Committee ended on 17/07/2018G and the membership of Mrs. Siba Khafaji and Mr. Marwan Al Fadl was not renewed.

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.

Meeting Attendance:

Name	07 January	19 Sept.	22 October	15 November	19 December	Total
David J. Meek *	-	✓	✓	✓	✓	4
Adnan A. Soufi*	-	✓	✓	-	✓	3
Abdullah F. Al* Abduljabbar	-	✓	✓	✓	✓	4
Abdulaziz A. Al Zaid**	✓	-	-	-	-	1
Blaiheid N. Al Blaiheid**	✓	-	-	-	-	1

Faisal M. Charara**	✓	-	-	-	-	1
Sarah J. Al Suhaimi**	✓	-	-	-	-	1

* The members of Nomination and Remuneration Committee were appointed on 17/07/2018G.
**The term of the Nomination and Remuneration Committee ended on 17/07/2018G.

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	27 Feb	04 October	22 October	19 December	total
Hamed M. Fayez*	✓	-	-	-	1
Majed Hamdan Alghamdi**	✓	-	-	-	1

Sarah J. Al Suhaimi	✓	✓	✓	✓	4
David J. Meek***	-	✓	✓	✓	3
Talal A. Al Khereiji	-	✓	✓	✓	3

* The term of the Board Risk Committee ended on 17/007/2018G and the membership of Mr. Hamed Fayez was not renewed.
** Mr.Majed Hamdan Alghamdi resigned on 19/09/2018G.
*** Mr. David Meek was appointed on 27/09/2019

7. 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.

8. 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 it's Head of Finance or any related person has any business or contracts to which NCB Capital is party.

9. Bank Borrowings

The board confirms that NCB Capital does not have any financing facilities from banks and other financial institutions.

10. 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 24 of the financial statements.

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

Transactions	2018	2017
Management and performance fee charged to the Bank	**7,086**	7,774
Investment banking fees charged to the Bank	**310**	2,310
Incentive expense charged by the Bank	**7,166**	6,136
IT related expenses charged by the Bank	**27,138**	30,889

Rent related expenses charged by the Bank	**1,236**	4,771
Consolidated Statement of Financial Position		
Balances with the Bank	**39,720**	55,435
Amount due to the Bank	**37,185**	8,261
Assets held in a fiduciary capacity		
Bank's assets under management	**3,080,544**	4,393,397

b) 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:

Transactions	**2018**	**2017**
Consolidated Statement of Profit or loss		
Short term benefits	**33,269**	39,406
Directors remuneration	**3,120**	2,806
Consolidated Statement of Financial Position		
End-of-service benefits	**6,005**	9,224
Loans and advances	**634**	1,811

c) Transactions with funds managed by the Group

Transactions	**2018**	**2017**
Consolidated Statement of Profit or loss		
Management fee earned on funds managed by the Group	**310,867**	273,154
Performance and transaction fee earned on funds	**34,266**	4,453

managed by the Group

Consolidated Statement of Financial Position		
Investment in funds managed by the Group (note 6)	**502,174**	654,988
Management and performance fee receivable from funds managed by the Group	**9,607**	10,068

d) Transactions with Group's associates:

Transactions	**2018**	**2017**
Consolidated Statement of Financial Position		
Dividend Receivable from H.C Securities and Investment S.A.E	**--**	3,991
Due to Eastgate Global Carry Vehicle L.P.	**11,553**	11,595

11. 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*	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

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, regulatory reviews, advisory engagements and constant follow-ups on issues highlighted during the audits to ensure satisfactory closure throughout the year. Internal Audit during 2018 completed and finalized the audits that were planned for 2018, with some exceptions that were highlighted to the Audit Committee. It was also successful in closing various long outstanding findings during the year. It also performed special reviews as directed by the CEO and/or senior management.

Opinion of the Audit Committee

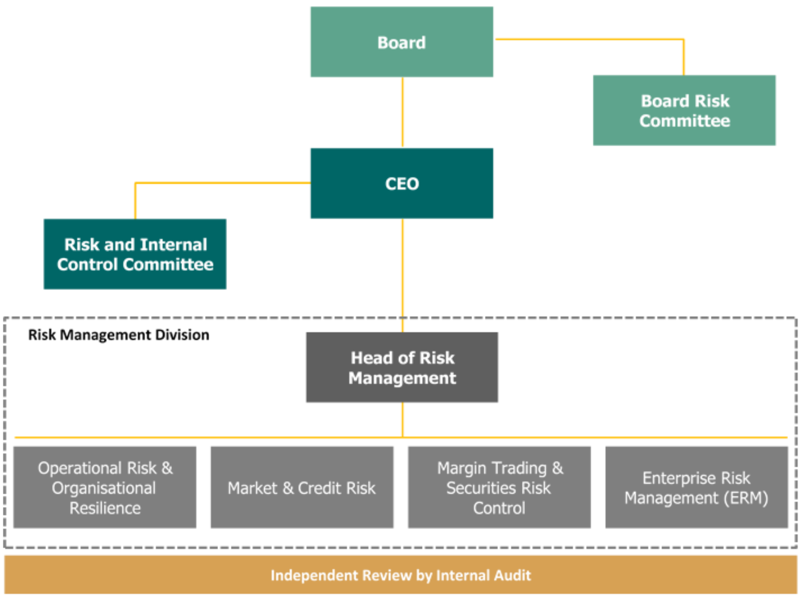
Based on the periodic reports presented by the Internal Audit Division, the Compliance Division, the external auditors and the Compliance Committee to the Audit Committee during the fiscal year ending 31 December 2018, the Audit Committee confirms that the internal control measures did not show any significant 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

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 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.

