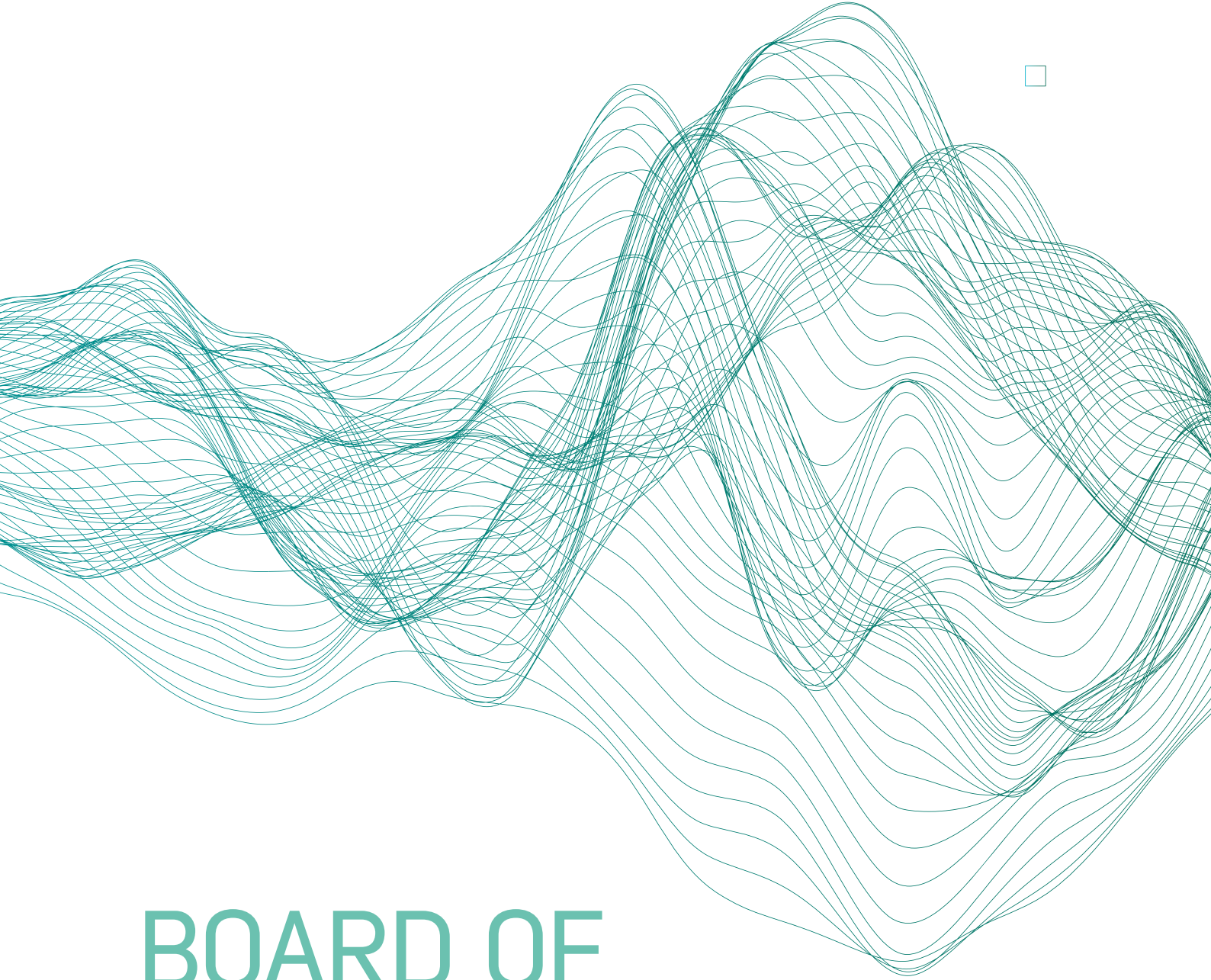




2019



BOARD OF DIRECTOR'S REPORT





King Abdulaziz bin Abdulrahman Al Faisal Al Saud

The Founder



King Salman Bin Abdulaziz Al Saud

The Custodian of the Two Holy Mosques



Prince Muhammad Bin Salman Bin Abdulaziz Al Saud

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

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Economic Update

ECONOMIC UPDATE

Global review

After a sharp correction at the end of 2018, which helped ease concerns about stretched valuations, global equity markets started 2019 on a strong note, albeit from a lower base. However, concerns on US-China trade relations continued to hold investor attention in H1 2019, resulting in higher volatility and sideways trading. Markets restarted to gain momentum into H2 2019 as the US and China agreed terms on a Phase 1 of a trade deal, and the US went from neutral on interest rates to following an expansionary policy, lowering rates 3 times, with the combined effect of alleviating investor concerns of a global recession. This resulted in double digit returns across most benchmarks, with the MSCI World index increasing +25.2%. G7 markets (MSCI G7 +26.0%), as developed markets fared better than Emerging markets (MSCI EM +15.5%), whilst Frontier markets also saw positive returns (MSCI FM +13.5%).

