بنك الرياض
riyad bank

ANNUAL
REPORT
2019

بسم الله الرحمن الرحيم

King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques

His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al Saud, the Crown Prince, Deputy Prime Minister and Minister of Defense

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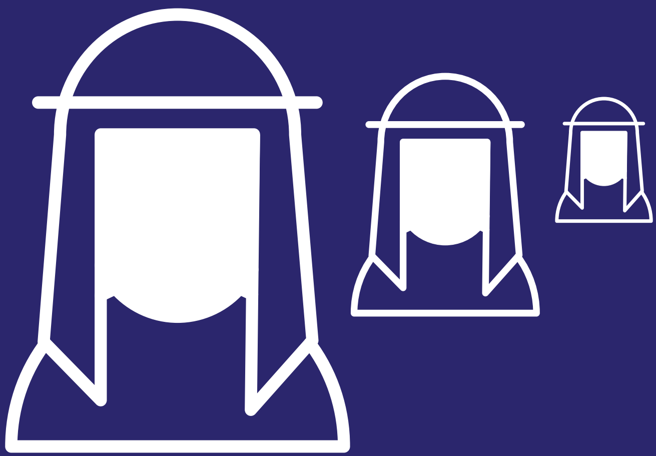


Our Vision

To be the most innovative and trusted financial solutions partner.

Our Mission

To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner.

Our Values

We Care

We Win

We are One Team

Eng. Abdullah Mohammed Al-Issa

Message from the Chairman

The Board Members are pleased to present you with the 2019 annual report, highlighting the performance of Riyad Bank during the said year, which was characterized by the economic opportunities and fluctuations that prevailed the various financial divisions in the Kingdom and the world as well. How well Riyad Bank responded to such opportunities played a great role in boosting its performance and was reflected in the results. The Board of Directors has always believed that challenges can also turn into opportunities for improvement and innovation. The results that we reviewed and provide you within the 2019 annual report, which bears witness to the durability and efficiency of the 2022 transformation strategy, came to confirm the qualitative and quantitative development in the various divisions and activities of the bank.

Following the footsteps of the historical transformation experienced by the Kingdom at the economic, political, social and cultural levels, and in keeping with "Vision 2030", Riyad Bank continued to pursue the ambitious Vision of our country, boosting its contribution to the economic transformation, improving the efficiency of the services and products, developing solutions, stimulating investment, and creating job opportunities.

Therefore, in 2019, we launched a "Vision 2030" office to define the strategic directions and plans of the bank, with all its divisions and subsidiaries, and outline how well they are aligned with the Vision's goals. In addition, this office was intended to periodically review and measure the performance of such divisions and subsidiaries according to the bank's strategy, thus concluding the extent to which they realize the required goals.

The Saudi economic growth achieved was a result of the ambitious Vision of HRH, Prince Mohammed bin Salman – may Allah protect him – who laid the foundations of a Saudi productive economy by expanding treasury financing options, developing new economies parallel to the oil-based economy through stimulating investment and supporting small and medium enterprises, strengthening partnership with the private sector, encouraging recreational tourism, and many other economic solutions that usher in the future of the Kingdom. In the same way, by the end of 2019, the total assets of the Bank amounted to SAR 265,789m. The loan portfolio increased by 15.2% to a total of SAR 173,982m. Meanwhile, customer deposits increased by 14.54% to SAR 194,518m. This growth resulted in an increase in net commission income by 18.24%, to a total of SAR 7,837m.

As a result of the bank's core businesses, the realized profit increased by 81,2%, with a total of SAR 5,602m in net profit during 2019. Moreover, in 2019, Riyad Bank was highly active in terms of financing SMEs by providing special credit offers with terms that cater to the financing needs of such critical projects. This scheme was achieved in the context of our response to "Vision 2030" by expanding the private sector contribution through supporting startups.

The achievements went beyond financial performance and included another pivotal aspect that we made sure to bring about with efficiency and high quality, extending more care for our customers through the unique and luxurious benefits that keep up with our strategy. This way, the Bank maintained the leadership and solidified its position as the premier bank that delivers unmatched services and results.

Pursuing the same level of competence and care, we were keen to make the work environment in Riyad Bank more ideal. This approach paid off effectively and culminated in stellar results and maximized gains. For example, the bank's headquarters moved to the new workplace in the building of Granada Oasis, which had significant importance in motivating staff of all categories to innovate. "The Heart of Riyadh" building in Olaya neighborhood was the other suitable building selected to accommodate all other divisions and departments of the bank, at the very center of the city. Moreover, we made a point of improving policies that enhance employee performance; we continued building their capacities and increasing their commitment to customers through 13,025 training opportunities for internal and external specialized programs, as well as attracting and maintain the best talents. As a result, the Human Capital Division garnered the best "Leadership Development Program" award and the Excellence in HR Management and Recruitment Talent prize in 2019.

In 2019, a comprehensive strategy was launched for "Bukra" corporate Social Responsibility (CSR) program. "Bukra" strategy was based on the best practices and review of the latest models in place both locally and globally, taking into consideration contribution to "Vision 2030" and its conformity with the UN Sustainable Development Goals. In 2019, a comprehensive strategy was launched for "Bukra" corporate Social Responsibility (CSR) program. "Bukra" strategy was based on the best practices and review of the latest models in place both locally and globally, taking into consideration contribution to "Vision 2030" and its conformity with the UN Sustainable Development Goals. In the same year, the Digital Partnerships Program was launched and linked to a SAR 100m investment fund, making Riyad Bank the first ever in the Kingdom with venture capital to invest in Fintech.

Riyad Bank had a remarkable presence in local and international conferences and forums in 2019, participating in the Financial Sector Conference, the "Future of Investment" initiative (AKA "Davos in the desert"), and Zakat and Tax Conference 2019 in Riyadh. Globally, the Bank participated in several meetings of World Economic Forum in Jordan, China, and Geneva, as well as HSBC Forum for International Emerging Markets Investors, GB Morgan Saudi Investment Forum in New York, and the Saudi Morgan Stanley Conference. Further, Riyad Bank held a series of meetings in Washington alongside the joint annual meetings of the International Monetary Fund and the World Bank.

As we march into 2020, we emphasize our optimistic view of the promising opportunities that the new year holds. We are confident that Riyad Bank will maintain its course towards progress and growth, with a focus on keeping the lead and realized gains. While moving towards new dimensions of simulating the rapid growth of the Kingdom economy and the promising development opportunities, Riyad Bank will deliver the best results that reflect the reputation and track record of Riyad Bank.

Under the wise leadership of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and his Crown Prince, His Royal Highness Prince Mohammed bin Salman - may Allah protect them and grant them success for the well-being of the country and the people- we remain committed and devoted.

To conclude, I am pleased to extend my deepest gratitude and appreciation to my brothers, the Board members, on the occasion of the end of 2019 fiscal year for their keenness, cooperation, and care for the interests of the bank. I also extend my thanks and gratitude to our shareholders and our valued customers for their trust and loyalty. Thanks to His Excellency, the Governor of the Saudi Arabian Monetary Authority and all the departments of the Foundation, for their role in enhancing the safety and durability of the banking system and for supporting the national economic process. We also extend our sincere thanks and appreciation to all officials and employees, members of the Riyad Bank family, and its subsidiaries for their efforts and heartfelt, genuine giving.

Eng. Abdullah Mohammed Al-Issa
Chairman of the Board

Board Members

Eng. Abdullah Mohammed Al-Issa

-Chairman of the Board
-Chairman of the Strategic Planning Group

Eng. Mutaz Kusai AlAzzawi

-Vice-Chairman of the Board
-Chairman of the Nominations & Compensations Committee
-Member of the Executive Committee

Mr. Ibrahim Hassan Sharbatly

-Board Member
-Member of the Strategic Planning Group

Mr. Jamal Abdul-Karim Al-Rammah

-Board Member
-Head of the Audit Committee
-Member of the Risk Management Committee

Mr. Talal Ibrahim Al-Qudaibi

-Board Member
-Chairman of the Executive Committee
-Member of the Strategic Planning Group
-Member of the Nomination & Compensations Committee

Mr. Abdul-Rahman Amin Jawa

-Board Member
-Member of the Strategic Planning Group
-Member of the Executive Committee

Mr. Mohammed Talal Al-Nahas

-Board Member
-Member of the Strategic Planning Group

Mr. Mohammed Abdulaziz Al-Afaleq

-Board Member
-Chairman of the Risk Management Committee
-Member of the Executive Committee

Mr. Mohammad Omair Al-Otaibi

-Board Member
-Member of the Risk Management Committee
-Member of the Audit Committee

Mr. Nader Ibrahim Al-Wehibi

-Board Member
-Member of the Executive Committee
-Member of the Nomination & Compensations Committee

Board of Directors

Eng. Abdullah Mohammed Al-Issa
-Chairman of the Board
-Chairman of the Strategic Planning Group

Member of the Board of Directors of Riyad Bank since 2007 and has been the Chairman of Riyad Bank since October 2016. He holds a Bachelor's degree in Industrial Engineering and a Master's degree in Engineering Management from Southern Methodist University, USA, with extensive experience in management, investment and banking. Mr. Al-Issa is currently the Chairman of the Board of Directors of Dur Hospitality Co., and Assila Investments, the Vice Chairman of Etihad Etisalat Co. (Mobily) and Clariant Co. (Switzerland), and the Chairman of the Board of Directors of Abdullah Mohammed Al-Issa Office (Consultant Engineers). He is also a member of the Board of Directors of various companies, including Saudi Basic Industries Corp. (SABIC), and Saudi Arabian Mining Co. (Ma'aden).

Eng. Mutaz Kusai AlAzzawi
-Vice-Chairman of the Board
-Chairman of the Nominations & Compensations Committee
-Member of the Executive Committee

Member of the Board of Directors of Riyad Bank since 2016. He holds a Bachelor's degree in Computer Engineering from King Saud University, with more than 22 years of experience in business, commerce and investment in the financial markets. Mr. AlAzzawi is currently the Executive Director and a member of Board of Directors of Saudi Industrial Construction & Engineering Project Co Ltd., Saudi Trading & Technology Co.Ltd, and AlWusataa Development Co. He is a member of the Board of Directors of various companies, including Savola Group, Arabian Cement Co., Etihad Etisalat Co. (Mobily), Savola foods, Herfy Food Services Co., United Sugar Co., and Afia Int›l Co. KSA.

Mr. Ibrahim Hassan Sharbatly
-Board Member
-Member of the Strategic Planning Group

Member of the Board of Directors of Riyad Bank since 2016. He holds a Bachelor's degree in Business Administration from College of Commerce, Bristol UK, with extensive experience in business, investment and real estate development. Mr. Sharbatly is currently the Chairman of the Board of Directors of the First Group International Company, and the Vice Chairman of Al-Nahla Group and the Saudi Arabian Marketing & Agencies Company Ltd (SAMACO), Al-Ameen Distinctive, Fast Auto Technic (Fast), and Jeddah Holding Company. He holds various executive and board membership positions in several companies.

Mr. Jamal Abdul-Karim Al-Rammah
-Board Member
-Head of the Audit Committee
-Member of the Risk Management Committee

Member of the Board of Directors of Riyad Bank since 2016. He holds a Bachelor degree in Business and Economics, Harvard Executive Program from Harvard University, USA, in addition to several financial and administrative programs inside and outside the Kingdom. Mr. Al-Rammah is a member of the Association for Financial Professionals and served as the Treasurer of the world's largest oil company The Saudi Arabian Oil Company (Saudi ARAMCO) and retired with more than 34 years of experience. He was in charge of various financial risk departments, reduced the impact of risk on the company at Saudi ARAMCO. He also managed the local and global pension fund's investments, insurance programs, financing programs, Joint ventures, subsidiaries and affiliates. Furthermore, Mr. Al-Rammah held several senior positions in logistics and finance management, including the General Auditor of the Internal Audit Department, the General Controller of Accounts, the General Manager of the Financing and Development joint ventures local and global. Under his leadership, more than USD 25 Billion were financed and USD 3 Billion worth of Sukuk were issued. Mr. Al-Rammah previously served as the Chairman of the Saudi Aramco Insurance (Stellar) and held several Board memberships in other Saudi Aramco affiliates, subsidiaries local and international companies. He is also a member of many advisory and executive committees.

Mr. Talal Ibrahim Al-Qudaibi

-Board Member
-Chairman of the Executive Committee
-Member of the Strategic Planning Group
-Member of the Nominations & Compensations Committee

Member of the Board of Directors of Riyad Bank since 2016. He holds a Bachelor's degree in Business Administration from Portland State University and a Master's degree in Economics from the University of Southern California, USA. Mr. Al-Qudaibi has more than 30 years of experience in international banking and investment, having previously served as the CEO of Riyad Bank from 2002 to 2016, in addition to other executive roles, he is a member of the Board of Directors of Riyad Capital and board member of several financial institutions abroad.

Mr. Abdul-Rahman Amin Jawa

-Board Member
-Member of the Strategic Planning Group
-Member of the Executive Committee

Member of the Board of Directors of Riyad Bank since 2016, representing the Public Investment Fund. He holds a Bachelor's degree in International Business Administration from Ohio University and the Advanced Management Program, Harvard University, Harvard Business School, USA, with extensive experience in banking and investment. Mr. Jawa is currently the Chairman of the Board of Directors of the Saudi Company for Hardware (SACO).

Mr. Mohammed Talal Al-Nahas

-Board Member
-Member of the Strategic Planning Group

Member of the Board of Directors of Riyad Bank since 2016, representing the Public Pension Agency. He holds a Bachelor's degree in Accounting from King Saud University and the Executive Management Program from University of Michigan, USA, with more than 32 years of experience in banking and business development. Mr. Al-Nahas is currently the Governor of the Public Pension Agency, and the Chairman of the Board of Directors of Al Raidah Investment Company, Raza Company and Al Taawuniyah Real Estate Investment Co, and ASMA Capital and Dammam Pharma. He is a member of the Board of Directors of various companies, including Saudi Telecom Co. (STC), Saudi Basic Industries Corp. (SABIC), Saudi Pharmaceutical Industries & Medical Appliances, the National Center for Privatization, and the General Organization for Social Insurance & Co. Acwa Power.

Mr. Mohammed Abdulaziz Al-Afaleq

-Board Member
-Chairman of the Risk Management Committee
-Member of the Executive Committee

Member of the board of Riyad Bank since 2004, holding a bachelor's degree inindustrial management from King Fahd University of Petroleum and Minerals. He has a Master's degree in Business Administration from St. Edward Austin University, USA, and has extensive experience in the areas of management and investment. He is currently the head of the executive committee of Al Hussein and Al Afaliq Group of Companies, CEO of a group of subsidiaries of Ahadaf Holding Company, Chairman of the Board of Al Najah Commercial Company, member of the board of the Health Cluster Company in Al Ahsa, in addition to several companies, a number of societies and social committees.

Mr. Mohammad Omair Al-Otaibi

-Board Member
-Member of the Risk management committee
-Member of the Audit committee

Member of the Board of Directors of Riyad Bank since 2016, representing the Public Investment Fund. He holds a Master's degree in Business Administration from Western Michigan University, Advanced Management Program from Harvard University, Executive Management Program from University of Michigan, USA, and Strategic Management in Banking Program from International Development, Ireland, with more than 30 years of experience in transportation and banking sectors. Mr. Al-Otaibi currently holds Board membership positions in various companies, including Al-Yamamah Steel Industries Co., and the Saudi Re for Cooperative Reinsurance Co.

Mr. Nader Ibrahim Al-Wehibi

-Board Member
-Member of the Executive Committee
-Member of the Nominations & Compensations Committee

Member of the Board of Directors of Riyad Bank since 2011, representing General Organization for Social Insurance. He holds a Bachelor's degree with honors in Insurance and risk management from Indiana State University, USA, and a Master's degree in Social Protection Policies from Maastricht University, The Netherlands, with extensive experience in corporate planning and development. Mr. Al-Wehibi is currently the Governor Assistant for Insurance Affairs at the General Organization for Social Insurance and a member of the Board of Directors at various companies, including Saudi Basic Industries Corp. (SABIC), Clariant Co. (Switzerland) & Mudad Company.

Executive Management

Tareq A. Al Sadhan

-Chief Executive Officer

Mohammed Abdullah Al Yahya

-Operations, Technology & Support Services

Fahad Mohammed Al-Semari

-Strategy & Transformation

Abdullah Ali Al-Oraini

-Finance

Mohammed Abo Al-Naja

- Corporate Banking

Riyadh O. Al-Zahrani

-Retail Banking

Nadir S Al-Koraya

-Treasury & Investment

Mazen Mohamed Khalefah

-Human Capital

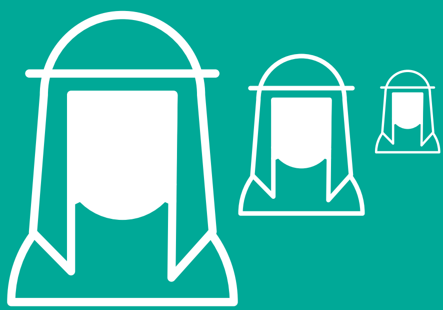
Khalid Waleed Alkhudair

-Communication and Customer Experience

Steven Robert Monagan

-Digital Banking

Key Activities, Strategy and Goals



Riyad Bank's Board of Directors is pleased to present its shareholders with the annual report for the year ended on 31 December 2019. The report includes information about the bank's activities, most significant achievements, financial results, Board of Directors' report, various committees' reports, and other information that meets the aspirations of this report readers.

