

The Board of Directors of Alinma Bank (“the Bank”) is pleased to present the Eleventh Annual Report for the year ended December 31, 2019. This report provides information about the Bank’s operations, financial position and future plans together with information about the Board of Directors, its committees and other supplementary information designed to meet the needs of the audience of this report.

Capital and shares issued

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

Principal Activities of the Bank

Alinma provides a comprehensive range of Sharia’a-compliant banking services. It takes care of the needs of its partners and strives to provide the best possible services through (170) locations (95 for men, 71 for women and 4 sales centers) as at the end of 2019, supported by the state of the art technology, professionally trained staff, and the best electronic channels including Alinma internet www.alinma.com, Alinma phone 8001208000, Alinma mobile and the wide network of (1,523) ATMs spread across all regions of the Kingdom of Saudi Arabia.

The below table show the activities of the Bank together with their respective contribution to the Gross Revenue:

	Activity’s profit (SAR million)	Percentage%
Income from investments and financing, net	4,394	78%
Fee from banking services	821	15%
Others	395	7%
Total operating income	5,610	100%

Subsidiary Companies

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

Name of Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of establishment	principal place of business
Alinma Investment Company, (Closed Joint Stock Company)	Dealing as principal and agent, undertaking coverage and management, arranging, providing advice and filing in securities business	Authorized: SAR 1,000 million, Paid Up: SAR 250 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanweer Real Estate Company (a Limited Liability Company)	Facilitates mortgage financing & to hold, on behalf of the Bank, the title to real-estate owned/pledged as collateral against financing extended by the Bank	SAR 100,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Alinma Insurance Agency for Cooperative Insurance (a Limited Liability Co.)	The company operates according to the regulations of the Saudi Arabian Monetary Authority and operates as an agent for the Alinma Tokyo Marine (associate company)	SAR 3 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

Name of Subsidiary	Main Activity	Capital	Percentage of Ownership	Country of establishment	principal place of business
Saudi Fintech Company , (Closed Joint Stock Company)	Providing the digital financial products and services in cooperation with banks, together with the providing the digital financial platforms and engaging in banking agency activity for providing the e-commerce payment services	SAR 100 million	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Esnad Company (a Limited Liability Co.)	To provide outsourced staff to the Bank (customer services, management support, technical support)	SAR 500,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

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

	Activity's profit (SAR million)	Percentage%
Fund Management	270	72%
Investment banking and brokerage	39	10%
Others	67	18%
Total operating income	376	100%

Shares and Debt Instruments issued by each Subsidiary Companies

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

Credit Rating of the Bank

During 2019, Fitch Rating has reaffirmed the credit rating for Alinma Bank as (BBB+) with a stable outlook.

Financial highlights

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

(SAR Million)

Financial Position	2019	2018	2017	2016	2015
Financing, net	94,801	83,889	79,063	70,312	57,006
Investments	23,478	18,399	15,066	6,157	6,468
Total Assets	131,839	121,538	114,752	104,730	88,725
Customers' Deposits	102,063	90,128	89,065	80,612	65,695
Total Liabilities	109,395	100,240	94,408	85,551	70,372
Shareholders' Equity	22,445	21,298	20,344	19,178	18,352

(SAR Million)

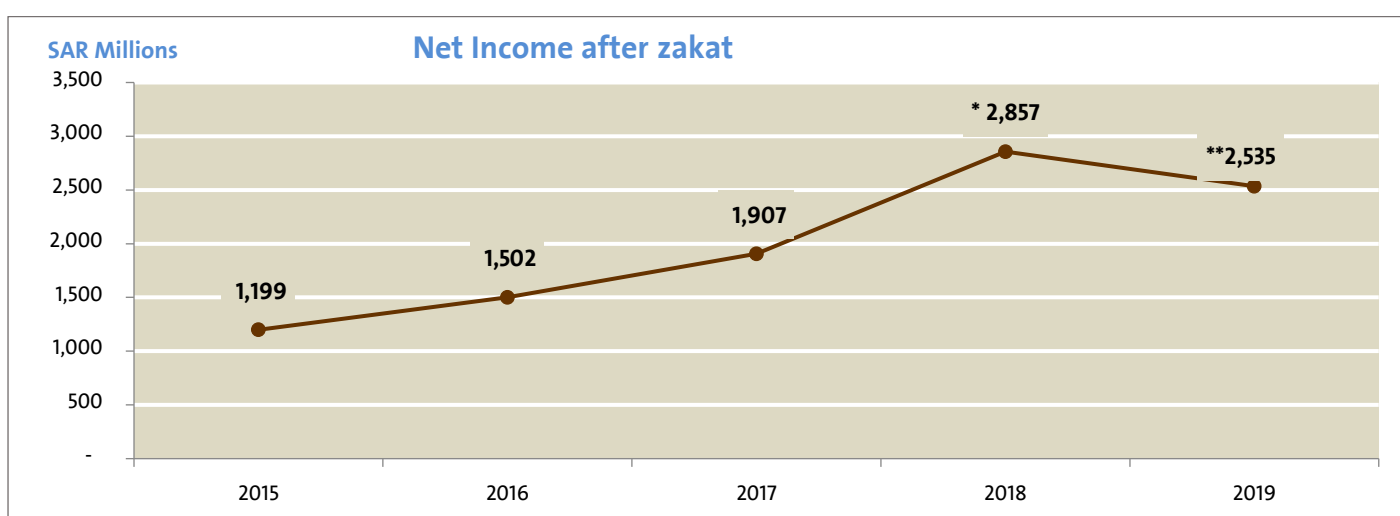
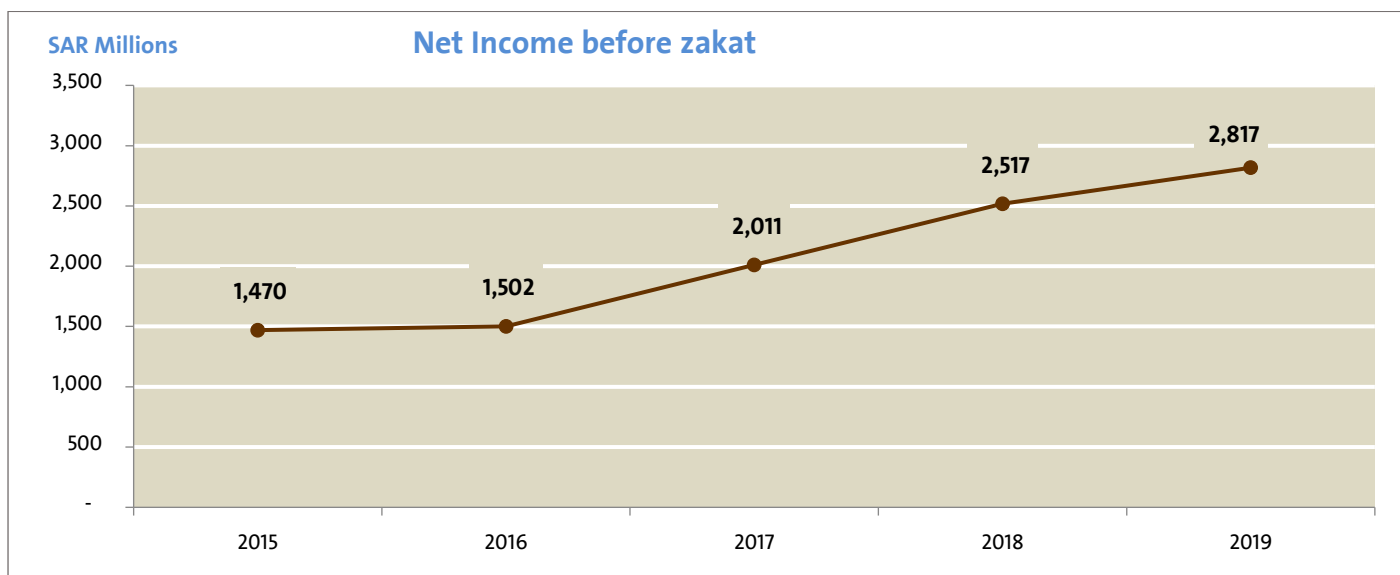
Operating Results	2019	2018	2017	2016	2015
Income from investment and financing, net	4,394	3,798	3,493	2,652	2,279
Fee, Exchange and other income	1,216	1,047	880	676	784
Total operating income	5,610	4,845	4,373	3,328	3,063
Operating expenses	(2,087)	(1,861)	(1,751)	(1,513)	(1,285)
Net income before provisions	3,523	2,984	2,622	1,815	1,778
Provision for financing and other assets	(706)	(467)	(611)	(313)	(308)
Net Income before Zakat	2,817	2,517	2,011	1,502	1,470
Zakat*	(282)	340	(104)	-	(271)
Net Income after Zakat	2,535	2,857	1,907	1,502	1,199