13.1 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 Head of Risk 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 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") headed by the Head of Risk Management who reports to the Chief Executive Officer ("CEO") under the oversight of the Board Risk Committee ("BRC").

Moreover, in its quest to establish a robust risk governance, NCBC's management has instituted various senior management committees to manage risks, and business and strategic issues that might affect the overall risk profile of the Company. The Head of Risk Management 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 and thresholds at business and support function level as well as 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. Exceeding risk limits typically acts as a trigger for management action.

13.2 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 Sukuks.

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 Sukuks 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 Department. 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.

- 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 due to their liquid nature as they consist mainly of liquid Murabaha deposits placed with highly rated financial institutions. These are short term in nature which makes them mostly immune to changes in interest rates and therefore they are neither subject to significant market price risk nor to commodity risk. The Sukuk allocation of these funds remains relatively moderate and is driven by yield and duration management purposes. Among available measures, Risk Management 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. From a governance perspective, NCB Capital has two Fund Boards with a mandate of providing oversight on Equity Funds and Fixed Income funds separately.

- 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 monitored daily, independently by the Risk Management Department using automated software.

Fiduciary Committee is mandated to provide oversight on delivery of the client fiduciary obligations on a firm-wide basis. In terms of membership, the Committee is composed of the Heads of Legal, Finance, Risk, and Compliance.

- **Closed-End Funds (CEFs)**

In 2018, RMD has established a new process for the post- and pre-launch risk review and management for Closed-end Funds. This includes the development of a detailed Risk Register per CEF and a Risk Dashboard which are updated on a quarterly basis and presented to the appropriate stakeholders.

Part of this process is, also, to monitor adherence to the 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:

i. Board approved exposure guidelines requiring a significant portion of the proprietary investments to be in liquid form;
ii. 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;
iii. 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;
iv. Investment of cash in highly rated counterparties, whose credit rating and condition are actively monitored independently by the Risk Management Department;

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 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.

Operational Risk & Organization Resilience

Operational Risk & Organizational Resilience function is responsible for implementing the operational risk framework and ensuring that the Company is able to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions.

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 Head of Risk.

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.

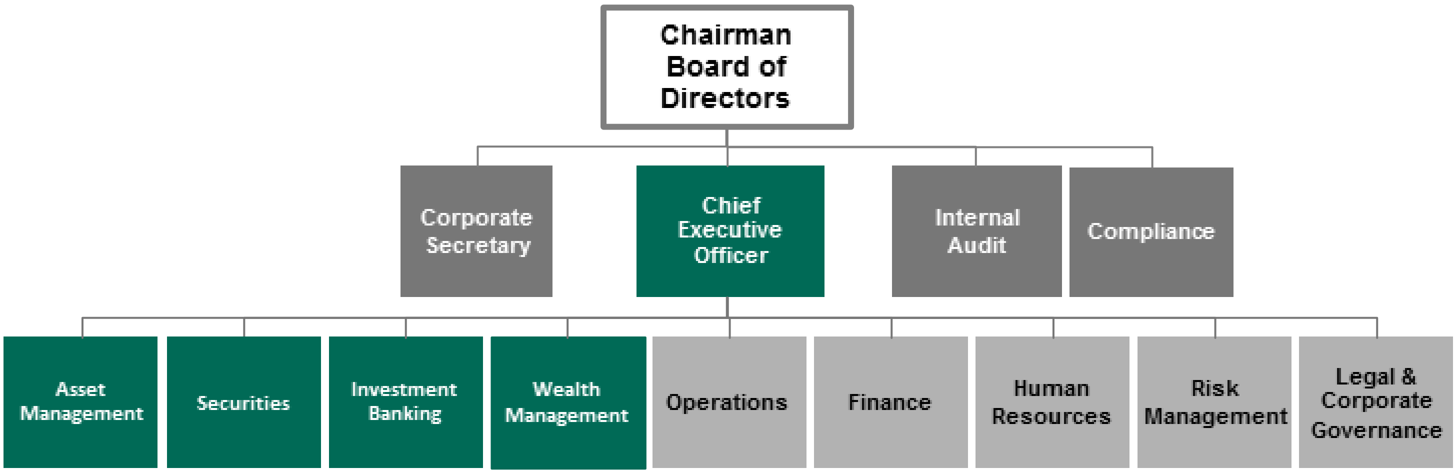
2. **Organizational Resilience**: is further organized into two sub-units:

Business Continuity Management and Support (BCM): BCM program goal is to maintain and enhance the operational resilience within NCBC. Various plans and procedures like Business Continuity, Incident Management, Emergency response procedures, Business recovery plans and strategy are in place to deal with the continuity of critical Business processes for complete line of Business and support functions and form the BCM framework. In order to ensure adoption of the framework throughout the organization, NCBC has also established the BCM Steering Committee to develop, implement, and monitor the program.

Policies, Standard Operating Procedure (SOP) and Service Level Agreements (SLAs) Governance Framework: ensures following established governance and framework that all three pillars looks after NCBCs' policies management as per established policy governance framework.

14. Staff

The Company and its subsidiaries' staffing by the end of December 2018 stood at 281 employees with a Saudization rate of 89.75%.



15. Fines and Penalties

The Company was subjected to a penalty by the Capital Market Authority amounting to SAR 120,000 in 2018 following the Capital Market Authority's Cycle Inspection visits conducted in 2017. The reasons for the penalty is due to internal processes/systems; 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 NCBC's customers, correspondents, shareholders and staff for their support during 2018. The Board also extends its thanks to the Capital Market Authority for their support of all that contributes to the development of the investment banking sector. The results are reflected in the economic growth of the Kingdom of Saudi Arabia, under the guidance and direction of the Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince.

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

Board of Directors