Key Bank Activities:

Riyad Bank is primarily concerned with commercial banking and investment activities both for its benefit and for others in the Kingdom of Saudi Arabia and abroad. The Bank provides a full range of Corporate and Retail Banking services, financing activities, commercial and industrial projects and infrastructure projects through its 341 branches in the Kingdom, as well as the London Branch in the UK, the Houston Agency in the US and a representative office in Singapore. Through its wholly-owned subsidiary, Riyad Capital, the Bank offers a variety of asset management and investment banking services, meeting the needs of individuals by providing brokerage services in the capital markets, and a wide range of investment and investment fund services.

The Bank operates through the following major operational divisions:

Retail: Banking services to individuals, through its network of branches in the Kingdom, and diamond, gold, and silver banking centers. The division also caters to private banking customers and small and medium-sized enterprises (SMEs).

Corporate: Services and deals mainly with credit facilities, current accounts, corporate deposits, loans, current accounts receivables, and derivative products.

Treasury and Investment: Providing capital markets with financial services, trading services, treasury services, and portfolio management

Investment and Brokerage Services: Providing investment management services and asset management activities related to handling, management, arranging, advising, and securities services.

Statement of the Impact of the Bank's Divisions on the Business Volume, and Their Contributions to the 2019 Results:

SAR'000s

Division	Net Income before Zakat	Percentage
Retail Banking	1,556,289	25%
Corporate Banking	2,056,542	33%
Treasury and Investment	2,250,604	36%
Investment and Brokerage Services*	368,631	6%
Total**	**100%**	**6,232,066**

*Represents Riyad Capital.

**The impact of other subsidiaries on the results of the Bank is insignificant.

Strategy and Goals:

Riyad Bank continued to focus on supporting the Saudi economy and strengthening its role in supporting business within the Kingdom, in addition to the contribution of the Bank's offices and branches in London, Houston, and Singapore in developing business with the Kingdom. Despite the current challenges in the economic and competitive environment, Riyad Bank seized promising opportunities from the perspective of the "Vision 2030" and its ambitious economic road map, focusing on the section to which the Vision has given special attention. The year 2019 saw the continued implementation of executive procedures of Riyad Bank 2022 strategy, which aims to make it the bank of choice for the targeted customers.

Bank's strategy is based on four main pillars:

Customer Focus: by providing products for individuals and companies that meet all their needs. Customer satisfaction is the primary measurement of success in all the Bank's departments.

Increasing Productivity: in a way that contributes to the enriched customer experience.

Innovation: to meet customer needs and provide them with distinguished services.

A Focus on the Work Environment: to ensure following best practices for the benefit the Bank's staff and the customers.

These pillars aim to realize the following objectives for Riyad Bank:

- To become the leading digital bank in the Kingdom.
- Increasing revenues by improving retail and corporate banking sales.
- Developing and enhancing the services provided to private and diamond banking customers, the Government sector, and SMEs.
- Developing cross-selling across all different divisions of the Bank.
- Focusing on Customer service and developing the level of services provided to them.

In 2022 Transformation Strategy, Riyad Bank is looking to consolidate its position at the top of the Saudi banking sector, increase its market share, double the growth rates in profits and revenues, improve its banking services and products, and keep pace with the goals of the "Vision 2030" Transformation Strategy. The Bank will continue its digital transformation plans, automate all banking transactions, and expand its reach across the Kingdom through ATMs and digital branches. Besides, the Bank will seek to broaden the base of beneficiaries through community service programs and initiatives and to strengthen its partnership with charitable and humanitarian organizations.

Riyad Bank will pay significant attention to its employees, developing their skills, enhancing their capabilities, and improving the work environment as they are real assets of the Bank, which deserve the most attention. Such interest was reflected in increased productivity and tangible financial results achieved in 2019.

Regarding the Bank's announcement on Tadawul dated 24 December 2018, about the preliminary talks with the National Commercial Bank (NCB) to discuss the merger of the two banks, Riyad Bank announced in a late announcement on 16 December 2019 that the Boards of Directors in both banks have stopped the preliminary talks and agreed not to proceed with the merger. Riyad Bank's Board of Directors stressed that its strategic vision would enable the Bank to continue developing its products, services, and technologies, which in turn serves the interests of customers, shareholders, and employees, and augments the Bank's entrepreneurial and competitive position.

Subsidiaries:

Division	Capital (SR)	Total Shares	Ownership %	Main Activity	Base Country	Activity Country
Riyad Capital	200,000,000	200,000,000	100%	Carrying out trading activities as principal and agent, undertaking coverage, establishing investment funds and portfolios and managing them, in addition to arranging and providing consulting, stock keeping services, portfolio management and trading.	KSA	KSA
Ithra Al Riyad Real Estate	10,000,000	10,000,000	100%	Keeping and managing assets provided by customers as collateral, and the a guarantee, and the sale and purchase of real estate for financing purposes for wihich the company was established.	KSA	KSA
Riyad Company for Insurance Agency	500,000	50,000	100%	Works as an agent for selling insurance products, including their own and those managed by other main insurance companies	KSA	KSA
Curzon Street Properties Limited	9,901	2,000	100%	A company established for the purpose of owning properties	Isle of Man	KSA
Riyad Financial Markets Ltd	187,500	50,000	100%	Performing financial derivative transactions and repurchas agreements with international parties on behalf of Riyad Bank.	Cayman Islands	KSA

The Following is a Detailed Overview of the Bank subsidiaries:

1- Riyad Capital:

Riyad Capital is a Saudi limited liability company wholly owned by Riyad Bank with a paid-up capital of SAR 200m. The Company is licensed by the Saudi Capital Market Authority to deal as principal, agent, and underwriter, providing arranging, advising and custody services. The business of Riyad Capital is managed from the headquarters in Riyadh. Among the most important goals of Riyad Capital is to innovation and development of investment products that meet the needs of different segments of its investing Customers, and its most significant achievements in 2019 were:

• Launching trading in Forex contracts in April 2019, to be the first financial company licensed in the Kingdom to provide this service.

• Continue issuing global real estate products in distinctive locations that meet the needs of Riyad Capital Customers.

• "Riyad Global Equity Fund" won the Lieber Prize for the Best Performing Global Equity Fund in 10 years in the Middle Eastern and North African Markets.

• Increasing the volume of managed assets in 2019 by 51% compared to 2018.

• Riyad REIT Fund joins the FTSE EPRA Nareit Global Emerging Index.

• In 2019, Riyad Leading Shares Fund received Argaam Recognition Award for the "Top Performing Fund 2018".

The investment banking for companies at "Riyad Capital" is distinguished with the experienced professionals in providing specialized financial advice. Riyad Capital provides specialized financial advisory services that span all investment banking activities, such as the management of Sukuk issuances and corporate shares, in addition to mergers, acquisition advisory, and structured finance. The Brokerage and distribution services department has provided the necessary tools for data analysis, which enable investors take their decisions. Recently, the management made it possible to attract new customers from the digital platform, saving customers the trouble of paying visits to the branches of Riyad Bank or Riyad Capital centers. This move contributes to better customer service, while improving operational efficiency.

In terms of international brokerage services, the strong performance of international equity trading services continued, and many services have been added, such as research and data analysis. This new sevice resulted in doubling the number of customers and the net profit generated, not to mention innovation in investment products provided to customers to cater to their needs.

As for local brokerage services, the margin-financing product attracted many customers, leading to an increase in the number of benefiting investors. Riyad Capital, also, continued promoting local stock securitization products in cooperation with Riyad Bank, which has considerably contributed to enhancing the profits of local trading services. Further, Riyad Capital provides custodian services for all local and international securities.

During 2019, the Wealth Department worked hard to continuously strengthen the concept of investment culture among customers by providing an investment advisory service dedicated to affluent customers, offered with utmost privacy and professionalism. Three branches in Riyadh, Khobar, and Jeddah have been allocated to assist customers in evaluating their investment options carefully and accurately. Such assigned offices have had a tangible impact on the growth of the company's activity in the areas of asset management and brokerage services.

Riyad Capital provides services through nine investment centers, in addition to free phone services and e-channels, including "Riyad Capital Online," mobile applications for local and international trading services, Forex, Riyad Capital's interactive phone, and Riyad Bank ATMs. Riyad Capital customers are served through Riyad Bank branches as well.

2- Ithra Al Riyad Real Estate:

Registered in the Kingdom of Saudi Arabia, Ithraa Al-Riyad Real Estate Company is a limited liability company wholly owned by Riyad Bank. With its HQ located in Riyadh, it has a paid-up capital of SAR 10m, comprising a million shares with a nominal value of SAR 10 per share. The company is responsible for providing the services of acquiring and managing subdivided assets for the Bank and other third parties, such as warranties and buying and selling real properties for financing purposes, for which it was established.

3- Riyad Company for Insurance Agency:

Riyad Company for Insurance Agency is a limited liability company wholly owned by Riyad Bank with a capital of SAR 500,000, paid in full. Registered in the Kingdom of Saudi Arabia and headquartered in Riyadh, the Company focuses on marketing and selling the insurance products of Al-Alamiya Cooperative Insurance to Riyad Bank and its Corporate and Retail customers in the Kingdom, with potentials to expand activities to include customers of the Saudi insurance market. The Company has entered into bancassurance agreement with Al-Alamiya Cooperative Insurance, as well as another agreement with Riyad Bank to distribute insurance products and has obtained all the necessary approvals of SAMA to operate.

4- Curzon Street Properties Limited:

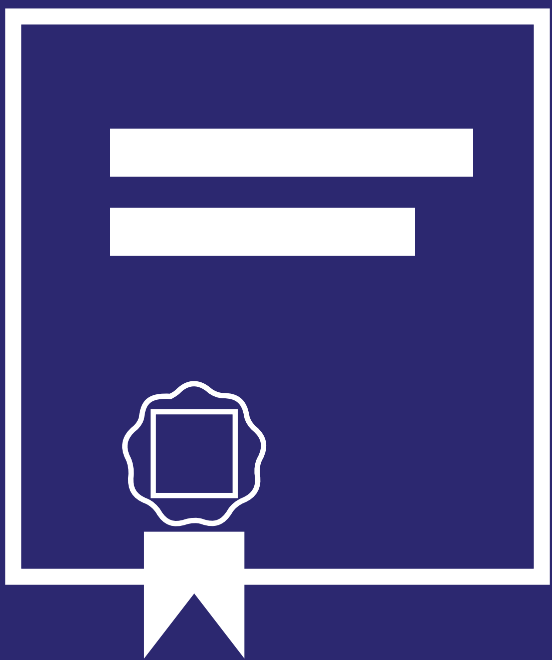
A wholly-owned company by Riyad Bank, established for a private purpose in the Isle of Man company, for owning real estate in the United Kingdom.

5- Riyad Financial Markets Ltd:

A company licensed in the Cayman Islands and specializes in carrying out transactions of financial derivatives with international parties on behalf of Riyad Bank.


riyad capital

Summary of achievements for 2019



Business Summary of Bank's Groups and Divisions:

Striving to realize the goals of the 2022 Transformation Strategy and in line with "Vision 2030", Riyad Bank continues consolidating its banking base and increasing customers across the Kingdom, adding a wealth of accomplishments to the ongoing success record. Through this unwavering endeavor, the Bank aims at enhancing the ease of access, saving time, and cutting distances to better benefit from its pool of services.

The achievements of Riyad Bank in the past year were manifested in quantity and quality in its various divisions and leading activities, as follows:

Retail Banking:

The Retail Banking division continued to provide a range of new and diversified services and products innovatively. The provided services and products follow the latest technology trends to meet the present and future needs of the customers who aspire to receive distinguished services, befitting the Bank's vision of being the most reliable bank while preserving its values (We Care – We Excel – We are One Team). The implementation of this Vision was reflected in the increased number of retail banking customers for the year 2019, the increased volume of transactions that contributed to enhancing market shares, and the maximized profits.

As a result of developing financing products and services through the existing partnership with the Ministry of Housing programs and the Real Estate Development Fund, the real estate finance portfolio registered a growth of 25.7% in 2019 compared to the previous year. In 2019, the personal finance portfolio also surged by 5%, thanks to the innovative and distinctive solutions provided by Riyad Bank to serve customers and achieve their aspirations through:

- Launching "Tasheel Program" to satisfy the needs of customers seeking to obtain urgent financial facilities in their current accounts without committing to a long-term loan, utilizing the immediate approval of Riyad Bank's digital services without the need to visit the branch. The program was a real achievement on the way to improve customer experience.

- Reducing the personal loan grant period from an average of 2.30 to 0.7 days.

- Agreeing with Riyad Capital to act as a broker for commodities used for personal finance, Islamic credit cards, and real estate financing instead of external vendors, which reduced the costs and maximized profits.

To culminate direction towards digital banking, the Bank managed to transfer all international express transfer services via Western Union network to ATMs and "Riyad Online." The Bank also launched the "Easy Transfer" application, as a service for international express transfers to be available anywhere 24/ 7.

To improve the customer experience with the "Hassad" rewards program, Work is underway for a beta launch of the updated version of the program to enable customers exchange points immediately and automatically and use them in the locations of participating merchants and service providers listed in the program.

In an endeavor to improve the quality of services, keep pace with technological development and geographical spread, and to help our customers meeting their aspirations, the Bank installed self-service machines in 20 branches distributed all over the Kingdom. The new machines made it easy for the customers to complete banking transactions automatically and directly around the clock. Moreover, work is currently underway to install an additional 80 self-service machines distributed across various branches all over the Kingdom.

In terms of ATMs, the Bank completed replacing 350 machines with new ones as part of the 2019 ATMs modernization and replacement project, bringing the total number of ATMs to 2558 all over the Kingdom, 14 of which are allocated for foreign currencies. These ATMs allow customers of Riyad Bank and other banks, holders of Mada cards, to process their banking transactions 247/. The Bank is also keen to be present in many events and activities by providing mobile ATMs to meet the needs and requirements of its customers.

The branches network launched the program of "Growing Sales by Boosting Services" to double the sales targets through premium services. In this context, ten positions were created to manage the quality of service in the regions, and the Bank entered into a contract with the strategic partner "Franklin Coffee Company" to provide specialized courses that reflect the program objectives, with an eye on enriching customer experience in the branches of the Bank.

Diamond and Golden Banking:

Being the most reliable and caring financial partner, Riyad Bank consistently continues to meet the needs and aspirations of the Diamond Banking customers. By the end of 2019, the centers allocated to Diamond Banking customers were increased to 25, and they were equipped with exceptional banking services. Moreover, the number of relationship managers was increased to 170 in most branches of the Bank to ensure providing top levels of service to Diamond Banking customers.

The Golden Banking service offices have also been increased, exceeding 170 by the end of last year to ensure the provision of the highest levels of service to the Golden Banking Customers.

Private Banking:

The Private Banking division exerted great efforts to provide the best services that meet the ambitions of this segment of customers and ways of managing their wealth. To ensure improving the level and quality of service provided to the customers around the clock, Riyad Bank followed the best standards that allow the Private Banking to compete with similar services in other banks, both locally and globally. Work is also underway to provide a set of unique banking solutions that match the aspirations and expectations of the customers of this segment.

Corporate Banking:

During 2019, the Corporate Banking division attained a remarkable performance, as the Bank continued to consolidate its leadership position in Corporate Banking in various segments, starting from small to large enterprises, financial institutions, and joint loan management for alliances and mega projects.

Corporate banking actively participated in financing "Vision 2030" initiatives along with various divisions and government agencies, such as the Ministry of Finance, the Saudi Industrial Development Fund, and the Ministry of Trade through "Monshaat", the Ministry of Hajj, the Ministry of Education and others. Corporate financing also was distinctively present, as it participated in financing giant vision projects such as the Red Sea and Amaala. Also funded were many national companies, which are deemed a tributary in achieving one of the most important goals of the Vision; that is to enhance the local presence in non-oil sectors.

Riyad Bank, also, continued to reinforce its national leadership by supporting and sponsoring various activities and events in the Kingdom through Corporate Banking. The Bank was the strategic partner of the General Entertainment Authority in Riyadh Season and The General Department of Traffic at the Traffic Safety Forum & Exhibition, sponsoring several forums and exhibitions of SMEs and entrepreneurship.