* 2017 Includes SAR 42 million related to 2016.

Furthermore, in December 2018, the Bank reached a settlement agreement with the General Authority for Zakat and Income to settle all pending Zakat claims/assessments for the years from 2009 to 2018, and the settlement resulted in net refund amounts to the bank of SAR 263 million. The above refund together with the surplus provisions made during prior years up-to 2017 aggregated to SAR 557 while the Zakat provision for the year 2018 amounted to SAR 217 million. As a result the net amount of SAR 340 million has been added to the net income for the year 2018, whereas an amount of SAR 282 has been deducted from the year 2019 net income being the Zakat charge for the fiscal year 2019.

Operating Results

The bank recorded net income before zakat at the end of the fiscal year 2019, amounting to SAR 2,816 million, and a growth of 12% compared to 2018, where the operating income grew by 16%, while operating expenses increased by 12% and provisions by 51%. The net income after Zakat for the year 2019 reached to SAR 2.535 million compared to SAR 2,857 million for the year 2018, a decrease of 11%, mainly due to the reversal of the Zakat amount of SAR 340 million in the comparative year 2018 vs the charge of SAR 282 million as a Zakat expense for the year 2019.

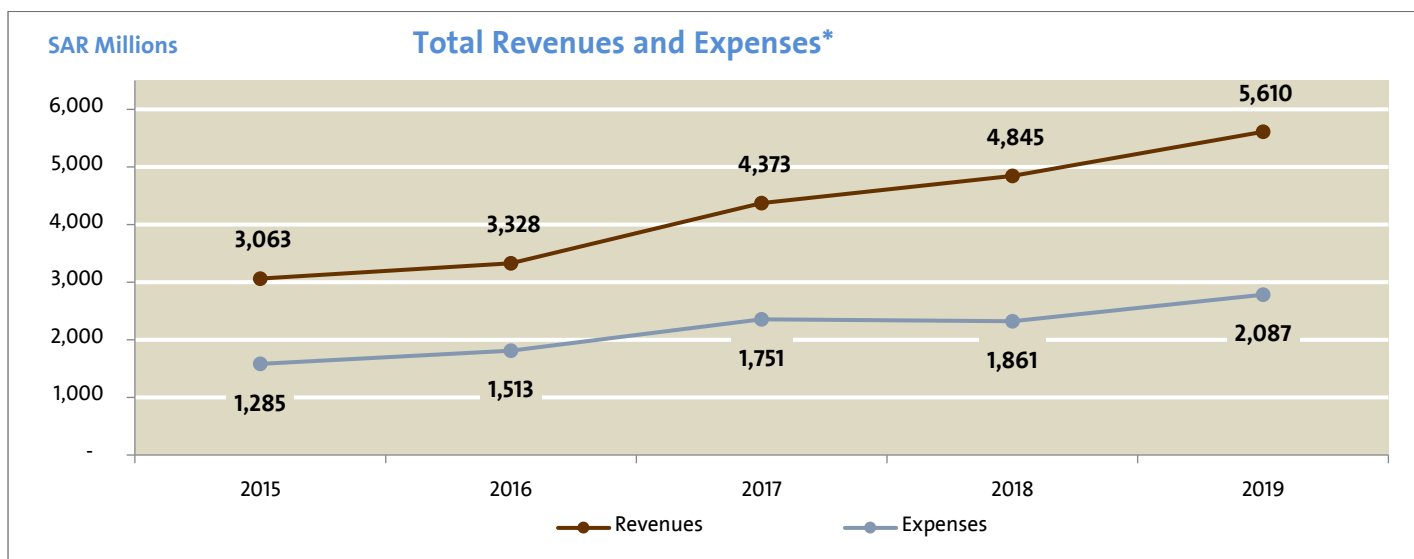


*The amount of 340 million riyals was added as a result of the settlement with the Zakat and Income Authority for the previous years.

** Zakat was deducted from net profit of SAR 282 million, previously deducted from the equity.

Total operating income for the year ended December 31, 2019 amounted to SAR 5,610 million compared to SAR 4,845 million for the fiscal year 2018, registering a growth of 16%. The net income from investment and financing increased to SAR 4,394 million, with a growth rate of 16% compared to by SAR 3,798 million for fiscal year of 2018, and the total income from banking services fees, currency exchange income and return on equity investments also increased by 16%, reaching SAR 1,216 million compared to SAR 1,047 million for the year 2018.

On the other hand, operating expenses, increased at relatively lower rates by 12% for the year 2019 to reach SAR 2,087 million compared to SAR 1,861 million for the year 2018. The bank has also increased provisions for credit and other losses by SAR 706 million to reach SAR 2,791 million at the end of 2019, compared to SAR 2,528 million at the end of 2018. The bank also continued to implement its plans for the strategic expansion of its branches by adding 5 new sites for men, 4 sites for women and 36 ATMs, bringing the total number of Alinma ATMs to 1,523 by the end of 2019.