Global Growth (%)	Year over year						Q4 over Q4		
	Est.		Projections		Difference from Oct 2019		Est.	Projections	
	2018	2019	2020	2021	2020	2021	2019	2020	2021
World Output	3.6	2.9	3.3	3.4	-0.1	-0.2	2.9	3.5	3.3
Advanced Economies	2.2	1.7	1.6	1.6	-0.1	-	1.5	1.9	1.4
United States	2.9	2.3	2.0	1.7	-0.1	-	2.3	2.0	1.6
Euro Area	1.9	1.2	1.3	1.4	-0.1	-	1.0	1.7	1.2
Other Advanced Economies	2.6	1.5	1.9	2.4	-0.1	0.1	1.4	2.4	2.3
Emerging Markets	4.5	3.7	4.4	4.6	-0.2	-0.2	4.0	4.8	4.8
China	6.6	6.1	6.0	5.8	0.2	-0.1	5.9	5.9	5.8
India	6.8	4.8	5.8	6.5	-1.2	-0.9	4.3	6.9	6.1
Middle East and Central Asia	1.9	0.8	2.8	3.2	-0.1	-			
Saudi Arabia	2.4	0.2	1.9	2.2	-0.3	-	-0.9	2.7	2.2

Source: IMF

Saudi Macro

Vision 2030 remains the key long term driver of the Saudi economy. In 2019, the non-oil sector expanded by 3.0%, supported by the private sector stimulus package, an extension of the cost of living allowance, and structural reforms, providing new opportunities for investments and development of the non-oil private sector. The overall Saudi economy grew 0.4%, despite the contraction in oil sector GDP on lower crude oil prices and lower production.

The progress on different Vision Realization Program (VRPs), together with spending of Aramco IPO receipts domestically should contribute to growth in the non-oil segment. Promisingly, Government initiatives continue to gain traction. Many sectors – such as housing, tourism and entertainment – are expected to benefit from Vision 2030 initiatives. Looking to 2020, the Ministry of Finance projects that the Saudi economy will expand by 2.3%, supported by the non-oil sector. The inflation rate is projected at 2.0%, and monetary policy is expected to continue to be accommodative until the end of 2020. Over the medium term, GDP growth is expected to maintain the same pace of growth, largely supported by growth in the non-oil sector.

Oil

Oil prices were volatile in 2019, ranging between US\$53.8 and US\$74.6. The Phase One trade agreement between the US and China, production compliance by OPEC+ and the decline in supply from Libya and Iran supported oil prices in the second half of 2019, with Brent closing the year with a gain of 22.7% at US\$66. Oil prices averaged US\$64.2 in 2019.

Saudi Banks

During 2019, the banking sector remained healthy and robust. Capitalisation remained strong, with healthy liquidity levels, high credit quality, adequate financing coverage and a prudent regulatory environment that sustained sector profitability. Financing activity has been underpinned by a rapid expansion in real estate lending as a result of the Government's Housing Program initiatives under Vision 2030. The Housing Program has ambitious home ownership goals of 60% by 2020 and 70% by 2030, compared to the baseline of 50% in 2016. An increase in customers' deposits in 2019 provided more capacity for banks to grasp these opportunities. An acceleration in mega projects such as NEOM, Qiddiyah, the Red Sea Project, and others adds to the positive outlook for the Saudi banking sector.

Saudi and Regional Markets

TASI traded in a broad range in 2019 with the index trading between 7,481 and 9,362 points. It reached a high of 9,362 in May 2019, driven by the inclusion in benchmark emerging markets indices, while the lowest point of 7,481 points was recorded in October 2019, post major inclusion events. Overall the market ended the year with a gain of +7.2% in 2019 vs +8.3% in 2018. This compares to an average return of +3.2% in the last 10 years.

TASI was the fourth best performing market in the region. Kuwait was the top performer in the GCC, gaining +32.4%, followed by Bahrain (+20.4%) and Dubai (+9.3%). Oman's market recorded a decline of (-7.9%).

02

Financial Results

FINANCIAL RESULTS

NCB Capital's consolidated operating income, for the year ended 31 December 2019 increased by 8.7% from SAR 724 million in 2018 to SAR 787 million, mainly due to higher Investment Banking Revenue and income from investments. Overall expenses were in line with budgeted SAR 326 million. The company ended the year with a net income before zakat of SAR 457 million against a net income of SAR 376 million in 2018. Total equity increased from SAR 1,149 million in 2018 to SAR 1,520 million in the year 2019.

Total assets for the year 2019 stood at SAR 1,914 million (SAR 1,476 million in 2018) with investments increasing to SAR 970 million (SAR 693 million in 2018) and balances at banks of SAR 97 million (SAR 126 million in 2018).