Given Riyad Bank's long-standing position in providing banking solutions to facilitate business transactions, a number of MoUs were signed with several government and private agencies to discuss ways to develop integrated financial solutions along with the services and programs they provide. On the other hand, Corporate Banking held workshops and educational and training sessions for owners of establishments so they learn about the banking products and services that align with their activities and how to use them to develop their internal operations, enhancing how effective they manage their facilities in different financial and sales divisions. Furthermore, Corporate Banking offered employees of these establishments, public and private, integrated banking packages and solutions via their HR departments to further strengthen the Bank's relationship with their establishments and integrate them into the Bank's plans.

Through Corporate Banking, Riyad Bank seeks to participate in achieving the goals of "Vision 2030". This is accomplished through facilitating doing business, enabling financial institutions to support the private sector, increasing corporate interest in sustaining the national economy, boosting the local share in non-oil sectors, increasing the contribution of SMEs to the economy, promoting and supporting a culture of innovation and entrepreneurship, which in turn help achieve the various indicators of the Vision's programs, including the National Transformation Program and the Financial Sector Development Program, the National Industrial Development and Logistics Program, the Fiscal Balance Program and the Strategic Partnerships Program.

Following is a review of the most important agreements and activities sponsored by Riyad Bank through Corporate Banking in 2019:

Most Significant Agreements and Projects:

- An MoU with the STC Channels to strengthen strategic partnership and digital transformation by taking advantage of the services of Riyad Bank.
- Corporate Sustainability Support Program Agreement with the Ministry of Finance.
- Credit Financing Program Agreement for the Saudi Industrial Development Fund customers.
- A financing agency agreement for the project support program with the Ministry of Finance.
- The e-Umrah Project exclusively with Riyad Bank, among three other banks only.

Corporate Banking (continued):

Most Significant Agreements and Projects (continued):

• Public Schools' Sundries Card in cooperation with the Ministry of Finance and the Ministry of Education.

• Various partnerships with several Fintech companies.

• Executing payments of Hajj service providers for the 3rd year in a row exclusively with Riyad Bank.

• Providing comprehensive operations solutions services for "Vision 2030" projects exclusively with Riyad Bank, such as the Red Sea project, Amaala, and Riyadh Season.

• An agreement with the General Authority for Small and Medium Enterprises "Monshaat" to launch four (4) financing products for small projects.

• An agreement with the General Authority for Small and Medium Enterprises "Monshaat" to join the e-Finance Portal.

• An agreement with the Asharqia Chamber to sponsor the Young Businessmen Council, as well as providing entrepreneurs with financing and knowledge support.

• The indirect financing program with the General Authority for Small and Medium Enterprises "Monshaat".

• Renewal of a MoU with SMBC regarding the two banks' cooperation to support Japanese companies coming to the Kingdom.

Most Important Sponsorships, Forums and Exhibitions:

• Riyadh Season.

• The official sponsor of the Traffic Safety Conference.

• The "Biban Hail Forum" which was organized by the General Authority for Small and Medium Enterprises.

• The SME Finance Forum in Riyadh.

• Sponsoring the first Kafalah SME Financing Conference in Riyadh.

• Sponsoring Theqa Forum to motivate and support businesswomen in Jeddah.

• Sponsoring Biban Al-Sharqiya Forum, which was organized by the General Authority for Small and Medium Enterprises.

• Sponsoring the Endeavor Entrepreneurship Forum in Riyadh.

• Sponsoring Entrepreneurship Forum and Exhibition – RAD 2019 in the Eastern Province organized by Asharqia Chamber.

• Sponsoring the Asharqia Chamber Young Businessmen Council in the Eastern Province.

• Sponsoring "Al-Ahsa Investment Forum".

• Participation in seminars on financing SMEs in several regions of the Kingdom .

Overseas Branches:

Through its overseas branches in London, Houston, and the representative office in Singapore, the Bank is committed to providing banking solutions to customers and meeting their needs in their place of residence.

These branches offer their advice to contribute to the creation of investment and business opportunities within the Kingdom which helps promote local trade.

In addition, these branches look after the investment interests of customers abroad.

The London branch provides customers in Saudi Arabia and overseas with banking services specifically designed to support European investments in industry and private investment sectors. Riyad Bank is uniquely positioned to offer its banking services, unlike other Saudi banks, in the Americas through the Houston Agency.

As to the Representative Office in Singapore, it helps customers take advantage of investment opportunities in Asia and develop relationships with Asian correspondents and companies doing business in Saudi Arabia.

Digital Banking:

Riyad Bank continues to rapidly develop its digital interface and multiple channels to enhance easy access to its banking services and realize its Vision of being the most innovative and trustworthy Bank. Here, we capture some of the indicators that were achieved during 2019:

- "Basatnaha" service achieved polarization that exceeded expectations, as it enabled new customers to create their accounts in two minutes in a full digital environment without the need to visit the branch.

- The Bank sales through digital channels increased by 58% and this number continues to rise.

- The additional accounts created by "Riyad Online" or "Riyad Mobile" increased by 80.3% for current accounts and 52.9% for savings accounts.

- Credit cards sold by digital channels grew by 52.5%.

- The number of active users through digital channels increased by 33.2% over 2018, thanks to the promotional campaigns launched by the Bank to encourage customers to register and use its digital channels.

In the same vein, Riyad Bank launched several digital services to improve customer experience and maximize returns from the Bank's digital channels, including:

1."Tasheel" service to immediately obtain an urgent loan that does not exceed 25% of the value of the net monthly salary through "Online Riyad" and "Riyad Mobile."

2. Enabling entrepreneurs to issue a digital card instantly from "Online Riyad" (with a maximum of five cards) for use in electronicshopping.

3. Facilitating submission of a request for "personal finance," "refinancing" and "prepaid credit card" from "Online Riyad" and "Riyad Mobile."

4. Introducing the "automatic communication" service in a manner that anticipates customers' expectations and initiates offering services such as "personal finance", "refinancing" or "credit card" when they qualify for one of them, enabling them to submit the request immediately during the call. The service also reminds customers of the issuance of their bills and the ability to pay in the same call.

5. Launching the "Apple Pay" and "Western Union" services through the Bank's digital channels.

Digital Banking (continued):

Additionally, the Bank launched the new interface for the "Riyad Mobile" application and the "Riyad Self Service" device to improve customers' digital experience. This was accompanied by the opening of the Bank's digital branch in one of the significant commercial malls and all digital channels were updated to better reflect the brand identity of Riyad Bank.

Customers can also submit requests to object to credit card or ATMs transactions and submit a request to issue ATM cards and manage the card services, such as activating and deactivating the card, electronic purchases and "Atheer" and self-reset the password by the same customer through the "Riyad Phone" channel and the "Online Riyad" channel.

All these accomplishments are aimed at activating digital channels to serve Riyad Bank customers and freeing the time and effort of branch employees to provide quality services to customers, thereby wholly developing the banking services of Riyad Bank quantitatively and qualitatively. Due to Riyad Bank's commitment to keep abreast of the latest trends and benefit from best practices in the banking industry locally and globally, it launched several initiatives in line with "Vision 2030", empowering entrepreneurs and supporting the SMEs sector.

These initiatives include:

• A SAR 100 m in venture capital investment fund, making Riyad Bank the first bank in Saudi Arabia with a venture capital to invest in promising financial technology (Fintech).

• A strategic partnership program with entrepreneurs in the digital field to provide innovative solutions in Fintech and create new opportunities in the digital world.

• API SANDBOX platform that allows projects and entrepreneurs investing in Fintech to share technology with the Bank's internal systems in another step towards the future business model (Open Banking).

• Creating a working mechanism and environment for digital innovation in the Bank to stimulate digital transformation in the following areas: (Employee empowerment - Improvement of customer experience - Service and product development - Facilitating internal procedures).

In order to kick off this trend and achieve digital transformation goals, Riyad Bank works with a number of local and international business leaders, in addition to being a strategic partner with global platforms for innovation and keeping pace with the continuous digital development on an international scale.

Treasury and Investment:

By attracting, and maintaining high levels of deposits, the division manages the Bank's liquidity needs efficiently, with a focus on medium- and long term deposits through the deposits and Murabaha product to diversify sources of liquidity. In 2019, the Treasury and Investment Division was able to improve the Bank's balance sheet and manage Sharia-compliant Sukuk issuance programs to provide liquidity in Saudi Riyals and foreign currencies with different maturity dates, as well as diversify funding sources and improve the capital adequacy ratio.

The division also managed to diversify services provided to customers, covering a wide range of market segments, which helped reduce the risk of focusing on one customer segment. In addition, treasury sales launched new products that have attracted more opportunities, thus, improving customer experienceand meeting customers'financial needs.

Furthermore, the division introduced innovative hedging products that provide appropriate financial solutions for companies and prominent customers, with the aim of protecting them from fluctuations in interest rate, foreign currencies and commodities. In line with the Bank's digital development strategy, the division launched the digital sale and purchase of foreign currencies for companies in order to automate the business cycle and increase efficiency and competitiveness.

During 2019, the Treasury and Investment Division achieved excellent performance for the 3rd year in a row, and was able to localize the management of a major chunk of its foreign investments previously managed by international portfolio managers.

This achievement resulted in improved ROIs, more effective liquidity management using repurchase agreements, enhanced control and oversight, and reduced costs allocated for portfolio management fees. What's more, the division diversified investments in major markets, asset classes and sectors, resulting in increased opportunities and lower overall risks for portfolios.

Furthermore, the Treasury and Investment Division plays an uninterrupted role in managing liquidity requirements and financing various banking activities with high efficiency and at a competitive cost.

Business Technology:

The Business Technology Division is the linchpin in implementing the digital transformation strategy for Riyad Bank. In 2019, the division continued its intensive efforts to develop and update the Bank's IT infrastructure in line with the plans and objectives of the customer service divisions. This included developing many systems and services to match the requirements of the business market and support the Bank's strategy in 2020.

Twenty-nineteen also saw the launch of several projects to continue Riyad Bank's march towards improving its business, which is evident in the quality of services provided to its customers, including:

1. Manual processes automation project in all divisions using robot technology that helps speed up execution, increases productivity and reduces the rate of error. The first and second stages have been completed in both the Business Technology Division and the Operations Division.

2. Completion of the UAE-Saudi Arabian Digital Currency 'Aber' pilot project with the participation of select banks from Saudi Arabia and the UAE under the supervision of the SAMA and the Central Bank of the UAE.

3. Completion of updating the brand name and renewing the digital systems' interfaces project.

4. Launching the new smartphone Retail Banking system, with improved features that keep pace with customer needs.

5. Launching an automatic payment service to link internal Umrah offices with their agents outside the Kingdom by hooking the Bank's systems to the Ministry of Hajj and Umrah "Sajjel" system and collecting the payments in the Ministry's account with the Bank.

During 2019, several Bank systems were also upgraded to take advantage of their new features in providing better services and highly efficient services.

Business Technology Governance and Information Security:

The concept of information technology governance is based on ensuring the effective and impactful use of information technology and allowing the Bank to achieve its goals by streamlining IT strategy and business strategy. The concept of business technology governance contributes to reducing technical risks, enhancing the technical resilience of the Bank's business continuity efficiently, speedy recovery from downtimes, while reducing the possibility of incidents affecting the continuity of work.

Among the most important contributions of the Business Technology Governance and Information Security Division in 2019 are:

1. Successful implementation of the technical disaster recovery project, thus fulfilling all the regulatory requirements imposed by SAMA in this regard and boosting the efficiency of the Bank's technical ability to operate under all circumstances.

2. Completion of the "Banking Impact Analysis" project by holding 300 workshops with all divisions, departments and units of the Bank, during which the most important banking activities were identified, the effects of their disruption analyzed and alternative solutions developed. This project is among the main pillars according to the Business Continuity Framework issued by SAMA.

3. Successful implementation of the "Technology Operation Model" project, which defines the proper framework for IT scope of work, security and governance, ensures complete integration with the rest of the Bank's lines of defense, including the risk and internal audit departments, thereby raising operational efficiency while reducing technical risks.

4. Carrying out 42 business continuity management tests in all vital divisions and departments of the Bank.

Compliance:

Riyad Bank continuously seeks to establish a healthy culture of commitment to maintain its professional values and standards at various levels and activities. These standards include local and international regulatory requirements, best practice regulations, code of conduct and practices to which the Bank commits.

The Compliance Division is concerned with ingraining a sound compliance regulations environment and implementing an effective compliance program that encompasses monitoring, advising and management of organizational affairs and promoting awareness of the concepts of compliance. In addition, the division monitors compliance and banking transactions to combat money laundering and terrorism financing.

In parallel with the Bank's journey towards its vision, objectives and values, the division also strives to achieve the highest standards of quality, apply best practices in everything that pertains to identifying non-compliance risks, provide advisory services to business divisions, and spread awareness concerning matters of compliance, anti-money laundering and terrorism financing.

During 2019, the Compliance Division developed and implemented a monitoring and follow-up plan based on risk identification and assessment as approved by the Board's Audit Committee. Inspired by the Bank's desire to promote a culture of compliance, and based on the values of compliance "We care, We Comply," and the Bank continued its awareness campaigns through the (Momtathel) "Compliant" persona. The awareness included all sorts of topics on compliance and principles of ethical, professional behavior, combating money laundering and terrorism financing through the use of several awareness methods that guarantee access to the Bank employees. In addition, appropriate communication channels for employees were provided to exercise their duties and responsibilities towards compliance.

The Compliance Division endeavors all the time to ensure the Bank continues to meet current and potential future regulatory requirements, such as SAMA regulations and circulars and those of other legislative bodies. Also met are new requirements, such as instructions issued regarding the mortgage law and the finance leasing law, and instructions regarding the 5th update of rules for opening and activating accounts in the Kingdom, and amendments of the rules of corporate governance. Furthermore, management is committed to exerting efforts to comply with any regulations and systems issued by any other supervisory authority.

In this regard, the Compliance Division analyses and studies the requirements of updated regulations and systems and assesses risks to monitor the effects of these updates on the Bank and its controls. In addition, the Bank seeks to comply with the recommendations of the International Finance Committee for Anti-Money Laundering/Combating and the rules of the Office of Foreign Assets Control to combat money laundering, terrorism financing and the proliferation of weapons of mass destruction.

Human Capital:

In 2019, and in line with the future directions of the Bank, the human capital division strategy was implemented in order to achieve the 2022 strategy, which includes developing policies, procedures and systems to enhance job performance of employees and continue building their practical capabilities.

In this context, the comprehensive employee compensation program was executed and the Bank's corporate structure and leadership programs were developed. The division also strengthened the values of Riyad Bank and reached out to 5,000 employees all over the Kingdom via "Our Values, Our Journey" program.

The division remained committed to improving the service provided to customers through 13,025 training opportunities from specialized internal and external programs. The best talents were still recruited and retained.

At the same time, the Bank also topped the highest indicators of job Saudization in the banking sector in the Kingdom, with a percentage of 94%, 25% of them were females.

As a result of this unwavering effort, the Human Capital Division won a number of recognition awards in talent recruitment and leadership development at the GCC level.

Incentive Programs for Employees and the Changes to Each During 2019:

Statement	Saving Investments plan ('000)		
	Share of Employee	Bank Share	Total
Balance at the beginning of the year	41,248	14,290	55,538
Added during 2019	12,895	4,440	17,335
Excluded during 2019	(11,852)	(3,365)	(15,217)
End of year balance	**42,291**	**15,365**	**57,656**

Communication and Customer Experience:

In 2019, the Communication and Customer Experience kept abreast of the changes and achievements the Bank made by communicating them through various channels and communication activities inside and outside the Bank. The objective was to consolidate the positive image of Riyad Bank and enhance its leadership competitiveness in the Saudi banking sector.

The #Hena_Watan_2030 (#We_Are_One_Nation_2030) campaign was the most prominent project launched by the Bank in 2019. The project highlighted the national role played by Riyad Bank as it aligns with "Vision 2030" at the financial level by announcing 205 initiatives sponsored by the Bank and included in the framework of achieving the Vision. In addition, the Bank implemented a number of marketing campaigns with which more than 2,590,000 customers interacted, which contributed to boosting product sales and benefiting from the banking services provided.

In 2019, the division strengthened the digital footprint of Riyad Bank via its website and various social media platforms. The continuous efforts over the past year resulted in an increase of 25% in the Bank's website traffic, from 11.6 million in 2018 to 15.6 million visitors in 2019. This was also accompanied by a remarkable increase in the Bank's communication content via social media platforms accounts, which amounted to 52%.

Furthermore, the division kept pace with the activities of Riyad Bank with outstanding media coverage, and communicated its many accomplishments to internal and external audiences with the purpose of enhancing its image in the minds of people and re-affirming its leadership in the Saudi banking sector.

Over and above, the division played a crucial role in promoting the values of communication and belonging among employees by holding a wide range of entertainment events to reinforce belonging and loyalty and establish the Bank's identity among employees. In 2019, the division was especially keen on developing a rich experience that ensures customers' needs are met through a series of simulation tests of customers' journey in the Bank's branches and digital channels, measuring usability and reporting the analysis results to the relevant departments.