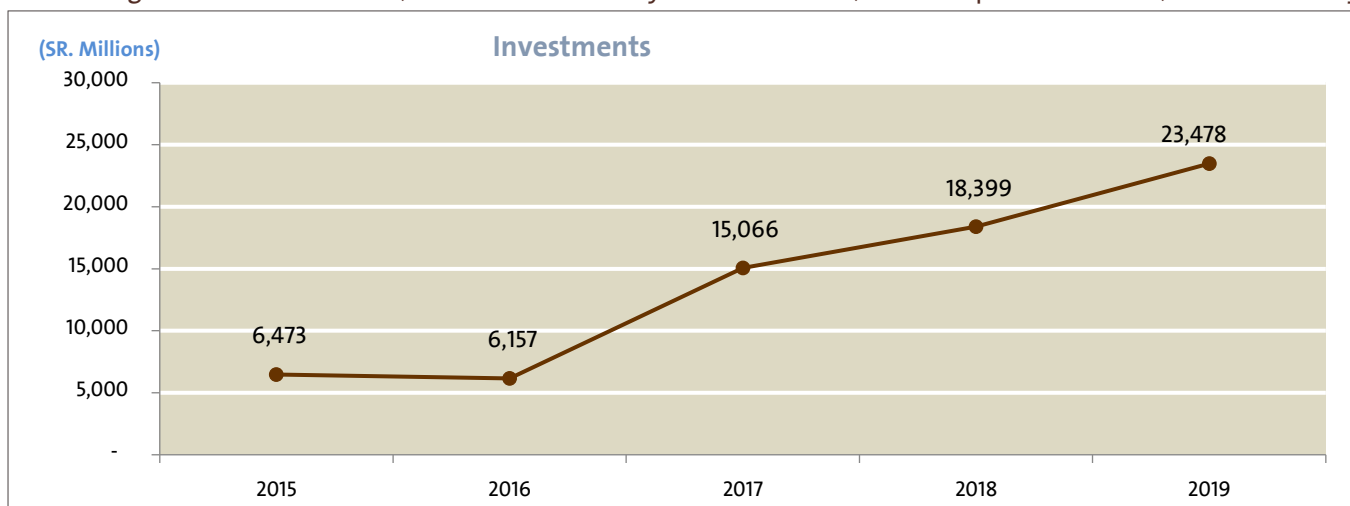
*Excluding Provisions

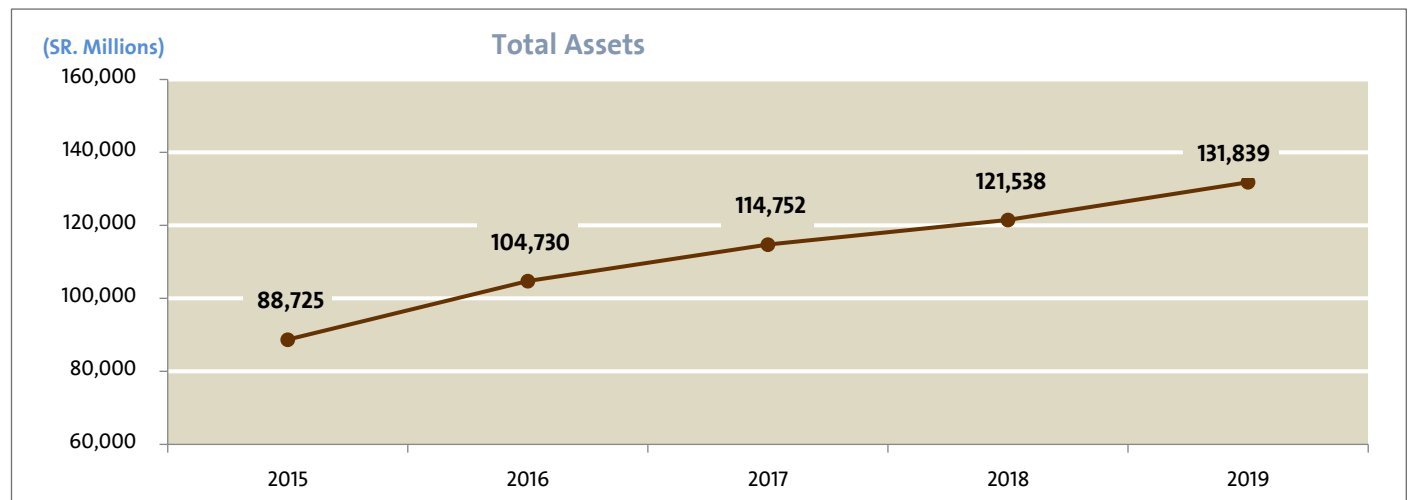
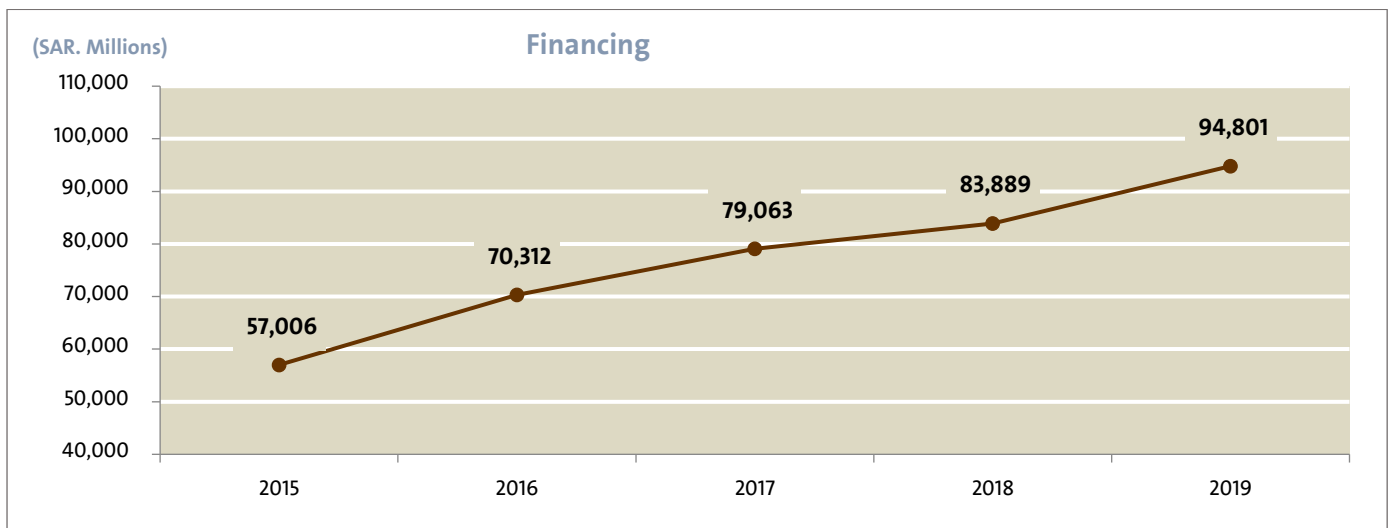
Earnings per Share

Earnings per share for the year 2019 reached to SAR 1.70, compared to SAR 1.92 for the year 2018, a decrease of 11%, due to the restatement of the year 2018 net profit resulting in addition of SAR 340 million as well as deducting an amount of SAR 282 million from the year 2019 net profit in light of the change in accounting policy during the year 2019 to treat the Zakat and income tax in the income statement instead of the statement of changes in shareholders equity as was the practice in the prior years, in addition to the impact of the settlement reached in 2018 with the General Authority of Zakat and Income, taking into account that the year 2018 earnings per share was SAR 1.69 excluding the impact of the Zakat restatement as previously published.

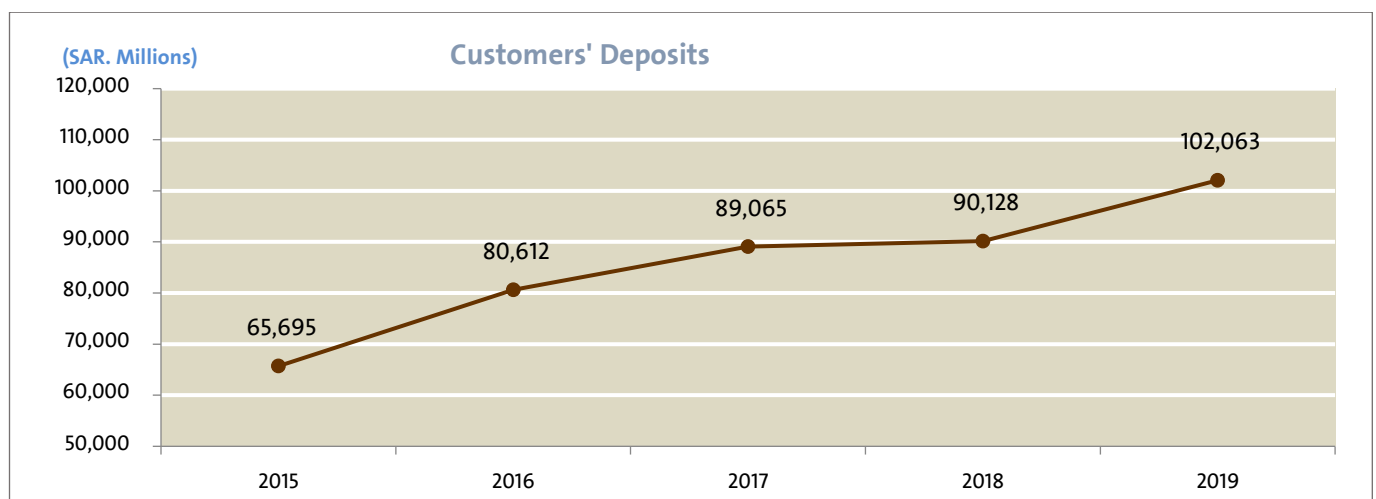
Financial Position

Investments grew by 28% to SAR 23,478 million, Financing by 13% to SAR 94,801 million while the Total Assets registered an overall growth of 8% to SAR 131,839 million as of the year ended Dec 31, 2019 compared to SAR 121,538 million last year.