Statement of Financial Position	2019	2018	2017	2016	2015
	Amount in SR '000				
Assets					
Balances with banks	97,215	126,471	150,030	113,032	516,754
Investments	970,364	693,315	736,939	832,699	911,420
Investment in an associate	18,101	29,605	31,825	25,196	25,221
Property and equipment	117,947	188,294	170,383	172,990	171,966
Investment properties	77,333	-	-	-	-
Right of use of asset	11,715				
Margin Receivables	378,552	246,765	78,577	-	-
Prepayments and other assets	242,967	191,600	133,606	120,019	99,505
Total assets	1,914,194	1,476,050	1,301,360	1,263,936	1,724,866
Liabilities					
Amount due to National Commercial Bank	31,125	37,185	8,261	17,336	488
Lease liabilities	12,039				
Bank borrowings	32,123				
Employee benefits	97,158	51,651	64,156	52,984	60,987
Account payable and accruals	222,244	238,453	222,474	174,457	564,167
Total liabilities	394,689	327,289	294,891	244,777	625,642
Equity					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
NCBC Funded Shares	(246,004)	(222,870)	(213,698)	(202,904)	(181,215)
Statutory reserve	209,248	167,248	134,248	104,248	80,248
Other reserves	(211)	(26,609)	6,859	15,058	11,953
Share based payments	5,901	51,434	22,938	19,173	10,194
Retained earnings	540,833	169,790	45,485	73,046	165,293
Non- Controlling interest	9,738	9,768	10,637	10,538	12,751
Total equity	1,519,505	1,148,761	1,006,469	1,019,159	1,099,224

Statement of Profit or Loss	2019	2018	2017	2016	2015
	Amount in SR '000				
Fee from services, net					
Asset Management	502,244	512,185	442,728	322,526	363,526
Brokerage	123,431	136,769	149,921	197,776	274,446
Investment Banking	88,886	48,709	32,272	43,275	39,541
Other operating income	72,281	25,932	23,396	18,559	2,049
Total operating income	786,842	723,595	648,317	582,136	679,562
Salaries and employee related expenses	219,925	229,173	217,955	207,558	227,648
Depreciation	19,085	15,955	19,894	34,825	24,072
Provision for impairment in available-for-sale investments		-	-	-	686
Other general and administrative expenses	87,109	104,784	118,826	112,564	118,235
Total operating expenses	326,119	349,912	356,675	354,947	370,641
Finance cost	(2,072)	(1,832)	-	-	-
Other non-operating income	(1,195)	3,865	12,118	20,117	15,041
Net income for the year	457,456	375,716	303,760	247,306	323,962

Statement of Cash Flows	2019	2018	2017	2016	2015
	Amount in SR '000				
Net cash from operating activities	21,262	336,150	304,671	350,940	515,898
Net cash generated (used in) / from investing activities	(27,439)	(161,363)	18,774	(92,535)	(34,807)
Net cash (used in) / generated from financing activities	(23,079)	(198,346)	(286,447)	(662,127)	(164,888)
Net change in cash and cash equivalent	(29,256)	(23,559)	36,998	(403,722)	316,203

There has been no reservations made by the External Auditor of the Company on the 2019 year-end financial statements.

03

Business Highlights



BUSINESS HIGHLIGHTS

As Saudi Arabia's largest investment bank and asset manager, NCB Capital continues to be well-positioned to capture future growth. In 2019, the firm's strategic focus areas were to:

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

In addition, there has been an important organizational change in 2019 where we have merged our Finance and Operations divisions on an interim basis to further increase efficiency and effectiveness across our operations.

Future plans

In 2020, NCB Capital will continue to focus on the strategic focus areas listed above, while supporting Vision 2030.

04

The Company's Main Business Activities

THE COMPANY'S MAIN BUSINESS ACTIVITIES

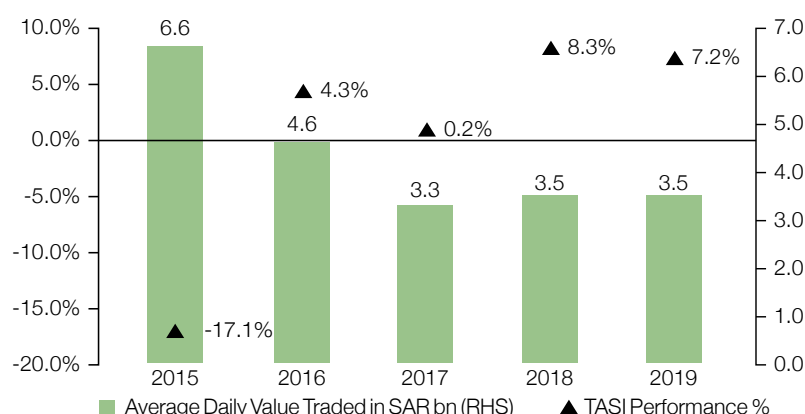
Securities

The Saudi market traded in a broad range in 2019, gaining +7.2% and ending the year at 8,389. The broad trading range was mainly due to the inclusion to the benchmark emerging markets indices. TASI gained +7.2% and +8.3% in 2019 and 2018, respectively, following a flat 2017 and an increase of +4.3% in 2016. In 2019, the total traded value in the main market was SAR880.1bn, up +1.1% yoy. The average daily value traded was SAR3.52bn, marginally higher than SAR3.49bn in 2018. In 2019, QFIs total traded value reached SAR339bn vs SAR52.4bn in 2018, increasing their ownership to SAR133.1bn (11.1% of the free float market cap), while SWAPs total value traded SAR5.8bn in 2019 vs SAR36.9bn in 2018, taking their ownership to SAR3.17bn (0.3% of the free float market).