التواصل وإثراء تجربة العملاء
Communication & CX

Awards:

- The Best Bank Award in financing SMEs.
- The Best Trade Finance Bank.
- The Best Program Award for “Developing Leadership Skills”.
- The Excellence Award in HR Management and Talent Acquisition.
- The Fastest Growing Bank Award in 2019.
- First Position Award in Financing “Vision 2030” Targeted Sectors.
- ISO22301 Certificate in Continuity Management Systems.
- The Most Innovative Digital Transformation Bank Award.
- Tier III Certification of Constructed Facility.

Corporate Social Responsibilit:

In 2019, the Bank's comprehensive and long-term strategy for corporate social responsibility programs, "Bukra", was developed based on best practices and review of the latest models applied locally, regionally and globally. Taken into consideration in the CSR program was contribution to "Vision 2030" and alignment with the US Sustainable Development Goals following conducting analytical studies previous years accomplishments and holding a number of meetings with a large number of stakeholders to identify and factor in crucial factors to ensure an appropriate and highly qualified strategy is developed.

The strategy is based on four (4) main pillars: Environment, Society, Economy and Knowledge. It aims to create initiatives to address the requirements of sustainable development with all its types and technical, sports, cultural dimensions and lifestyle and economic development programs.

During 2019, the Bank announced the establishment of a CSR committee headed by the chairman , with the CEO, representatives of the Bank's divisions and CSR Management in the Communication and Customer Experience division as members, in order to execute contemplated initiatives and programs, review existing programs and projects, ensure their continuity, study proposed initiatives and suggestions, and set and approve standards.

Alongside the strategy announcement, a volunteer program was also announced during the holy month of Ramadan. In the program, 20,000 Iftar meals were distributed, with more than 140 Bank employees volunteering with a total of 30 hours outside official working hours, increasing the total volunteer hours in all events and activities to 655 hours.

During the same year, and as part of "Bukra" program initiatives, a pilot recycling initiative was launched in the Communication and Customer Experience. It lasted till the end of November, with more than 120Kg of paper and plastic collected to be recycled. This initiative will extend to all the buildings and branches of Riyad Bank.

Among the initiatives the Bank launched in cooperation with the Support Services Division is the "Energy Saving Initiative". It aims to use energy-efficient and environmentally friendly lighting, sustainable cleaning materials, and effective procedures to save water in the Bank's buildings. Still in its nascent stages, the experiment will be improved and deployed to all buildings.

Additionally, Riyad Bank participated in the "Furijat" Initiative launched by the MOI through the General Directorate of Prisons, contributing to payments for those arrested for financial violations, after checking the veracity of data via the competent authority and ensuring commitment by prisoners. This sort of participation was warmly welcomed by the society due to its impactful influence. On the other hand, in cooperation with King Faisal Specialist Hospital & Research Center, Riyad Bank launched a blood donation campaign, with many employees of Riyad Bank and Riyad Capital taking part, bringing the total donated amount to 40.05 liters.

The CSR Department also organized "#3asahu_7es_Ma _Yentefy" (May it not be forgotten) awareness campaign. It featured awareness messages and an educational session commemorating World Alzheimer's Month in cooperation with the Saudi Alzheimer's Disease Association with the aim of increasing awareness of the disease and mitigating its social effects.

Moreover, the CSR Department launched a "Don't Wait for Symptoms" campaign during October, the Breast Cancer Awareness Month, to raise awareness of the disease by educating Riyad Bank employees on the importance of conducting early and periodic checks. Riyad Bank also cooperated with the Saudi Red Crescent Authority on the "International Red Crescent Day" to deliver an awareness-raising lecture for employees of Riyad Bank and Riyad Capital in the General Management's Building and explain how to deal with the injured and apply first aids to them.

THE GOOD OF TODAY IS THE HOPE OF TOMORROW

Islamic Banking:

During 2019, Riyad Bank continued its efforts to innovate and design a portfolio of Sharia-compliant banking products and solutions approved by the Sharia Committee at the Bank, which extended to daily banking transactions, and financing and investment solutions for all segments of Retail and Corporate Banking. The Bank's performance in this area was accompanied by continued development of human competencies concerned with the innovation of high-end banking services and products through specialized training programs. These programs were aimed to introduce employees to the Islamic banking industry, and periodically evaluate the Islamic banking branches performance.

To approve Sharia-compliant financial products and solutions, Riyad Bank held nine (9) meetings with the Shariah Board of Islamic Banking in the Bank where several agreements and legal procedures were adopted, including:

- A mortgage finance guarantees program agreement with the Real Estate Development Fund and all its subsidiaries.
- A consolidated framework agreement to manufacture housing units under construction with real estate developers.
- An agreement to strike car purchase deals with agents to lease them to the Bank's customers.
- Sharia procedures and contracts required to grant customers Sharia-compliant financing for the purpose of subscribing to shares of companies which go public.
- Approval of Murabaha investment agreement and procedures for customers who wish to invest their current account balances with the Bank.
- Islamic financing agreements and documents for the Corporate Banking division.

In the same context, a number of investment solutions provided by Riyad Capital were approved, including:

1. A brokerage agreement between Riyad Capital and the Bank to implement securitization operations in international commodities for Riyad Bank customers.
2. An update to the controls governing Sharia-compliant investment tools of the company's funds.
3. A number of Sharia-compliant solutions provided by Riyad Capital that live up to customer expectations.

Effectiveness of Internal Control Procedures:

Riyad Bank established an integrated framework for internal control to ensure an effective system covering regulatory controls and guidelines issued by regulatory authorities. This framework includes policies and procedures set by the executive management – supervised by the Board of Directors – to the strategic goals of the Bank, protect its assets and guarantee all operations are carried out pursuant to applicable policies and procedures. Such controls include corporate governance that defines the roles and responsibilities of members of the Board and its subcommittees.

The executive management and its committees fulfill their duties in light of these controls, which include, for example, regulatory affairs and addressing the main risks related to strategy, financial performance, information technology, asset management, liabilities and liquidity, credit, operations, legal affairs, regulatory requirements and information security.

In addition, all concerned parties in Riyad Bank leave no stone unturned to boost the efficiency and effectiveness of the regulatory environment through continuous reviews and ensuring consistency and complementarity of procedures to address deficiencies that may occur in the regulatory environment. These deficiencies could be spotted through self-assessment of the risks and controls applied either internally by the relevant parties or via internal and external auditors.

The scope of work of the Internal Audit department encompasses assessing the adequacy and efficiency of the internal control system, while ensuring that all applicable policies and procedures are applied and observed.

The Compliance Department is responsible for ensuring compliance with regulatory requirements, and review is implemented regularly to continuously evaluate the effectiveness of the internal control system, identify any deficiencies it may experience in terms of practical application, and address deficiencies that may arise as a result of changing circumstances. All crucial results and corrective actions unearthed by relevant departments are submitted to the Senior Executive Management. The Board's Audit Committee, which in turn continually monitors the adequacy and effectiveness of the internal control system to ensure that all necessary measures are taken to reduce the identified risks.

Risk Management:

In its normal business, the Bank is exposed to multiple types of risks inherent in its banking activities. Therefore, Riyad Bank ensures that its risks are mitigated and controlled by balancing the performance risk equation, through a clear governance structure that ensures effective risk management and taking necessary proactive procedures to neutralize such risks.

The Risk Management Committee of the Board of Directors adopts the Risk Framework of the Bank, its plans and objectives, which include establishing risk limits and establishing effective control procedures. All risks associated with the business are established within the Bank's acceptable risk tolerance limits. Risks are defined and accepted, measured and managed, controls are established for specific and targeted risk types, and they are managed proactively and proactively using a range of tools and instruments and the appropriate professional competencies that are working on the development of comprehensive policies that define the roles and responsibilities of all stakeholders, while spreading the culture of confronting and managing risks at all levels of the Bank's departments.

Following the directives of the Saudi Arabian Monetary Authority and the Basel Committee, the Bank's risk management framework ensures the independence of its functions to ensure continued transparency. Three main lines of defense have been developed at the level of the Bank's departments, so that business units share risk management and internal audit in effective management to monitor and identify acceptable risk levels and methods of reducing them.

The Bank covers various types of risks, including but not limited to credit risk, market risk, liquidity risk, operational risk and information security. Specific policies have been developed for all types of risks referred to in a holistic framework at the Bank level.

Credit Risk:

Credit risk is defined as the risk of financial loss resulting from the borrowers' failure to meet their contracted financial obligations. Accordingly, the Bank developed various credit risk management policies that encompass all financing programs to ensure the Bank maintains the quality of its credit portfolio and reduces losses incurred by financing activities.

Riyad Bank operates in accordance with an air-tight framework of credit policies and procedures, which are subject to regular follow-up that takes into account procedures, latest updates and regulations of SAMA. These are used to establish credit limits matching the level of risk and ensure diversification of lending activities to avoid focus on retail or corporate risks in specific geographies or business sectors. In addition, a number of tools were designed to measure risks that may arise as a result of non-payment of existing liabilities.

The Bank applies an advanced credit rating system in accordance with international standards, and develops standardized measurement tools that enable it to integrate ratings issued by external rating agencies into its own internal rating. This provides a full picture of the Bank assets quality and their distribution on the internal rating table, accordingly shedding light on calculating their capital adequacy ratios using advanced methods, as well as measuring the potential for default which is a prerequisite for calculating credit losses in accordance with new accounting standards.

The Bank complies with all Basel requirements in measuring the capital adequacy ratio required to cover credit risk according to the standard method (Standardized Approach), which is one of SAMA's requirements. It then switched to the Internal Credit Risk Assessment Standard (Internal Rating Based/IRB) after successfully upgrading its credit rating models in line with the requirements of Basel. It was also able to develop a special system to verify the validity and completeness of these models, subsequently performing several independent periodic tests to ensure the veracity of the results of the credit rating models and their quantitative and qualitative aspects.

Concurrently, the Bank established the basic infrastructure necessary to develop and use models for credit decision making by relying on an accurate measurement of the risks and their likely return, with simultaneous review of approved risk policies to demonstrate their compliance with credit rating systems, while applying the internal credit risk assessment standard.

To keep abreast of financial developments, as of the beginning of 2018, Riyad Bank used (IFRS 9) as an alternative to (IAS 39). It updated and developed the credit rating systems even more to maximize their use for purposes of calculating long- and short-term default probabilities, which is one of the main components of calculating expected credit losses.

Furthermore, the Bank updated, developed and streamlined business rules and controls related to calculating credit default risk rates. It also reviewed the fundamentals of evaluating assets, activity flows and the appropriate governance structure, adopting the necessary programs, mechanism and technological solutions to calculate and approve expected credit losses in accordance with (IFRS 9) and the directives of SAMA. These programs and solutions have undergone several previous and subsequent quantitative and qualitative tests to verify the new standard to ensure the safety and accuracy of factors used in calculating the risk of default and credit losses.

In terms of individual financing, Riyad Bank attached special importance to such products to keep pace with developments in this vital division. It also established internal credit evaluation standards pursuant to the frameworks approved by the Board of Directors and in line with the requirements of SAMA, enabling the implementation of the initiatives of the Ministry of Housing and the Real Estate Development Fund. In addition, quantitative models for measuring default and collection rates were used to calculate and approve the expected credit losses in accordance with (IFRS 9).

Market Risk and Liquidity:

Market risk is the risk of losses resulting from fluctuations in market prices, such as special commission rates, stock prices, foreign exchange rates, and any changes in the fair value of financial instruments and securities held by the Bank.

Riyad Bank continuously measures and monitors market, assets and liabilities risks resulting from fluctuations in fair values or future cash flows of financial instruments due to changes in market prices. This is achieved using risk structure, limits, and metrics approved by the Board's Risk Management Committee and monitored by the Market Risk and Liquidity Management.

Furthermore, the management seeks to strike a balance between liquidity and profitability of all operations, while maintaining a strong liquidity position to increase customer confidence and improve the cost of financing. Additionally, periodic reports on liquidity risks are submitted to the Asset and Liability Management Committee and the Operational Risk Management and Compliance Committee. Such reports are then submitted to the Board's Risk Management Committee.

The Bank adopts the value at risk (VaR) standard, which monitors the changes and volatility of market prices and the relationship linking these changes to one another as a basic standard for measuring market risks. Moreover, several other advanced standards are used to improve analytical capabilities in managing market risks, including stress tests and analysis of market risk sensitivity.

The Bank continues to work on its strategy to develop its operations and systems to manage market and liquidity risks and implement the latest regulatory requirements as per the requirements of SAMA.

Financial Crime Risks:

Financial crimes pose a serious threat and challenge to financial institutions and their employees, and Riyad Bank realizes the gravity of such crimes and their consequences. Therefore, efforts were made to take preventive measures of a strategic nature to combat and prevent financial crimes, which helped eliminate such crimes to a great extent.

Based on these principles, during 2019, the Bank was keen on incorporating the best international practices as it executed its strategy to combat and monitor suspicious transactions, including controls designed to combat embezzlement, financial fraud and controls to monitor Bank accounts.

In response to new risks and banking industry technologies, this strategy is subject to periodic reviews and quick updates. In addition, a risk assessment review is also carried out periodically that encompass the functions, departments, policies, and procedures for addressing risks of internal and external fraud, and determining the level and nature of those risks. All new financial products and services are subject to a risk assessment process before they are provided to customers.

Riyad Bank sought to raise employee awareness by launching an awareness program throughout the year to boost commitment to combating financial crimes. The customer and concerned parties play an important role in helping the Bank detect fraud. Accordingly, awareness and ad campaigns are launched to introduce customers to the forms of fraud that may face the Bank or its customers and how to disclose them.

The Bank continues to revitalize its supervisory role by receiving all incoming reports, from employees or customers, conducting analysis, examination and urgent evaluation, identifying all violations, identifying causes of accidents and malfunctions and introducing appropriate plans to ensure non-recurrence in the future.

Operational Risk:

Operational risks are losses resulting from errors or inefficiencies in the implementation of internal operations, or failure to follow policies and procedures, or system malfunctions or losses incurred due to external events. These risks arise in all activities undertaken by various business divisions and support functions. Their identification and analysis are important factors that help monitor and successfully address them. In addition, these risks change when the Bank's systems, policies and procedures change.

Riyad Bank has developed well-knit policies and standards, as well as complex analytical equations for risk analysis. These risks are effectively monitored through a variety of different methods, including training the Bank employees on means of detecting risks and setting up a program to prevent their occurrence. Also, there is an integrated risk-based approach that is compatible with Bank's activities and includes:

1. Identifying operational risks, including emerging risks through by means of improving various tools to manage operational risks, which include business operations and proactive support, continuously recording and monitoring them.

2. Measuring operational risks using a standardized methodology for risk assessment in cooperation with the second line of defense departments.

3. Evaluating operational risks and their impact on the Bank's strategic and executive goals.

4. Continuously monitoring the effectiveness of operational risks to ensure that priorities are set in taking the corrective actions necessary to address risks.

5. Submitting periodic reports to the Executive Management and the Operational Risk Management & Compliance on important operational risk cases to obtain guidance and approvals as needed.

6. Formulating and implementing an annual integrated plan to manage operational risks that takes into account the internal control governance policy and the annual plans of the Bank's supervisory authorities.

7. Identifying and sharing leading practices with the management and competent officers in Risk Management Department.

8. Enhancing awareness and knowledge of risks in the Bank.

Riyad Bank continuously strives to spot operational risks by examining the ongoing processes and practices, and ensuring this task is performed more effectively across the Internal Oversight and Market Risks Division by taking preventive and appropriate measures to manage and control these risks in accordance with the best international practices in order to reduce, avoid and hedge potential losses.

Information Security Risks:

The term "information security risks" refers to risks arising from the possibility of breaching the necessary regulatory, technical and procedural measures put in place to protect the Bank's information from unauthorized access, disclosure, unauthorized reproduction, as well as from use or modification, transfer, loss, theft, or misuse thereof in a deliberate and subversive, or accidental manner.

Riyad Bank manages information security risks through a comprehensive practical framework via which information security systems governance is applied, practical procedures are organized, and implementation of the regulatory requirements and necessary rules is facilitated, ensuring the protection of the Bank's informational assets to reduce various information security risks. Moreover, information security legislations issued by the relevant authorities are applied. Also implemented are direct and complete supervision of all activities from viewpoint of information security and continuous assessment and monitoring of systems, for the purpose of identifying security risks and taking necessary measures to immediately reduce those risks.

Riyad Bank is constantly seeking to design and develop awareness programs to raise awareness of this type of risk for all people dealing with the Bank's informational assets, employees, contractors or customers.

BASEL III Pillar 3 Disclosures:

The 3rd pillar of the recommendations of the Basel III Committee is the required publishing of a number of quantitative and qualitative disclosures. These are published and posted on the Bank's website www.riyadbank.com in accordance with SAMA instructions. Such disclosures are not subject to examination or review by the Bank's external auditors.