The Customer deposits increased by 13% to reach SAR 102,063 million, compared to SAR 90,128 million for the year 2018



Shareholder's equity and Capital Adequacy

The shareholders' equity rose to SAR 22,445 million at end of year 2019 compared to SAR 21,298 million as at December 31, 2018. Despite the consistent growth in financing and investments portfolio, the Bank continues to be one of the highest in the industry in terms of CAR at 20% and has significant edge over the minimum required for the bank by the Saudi Arabian Monetary Authority and Basel 8%.

Change in Major Shareholding

Following are the changes in the composition of the major shareholders holding more than 5% of the shares:

S	Name	Beginning of the year		End of the year	
		Shares	Ownership	Shares	Ownership
1	Public Pension Agency	160,701,000	10.71%	87,201,000	5.81%
2	Public Investments Fund	150,000,000	10.00%	150,000,000	10.00%

Financial Position by Segments

Following is the financial analysis across its major business segments of the Bank.

2019 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	19,176	75,263	36,344	1,056	131,839
Total Liabilities	74,389	7,044	27,742	220	109,395
Total Operating Income	2,341	1,781	1,112	376	5,610

2018 - (SAR Million)

Particulars	Retail	Corporate	Treasury	Investment & Brokerage	Total
Total Assets	15,256	68,209	37,167	907	121,538
Total Liabilities	68,596	6,352	24,962	329	100,240
Total Operating Income	1,899	1,581	1,014	351	4,845

Geographic Analysis of Revenue

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

SAR Million

Total revenue	Western Region	Eastern Region	Northern Region	Southern Region	Central Region	Total
Financial year ended December 31, 2019	1,095	513	65	65	3,872	5,610
Financial year ended December 31, 2018	718	440	57	48	3,582	4,845

Branches and ATM networks

The Bank opened 5 new locations for men, 4 for women during the year 2019 to bringing the total number of locations to 170, including 95 for men, 71 for women and 4 sales centers, in addition to operating an additional 36 ATMs during 2019, bringing the total number of ATMs that Provided and operational by the end of 2019, 1,523 ATMs.

Due to banks and other financial institutions

Total outstanding funding from the financial sector as of December 31, 2019 amounted to SAR 3,290 million and are maturing maximum by March 2020. The aggregate maximum exposure during the year was SAR 6,318 million. These borrowings represent short term interbank deposits that are used for the day-to-day liquidity management. Neither the Bank nor any of its subsidiaries has obtained any loans maturing upon demand.

Dividend Distribution Policy

As stipulated in article (43) of Alinma bank's By-Laws, the Bank distributes its net income after deducting all general expenses, other costs, providing necessary reserves for bad debts, investment losses and any other items that BOD may consider appropriate in accordance with the Banking Control Law and SAMA directives, as follows:

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

During the year 2019, the Board of Directors recommended issuance of bonus shares to the bank's shareholders at one share for every three shares, amounting to SAR 5,000 million or 33.3% of the nominal value of the share, partly by transferring from the statutory reserve an amount of SAR 3,423 million and remaining SAR 1,577 million from retained earnings. The Board has recommended the following appropriations:

Following table shows the appropriation of net income, including the proposed issue of bonus shares: Details	٢٠١٩م	٢٠١٨م
	Millions of riyals	
Net income for the year	2,535	2,852
Retained earnings-brought forward	1,991	1,897
Additions/Exclusions as per the regulatory and accounting requirements*	-	(599)
Amount available for appropriation	4,526	4,155
Transfer to statutory reserve (25% of net income)	(634)	(629)
Proposed Issue of Bonus shares/dividend**	(1,577)	(1,490)
Transferred to the Social Services Reserve and Others	(28)	(45)
Retained earnings-carried forward*	2,287	1,991

* The statement of changes in shareholders' equity in the financial statements of the Bank for the year 2019 contains additional details about the movements in the Retained Earnings.

** Proposed Issue of Bonus shares for year 2019 was partially funded by SAR 1,577 million from retained earnings, whereas the remaining amount of SAR 3,423 was funded from the statutory reserve.

Accounting Framework

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

- i) The International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and statements issued by the Saudi Organization for Certified Public Accountants (SOCPA) collectively referred to as the standards approved in the Kingdom of Saudi Arabia";
- ii) The provisions of the Banking Control Law, the Companies Law in force in the Kingdom of Saudi Arabia, and the Articles of Association of the Bank.

On July 17, 2019, the Saudi Arabian Monetary Authority issued directives to all banks in the Kingdom of Saudi Arabia regarding the treatment of zakat and income taxes in the income statement in line with IFRS and interpretations issued by the International Accounting Standards Board, and other standards and issuances endorsed by the Saudi Organization for Accountants (collectively referred to as "the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia").

Financial Reporting

The Board of Directors confirms the following:

1. The financial statements prepared by the management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for the changes as disclosed in note 3 (a) to the Consolidated Financial Statements. Key accounting estimates, judgments and assumptions as used in the preparation of financial statements have been duly disclosed under note 2 (d) to the Consolidated Financial Statements.
3. Proper books of accounts have been maintained as required by law.
4. The system of internal controls is sound in design and has been effectively implemented.
5. There are no doubts about the Bank's ability to continue as a going concern.
6. Apart from the information provided in note (33) to the consolidated financial statements, there are no contracts entered into by the Bank during the financial year 2019, in which any of the members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or any other related party has any material interest.

Board of Directors

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

Qualifications, Jobs and Experience of Board Members:

Name	Current Jobs	Previous Jobs	Qualifications
Dr. Abdulmalek bin Abdullah Al-Hogail (Chairman)	Consulting and membership of boards of directors.	Vice President and Executive Director of Finance - Al-Faisaliah group, Faculty member at the Institute of Public Administration.	PhD in Accounting / Finance - Case Western Reserve, USA. – CPA and SOCPA.
Dr. Hamad Sulaiman AlBazai (Vice Chairman)	Deputy Minister of Finance	Undersecretary of Ministry of Finance for Economic Affairs, General Coordinator for (GCC) negotiations	Ph.D. Economics - Colorado State University, USA.
Mr. AbdulMohsen Abdul Aziz Al-Fares (CEO - Managing Director)	Chief Executive Officer -Alinma Bank.	General Manager of Abdul Latif Jameel Financial Services Co., General Manager of General Authority of Zakat and Tax, Manager of General Accounting Dept. - SAMA, Assistant Manager of Internal Audit - SAMA.	Master of Accounting - Western Illinois University, (CPA) from USA.
Mohammed AbdulRahman Abdulatif Bin Dayel	Executive Director – Raidah Investment Co.	Treasury Department-Saudi Aramco.	Master of Business Administration - American University-USA.
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	Director of Local Shares Trading- Hassana Investment Company	Senior Financial Analyst at GOSI.	Bachelor of Accounting – King Saud University, KSA.