In this competitive local brokerage sector, NCB Capital's Securities business succeeded in improving its ranking, closing the year as Saudi Arabia's second largest broker, NCB Capital Securities market share in 2019 remain almost flat at 10.40% from 10.50% in 2018, NCB Capital executed approximately 8.0 million trades, which is the second largest number of trades in the market. In addition, online business continue to grow market share and jumped from third position to second in 2019 with 12.72%. Net operating revenue stood at SAR 123.7 mn, down 9% YOY.

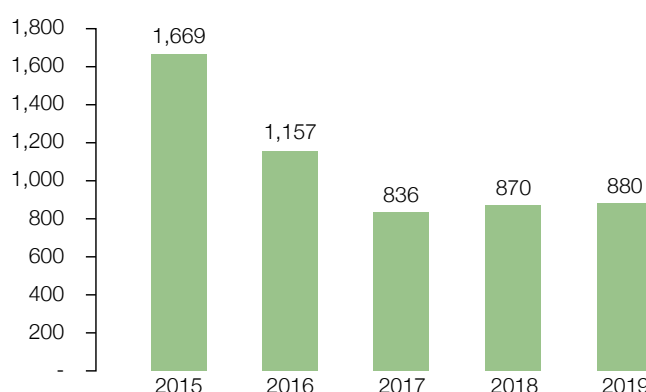
Much of these results can be attributed to strengthening of the firm's retail and institutional offerings (e.g. international brokerage rollout, significantly online enhancements as well as the expansion of research and margin trading activities). In 2019, NCB Capital was awarded the "Best Equity Research Company, Saudi Arabia 2019" award by Global Business Outlook.

TASI Performance & Average Daily Value Traded*



* Source: Tadawul

TASI Performance & Average Daily Value Traded*



* Source: Tadawul

Asset Management

NCB Capital was able to sustain performance improvement across all classes of assets under management, as our multi-year transformation plan launched in 2014 progressed in line with targets. We also maintained adherence to our solid fundamental investment philosophy and processes. 10 of our 27 funds closed the year in the top quartile in terms of performance whereas only 1 fund stayed in the third quartile. 7 Funds were able to improve their performance YoY in terms of peer ranking, while 7 Funds stayed at par YoY in terms of peer ranking (4 of these stayed in the top quartile). Among Equity Funds, Al Ahli Freestyle was the star-performer of the year with nearly 16.8% excess return. From MM&FI desk, both actively managed funds (AlAhil DSRTF & AlAhli US Diversified Fund) reported positive excess returns while staying in the top quartile. Alahli Multi-Asset funds consolidated their track record in 2019 by ending the year as the best performing funds in Saudi Arabia in each category over 1, 3 and 5 years. As the productivity of our teams was enhanced the asset management division broadened its coverage to more markets and securities. The performance was also complemented by our improved insight of global and regional economic and market outlooks.

New Initiatives:

NCB Capital continues investing in improving the quality of its processes, systems, and people in the asset management division. Multi-Asset team launched their first open ended private fund with a Shariah compliant income generating strategy during 2019. NCB Capital also maintained the asset management business rating from Moody's at MQ1 in 2019.

Assets under Management (AUMs):

As of 31 December 2019 NCB Capital was managing AUM/AUA of SAR 159.1 billion.

Investment Banking

2019 was a year of outstanding success for NCB Capital's investment banking franchise, having got the opportunity to lead and advice on several leading league table transactions. The year powerfully showcased and emphasized the investment bank's pre-eminent position in the industry, further boosting its sterling track record across every product line.

Investment banking started the year advising the Government of KSA on its international USD bond, and were appointed as the only Saudi JLM to advise Saudi Aramco on its spectacularly successful debut USD bond. As Financial Advisor and JBR, NCB Capital advised Arabian Centers Company on the Kingdom's first parallel international / local initial public offering under 144A / Reg S format and closed a remarkable year with the landmark initial public offering of Saudi Aramco.

The year was a definitive endorsement of NCB Capital's capability in successfully delivering challenging transactions - not only reiterating the trust that its clients has consistently placed in NCB Capital but also validating our focused strategy to be the advisory partner of choice to Government Linked Institutions.

Custody and Arrangement Activities

NCB Capital performs arrangement and custody activities, however, these are not considered among the company's main activities.