Stress Tests:

Riyad Bank applies "Stress Testing" to all types of risks, including all banking activities of the Bank and how influence they are by financial and economic changes, the application of governance policies, frameworks and rules for this test. All these tests are run under the supervision of the Board of Directors. In this context, officials in the Risk Management Department monitor stress methodologies along with underlying assumptions to maintain the efficacy of the stress models deployed. Stress tests are set up using a large number of assumptions and scenarios that help Riyad Bank make the assessment and reach a deep understanding of the potential risks to its various assets and portfolios. This enables it to be hedge risks by allocating and setting appropriate levels of capital that exceed the levels of sufficiency required by the control and oversight bodies.

Financial Results:

Riyad Bank posted a net profit of SAR 5,602 million for the 12 months ended 31 December 2019, an increase of 81.2% for the same period over the SAR 3,092 million earned during the same period last year. In light of the current economic changes and challenges, Riyad Bank continued to focus on major banking activities and maintain its financial position, with investments amounting to SAR 53,361 million compared to SAR 47,993 million, an increase of 11.2%. On the other hand, net loans and advances increased by 15.2%, amounting to SAR 173,982 million compared to SAR 151,025 million for the previous year. Customer deposits amounted to SAR 194,518 million, compared to SAR 169,822 million for the previous year, an increase of 14.5%, while assets amounted to SAR 265,789 million, compared to SAR 229,900 million for the previous year, an increase of 15.6%. The total operating income was SAR 10,717 million during the 12 ended 31 December 2019, compared to SAR 8,967 million for the same period in the previous year, with an increase of 19.5%.

Reflecting the robustness of the Bank's assets and the diversification of its financing and investment products, Riyad Bank achieved a rise in net special commissions amounting to SAR 7,837 million during the 12 months ended 31 December 2019, compared to SAR 6,628 million for the same period the previous year, with an increase of 18.2%. In addition, earnings per share during the same period amounted to SAR 1.87 compared to SAR 1.03 for the previous year. The rise in the Bank's net profit for the 12 ended 31 December 2019 was attributed to an increase in total operating income by 19.5% which was partially offset by a total increase in total operating expenses by 7.8%. Moreover, Zakat expenses also decreased almost by 61.2% compared to the previous year, as the year 2018 includes Zakat adjustment amounts for the previous years up to 2017.

The increase in total operating income is mainly driven by the increase in net special commission income, net income from fees and commissions, and net gains on non-trading investments. As for the increase in the total operating expenses, it is due to the increase in the net impairment charge for credit losses and other financial assets, salaries and employee related expenses, and other general and administrative expenses, which partly offset by the decrease in the net impairment charge for investments.

Starting from the quarter ended June 2019, and in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by SOCPA, the Bank changed its accounting policy for reporting zakat. Accordingly, the Bank has reported zakat through the statement of income for the year-ended 2019 and restated the year-ended 2018. Previously zakat was reported in the statement of changes in equity.

In Q4 2018, the Bank entered into a settlement of zakat claims agreement with GAZT for periods up to and including 2017. The amount of the settlement was SAR 2,970 million and the restated 2018 statement of income includes the impact of this settlement. The restated 2018 statement of income, including the impact of the settlement agreement, resulted in a SAR 1,624 million decrease of previously reported net income for 2018 and commensurately a decrease of earnings per share from SAR 1.57 to SAR 1.03.

Material differences in the operational results compared to the preceding year's results:

SAR Million

Statement	2019	2018** (Restated)	Changes	Change percentage %
Net income after Zakat	5,602	3,092	**2,510**	81.2%
Total operating income	10,717	8,967	**1,750**	19.5%
Net Special Commission Income	7,837	6,628	**1,209**	18.2%
Earnings per Share	1.87	1.03	**0.84**	81.6%
Total assets	265,789	229,900	**35,889**	15.6%
Net investments	53,361	47,993	**5,368**	11.2%
Net loans and advances	173,982	151,025	**22,957**	15.2%
Customer deposits	194,518	169,822	**24,696**	14.5%

*Certain comparative figures have been reclassified to conform with the classifications for the current period.

**Includes the effect of the settlement of Zakat claims for the prior financial periods.

Summary of Riyad Bank Financial Results for the Past Five Years:

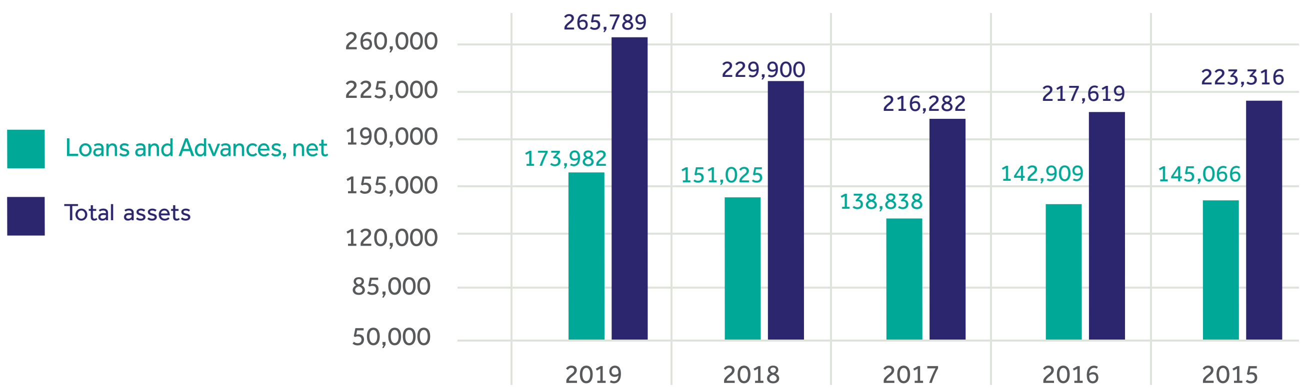
A) The following is an analysis of the most important items in the consolidated statement of financial position*:

SAR Million

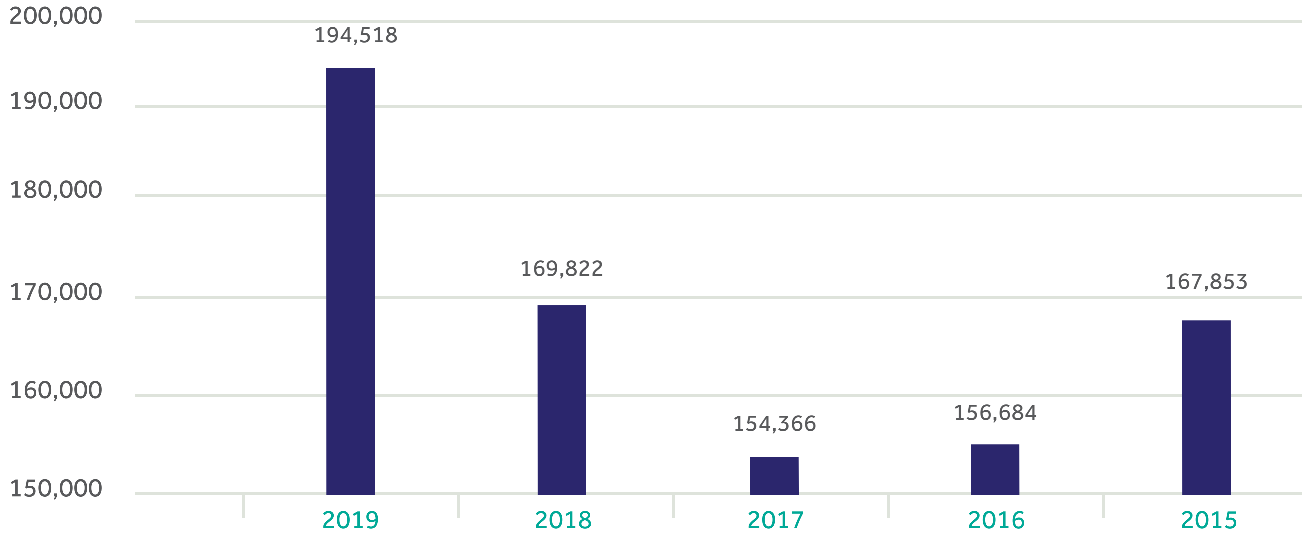
Statement	2019	2018	2017	2016	2015
Assets					
Cash and balances with banks and SAMA	33,924	27,352	27,876	25,829	29,839
Loans and Advances, net	173,982	151,025	138,838	142,909	145,066
Investments, net	53,361	47,993	46,370	45,157	44,765
Properties, equipment and other real estate	2,435	1,927	1,987	2,107	2,153
Other assets	2,086	1,603	1,211	1,617	1,493
Total assets	265,789	229,900	216,282	217,619	223,316
Liabilities					
Due to Banks	13,124	8,581	7,056	8,837	4,500
Customer deposits	194,518	169,822	154,366	156,684	167,853
Other liabilities	17,575	14,723	16,237	15,126	14,668
Shareholders' equity	40,571	36,774	38,623	36,973	36,295

* Certain comparative figures have been reclassified to conform with the current period.

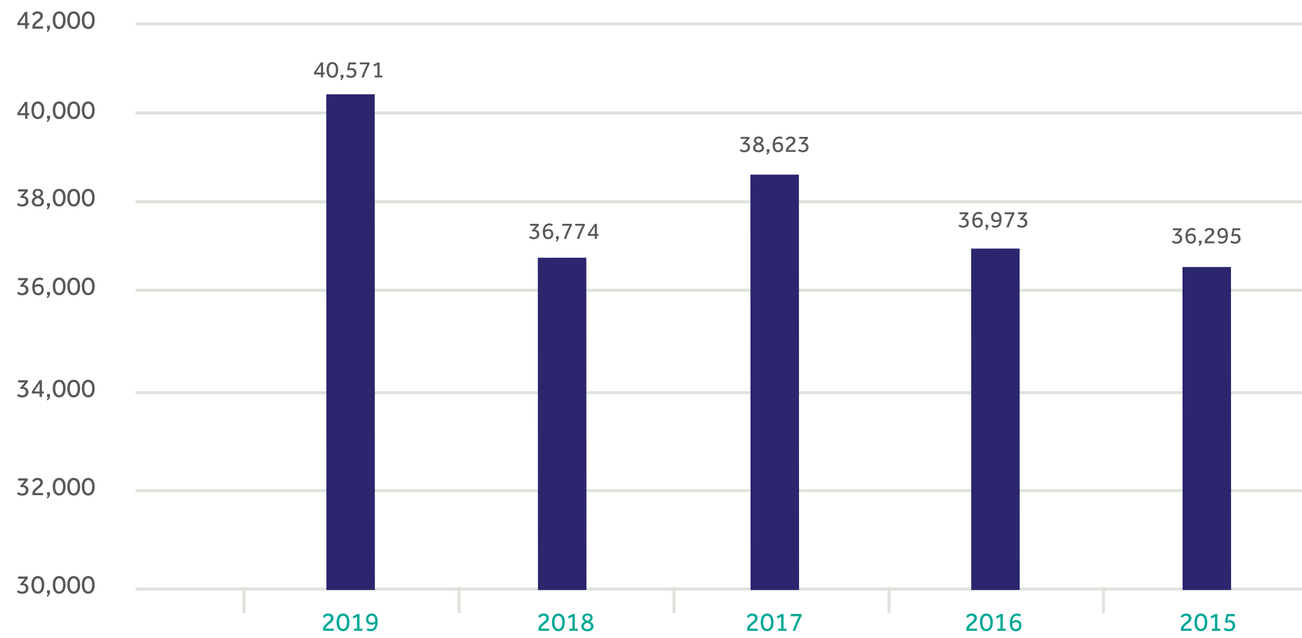
Total Assets, Loans and Advances (net)



Customer Deposits



Shareholders' equity



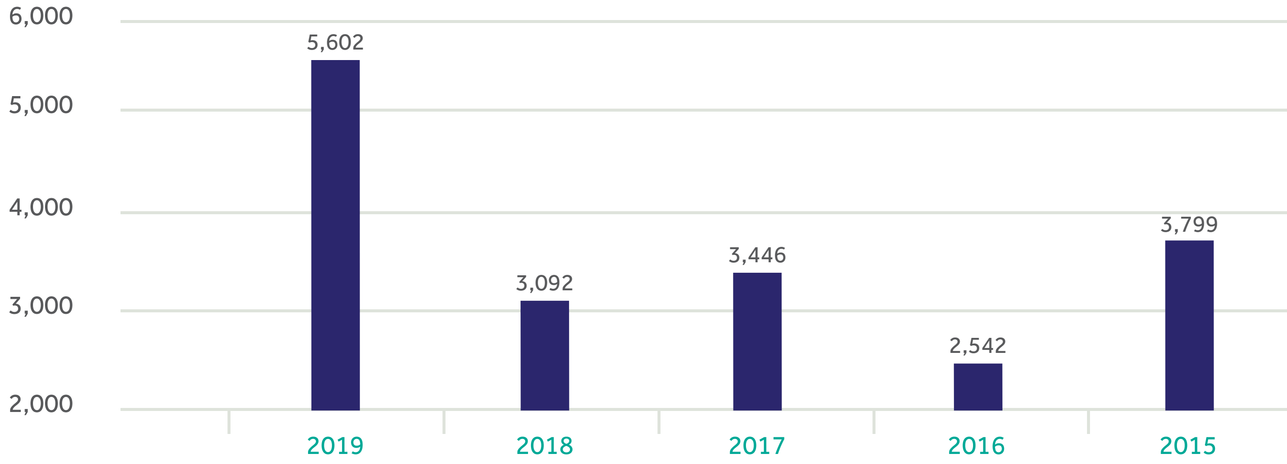
B) Analysis of the most important items of the consolidated statement of income*:

SAR Million

Statement	2019	2018**	2017	2016	2015
Total operating income and Share in earnings of associates, net	10,870	9,018	8,148	7,738	8,005
Total operating expenses	4,638	4,302	4,202	4,395	3,956
Net income after Zakat	5,602	3,092	3,446	2,542	3,799
Earnings per share (in SAR)	1.87	1.03	1.15	0.85	1.27

* Certain comparative figures have been reclassified to conform with the current period.
**Includes the effect of the settlement of Zakat claims for prior financial periods.

Net Income after Zakat



Geographical analysis of the bank's and its affiliates' revenues:

The total income for the period ended 31 December 2019 operations inside the Kingdom amounted to SAR 14,058 million, and SAR 1,905 million from outside the Kingdom.

Geographical analysis of the bank's and its affiliates' revenues inside the Kingdom:

SAR Million

Inside the Kingdom

Year	The Western Region	The Central Region*	The Eastern Region	Total revenues from inside the Kingdom
2019	2,352	9,768	1,937	**14,058**

*The Central Region amount includes income from central investments related to the Investment and Treasury division, amounting to SAR 5,085 million, that is not related to a specific geography inside the Kingdom. This amount also subsumes income related to other inseparable areas.

Geographical analysis of the bank's and its affiliates' revenues from outside the Kingdom:

SAR Million

Outside the Kingdom

Year	GCC & Middle East	Europe	North and Latin America	South East Asia	Other Areas	Total revenues from outside the Kingdom
2019	684	404	674	46	97	**1.905**

Dividends:

The Bank abides by all relevant and applicable rules and regulations and observes the following policies in distributing dividends to shareholders:

A) A transfer of 25% of the net profit to the statutory reserve. Such transfers may be discontinued when the total statutory reserve is equal to the paid-up capital.

B) Upon the recommendation of the Board of Directors and the approval of the Annual General Assembly, dividends are distributed among shareholders, each in proportion to their shareholdings.

C) The Bank's strategic direction determines the distribution of the interim and annual dividends. The dividends proposed for the second half of the year are included in the shareholders' equity, and will remain there until the Annual General Assembly approves the Board of Directors' recommendation.

The Board of Directors recommended that dividends shall be as follows:

in Thousand SAR

Retained earnings from 2018	**414,556**
Net profit after deduction of Zakat for 2019	**5,602,066**
Total	**6,016,622**
To be allocated and distributed as follows:	
Disposal of FVOCI -equity instruments	(13,881)
Cash dividends distributed to shareholders for the first half of 2019	(1,560,000)
Cash dividends proposed to be distributed to shareholders for the second half of 2019	(1,650,00)
Transfer to statutory reserve	(1,400,517)
Retained earnings for 2019	**1,392,224**

On 24 July 2019, the Bank distributed dividends to shareholders for the first half at 52 halalas/share. As for the remaining part of profits proposed to be distributed to shareholders for the second half of 2019 at 55 halalas/share, it will be distributed if approved by the General Assembly, bringing the total distributions for the entire year to SAR 3,210 million at 1.07 riyals/share, equivalent to 10.7% of the nominal value of the share, after deducting Zakat.

Credit Rating:

Rating Agency	Long Term	Short Term	Future Outlook
Fitch Ratings	BBB+	F2	Stable
Capital Intelligence	A+	A1	Stable
Standard & Poor's	BBB+	A-2	Stable

Financing and Issued Debt Securities:

Through its regular dealings, the Bank exchanges financing and borrowing funds with other banks and SAMA at the commission rate customary in the market and this is duly accounted for in the Bank's consolidated financial statements.