Eng. Mutlaq Hamad Al Morished	CEO of National Industrialization Company (Tasnee)	Executive Vice President, Finance – SABIC Executive Vice President, Shared Services – SABIC	Master of Business Administration - Stanford University, USA. Master of Engineering - Princeton University, USA.
Abdulrahman Mohammed Ramzi Abdulrahman Addas	Owner of Abdulrahman Mohammed Ramzi Addas Financial Consulting for non-securities	SEDCO Holding Group - Managing Director of Real Estate Investments, National Commercial Bank (NCB) – Corporate Banking Sector Head, National Commercial Bank (NCB) – Chief Risk Officer, Head of Credit Approvals (NCB)	Master of Finance - University of Denver, USA.
Dr. Saud Muhammad Al Nemer	Professor – Retired	Dean of College of Business Administration	PhD in Public Administration - Florida State University, USA.
Hytham Rashid AbdulAziz AL sheikh Mubarak	Independent investment and management consultant	Head of wealth management (then Chief Executive charged)-Saudi Fransi Capita - Head of asset management- Aran National Investment - Head of portfolio management-NCB.	Business management (investment management) - USA.

Qualifications, Jobs and Experience of the Non-Board Committee Members:

Name	Current Jobs	Previous Jobs	Qualifications
Dr. Saad bin Saleh Al-Rowaite	Prince Sultan University - Vice President for Administrative and Financial Affairs	Part-time consultant - Ministry of Health, Head of the Accounting Department - King Saud University.	PhD in Accounting - University of Colorado - USA
Dr. Ahmed Abdullah Al Moneef	Head of the Accounting Department, and the General Supervisor of the Internal Audit Unit - King Saud University	Lecturer, Accounting Department - King Saud University, Assistant Account Auditor – Saudi Industrial Development Fund.	PhD in Accounting and Finance - University of Dundee, USA.

Board of Directors' Meetings

The Board held Six (6) meetings during the financial year 2019 as shown in the table below:

Member Name	Membership status	Other Directorship	Meetings Date						Total
			28/01/2019	26/03/2019	25/06/2019	17/09/2019	28/10/2019	25/12/2019	
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail (Chairman) **	Independent	Saudi Electricity Co., Saudi Company for Maritime Transport, Americana Group -Kuwait food, National Chemical Carriers	-	-	√	√	√	√	4
Dr. Hamad Sulaiman AlBazai (Vice Chairman)	Non- Executive	Southern Cement Company, Building Development Company	√	√	√	√	√	√	6
Mr. AbdulMohsen Abdul Aziz Al-Fares (CEO - Managing Director)	Executive	Alinma Investment Co, Alinma Tokyo Marine Co, Ersal Money Transfer, Saudi Fintech Company, JEC Fund, Endowment Funds	√	√	√	√	√	√	6
Mr.Mohammed AbdulRahman Abdulatif Bin Dayel**	Non- Executive	Raza Real Estate Company	-	-	√	√	√	√	4
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	Non- Executive	-	√	√	√	√	√	√	6
Eng. Mutlaq Hamad Al Morished	Non- Executive	Alinma Tokyo Marine Co, Saudi Arabian City Group Company, Metal company	√	√	√	√	√	√	6
Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas***	Independent	Savola Group, Saudi Spring Food Company, Ahmed Mohamed Saleh Baeshen Company, Diyar Al Khayyal Real Estate Development Company, Tunisian Saudi Bank, Arcoma Company	-	-	-	-	-	√	1
Dr. Saud Muhammad Al Nemer**	Independent	Saudi Public Transport Company	-	-	√	√	√	√	4
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak**	Independent	-	-	-	√	√	√	√	4
Eng. AbdulAziz Abdullah Al-Zamil****	Independent	Sipchem International, Al-Zamil Group	√	-	√	-	-	-	2
Dr. Saad Attia Al-Ghamdi*	Independent	-	√	√	-	-	-	-	2
Mr. Saad Ali Al-Kathiry*	Non- Executive	Saudi Industrial Investment Group	√	√	-	-	-	-	2
Mr. Khalid Mohammed Al-Aboodi*	Independent	Anfal Capital, The Saudi Agricultural Investment and Animal Production (Salik)	√	√	-	-	-	-	2
Mr. Mohammed Sulaiman Abanumay*	Independent	-	√	-	-	-	-	-	1

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

*** Beginning of membership on 20/11/2019

**** Membership expires on 06/10/2019

Committees of the Board of Directors

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

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

Executive Committee

The Executive Committee has been formed by the Board of Directors, as stipulated by Article (20) of the Bank's Articles of Association. The Executive Committee exercises all powers conferred upon it by the Board of Directors. The committee is composed of five (5) members and headed by the Chairman of the Board of Directors. Its meetings are deemed valid if attended by at least three (3) members.

The committee held nine (9) meetings during the financial year 2019 as shown in the table below:

Name	Meeting date									
	15/01/2019	11/02/2019	12/03/2019	16/04/2019	30/04/2019	13/07/2019	17/09/2019	31/10/2019	17/12/2019	Total
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail(Chairman)**	-	-	-	-	-	√	√	√	√	4
Mr. AbdulMohsen Abdul Aziz Al-Fares	√	√	√	√	√	√	√	√	√	9
Mr.Mohammed AbdulRahman Abdulatif Bin Dayel**	-	-	-	-	-	√	√	√	√	4
Eng. Mutlaq Hamad Al Morished**	-	-	-	-	-	√	√	√	√	4
Mr.Abdulrahman Mohammed Ramzi Abdulrahman Addas***	-	-	-	-	-	-	-	-	√	1
Eng. AbdulAziz Abdullah Al-Zamil****	√	√	√	-	-	-	-	-	-	3
Mr. AbdulMuhsin Abdul Aziz Al-Hussein*	√	√	√	√	√	-	-	-	-	5
Mr. Khalid Mohammed Al-Aboodi*	√	√	√	√	√	-	-	-	-	5
Mr. Mohammed Sulaiman Abanumay*	√	√	√	√	-	-	-	-	-	4

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

*** Beginning of membership on 20/11/2019

**** Membership expires on 06/10/2019

Nominations and Remuneration Committee

The Benefits and Compensations Committee has been formed by the Board of Directors and is composed of four (4) members. The Committee is responsible for nominating Board members and ensuring their independence. It is also responsible to formulate policies for benefits and compensation of Board members and senior executives.