05

Directors' and top five executives'
remuneration

DIRECTORS' AND TOP FIVE EXECUTIVES' REMUNERATION

Item	Executive Members (SAR)	Non-Executive / Independent Members (SAR)	Top 5 Executives (including the CEO and the CFO) (SAR)
Salaries and compensations	325,059	1,668,129	4,734,144
Allowances	-	-	2,967,072
Regular and annual bonus	-	-	16,356,600
Incentive Scheme	-	-	12,994,185
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.

06

Board of Directors and Board's
Committees

BOARD OF DIRECTORS AND BOARD'S COMMITTEES

Board of Directors

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

Name	Position / Classification	Other Positions/Memberships
Saeed M. AlGhamdi	<ul style="list-style-type: none"> Chairman Non-Executive Member 	<ul style="list-style-type: none"> Chairman of the National Commercial Bank Chairman of the Ministry of Health's Cluster 2 Project the Misk Foundation Real Estate General Authority the Institute of International Finance (IIF) an Advisory Board Member of King Fahd University of Petroleum and Minerals (KFUPM)
David J. Meek	<ul style="list-style-type: none"> Vice Chairman Non-Executive Member 	<ul style="list-style-type: none"> The National Commercial Bank Chairman of the Board Risk Committee of NCB Capital DIFC (Dubai) Board Advisor of Equiti Capital UK This Land, Real Estate Company Founder and Director Innomotion Limited Chair of the Board of Trustees of Getting on Board. The British Liver Trust.
Sarah J. Al Suhaimi	<ul style="list-style-type: none"> CEO Executive Member 	<ul style="list-style-type: none"> Chairperson of the Saudi Stock Exchange (Tadawul) Chairperson of NCB Capital DIFC (Dubai) Chairperson of BACO (Bahrain) Trustee of IFRS Foundation
Talal A. Al Khareiji	<ul style="list-style-type: none"> Non-Executive Member 	<ul style="list-style-type: none"> Deputy CEO of the National Commercial Bank Risk Committee of NCB Capital DIFC (Dubai)
Adnan A. Soufi	<ul style="list-style-type: none"> Independent Member 	<ul style="list-style-type: none"> Savola Group Fitaihi Holding Group Panda Retail Company Wadi Jeddah Company Member of Advisory Council to the Institute of Islamic Economics of KAU, King Abdulaziz University.
Abdullah F. AlAbdul Jabbar	<ul style="list-style-type: none"> Independent member 	<ul style="list-style-type: none"> Saudi Arabian Investments Company "Sanabil Investments". Richard Attias & Associates. Saudi Digital Payments Company "stc Pay". Saudia Cargo Company. National Gas and Industrialization Company "GASCO".

Meeting Attendance

Name	15 January	13 February	22 May	01 September	04 November	Total
Saeed M. AlGhamdi	✓	✓	✓	✓	✓	5
David J. Meek	✓	✓	✓	✓	✓	5
Sarah J. Al Suhaimi	✓	✓	✓	✓	✓	5
Talal A. Al Khareiji	✓	✓	✓	✓	✓	5
Adnan A. Soufi	✓	✓	✓	✓	✓	5
Abdullah F. Al Abduljabbar	✓	✓	✓	✓	✓	5

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

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

Audit Committee

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

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

Responsibilities and Audit Committee Report:

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

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

Meeting Attendance

Name	14 January	23 April	30 July	20 October	Total
Lama A. Ghazzaoui	✓	✓	✓	✓	4
Abdullah S. Al Anizi	✓	✓	✓	✓	4
Abdulaziz AlBabtain	✓	✓	✓	✓	4

Nomination and Remuneration Committee

21

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	15 January	12 February	30 August	Total
David J. Meek	✓	✓	✓	3
Adnan A. Soufi	✓	✓	✓	3
Abdullah F. Al-Abduljabbar	✓	✓	✓	3

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 Khereiiji	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	12 February	22 May	01 September	04 November	Total
Sarah J. Al Suhaimi	✓	✓	✓	✓	4
David J. Meek	✓	✓	✓	✓	4
Talal A. Al Khereiiji	✓	✓	✓	✓	4

07

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



ANY CONTRACTUAL INTEREST, SECURITIES AND WARRANTS THAT ARE BENEFICIALLY OWNED BY THE DIRECTORS OR EXECUTIVE MANAGEMENT AND THEIR FAMILIES IN ANY OF THE COMPANY'S STOCKS OR DEBT INSTRUMENTS

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

08

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



ANY BUSINESS OR CONTRACTS IN WHICH THE
AUTHORIZED PERSON IS A PARTY THERETO
AND A DIRECTOR, THE CHIEF EXECUTIVE
OFFICER, OR HEAD OF FINANCE, OR ANY
RELATED PERSON HAS AN INTEREST THEREIN

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

09

Bank Borrowings



BANK BORROWINGS

The Board confirms that NCB Capital has utilized a facility line from the National Commercial Bank in the amount of SAR 32 million for a period of one year and as of 31 December 2019 the total principal amount is outstanding.