On June 24, 2015, the Bank issued a special issue of secondary Sukuk amounting to SAR 4 bin (four billion Saudi riyals), redeemable after five (5) years, for a maturity period of ten years. The cost of six-month SAIBOR Sukuk will be +115 points. With these issues, the Bank aims to diversify funding sources, extend maturity and support sources of finance.

On January 22, 2018, the Bank announced that it intends to establish a program to issue primary and secondary bonds and Sukuk in one or several parts and over several stages through a series of issuances, and introducing them inside or outside the Kingdom in Saudi riyals, US dollars or any other currency. This program seeks to diversify sources of finance and their maturities and boost the Bank's capital base, further promoting the expansion of its credit business and supporting execution of its banking activities. The program will be established and the issuance will begin following completion of all statutory procedures according to the Bank's need and market conditions at the time.

Financing and Issued Debt Securities (continued):

The Bank also confirms the following:

- There are no debt instruments issued by subsidiaries.
- There are no outstanding loans owed by subsidiaries.
- The Bank or any of its subsidiaries have not made any redemption, purchase, or cancellation of any redeemable debtinstruments.
- The bank did not issue or grant any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Bank during 2019.
- The bank did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during 2019.

Disclosure of Treasury Shares Held by the Bank and Details of Their Use:

The Bank does not maintain any treasury shares.

Applicable Accounting Standards:

Riyad Bank prepares its financial statements which are audited by the Bank's auditors in accordance with the International Financial Reporting Standards and their interpretations as issued by the International Accounting Standards Board and approved in the Kingdom and other standards and publications accredited by the Saudi Organization for Certified Public Accountants (collectively referred to as "the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia"). In line with the Banking Control Law, the provisions of the Kingdom's corporate Law and the Bank's Bylaws, there are no material differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Statutory Payments:

There are no accrued regulatory payment(s) due by the Bank for the year 2019, except as indicated in the statement below:

SAR'000s

Statement	2019 Settled	2019 Outstanding
Zakat - General Authority for Zakat and Income (for the fiscal year 2019)*	-	630,000 estimates
Taxes incurred by the Bank on behalf of some non-resident parties (according to the terms of the contract)	15,053	1,338 estimates
Taxes payable on foreign branches of the Bank for the benefit of the official authorities outside the Kingdom	29,400	-
General Organization for Social Insurance	96,907	13,762
Visa and passport costs	3,426	-
Any other regulatory payments**	7,388	81

*The legal zakat will be paid for the year 2019 with a maximum of 30 April 2020.

**Government fees.

On 20 December 2018, the Bank announced that it agreed with the General Authority of Zakat and Income to settle Zakat claims for the previous fiscal years up to the end of the fiscal year 2017, in exchange for an amount of SAR 2,969,722,864. A20% advance payment of this settlement was made during the previous year and the rest will be paid in five (5) equal installments within five (5) years, beginning on 1 December 2019 and ending on 1 December 2023. The first installment was paid on 25 November 2019 according to the agreement with the General Authority of Zakat and Tax.

Regulatory punishments and penalties:

During the course of its daily business, the Bank observes all banking laws, regulations, and rules issued by supervisory authorities. In addition, the Bank is keen on limiting the occurrence of any violations and taking the necessary corrective measures if they happen to occur.

SAMA's Penal Decisions:

Subject of the violation	Fiscal year 2019 No. of penal decisions	Fiscal year 2019 Total amount of financial penalties (SAR)	Fiscal year 2018 No. of penal decisions	Fiscal year 2018 Total amount of financial penalties (SAR)
Violation of SAMA's supervisory instructions	15	3,496,000	15	1,469,500
Violation of SAMA's instructions for due diligence in the fight against money laundering and financing of terrorism	1	200,000	-	-
Violation of SAMA's instructions for protecting customers	4	25,000	5	2,776,000
Violation of SAMA's instructions for exercising due diligence	1	5,000	-	-
Total	**21**	**3,726,000**	20	4,245,500

Penalties and Statutory Sanctions Imposed by Other Supervisory, Regulatory or Judicial Bodies:

Authority	Penalty Rating	No. of fines	Total fines (SR)
Municipalities and other government agencies	Fines imposed on signs, ATM locations, licenses and other fines	125	1,882,960

Related Party Transactions:

The following statement clarifies the balances resulting from related party transactions as of 31 December 2019 which were made during the ordinary course of the Bank's business as defined by the relevant parties in Article 1 of the Corporate Governance Regulations:

SAR'000s

Statement	Total
Loans and advances	7,470,182
Customer deposits	33,508,496
Derivatives (at fair value)	172,374
Commitments and contingent liabilities (irreversible)	7,465,724
Special commission income	300,979
Special commission expense	549,457
Fees from banking services, net	344,237
Miscellaneous operating expenses	88,075

Related party Transactions (continued):

Related party transactions include a group of transactions and contracts made for the Bank, in which members of the Board have a direct or indirect interest. These are as follows:

The nature of contract	Related Party	Owner	End date of the contract	Annual Value (SAR)
Leasing five floors in Olaya Towers (IT Division) - Riyadh	Board Member Mr. Nader Ibrahim Al- Wehibi works for the General Organization for Social Insurance	Granada Investment Center (owned by the General Organization for Social Insurance)	09/09/2020	7,568,954
Leasing the old HQ - Riyadh	Board Member Mr. Nader Ibrahim Al-Wahaibi works for the General Organization for Social Insurance	General Organization for Social Insurance	16/12/2020	3,750,000
Leasing two ATM locations at Olaya Towers - Riyadh	Board Member Mr. Nader Ibrahim Al-Wahaibi works for the General Organization for Social Insurance	Granada Investment Center (owned by the General Organization for Social Insurance)	24/12/2020	50,000
Leasing Street 60 Branch 286 for exhibitions No. (1,2,3,5) – Riyadh	Board Member Mr. Nader Ibrahim Al-Wahaibi works for the General Organization for Social Insurance	General Organization for Social Insurance	10/09/2021	700,000
Leasing the HQ Building (Granada Oasis)	Board Member Mr. Nader Ibrahim Al-Wahaibi works for the General Organization for Social Insurance	Granada Investment Center (owned by the General Organization for Social Insurance)	14/08/2022	28,244,040
Providing IP VPN services	Board Member, Mr. Mohammed Talal Al-Nahas, is a board member of the company	Saudi Telecom Company	17/12/2020	9,434,880
Providing smart and integrated communications and information technology services and solutions	Board Member, Mr. Mohammed Talal Al-Nahas, is a board member of the company	Saudi Telecom Company	31/12/2020	1,772,600
Leasing two ATM locations at STC Building - Riyadh	Board Member, Mr. Mohammed Talal Al-Nahas, is a board member of the company	Saudi Telecom Company	31/05/2022	80,000
Leasing an ATM site at Makarem Umm AlQura Hotel - Makkah AlMukarramah	Mr. Mohammed Ibrahim Al-Issa, father of the Chairman of the Bank's Board of Directors, Eng. Abdullah Mohammed Al-Issa	Mohammed Al Issa and Sons (MASC)	20/02/2021	18,000
Connectivity services contract for the General Management Building - Granada	Chairman of the Board, Eng. Abdullah Mohammed Al-Issa, and Eng. Mutaz Kusai AlAzzawi, members of the Company›s Board of Directors	Etihad Etisalat Company (Mobily)	17/02/2020	485,000
Second communication service provision contract to SJN network	Chairman of the Board, Eng. Abdullah Mohammed Al-Issa, and Eng. Mutaz Kusai AlAzzawi, members of the Company›s Board of Directors	Etihad Etisalat Company (Mobily)	24/07/2020	26,676
Protection program to provide Dense WavelengthDivision Multiplexing (DWDM) technology	Chairman of the Board, Eng. Abdullah Mohammed Al-Issa, and Eng. Mutaz Kusai AlAzzawi, members of the Company›s Board of Directors	Etihad Etisalat Company (Mobily)	31/05/2021	1,098,000
Leasing an ATM location for Marriott Hotel - Riyadh	Chairman of the Board, Eng. Abdullah Mohammed Al-Issa	Dur Hospitality Company	22/11/2020	30,000

Micro, Small and Medium Size Enterprises (MSMEs) disclosures:

1-Qualitative Disclosure:

The approved definition of Micro, Small and Medium Size Enterprises (MSMEs):

The Micro, Small and Medium Size Enterprises (MSMEs) disclosures are classified according to the definitions of SAMA.

The initiatives taken by Riyad Bank to support these establishments, in addition to the number of employees, training initiatives and workshops offered to customers and employees for the year 2019 are as follows:

2019	Micro	Small	Medium
Related division	Retail Banking	Corporate Banking	Corporate Banking
Related management	Branches network	Emerging business	Commercial Banking
No. of employees who serve the segment	14	80	69
No. of employees who were granted training courses	14	80	59
No. of training days	54	254	154
No. of customers who were granted training courses	5,278	224	114
No. of workshops provided to customers	4,616	126	88
No. of training days provided to customers	602	82	25
No. of centers or branches in which the segment provide its services to customers	All Riyad Bank branches in all regions of the Kingdom serve the entrepreneurial segment	Customer service centers for the following small enterprises: Three centers in Jeddah, three centers in Riyadh, four centers in the Eastern Province, one center in: Tabuk, Al Qassim, Hail, Khamis Mushait, Makkah, Jubail, Madinah and Al Ahsa, in addition to all branches of Riyad Bank and electronic channels	1. Five centers, each in: Riyadh, Makkah, Sharqiya, Al-Qassim, Al-Madinah. 2. Twenty-one branch companies in a number of regions of the Kingdom and three customer service centers. 3. Electronic channels. 4. All Riyad Bank branches serve the middle enterprise segment. 5. Electronic channels.

Micro, Small and Medium Size Enterprises (MSMEs) disclosures (continued):

1-Qualitative Disclosure (continued):

Awards won by the Bank the small and medium and micro enterprises segment during 2019:

• The Best Bank Award in SMEs financing by Kafalah Program.

• The Best Bank Award in supporting SMEs operating in the sectors targeted for development by "Vision 2030".

Initiatives taken by Riyad Bank to support these establishments:

A. Product Launch and Development:

Micro enterprises:

• Providing e-commerce solutions to establishments through "ZID" to support sales.

• Lease financing for vehicles of up to three (3) vehicles, or a financing amount of SAR 500,000.

Small enterprises:

• SMEs financing against points of sale receipts.

• SMEs real estate finance for commercial real estates used for service and industrial activities.

B. Programs and Agreements:

Small enterprises:

• An agreement with the General Authority for Small and Medium Enterprises "Monshaat" to launch four (4) financing products for small enterprises.

• An agreement with the General Authority for Small and Medium Enterprises "Monshaat" to join the financing portal.

• An agreement with the Asharqia Chamber to sponsor the Young Businessmen Council, as well as provide financing and knowledge support to entrepreneurs.

• Indirect financing program with the General Authority for Small and Medium Enterprises "Monshaat".

C. Sponsorships and Participation in Exhibitions:

Small enterprises:

• Biban Hail Forum organized by the General Authority for Small and Medium Enterprises "Monshaat".

• Forum for Financing Contractors for SMEs in Riyadh.

• Sponsoring The SME Finance Forum in Riyadh, which was organized by "Kafalah Program".

• Sponsoring "Theqa Forum" to motivate and support businesswomen in Jeddah.

• Sponsoring Biban Eastern Forum organized by the the General Authority for Small and Medium Enterprises "Monshaat".

• Sponsoring the Endeavor Entrepreneur Forum in Riyadh.

• Sponsoring Entrepreneurship Forum and Exhibition – RAD 2019 organized by Asharqia Chamber.

• Sponsoring the Young Businessmen Councilin the Eastern Province.

• Sponsoring The Al-Ahsa Investment Forum.

D.Participation in Seminars and Conferences:

Small enterprises:

Participation in seminars on financing SMEs in:

- Riyadh Chamber of Commerce.
- Al-Ahsa Chamber of Commerce and Industry.
- Madina Chamber of Commerce and Industry.
- Alrass Chamber of Commerce.
- Hail Chamber of Commerce and Industry.
- Abha Chamber of Commerce & Industry.
- Hafr Albaten Chamber of Commerce & Industry.
- Tabuk Chamber of Commerce and Industry.
- University Of Hail.
- Al Yamamah University.
- Arrajol Magazine.
- The Saudi Law Conference in Riyadh.

Medium enterprises:

- Participating in a symposium on the role of banks in financing SMEs in coordination with Saudi banks
- in the Riyadh Chamber of Commerce.

Micro, Small and Medium Size Enterprises (MSMEs) disclosures (continued):

2-Quantitative Disclosure:

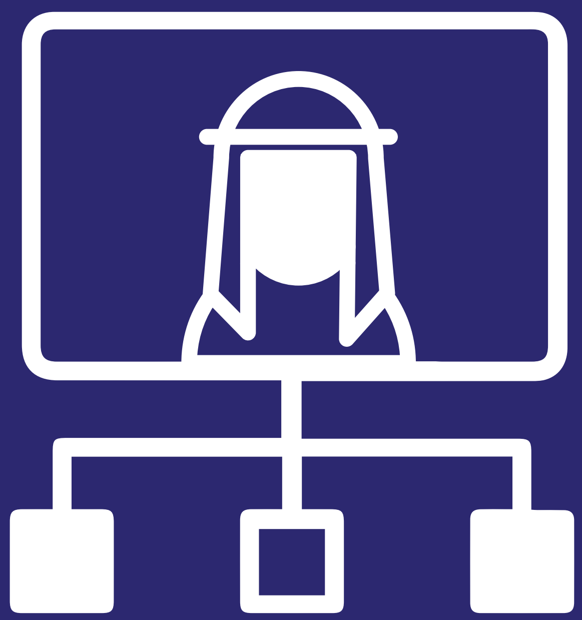
SAR'000s

2019	Micro	Small	Medium	Total
Loans to MSMEs – onbalance sheet items (B/S)	640,422	1,947,213	9,122,526	11,710,161
Loans to MSMEs – off-balance sheet items (nominal value)	741,316	1,795,588	6,754,409	9,291,313
On B/S MSMEs loans as a % of total on B/S loans	0.36%	1.10%	5.16%	6.62%
Off B/S MSMEs loans as a % of total off B/S loans	0.87%	2.10%	7.90%	10.87%
Number of loans (on and off B/S)	4,059	11,001	13,093	28,153
Number of loan customers (on and off B/S)	2,663	2,439	1,065	6,167
Number of loans secured from Kafalah Program (on & off B/S)	21	4,993	1,079	6,093
Total amount of loans secured from Kafalah Program (on & off B/S)	1,809	1,373,124	783,128	2,158,061

SAR'000s

2018	Micro	Small	Medium	Total
Loans to MSMEs – on-balance sheet (B/S) items	787,196	1,595,815	6,290,672	8,673,683
Loans to MSMEs – off-balance sheet(B/S) items (nominal value)	625,636	1,749,923	6,236,971	8,612,530
On B/S MSMEs loans as a % of total on B/S loans	0.51%	1.04%	4.10%	5.65%
Off B/S MSMEs loans as a % of total off B/S loans	0.73%	2.04%	7.25%	10.02%
Number of loans (on and off B/S)	3,895	9,575	12,241	25,711
Number of loan customers (on and off B/S)	2,328	2,143	995	5,466
Number of loans secured from Kafalah Program (on & off B/S)	14	4,474	151	4,639
Total amount of loans secured from Kafalah Program (on & off B/S)	2,003	1,067,816	136,233	1,206,052

3



Members of the Board and its Committees:

The Bank's Board of Directors:

The Bank is managed by a Board of Directors of 10 members elected by the General Assembly every three (3) years. The current Board of Directors includes six (6) independent members and four (4) non-executive members in accordance with the definitions set forth in Article 1 of the Corporate Governance Regulations issued by the Capital Market Authority. The number of Board meetings during 2019 was seven (7), and the attendance of theses was 100%. Taking into account those attending on behalf of others, the attendance rate of members in person was 92.86%.

Structure of the Board and Classification of its Members:

Member*	31/10/2019 to 30/10/2022			31/10/2016 to 30/10/2019		
	Representation	Membership classification	Position	Representation	Membership classification	Position
Abdullah Mohammed Al-Issa	-	Non-executive	Chairman	-	Independent	Chairman
Mutaz Kusai AlAzzawi	-	Independent	Vice Chairman	-	Independent	Board Member
Ibrahim Hassan Sharbatly	-	Independent	Board Member	Al Nahla Trading & Contracting Co.	Non-executive	Board Member
Jamal Abdul-Karim Al-Rammah	-	Independent	Board Member	-	Independent	Vice Chairman
Talal Ibrahim Al-Qudaibi	-	Independent	Board Member	-	Non-executive	Board Member
Abdul-Rahman Amin Jawa	Public Investment Fund	Non-executive	Board Member	Public Investment Fund	Non-executive	Board Member
Mohammed Talal Al-Nahas	Public Pension Agency	Independent	Board Member	Public Pension Agency	Non-executive	Board Member
Mohammed Abdulaziz Al-Afaleq	-	Non-executive	Board Member	-	Independent	Board Member
Mohammad Omair Al-Otaibi	Public Investment Fund	Non-executive	Board Member	Public Investment Fund	Non-executive	Board Member
Nader Ibrahim Al-Wehibi	Hassana Investment	Independent	Board Member	GOSI	Non-executive	Board Member

*All Board Members are elected, including representatives of legal entities.