4 meetings were held during the financial year 2019, and were attended by members as shown in the table below:

Name	Meeting date				Total
	15/01/2019	25/03/2019	22/10/2019	11/11/2019	
Dr. Saud Muhammad Al Nemer (Chairman) **	-	-	√	√	2
Dr. Hamad Sulaiman AlBazaj**	-	-	√	√	2
Mr. AbdulMuhsin Abdul Aziz Al-Hussein**	-	-	√	√	2
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak**	-	-	-	√	1
Dr. Saad Attia Al-Ghamdi*	√	√	-	-	2
Mr. Saad Ali Al-Kathiry*	√	√	-	-	2
Eng. Mutlaq Hamad Al Morished*	-	√	-	-	1
Mr. Mohammed Sulaiman Abanumay*	√	√	-	-	2

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

Audit Committee

The Audit Committee is composed of three (3) non-executive members, two of them are independent non- Board Members. The bank has obtained the No Objection of the Saudi Arabian Monetary Authority, the supervisory authority for the banking sector in the Kingdom of Saudi Arabia, by letter No. (67/65697) dated 11/01 / 1440H for the Bank General Assembly Decision No. 12/2019 dated 07/19/1440 forming the committee. The audit committee will study the financial statements and accounting and control policies and supervise the work of internal auditing and liaise with the external auditors to ensure their independence, The committee held five (5) meetings during the fiscal year 2019 CE as shown in the table following:

Name	Meeting date					Total
	23/01/2019	14/04/2019	13/07/2019	09/09/2019	13/10/2019	
Eng. Mutlaq Hamad Al Morished (Chairman) **	-	-	√	√	√	3
Dr. Ahmed Abdullah Al Moneef	√	√	√	√	√	5
Dr. Saad bin Saleh Al-Rowaite ****	-	-	√	√	√	3
Dr. Saad Attia Al-Ghamdi*	√	√	-	-	-	2
Dr. Saud Muhammad Al Nemer***	√	√	-	-	-	2

* Membership of the Board of Directors ended on 20/05/ 2019

** Beginning of membership of the members of the Board of Directors on 21/05/2019

*** The termination of membership of non-members of the Board of Directors on 20/5/2019

**** Beginning of membership of non-members of the Board of Directors on 5/21/2019

Risk Management Committee

Risk Management Committee has been formed to assist the Board in overseeing the enterprise risk management process and to discharge other related responsibilities. The Risk Management Committee is composed of four (4) members. It has held two (2) meetings during the financial year 2019 as shown in the following table:

Name	Meeting date		Total
	05/02/2019	11/11/2019	
Dr. Hamad Sulaiman AlBazai (Chairman)	√	√	2
Mr. AbdulMohsen Abdul Aziz Al-Fares	√	√	2
Dr. Saud Muhammad Al Nemer**	-	√	1
Mr. Hytham Rashid AbdulAziz Al-AlShaikh Mubarak**	-	√	1
Mr. AbdulMuhsin Abdul Aziz Al-Hussein*	√	-	1
Mr. Saad Ali Al-Kathiry*	√	-	1

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

Notifying the Board of Directors of shareholders' suggestions and observations:

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

Sharia'h Board

Alinma Bank is committed to conduct its business in compliance with Sharia'h. Article (50) of the Articles of Association stipulates that "all the company's business shall be subject to the provisions and controls of Sharia'h". The bank appointed a Sharia'h Board to provide guidance, supervision and monitoring of all business conducted by the Bank. The Sharia'h Board has the following four members, all of whom are specialized in the jurisprudence of Islamic finance and economics:

- Dr. Abdul Rahman Ben Saleh Al Atram – Chairman
- Dr. Abdullah Ben Wakeel Al Sheikh – Deputy Chairman
- Dr. Suleiman Ben Turkey Al Turkey – Member
- Dr. Yousef Ben Abdullah Al-Shubaily – Member

To achieve its objectives, Sharia'a Board is supported by Sharia'a group, which is one of the important groups within the organizational structure of the Bank.

Executive Management

The executive management is composed of a number of executives headed by the CEO who manage the day-to-day business of the Bank.

Qualifications, Jobs and experience of Executive Management:

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

Boards' Remunerations

Members of Board of Directors	Fixed remunerations							Variable remunerations							End-of-service award	Grand total	Expenses Allowance
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings committee	In-kind benefits	Remunerations for technical managerial and consultative work	Remunerations of the chairman ,Managing Director or Secretary , if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total				
First: Independent Directors																	
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail	275,000	12,000	20,000	-	-	-	307,000	-	-	-	-	-	-	-	-	307,000	-
Mr.Abdulrahman Mohammed Ramzi Abdulrahman Addas	50,000	3,000	5,000	-	-	-	58,000	-	-	-	-	-	-	-	-	58,000	6,352
Dr. Saud Muhammad Al Nemer	275,000	12,000	9,000	-	-	-	296,000	-	-	-	-	-	-	-	-	296,000	-
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak	275,000	6,000	6,000	-	-	-	287,000	-	-	-	-	-	-	-	-	287,000	-
Eng. AbdulAziz Abdullah Al-Zamil	345,000	3,000	15,000	-	-	-	363,000	-	-	-	-	-	-	-	-	363,000	-
Dr. Saad Attia Al-Ghamdi	175,000	6,000	6,000	-	-	-	187,000	-	-	-	-	-	-	-	-	187,000	5,944
Mr. Khalid Mohammed Al-Aboodi	175,000	6,000	25,000	-	-	-	206,000	-	-	-	-	-	-	-	-	206,000	-
Mr. Mohammed Sulaiman Abanumay	175,000	3,000	26,000	-	-	-	204,000	-	-	-	-	-	-	-	-	204,000	-
Total	1,745,000	51,000	112,000	-	-	-	1,908,000	-	-	-	-	-	-	-	-	1,908,000	12,296
Second: Non- Executive Directors																	
Dr. Hamad Sulaiman AlBazai	450,000	18,000	12,000	-	-	-	480,000	-	-	-	-	-	-	-	-	480,000	-
Mr.Mohammed AbdulRahman Abdulatif Bin Dayel	275,000	12,000	20,000	-	-	-	307,000	-	-	-	-	-	-	-	-	307,000	-
Mr. AbdulMuhsin Abdul Aziz Al-Hussein	448,000	18,000	34,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Eng. Mutlaq Hamad Al Morished	450,000	18,000	23,000	-	-	-	491,000	-	-	-	-	-	-	-	-	491,000	-
Mr. Saad Ali Al-Kathiry	175,000	6,000	9,000	-	-	-	190,000	-	-	-	-	-	-	-	-	190,000	-
Total	1,798,000	72,000	98,000	-	-	-	1,968,000	-	-	-	-	-	-	-	-	1,968,000	-
Third: Executive Directors																	
Mr. AbdulMohsen Abdul Aziz Al-Fares	431,000	18,000	51,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-
Total	431,000	18,000	51,000	-	-	-	500,000	-	-	-	-	-	-	-	-	500,000	-

Board Members and Executive Management Compensation Policy

The Bank complies with the provisions of the Companies Law and instructions issued by supervisory authorities on the banking sector in the Kingdom of Saudi Arabia. Total remuneration received by a Board member during the fiscal year, including financial or in-kind benefits and privileges, shall not exceed SAR 500,000 in total. Compensations of employees and senior executives shall be determined in accordance with contracts, policies, and resolutions approved by the Board of Directors in this regard in light of relevant rules and regulations issued by supervisory bodies on the banking sector in the Kingdom of Saudi Arabia.

Remuneration of Members of Committees

	Fixed Remuneration (Except for the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total SAR
Audit Committee Members			
Eng. Mutlaq Hamad Al Morished (Chairman) **	-	9,000	9,000
Dr. Ahmed Abdullah Al Moneef	100,000	18,000	118,000
Dr. Saad bin Saleh Al-Rowaite ****	60,833	9,000	69,833
Dr. Saad Attia Al-Ghamdi*	-	6,000	6,000
Dr. Saud Muhammad Al Nemer***	38,892	6,000	44,892
Total	199,725	48,000	247,725

* Membership of the Audit Committee ended on 20/05/ 2019

** Beginning of membership of the members of the Audit Committee on 21/05/2019

*** The termination of membership of non-members of the Audit Committee on 20/5/2019

**** Beginning of membership of non-members of the Audit Committee on 5/21/2019

	Fixed Remuneration (Except for the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total SAR
Nomination and Remuneration Committee Members			
Dr. Saud Muhammad Al Nemer (Chairman) **	-	6,000	6,000
Dr. Hamad Sulaiman AlBazai**	-	6,000	6,000
Mr. AbdulMuhsin Abdul Aziz Al-Hussein**	-	6,000	6,000
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak**	-	3,000	3,000
Dr. Saad Attia Al-Ghamdi*	-	6,000	6,000
Mr. Saad Ali Al-Kathiry*	-	6,000	6,000
Eng. Mutlaq Hamad Al Morished*	-	3,000	3,000
Mr. Mohammed Sulaiman Abanumay*	-	6,000	6,000
Total	-	42,000	42,000