10

Related Party Transactions and Balances

RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	2019	2018
Transactions		
Management and performance fee charged to the Bank	8,106	7,086
Investment banking fees charged to the Bank	310	310
Incentive expense charged by the Bank	460	7,166
IT related expenses charged by the Bank	27,357	27,138
Rent related expenses charged by the Bank	1,236	1,236
Finance cost on borrowing	123	--

Consolidated Statement of Financial Position	2019	2018
Balances with the Bank	74,488	39,720
Amount due to the Bank	31,125	37,185
Borrowings from the Bank (refer note (i) below)	32,123	--
i) During the year, the Company has obtained financing from NCB Commercial bank ("the Parent" or "the Bank") with an approved facility limit of SR 250 million carrying profit at 12 month SIBOR plus 30 bps.		
Assets held in a fiduciary capacity		
Bank's assets under management	3,180,122	3,080,544

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:

Consolidated Statement of Profit or loss:	2019	2018
Short term benefits	34,976	33,269
Directors remuneration	3,120	3,120
Consolidated Statement of Financial Position:		
End-of-service benefits	7,356	6,005
Loans and advances	814	634

c) Transactions with funds managed by the Group:

Consolidated Statement of Profit or loss:	2019	2018
Management fee earned on funds managed by the Group	298,013	310,867
Performance and transaction fee earned on funds managed by the Group	21,344	34,266
Consolidated Statement of Financial Position:		
Investment in funds managed by the Group (note 9)	718,580	502,174
Advance against purchase of investment	9,375	--
Management and performance fee receivable from funds managed by the Group	93,938	69,062

d) Transactions with Group's associates:

Consolidated Statement of Financial Position:		
Due to Eastgate Global Carry Vehicle L.P.	--	11,553

11

Subsidiaries*

SUBSIDIARIES*

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

* via the holding company, NCB Capital Dubai Inc.

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

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



RESULTS OF THE ANNUAL AUDIT FOR THE EFFECTIVENESS OF THE INTERNAL CONTROL PROCEDURES OF THE COMPANY

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

Internal Audit is mandated through Board Audit Committee's Annual Audit plan. It encompasses annual audit reviews, special / compliance reviews, advisory engagements and constant follow-ups on issues highlighted during the audits to ensure satisfactory closure throughout the year. Internal Audit during 2019 completed and finalized the audits that were planned for 2019, with some exceptions that were highlighted to the Audit Committee. It also validated successful closure of various long outstanding findings during the year. It also performed special reviews as requested by the CEO and/or senior management.

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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 2019, 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.

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NCB Capital Risk Management

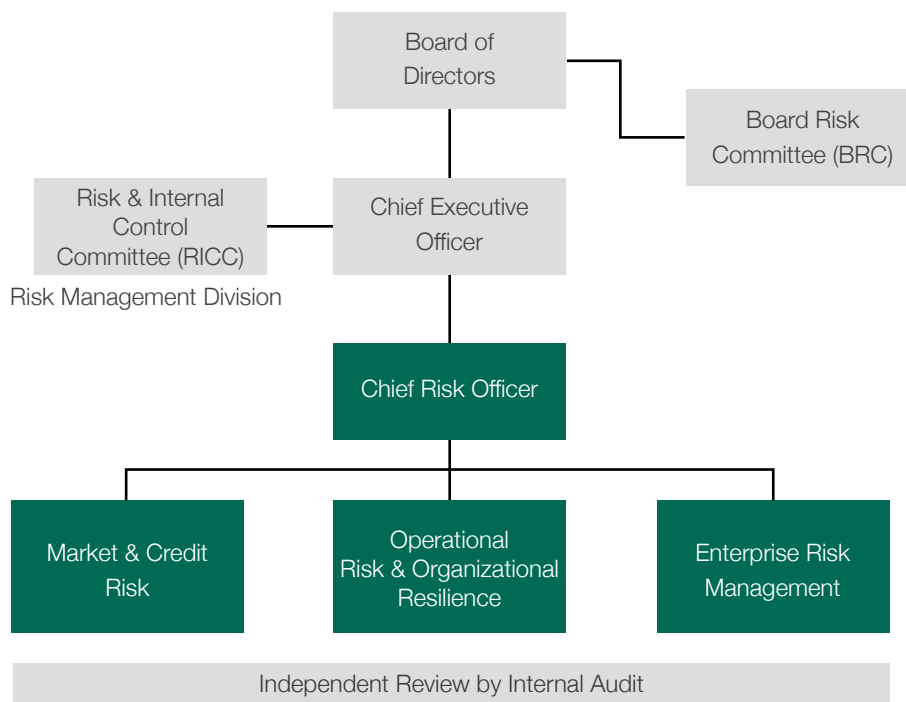
NCB CAPITAL RISK MANAGEMENT

Risk Management is an integral function within NCB Capital (“NCBC”, “Company”) and is responsible for the design, development and implementation of Risk Management Framework (including: policies, procedures, process, and systems) that caters for the identification, assessment, mitigation, monitoring and reporting of credit, market, liquidity, operational, fiduciary, strategic 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