Board Meetings in 2019:

Attendance Record of Board Members in Person and by Proxy in 2019:

Member	30/01/2019	19/02/2019	19/03/2019	22/05/2019	30/09/2019	16/12/2019	23/12/2019
Abdullah Mohammed Al-Issa	✓	✓	✓	✓	✓	✓	✓
Mutaz Kusai AlAzzawi	✓	✓	✓	✓	✓	✓	✓
Ibrahim Hassan Sharbatly	✓	✓	✓	✓	✓	✓	✓
Jamal Abdul-Karim Al-Rammah	✓	✓	✓	✓	✓	✓	✓
Talal Ibrahim Al-Qudaibi	✓	✓	✓	✓	✓	✓	✓
Abdul-Rahman Amin Jawa	✓	✓	✓	✓	✓	By proxy	✓
Mohammed Talal Al-Nahas	By proxy	By proxy	✓	✓	✓	By proxy	✓
Mohammed Abdulaziz Al-Afaleq	✓	✓	✓	✓	✓	✓	✓
Mohammad Omair Al-Otaibi	✓	✓	✓	✓	✓	✓	✓
Nader Ibrahim Al-Wehibi	✓	✓	By proxy	✓	✓	✓	✓

Board Committees:

Riyad Bank Board of Directors delegates some of its functions to the main committees made up of the members of the Bank's Board of Directors, except for the Audit Committee that comprises two (2) members from the Board of Directors, in addition to three (3) members from outside the Board and the Nomination and Remuneration Committee, which comprises three (3) members from the Board of Directors, in addition to two (2) members from outside the Board.

Following is an explanation of the main functions of the board committees:

1-The Executive Committee:

Main Functions and Responsibilities:

The Executive Committee exercises the credit, banking, financial and administrative powers of the bank, which are granted by the Board of Directors. The Bank's Executive Committee consists of five (5) members, and the number of meetings of the Executive Committee during 2019 was ten. The attendance rate of the meetings was 100%. Considering those who attended on behalf of others, the original attendance rate was 94%.

Executive Committee Meetings in 2019:

Attendance Record of the Members of the Executive Committee to the Committee Meetings in Person and by Proxy in 2019:

Member	Position	14/01/2019	18/02/2019	18/03/2019	30/04/2019	23/06/2019	29/07/2019	08/09/2019	22/10/2019	24/11/2019	18/12/2019
Talal Ibrahim Al-Qudaibi	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abdul-Rahman Amin Jawa**	Member	By Proxy	✓	✓	✓	By Proxy	By Proxy	✓	✓	✓	✓
Mohammed Abdulaziz Al-Afaleq	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

*Chairman of the Executive Committee from 31 October 2019 to 30 October 2022

**Chairman of the Executive Committee from 31 October 2016 to 30 October 2019

2- The Audit Committee:

Main Tasks and Responsibilities:

The Audit Committee supervises the operations of financial reporting and operations for compliance and compliance with relevant laws and regulations, monitoring the effectiveness and efficiency of the internal control system, recommending the selection of auditors, studying and reviewing the interim and annual financial statements and recommending them to the Board of Directors.

The Bank's Audit Committee consists of five members, three of whom are from outside the Board of Directors, who are Dr. Abdul Raouf Suleiman Banajah and Mr. Abdul Aziz Abdullah Al-Duailej, Mr. Abdullah Abdul Latif Al-Seif, whose membership ended on 30 October 2019 and Mr. Tareq Abdullah Al-Qaraawy, who joined the Committee on 31 October 2019. The Audit Committee was formed by a decision of the General Assembly on 30 September 2019. The number of meetings of the audit committee during the year 2019 was eight, and attendance rate was at 92.5%.

The attendance of the members of the Executive Committee was recorded in person and by proxy.

Meetings of the Committee in 2019:

Meetings of the Committee in 2019:

Member	Position	19/01/2019	28/01/2019	06/02/2019	22/04/2019	10/07/2019	24/07/2019	23/10/2019	24/12/2019
Jamal Abdul-Karim Al-Rammah	Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Mohammad Omair Al-Otaibi	Member	✓	✓	✓	✓	✓	✓	✓	✓
Abdul Aziz Abdullah Al-Duailej	Member	X	X	✓	✓	✓	✓	✓	✓
Abdullah Abdullatif Al-Saif	Member	✓	✓	✓	✓	✓	✓	✓	
AbdulRaouf Sulaiman Banaja	Member	✓	X	✓	✓	✓	✓	✓	✓
Tareq Abdullah Al-Qaraawy	Member								✓

3-Risk Management Committee:

Main Tasks and Responsibilities:

The Risk Management Committee assists the Board in its responsibility to fully supervise the Bank's risk strategy, review acceptable risk levels, make recommendations to the Board of Directors, and monitor the Executive Management's compliance with Board approved risk limits and their consistency with the levels approved by the Board. To this end, it has access to all aspects of the risks to which the Bank is exposed and is entitled to review the extent of compliance of the executive management with the controls to manage such risks and the adequacy of the measures taken to hedge them. The Bank's Risk Management Committee consists of three (3) members. The number of the Risk Management Committee's meetings during 2019 was four (4), and the attendance rate of the meetings in person and by proxy was 100%.

Meetings of the risk Management Committee in 2019:

Attendance Record of the Members of the Risk Management Committee to the Committee Meetings in Person and by Proxy in 2019

Member	Position	18/02/2019	30/04/2019	08/09/2019	22/12/2019
Mohammed Abdulaziz Al-Afaleq	Chairman	✓	✓	✓	✓
Jamal Abdul-Karim Al-Rammah	Member	✓	✓	✓	✓
Mohammad Omair Al-Otaibi	Member	✓	✓	✓	✓

4-The Nomination and Remuneration Committee:

Main Tasks and Responsibilities:

The Nomination and Remuneration Committee shall support the Board of Directors in respect of the Board's governance, propose a policy of remuneration for Board members and its committees and senior management officers, and review and evaluate the adequacy and effectiveness of the remuneration, compensation and incentive policy on a regular basis. This is to ensure that the objectives are met, and the methods of paying remunerations and adherence of the remuneration policy to SAMA rules are reviewed. It also establishes the policy of candidacy and selection for membership of the Board of Directors and ensures that all members meet the statutory requirements of membership of the Board in accordance with the relevant regulations.

The Nomination and Remuneration Committee consists of five (5) members, including two (2) from outside the Board of Directors, namely Dr. Timothy John Miller, Mr. Mohamed Nazzal Al-Khaldi, whose membership ended on 30 October 2019, Eng. Khalid Saleh Al-Turairi and Eng. Ahmad Mohammed Al-Faleh, who joined the committee on 31 October 2019. The number of meetings of the committee during 2019 was six (6), and the attendance rate in person amounted to 93.33%.

The Nomination and Remuneration Committee Meetings in 2019:

Attendance Record of the Members of the Nominations and Remunerations Committee to the Committee Meeting in person and by proxy in 2019:

Member	Position	14/01/2019	17/02/2019	08/07/2019	2019/09/16	24/11/2019	12/12/2019
Mutaz Kusai AlAzzawi	Chairman	✓	✓	✓	✓	✓	✓
Talal Ibrahim Al-Qudaibi	Member	✓	✓	✓	✓	✓	✓
Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓
Mohamed Nazzal Al-Khaldi	Member	✓	✓	✓	✓		
Timothy John Miller	Member	✓	X	✓	X		
Ahmad Mohammed Al-Faleh	Member					✓	✓
Khalid Saleh Al-Turairi	Member					✓	✓

5-Strategic Planning Group:

Main Tasks and Responsibilities:

The Strategic Planning Group oversees the preparation of strategic directions for the Bank and follows up on and evaluates the steps taken to achieve its objectives. The group provides the necessary support to the Board of Directors on strategic planning processes and matters of strategic importance, including business development and expansion and substantive and technical dealings. The group is also responsible for monitoring the Bank's progress in achieving its financial and long-term strategic goals. The group consists of five (5) members, and the number of its meetings during 2019 was one (1). The attendance rate of the meetings in person and by proxy was 100%.

Meetings of the Strategic Planning Group in 2019:

Attendance Record of the Members of the Strategic Planning Group in Person and by Proxy to the Group's Meetings in 2019

Member	Position	25/11/2019
Abdullah Mohammed Al-Issa	Chairman	✓
Ibrahim Hassan Sharbatly	Member	✓
Talal Ibrahim Al-Qudaibi	Member	✓
Abdul-Rahman Amin Jawa	Member	✓
Mohammed Talal Al-Nahas	Member	✓

Positions, Qualifications and Experience of Board Members in Other Listed JSCs (inside the Kingdom):

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Abdullah Mohammed Al-Issa	Dur Hospitality- Chairmanof the Board Etihad Etisalat (Mobily) –Vice Chairman Member of the Board of Saudi Basic Industries Corporation (SABIC) and the Saudi Arabian Mining Company (Maaden)	Chairman of the Board - Assila Investmen Company Chairman of the Board - Abdullah Mohammed Al-Issa Engineering Consultants Office Chairman of the Board - AMIAS Holding Company Chairman of the Board - Amias Real Estate Company Chairman of the Board – Services Shipping and Travel Company Ltd.	Chairman of the Board -Arab Cement Company Chairman of the Board- National Medical Care Company Chairman of the Board- Cement Products Industries Company Chief Executive Officer- Assila Investment Company The President - Saudi Construction Contracting Company Board Member- Jadwa Investment Company Board Member - The Saudi Hotels and Resort Areas Company Board Member - Gulf Tourist Areas Company Board Member - King Faisal Schools Board Member- National Chemical Transportation Company Board Member -Tabuk Hotels Limited Company Board Member- Riyadh Hotels and Recreation Company Ltd. Board Member -Saudi National Shipping Company (Bahri)Company (Bahri)	Master's degree in Engineering Project Management- Southern Methodist University - USA Bachelor's degree in Industrial Engineering- Southern Methodist University - USA

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Mutaz Kusai AlAzzawi	Savola Group - Board Member Arab Cement Company - Board Member Herfy Food Services Company - Board Member Etihad Etisalat (Mobily) -Board Member	Board Member - Savola Group Board Member - Afia International Company Board Member - United Sugar Company - a subsidiary of the Savola Group Chairman of the Board - Qatrana Cement Company-Jordan Board Member - Ready Mix Concrete and Construction Supplies Co. - Jordan Board Member - United Sugar Company - Egypt Board Member - Afia International Company - Egypt Board Member -Alexandria Sugar Company- Egypt Board Member - El Maleka for Food IndustryIndustries -Egypt Board Member - El Farasha Food Industry Company -Egypt Board Member and CEO - Saudi Industrial Construction and Engineering Project Company Board Member and CEO - Saudi Technology and Trade Company Limited Board Member and CEO - Al Wusta Development Company	Member of the Board - Merril Lynch - Kingdom of Saudi Arabia	Bachelor's degree in Computer Engineering - King Saud University

Positions, Qualifications and Experience of Board Members in Other Listed JSCs (inside the Kingdom) (Continued):

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Ibrahim Hassan Sharbatly	-	Vice Chairman of the Board - Al Nahla Group Vice Chairman of the Board - Al Nahla Trading and Contracting Company Vice Chairman of the Board - Saudi Arabian Marketing and Agencies Company Limited (SAMACO) Vice Chairman of the Board - Al Nahla for Urban Development Vice Chairman of the Board - Al-Amin Distinctive for Urban Development Vice Chairman of the Board - Al-Amin Distinguished Real Estate Investment Company Vice Chairman of the Board - Fast Auto Technology Co., Ltd. (FAST) Vice Chairman of the Board - Saudi Arabian Marketing, Agencies and Contracting Company Vice Chairman of the Board - Jeddah Holding Company for Development Member of the Board - Smile Communications - Africa Member of the Board - Golden Coast - Egypt	Board Member - Al Ittihad Cooperative Insurance	Bachelor's degree in Business Administration - Bristol Business School - Bristol – UK

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Jamal Abdul-karim Al-Rammah	-	-	Chairman of the Board - Saudi Aramco Insurance Company "Stellar" Board Member - Saudi Aramco Investment Management Company (Siamco) Board Member - Fujian Refining & Petrochemical Company, S-Oil Board Member - Guard Company Board Member - Pandlewood Corporation NV Board Member - Motor Oil Hellas Member of the Board - Jeddah Oil Refining Company Treasurer - Saudi Arabian Oil Company "Aramco" Chairing compensation and documentation committees for a number of subsidiaries and joint companies of the Saudi Arabian Oil Company (Aramco) Member and Chairman of committees in Aramco and in several subsidiaries of Saudi Aramco and joint companies inside and outside the Kingdom	Administrative Executives Program - Harvard University - USA Bachelor in Management and Economics A number of management and financial programs in many universities and international and local institutions

Positions, Qualifications and Experience of Board Members in Other Listed JSCs (inside the Kingdom) (Continued):

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Talal Ibrahim Al-Qudaibi	-	-	The CEO - Riyad Bank Before that, he held several job positions in the bank since joining it in 1983 Chairman - Royal & Sun Alliance Insurance (Middle East) - Bahrain Board Member - Riyad Capital Board Member - National Industrialization Company (Tasnee) Board Member - Saudi Spanish Bank Board Member - Gulf Bank - Riyadh Board Member - UBAF Hong Kong Ltd Board Member - Riyad Bank Europe	MA in Economics - University of Southern California - USA Bachelor's degree in Business Administration - Portland State University – USA

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Abdul-Rahman Amin Jawa	The Saudi Company For Hardware – SACO – Chairman of the Board	-	Business development consultant - Riyad Bank Chairman of the Board - Saudi Travellers Cheques Co Chairman of the Board - Banque Bemo Saudi Fransi Vice Chairman - Saudi Fransi Capital Board Member - Allianz Saudi Fransi Cooperative Insurance Company Member of the Board - Kam Saudi Fransi Company Board Member - Kam Saudi Fransi Company Board Member - Fransi Tadawul Board Member - Sovenko Board Member - Saudi Insurance Company Board Member - Alamthal Financing Board Member - Banque Saudi Fransi Vice General Manager - Banque Saudi Fransi Regional Manager - The Central Region - Banque Saudi Fransi Assistant Manager of Riyadh Branch - Banque Saudi Fransi General Manager - Hisham Trading Establishment Assistant Manager - The Saudi Investment Bank Assistant Manager - First National City Bank - Riyadh	Business Administration Advanced Program - Harvard University - USA (Training Program) Bachelor's degree in International Business Administration - Ohio University – USA

Positions, Qualifications and Experience of Board Members in Other Listed JSCs (inside the Kingdom) (Continued):

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Mohammed Talal Al-Nahas	Saudi Pharmaceutical Industries and Medical Appliances - Chairman of the Board Saudi Basic Industries Corporation (SABIC) - Board Member Saudi Telecom Company - Board Member	Governor of the Public Pension Agency Chairman of the Board - Leading Investment Company Board Member - General Organization for Social Insurance Board Member - Aqua Power International Business Chairman of the Board- Cooperative Real Estate Investment Company Chairman of the Board - ASMA Capital Chairman of the Board - Raza Inc. Board Member - National Center for Privatization	Board Member - Thebes Holding Company Board Member - Saudi Travelers Cheques Co. General Manager of bank Branches Banking - Alinma Bank Regional Manager for Central Region Branches - Samba Financial Group Head of Banking Transactions and Quick Transfer Branches - Samba Financial Group Vice General Manager for Human Resources - Samba Financial Group Senior Product Manager - Samba Financial Group Product Officer/Manager - Samba Financial Group	Executive Management Program - University of Michigan - USA Bachelor's degree in Accounting - King Saud University

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Mohammed Abdulaziz Al-Afaleq	-	Chairman of the Executive Committee - Al Hussain and Al Afaliq Group Chief Executive Officer - Al-Ahsa Refrigeration Company - a subsidiary of Hadaf Holding Company Chief Executive Officer - Supply Complexes Company - a subsidiary of Ahdaf Holding Company Chief Executive Officer - Lily Suite Furnished Residential Units, A Branch of Supply Complex Company – a subsidiary of Ahdaf Holding Company Senior ManagementOfficer - Ahdaf Holding Company Chairman of the Board - Al Najah Trading Est. Member of the Board - Health Cluster Company in Al-Ahsa	Chairman of the Board - Al Hussain and Al Afaliq Group Board Member - Al-Ahsa Food Industries Company General Manager of Industrial Projects - Al Hussain and Al Afaliq Group Managing Manager - Al-Ahsa Automatic Bakery Company	MA in Business Administration, St. Edward University - Austin, USA Bachelor's degree in Industrial Management - King Fahd University of Petroleum and Minerals