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

	Fixed Remuneration (Except for the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total SAR
Risk Management Committee			
Dr. Hamad Sulaiman AlBazai (Chairman)	-	6,000	6,000
Mr. AbdulMohsen Abdul Aziz Al-Fares	-	6,000	6,000
Dr. Saud Muhammad Al Nemer**	-	3,000	3,000
Mr.Hytham Rashid AbdulAziz Al-AlShaikh Mubarak**	-	3,000	3,000
Mr. AbdulMuhsin Abdul Aziz Al-Hussein*	-	3,000	3,000
Mr. Saad Ali Al-Kathiry*	-	3,000	3,000
Total	-	24,000	24,000

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

	Fixed Remuneration (Except for the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total SAR
Executive Committee			
Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail(Chairman)**	-	20,000	20,000
Mr. AbdulMohsen Abdul Aziz Al-Fares	-	45,000	45,000
Mr.Mohammed AbdulRahman Abdulatif Bin Dayel**	-	20,000	20,000
Eng. Mutlaq Hamad Al Morished**	-	20,000	20,000
Mr.Abdulrahman Mohammed Ramzi Abdulrahman Addas***	-	5,000	5,000
Eng. AbdulAziz Abdullah Al-Zamil****	-	15,000	15,000
Mr. AbdulMuhsin Abdul Aziz Al-Hussein*	-	25,000	25,000
Mr. Khalid Mohammed Al-Aboodi*	-	25,000	25,000
Mr. Mohammed Sulaiman Abanumay*	-	20,000	20,000
Total	-	195,000	195,000

* Membership expires on 20/05/ 2019

** Beginning of membership on 21/05/2019

*** Beginning of membership on 20/11/2019

**** Membership expires on 06/10/2019

Remunerations of Senior Executives

Top Six Senior Executives who received the highest compensation and remuneration from the bank, including the CEO and CFO		Total SAR
Fixed remunerations	Salaries	15,279,854
	Allowances	3,509,632
	In-kind benefits	-
	Totals	18,789,486
Variable remunerations	Periodic remunerations	9,865,306
	Profits	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Granted shares (Market value at the vesting date)	-
	Totals	9,865,306
End- of service award		18,032,942
Total remunerations for Board executives		431,000
Aggregate Amount		47,118,734

Ownership of the Bank's shares by the Chairman and members of the Board of Directors and Senior Executives and their spouses and minor children

Description of all ownership by members of the Board of Directors, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
S	Member's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Dr. Abdulmalek bin Abdullah bin Hamad Al-Hogail	-	-	150,000	-	150,000	%100
2	Dr. Hamad Sulaiman AlBazai	46,000	-	90,500	-	44,500	%96.73
3	Mr. AbdulMohsen Abdul Aziz Al-Fares	710,000	-	710,000	-	-	-
4	Mr. Mohammed AbdulRahman Abdullatif Bin Dayel	1,000	-	1,000	-	-	-
5	Mr. AbdulMuhsin Abdul Aziz Al-Hussein	-	-	-	-	-	-
6	Eng. Mutlaq Hamad Al Morished	21,000	-	21,000	-	-	-
7	Mr. Abdulrahman Mohammed Ramzi Abdulrahman Addas	859	-	859	-	-	-
8	Dr. Saud Muhammad Al Nemer	50,000	-	50,000	-	-	-
9	Mr.Hytham Rashid AbdulAziz Al-AIShaikh Mubarak	-	-	-	-	-	-

Description of all ownership by senior executives, their spouses and minor children in the shares, Sukuks and other instruments issued by the Bank or any of its subsidiaries							
S	Senior executive's Name	Beginning of the year		End of the year		Net change	% change
		No. of Share	Sukuks	No. of Share	Sukuks		
1	Mr. Ibrahim Suleiman AlSayari	36,600	-	-	-	(36,600)	(% 100)
2	Mr. Emad AbdulRahman AlButairi	134,859	-	134,859	-	-	-
3	Mr. Abdullah Jamaan Al Zahrani	3,359	-	3,359	-	-	-
4	Meshary AbdulAziz AlJubair	86,086	-	86,086	-	-	-
5	Mr. Muhammad Iqbal Ibrahim	15,000	-	18,000	-	3000	%20
6	Dr. Mohammed Sultan Alsehali	1,200	-	1,700	-	500	%41,66
7	Dr. Sulaiman Ali AlHudaif	-	-	18,350	-	18,350	%100
8	Mr. Abdullah Mohammed AlSalamah	9,599	-	16,309	-	6,710	%69.90

Legal Penalties and Sanctions

The bank has not been imposed to any material penalties during the year. Following are the penalties imposed on Alinma bank during 2019:

First\ SAMA penalties:

Violation	Current Financial Year	
	Number of penalties	Total amount of financial penalties in Saudi Riyals
Violation of Supervisory directives	9	352,500
Violation of directives for conducting due diligence related to the Anti- Money laundering and the Financing of Terrorism	1	155,000

Second: Sanctions and penalties imposed by other supervisory bodies:

Violation	Current Financial Year	
	Number of penalties	Total amount of financial penalties in Saudi Riyals
ATM rooms space rules and advertisement posters- Riyadh Region Municipality	4	1,649,200

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

Corporate Governance provisions implementation

In general, the bank ensures compliance with the guidance provided by the Corporate Governance Regulations issued by the Capital Market Authority as well as the Saudi Arabian Monetary Authority (SAMA).

Social contribution to the Society

The bank allocates a percentage not exceeding 1% of the net profits each year to the account of the community service reserve, and the payments were made from the reserve in accordance with the programs, amounts and powers approved by the Board of Directors.

During the year 2019, the following was spent from the Community Service Reserve:

S	Social contribution	Amount (SAR)
1	The bank's participation in supporting the Autism Center of Excellence	7,500,000
2	Participate in the 2019 Etaam campaign	150,000
3	Support the Saudi Charitable Society for Alzheimer's Disease in the Alzheimer's Crane Program	325,600
4	The bank's contribution to the Alinma Fund for Orphan Care	1,000,000
5	The bank's contribution to the Development Fund , Care	1,000,000
6	The bank's contribution to the Development Fund for Mosques	1,000,000
Total		10,975,600

General Assembly Meetings during the year

The General Assembly held an extra ordinary meeting in 26 March 2019. Following table provides the names of the members of the Board who attended the meeting:

Attendance *		
Name		Assembly meeting
1	Eng. AbdulAziz Abdullah Al-Zamil	×
2	Dr. Saad Attia Al-Ghamdi	√
3	Mr. AbdulMohsen Abdul Aziz Al-Fares	√
4	Dr. Hamad Suleiman Al-Bazai	√
5	Mr. AbdulMuhsin Abdul Aziz Al-Hussein	√
6	Mr. Saad Ali Al-Kathiry	√
7	Eng. Mutlaq Hamad Al Morished	√
8	Mr. Khalid Mohammed Al-Aboodi	√
9	Mr. Mohammed Sulaiman Abanumay	×

Regulatory accrued obligation

The estimated Zakat for the fiscal year ending December 31, 2019 amounted to SAR 282 million, whereas the withholding tax and value-added tax due at the end of the fiscal year 2019 amounted to SAR 2 million and SAR 4 million, respectively.