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



- **The Board Risk Committee (“BRC”)** which assists the Board in discharging its responsibility for risk management oversight. The committee ensures risk management oversight and alignment of risk governance, risk appetite, and overall capital management. Members of the BRC are appointed by the Board. The Chief Risk Officer (“CRO”) is not a member of the BRC, but an invitee. The committee meets at a minimum four times in a year.
- **The Risk and Internal Control Committee (“RICC”)** which supports the Chief Executive Officer (“CEO”) in the oversight of the management of operational risk within the Company including supporting implementation of a robust internal control environment covering review and governance framework for policies and procedures, business continuity risk, outsourcing risk management, information security risk, fraud risk and operational risk events and incidences.
- **The Risk Management Division (“RMD”)** which is independent of the businesses and forms the second line of defence. It provides independent oversight and ensures that at all times the Firm’s risk profile is in line with Board approved Risk Appetite. The RMD is headed by the CRO who reports to the CEO under the oversight of the BRC.

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

NCBC's risk governance structure is further supported by:

- **Risk Policies:** Risk policies are developed to govern the risk management practice at NCBC by establishing clear set of roles and responsibilities and risk management principles.
- **Standard Operating Procedures (SOPs):** In addition to the above, all NCBC business and support functions operate on the basis of approved SOPs which are reviewed periodically.
- **Risk Limits:** NCBC has defined a set of risk limits and thresholds at business and enabling units' 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.

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.

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

Mutual Funds

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

indicators such as the weighted average maturity of the funds, maturity distributions, exposure and concentration to issuers, groups of issuers and economic sectors.

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

Discretionary Portfolios (DPMs)

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

Closed-End Funds (CEFs)

In 2019, RMD continued to institutionalize the Closed-End Funds (“CEFs”) risk monitoring and review framework established in 2018. During the course of the year, RMD performed periodic risk reviews of the Firm’s CEFs and reported its findings to the Fiduciary Committee. Moreover, a summary of the CEFs risk reviews became part of the BRC’s Quarterly Risk Report.

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

Liquidity Risk

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

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

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

During the course of the year, ERM department continued to implement and enhance the company’s ERM framework including conducting risk assessments and periodic reviews of risk appetite statements.

Operational Risk & Organization Resilience

Operational Risk & Organizational Resilience function is responsible for implementing the operational risk, Business Continuity Management, Policies, and Standard operating procedure frameworks and ensuring that the Company is

able to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions.

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

1. Operational Risk:

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

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

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

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

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

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

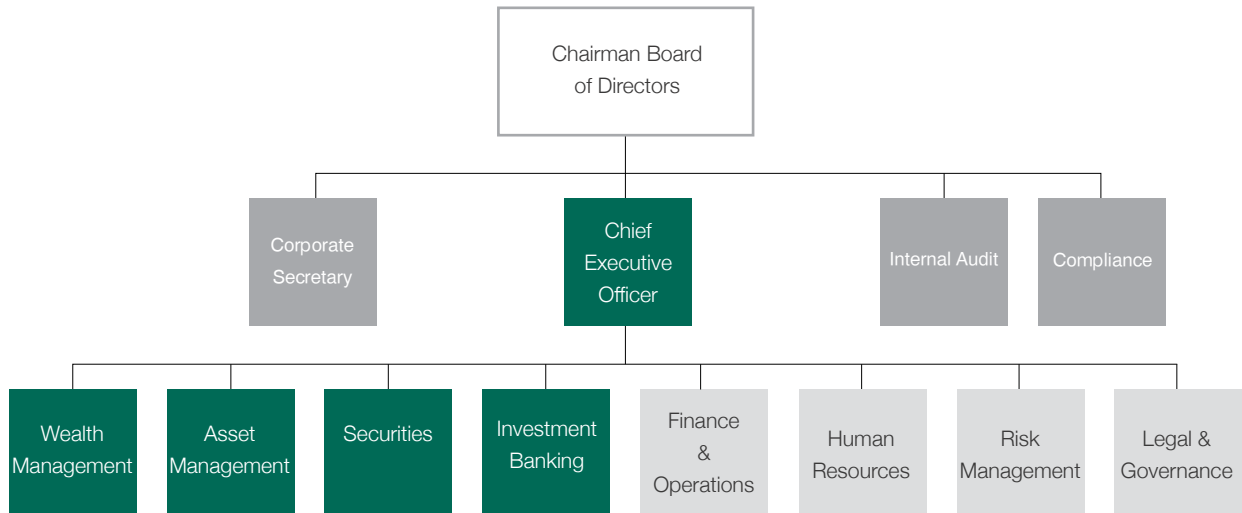
Policies, and Standard Operating Procedures (SOPs): Establishment of Policies and Standard Operating Procedures governance framework which will ensure effectiveness and consistency of communication within NCB Capital (NCBC), and the availability of clear, written Policies and Standard Operating Procedures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

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Staff

STAFF

The Company and its subsidiaries' staffing by the end of December 2019 stood at 245 employees with a nationalization rate of 88.4%.



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Fines and Penalties



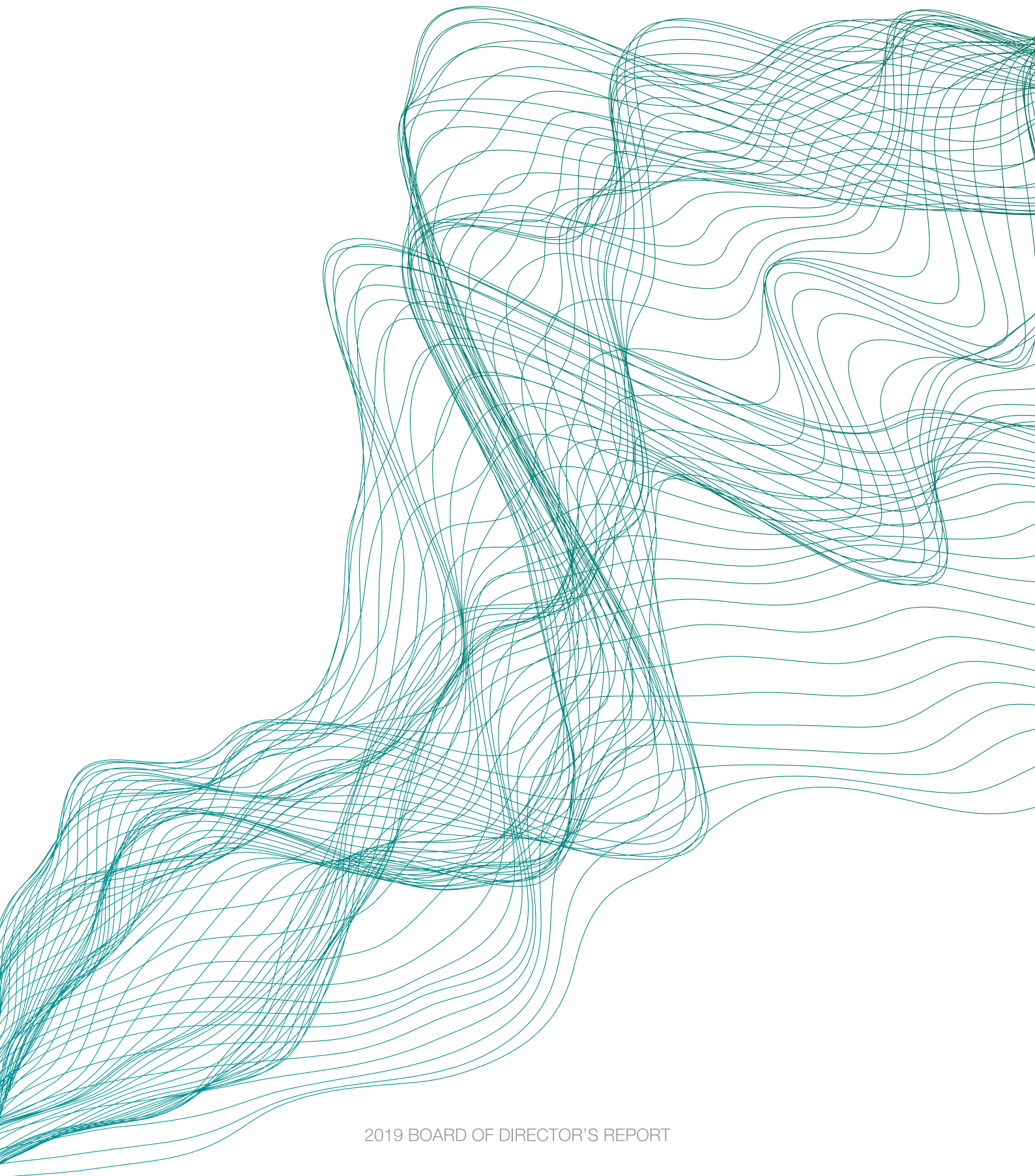
FINES AND PENALTIES

The Company was subjected to two penalties by the Capital Market Authority amounting to SAR 40,000 in 2019. The reasons for both penalties was due to a defect in the relevant internal processes; and the means of remedy will be in a form of enhancing / systemizing the current frame-work to ensure the non-occurrence of these observations.

The Board of Directors takes this opportunity to express its appreciation and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and His Royal Highness the Crown Prince Mohammed bin Salman. Appreciation and gratitude are also extended to NCBC's customers, correspondents, shareholders and staff for their support during 2019. The Board also extends its thanks to the Capital Market Authority for their support of all that contributes to the development of the Capital Market sector.

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

Board of Directors



2019 BOARD OF DIRECTOR'S REPORT