In July 17, 2019, the Saudi Arabian Monetary Authority instructed all the banks in the Kingdom of Saudi Arabia to account for the Zakat and income tax in the income statement instead of the list of changes in shareholders' equity, which aligns with the IFRS and its interpretations as endorsed in the Kingdom of Saudi Arabia. Accordingly, the bank changed its accounting policy for the Zakat retrospectively as required by the IAS 8 "Accounting policies, changes in accounting estimates and errors". As a result of the retrospective changes, an amount of SAR 340 million was added to the net income for the year 2018 to reach SAR 2,857 million in addition to increasing the earnings per share by SAR 0.23 to reach SAR 1.92

Staff Benefits

Benefits and compensation are paid to employees in accordance with the provisions of the Saudi Labor Law. As at December 31, 2019, the accumulated balance due to employees on account of the end of service benefits obligation amounted to SAR 347 million. Additionally, the Bank and its employees make monthly contributions towards the General Organization for Social Insurance (GOSI) for staff welfare as per the Saudi Labor Law.

Treasury Shares

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

Number of treasury shares held by the Bank as on December 31, 2019	Value	Date of acquisition	Usage details
10,036,372	103,475,000	2012	For future Employee share based plans

Shareholders' Records Requests

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

Number of Shareholders Records requests	Date of request	Reasons
1	24/02/2019	To answer shareholder inquiries regarding shares
2	25/02/2019	Update the register of shareholders
3	20/03/2019	Ordinary General Assembly No. (9) & Dividend distribution for the year 2018.
4	26/12/2019	Requirements for preparing the Board of Directors Report for 2019

Transactions with related parties

Following are transactions with related parties whereas the Board members of the Bank Mr. AbdulMohsen Abdul Aziz Al-Fares and Eng. Mutlaq Hamad Al Morished have an indirect interest, being members of the Board of Directors of Alinma Tokyo Marine Company, wherein the bank owns 28.75% of the shares, as shown in the below table:

Related party	Relation type	Transaction type	Duration	Value
Alinma Tokyo Marine Co	Contractual	Services	1 Year	Transactions in 2019 consisted of the bank's total premiums of SAR 3,768 thousand
	Contractual	Insurance	1 Year	Transactions in 2019 consisted of issuing and renewing the bank's insurance policies in total installments of SAR 27,702 thousand paid claims of SAR 13,446 thousand and outstanding claims of SAR 1,070 thousand.
Alinma Tokyo Marine Co and Alinma Investment Co.	Contractual	Investment Agreement	1 Year	The transactions made in 2019 as an investment agreement of SAR 34,085 thousand

Waiver of rights/interest by Board Members, Senior Executives or Shareholders

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

Internal Control System

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

Work ethics

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

Risk identification and Management:

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

Credit risk:

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

Market risk:

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices.

The Bank has a Market Risk Management team under the Risk Management Group that regularly monitors the Market risks including liquidity risk of the bank.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity into consideration, maintaining an adequate balance of cash and cash equivalents.

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

Small and Medium Enterprises

SMEs shall be defined as follows:

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

Total number of employees in the SME sector in the bank stood at 34 employees at the end of the fiscal year 2019. During the year, the bank focused on developing the business of the SME sector through:

- Expanding the SME services in all regions of the Kingdom of Saudi Arabia
- Expansion through Kafalah program for financing Small and Medium Enterprises;
- Designing and developing new products and services tailored to meet the needs of the SME sector
- Designing and implementing unique training programs targeting partners, employees, and fresh graduates in order to train and prepare them to serve the SME sector. Training days were as follows:

No of Training Day	
Number of man-days training provided to staff of the Small and Medium Enterprises	62
Number of man-days training provided to partners of the Small and Medium Enterprises	3

The following are the main performance indicators of the SME sector during the year 2019 compared to 2018:

2019 (SAR '000)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
Small and Medium enterprises Financing - On Balance Sheet	7,122	265,828	1,732,713	793,999	2,799,662
Small and Medium enterprises Financing - Off the Balance Sheet	-	23,184	174,701	79,885	277,770
SMEs Financing as a percentage of total financing was - On Balance Sheet	%0.009	%0.34	%2.24	1.03%	%3.62
SMEs Financing as a percentage of total financing - off Balance Sheet	-	%0.20	%1.50	%0.69	%2.38
Number of Financing transactions (on/off Balance Sheet)	2	64	876	397	1,339
Number of Financing customers (on/off Balance Sheet)	1	20	119	36	176
Number of Financing transactions guaranteed by Kafalah program	19	62	4	-	85
Total Financing amount guaranteed by Kafalah program	8,569	95,579	44,625	-	148,773

2018 (SAR Thousand)

	Micro Enterprise	Small Enterprise	Medium Enterprise	Large Enterprise	Total
Small and Medium enterprises Financing - In the Balance Sheet	-	124,977	1,566,859	864,105	2,555,941
Small and Medium enterprises Financing - Off the Balance Sheet	-	17,348	133,424	121,631	272,403
SMEs Financing as a percentage of total financing in the financial position	-	%0.15	%1.87	%1.03	%3.05
SMEs Financing as a percentage of total financing off the financial position	-	%0.14	%1.06	%10	%2.17
Number of Financing transactions (in/off Balance Sheet)	-	65	759	420	1244
Number of Financing customers (in/off Balance Sheet)	-	12	113	39	164
Number of Financing transactions guaranteed by Kafalah program	4	62	4	-	85
Total Financing amount guaranteed by Kafalah program	1,261	57,916	6,000	-	65,177

Kafalah program:

The bank continued its contribution in supporting small and medium and micro enterprises through the Kafala program for financing small and medium enterprises, where several achievements were achieved in 2019.

Key achievements of the Kafala program during 2019:

- The program's financing portfolio growth by 128% compared to the year 2018.
- The program's number of clients rose by 102% compared to the year 2018.
- Launching the financing products to the local pilgrim's service companies.
- Launching the financing program for the Points of Sales.

Future Plans:

The Bank will continue to enhance its operations through introduction of more Sharia'a compliant products and services, expansion of branches/ ATMs networks and growth in number of Retail and Corporate relationships. Alinma has also the plans to launch additional Assets Management Funds through its investment arm (Alinma Investment Company). The Bank is the pioneer having obtained CMA Approval for launching shortly the Alinma Sovereign Sukuk Fund. The expansion of the SME Business in addition to the remittance business through ERSAL, a joint venture with the Saudi Post company, are also under consideration.

Gratitude:

The Board of Directors is proud of the bank's performance for the year 2019 in terms of the expansion in branches, ATMs, electronic channels and the banking products and services made available to its customers, as well as launching the first digital branch in addition to the launching of various digital products and services that have been provided at the first time in Kingdom including the opening of accounts for the individuals and corporates digitally without the need for visiting the branches, and that in turn have reflected in the improved operational results and the customer base.

The board also expresses its sincere gratitude and appreciation to the honorable shareholders, customers, and the governmental and supervisory authorities in the Kingdom of Saudi Arabia for their support, trust and cooperation, which led to the aforesaid achievements and that will surely play a vital role in further advancement and prosperity for the Bank. The Board would also like to place on record the sincere appreciation for the loyalty and dedication of the Alinma group employees in accomplishment of their tasks.

On this occasion, the Board of Directors and the bank's employees would like to express their gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and to His Royal Highness the Deputy Prime Minister and the Minister of Defense Prince Mohamed Bin Salman Bin Abdulaziz Al Saud for the extensive efforts exerted by them for the country and the citizens. May Allah bless and guide them to lead the Kingdom in the best manner and protect our precious country in all aspects.

The Board of Directors