Positions, Qualifications and Experience of Board Members in Other Listed JSCs (inside the Kingdom) (Continued):

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Mohammad Omair Al-Otaibi	Al Yamamah Steel Industries Co. -Board Member Saudi Reinsurance For Cooperative Reinsurance Company - Board Member	Chairman of the Board - Zamin e-Marketing Company	National Gas and Industrial Company - Chairman of the Board Board Member - Mideast Ship Management Company - Dubai Board Member - NSCSA (Bahri) - Baltimore - USA Board Member - Al-Bahri Company for Bulk Transportation Board Member - Arabian United Float Glass Company Board Member - National Chemical Transport Company Board Member - Abdullah Saad Abu Muati Libraries Board Member - Petredec Group Board Member - ISRE Insurance Company - Luxembourg Board Member - West of England Insurance - Luxembourg Finance Executive vice Chairman - National Shipping Company of Saudi Arabia	Master of Business Administration - University of Western Michigan - USA Advanced Management Program - Harvard University - USA Executive Management Program - University of Michigan, USA The Banking Strategic Management Program - Ireland Bachelor's degree in English Language - Imam Mohammed bin Saud Islamic University

Member	Positions in JSCs inside KSA	Current position	Previous position	Qualifications
Nader Ibrahim Al-Wehibi	Saudi Basic Industries Corporation (SABIC) - Board Member	Assistant Governor for Insurance Affairs - General Organization for Social Insurance	Board Member - Jarir Marketing Company Board Member - the National Medical Care Company General Manager of Planning and Development - General Organization for Social Insurance The Secretary General - Board of Directors of the General Organization for Social Insurance Adviser - Pension Administration - General Organization for Social Insurance	MA in Social Protection Policies - Maastricht University - Netherlands Bachelor's degree in Insurance - Indiana State University - USA

Qualifications and Experience of External Committee Members:

Committee Member	Current Position	Previous Position	Qualifications
Abdulraouf Sulaiman Banajah	Chairman of the Board of Directors - Built to Suite Real Estate Fund Co. Chairman of the Board - SEDCO Capital REIT Fund Chairman of the Board - SEDCO Capital REIT Fund Chairman of the Board - SEDCO Capital Real Estate Income Fund 1 Chairman of the Board - SEDCO Capital Real Estate Income Fund 2 Member of the Audit Committee - Savola Group Member of the Audit Committee - Panda Retail Company Member of the Audit Committee - Herfy Food Services Member of the Audit Committee - Kinan International for Real Estate Development Company	Board Member - United Matbouli Group Member of the Audit Committee - Savola Food Company Membership of the Board of Directors of Equity Funds - National Commercial Bank Independent counselor Manager of Corporate Finance Department - Al Awwal Financial Services Co. Senior Vice Chairman and Member of the Executive Committee - Saudi Economic and Development Company (SEDCO) Regional Manager - Saudi Economic and Development Company (SEDCO) - Egypt Assistant General Manager - Manager of International Banking, National Commercial Bank Regional Manager - Gulf International Bank - Middle East - Bahrain Advisor to the vice Governor - SAMA Assistant General Manager - Corporate Banking - SABB Credit Manager - SABB Economic advisor - Ministry of Finance Assistant Professor - Head of the Quantitative Analysis Department - King Saud University	PhD in Economics - University of California Master's Degree in Economics - University of California - USA Bachelor's Degree in Mathematics and Physics - Riyadh University

Committee Member	Current Position	Previous Position	Qualifications
Abdul Aziz Abdullah Al-Duailej	Chairman of the Board - Binladin Group Global Holding Company Board Member - Thebes Holding Company Board Member - RAFAL Real Estate Development Company CEO - Advanced Electronics Company	Chairman of the Board - Trans Future Industrial Investment Company Chairman of the Board - First Dubai Real Estate Development Company Chairman of the Board - Saudi Advanced Industries Company Vice Chairman - Al-Salam Aerospace Industries Co. Board Member - Thabat Real Estate Development Company Board Member - Oil Services Company Limited - Bahrain Board Member - Al Oula Construction Co. Board Member - First Kuwaiti Contracting & Trading Board Member - A'ayan Capital Investment Board Member – Al Oula Real Estate Development Company Board Member - Saudi Fisheries Company Board Member - Deutsche Gulf Finance Board Member - Emaar Middle East Board Member - Saudi Printing and Packaging Co. Board Member - Saudi Research and Marketing Company Board Member - Saudi Pipe Systems Company Chairman of the Board - First Industrial Company - Egypt Managing Manager and CEO - Saudi Printing and Packaging Co. Managing Manager and CEO - Al Oula Real Estate Development CEO - Middle East Specialized Cables Co. Chief Executive Officer - Adwan Chemical Industries Co.	Bachelor's Degree in Industrial Management - King Fahd University of Petroleum and Minerals

Qualifications and Experience of External Committee Members (Continued):

Committee Member	Current Position	Previous Position	Qualifications
Abdullah Abdullatif Al-Saif	Board Member - Herfy Food Services Co.	Chairman of the Board - Qassim Cement Company Board Member - Saudi Printing & Packaging Co. Board Member - Hassana Investment Company Board Member - Saudi Specialized Laboratories Co. CEO - Saudi Specialized Laboratories Co.	Master in Industrial Engineering - Arizona State University Bachelor's degree in Industrial and Mining Engineering - University of Washington - USA
Mohamed Nazzal Al-Khaledi	Board Member - National Gas and Industrialization Co. Member of the Nomination and Remuneration Committee - Al Ra'idah investment company Human Resources Consultant- Public Pension Agency	-	Master's in Executive Business Administration - Al Yamamah University Bachelor's Degree in BusinessAdministration, majoring in Human Resources Management and Organization - King Abdulaziz University
Timothy John Miller	He currently holds non-executive membership on the Boards of several companies, including a member of Equiniti Financial Services Limited, the Toronto Stock Exchange and St. Martin Academy	Board Member - Standard Chartered Bank	PhD in Business Administration - University of Nottingham Master of Business Administration - University of Stirling Master of Arts - University of Stirling Bachelor's degree in History and Economics - University of Sterling – UK

Committee Member	Current Position	Previous Position	Qualifications
Tareq Abdullah Al-Qaraawy	Member of the Audit Committee - Savola Food Company Vice Chairman - Compliance and Quality Assurance - Building Development Company Member of the Board of Funds - Osoul and Bakheet Investment Company Board Member – ibtikarat	Member of the Audit Committee - Tabuk Fisheries Co. Board Member and Chairman of the Executive Committee and member of the Nomination and Remuneration Committee - Salama Insurance Company Founder and CEO - IDFA Financial & Management Consultants Regional Manager - Corporate Banking Group - Bank Albilad Manager of Strategy and Planning - Bank Albilad Private Consulations Senior Relationship Manager - Corporate Banking - SABB Manager - Islamic Banking - Corporate Banking - SABB Relationship Officer - Corporate Banking - The Saudi Investment Bank	Master in Accounting - George Washington University - USA Bachelor's degree in Accounting - King Saud University
Khalid Saleh Al-Turairi	General Manager for Special Projects - Human Resources - Saudi Basic Industries Corporation (SABIC)	Board member - SABIC Board Member - National Entrepreneurship Institute General Manager for Learning and Development - Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager, Benefits and Compensation - Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager Middle East - Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager for Personnel Services - Human Resources - Saudi Basic Industries Corporation (SABIC) General Manager of Information Technology - Saudi Basic Industries Corporation (SABIC)	Bachelor in Computer Science and Engineering - King Fahd University of Petroleum and Minerals

Qualifications and Experience of External Committee Members (Continued):

Committee Member	Current Position	Previous Position	Qualifications
Ahmad Mohammed Al-Faleh	Member of the Board - Herfy Food Services Company Chairman of the Nomination and Remuneration Committee - Herfy Food Services Company Board Member - Mosa Bin Abdulaziz Al Mosa & Sons Member of the Board – Technical United Works Company Member of the Board and General Manager - the leading commercial representation company Technical consulting, contracts, arbitration	Member of the Board - Sale Advanced Co. Ltd Member of the Board - Aluminum Products Company - ALUPCO Member of the Board – Tas'helat Holding Company Member of the Board - Sahel Transport Company (STC) Consultant - Tas'helat Marketing Company General Manager - Tas'helat Marketing Company Chairman - Mashreq Group Companies General Manager - Al Mashrik Contracting Company General Manager - Olayan Food Services Company President - Tena International Vice- Chairman - Riyadh International Catering Corp. (McDonald's) Vice- Chairman for Financial and Administrative Affairs - Saudi Operation and Maintenance Company Projects Engineer - Ministry of Health Project Engineer - Ibn Al-Bitar Company (SABIC)	Bachelor's degree in Civil Engineering - King Fahd University of Petroleum and Minerals

Performance Evaluation of the Board of Directors and Board Committees:

The Board of Directors sought the help of a third party to evaluate the performance of the Board and the committees during 2019. The members were engaged in extensive and comprehensive questionnaires, based on the international best practices adopted in governance, for identifying strengths and weaknesses, thus boosting the performance of the Board of Directors and its committees.

Actions taken by the Board of Directors to Inform Members - Especially Non-Executives – of the Proposals and Comments of the Shareholders Regarding the Bank Performance:

The actions taken included confirmation of the proposals received from shareholders during the General Assembly meetings. Further, in the event of receiving any other proposals, the Chairman shall be informed to present such proposals to the Board members at the nearest meeting and document them in the Board minutes, if any.

The Audit Committee Recommendations Which Conflict with the Decisions of the Board or Which the Board Has Refused to Follow Regarding the Appointment, Dismissal, Fees Determination, or Performance Assessment of Riyad Bank Auditor; the Grounds for Such Recommendations, and the Reasons for Not Being Adopted:

There are no recommendations by the Audit Committee that conflict with the decisions of the Board of Directors. The Board of Directors did not reject any recommendations regarding the appointment, dismissal, fees determination, or performance assessment of Riyad Bank auditor.

Remuneration of the Members of the Board, Committees, and Senior Management Officials During 2019:

The remuneration paid to members of the Board of Directors and the board committees of Riyad Bank is determined according to the frameworks set forth in the instructions issued by supervisory authorities. Such frameworks are generally subject to the main principles of corporate governance for banks operating in the Kingdom of Saudi Arabia, the compensation controls issued by the Saudi Arabian Monetary Authority, the corporate governance regulations issued by the Capital Market Authority, the Companies Law issued by the Ministry of Trade and Investment, and the Articles of Association of Riyad Bank.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors also determines the remuneration of senior management officials, so as to be in line with the bank's strategic objectives on one hand, and prove effectiveness in motivating senior management officials to realize such objectives on the other.

Remuneration of the Board Members:

SAR'000s

		Fixed Remuneration											
	Name	Certain amount*	Board meetings' Attendance Allowance	Total attendance allowance in committees **	In-kind benefits	The remuneration of technical, administrative and consulting works	The remuneration of the Chairman, managing director or secretary if he is a member	Total	Variable remuneration ***	End of service benefit	Gross Total	Expenses Allowance****
Independent Members	Mutaz Kusai AlAzzawi	385	35	80	-	-	-	500	-	-	500	25
	Ibrahim Hassan Sharbatly	400	35	5	-	-	-	440	-	-	440	35
	Jamal Abdul-karim Al-Rammah	400	35	60	-	-	-	495	-	-	495	52
	Mohammed Talal Al-Nahas	400	20	5	-	-	-	425	-	-	425	-
	Talal Ibrahim Al-Qudaibi	375	35	90	-	-	-	500	-	-	500	-
	Nader Ibrahim Al-Wehibi	390	30	80	-	-	-	500	-	-	500	-
	Independent Members	**2,350**	**190**	**320**	**-**	**-**	**-**	**2,860**	**-**	**-**	**2,860**	**112**
Non-executive Members	Abdullah Mohammed Al-Issa	460	35	5	-	-	1,000	1,500	-	-	1,500	-
	Abdul-Rahman Amin Jawa	400	30	45	-	-	-	475	-	-	475	-
	Mohammed Abdulaziz Al-Afaleq	395	35	70	-	-	-	500	-	-	500	21
	Mohammad Omair Al-Otaibi	400	35	70	-	-	-	505	-	-	505	-
	Non executive members	**1,655**	**135**	**190**	**-**	**-**	**-**	**1,980**	**-**	**-**	**1980**	**21**
	Total	**4,005**	**325**	**510**	**-**	**-**	**1,000**	**5,840**	**-**	**-**	**5,840**	**133**

*The remuneration of the members of the Board is SAR 400,000 for each member, while the reward of the Chairman of the Board of Directors is SAR 500,00, in addition to a special reward of SAR 1m. Note that the maximum limit for the total remuneration for each member, including the Chairman, does not exceed SAR 500,000, including the fees for attending Board and committees' meetings as defined in the Companies Law, except for the remunerations of the members of the Audit Committee and the Chairman, which do not fall within the scope of the maximum limit as stipulated in the Companies Law, according to the issued controls and implementing regulations of the Companies Law for the joint-stock companies issued by the Capital Market Authority.

**Allowance for attending the meetings of the Board's committees, includes the attendance allowance of the Board members who have been invited by the Committee to attend the committees' sessions, but are not members thereof. Consequently, the total amount that each member deserves for attending committee meetings may not be equal to the other statement of the committees' attendance allowance.

***Variable remunerations include (profit share, periodic remunerations, short term incentive plans, long term incentive plans, bonus shares).

****Expense allowance includes transportation and accommodation expenses for the members of the Board.

Remuneration for Members of the Board Committees:

SAR'000s

Name	Fixed Remuneration (except for attendance allowance)	Meeting Attendance Allowance	Total	Expenses Allowance
Executive Committee Members				
Talal Ibrahim Al-Qudaibi	-	50	50	-
Abdul-Rahman Amin Jawa	-	35	35	-
Mohammed Abdulaziz Al-Afaleq	-	50	50	-
Mutaz Kusai AlAzzawi	-	50	50	-
Nader Ibrahim Al-Wehibi	-	50	50	-
Total	**-**	**235**	**235**	**-**

SAR'000s

Audit Committee Members				
Jamal Abdul-karim Al-Rammah	-	40	40	-
Mohammad Omair Al-Otaibi	-	40	40	-
Abdul Aziz Abdullah Al-Duailej	120	30	150	-
Abdullah Abdullatif Al-Saif (External)**	100	35	135	-
AbdulRaouf Sulaiman Banaja (External)	120	35	155	30
Tareq Abdullah Al-Qaraawy (External)***	20	5	25	-
Total	**360**	**185**	**545**	**30**

SAR'000s

Risk Management Committee Members				
Mohammed Abdulaziz Al-Afaleq	-	20	20	-
Jamal Abdul-karim Al-Rammah	-	20	20	-
Mohammad Omair Al-Otaibi	-	20	20	-
Total	**-**	**60**	**60**	**-**

*The expenses allowance includes transportation and accommodation expenses for members of the Board and subcommittees.

**Member of the Committee (31 October 2016 - 30 October 2019).

***Member of the Committee (31 October 2019 - 30 October 2022).

Remuneration for members of the committees emanating from the Board of Directors (Continued):

SAR'000s

Name	Fixed Remuneration (except for attendance allowance)	Meeting Attendance Allowance	Total	Expenses Allowance*
Nomination and Remuneration Committee Members				
Mutaz Kusai AlAzzawi	-	30	30	-
Talal Ibrahim Al-Qudaibi	-	30	30	-
Nader Ibrahim Al-Wehibi	-	30	30	-
Mohamed Nezzal Al-Khaledi (External)**	100	20	120	-
Timothy John Miller (External)**	100	10	110	-
Ahmad Mohammed Al-Faleh (External)***	20	10	30	-
Khalid Saleh Al-Turairi (External)***	20	10	30	10
Total	240	140	380	10

SAR'000s

Strategic Planning Group				
Abdullah Mohammed Al-Issa	-	5	5	-
Ibrahim Hassan Sharbatly	-	5	5	-
Talal Ibrahim Al-Qudaibi	-	5	5	-
Abdul-Rahman Amin Jawa	-	5	5	-
Mohammed Talal Al-Nahas	-	5	5	-
Total	-	25	25	-
Members of sub-committees	600	645	1,245	40

*The expenses allowance includes transportation and accommodation expenses for members of the Board and subcommittees.

**Member of the Committee (31/10/2016 – 30 October 2019).

***Member of the Committee (31/10/2019 - 30 October 2022).

Salary and Compensation Statement for Six Senior Executives (including the CEO and CFO):

Statement	Amount (SAR'000s)
Fixed Remuneration	
Salaries	10,912
Allowances	1,576
In-kind benefits	134
Total	**12,622**
Variable Remuneration	
Periodic remunerations	8,806
Profits	-
Short term incentive plans	-
Long term incentive plans	638
Bonus shares	-
Total	**9,444**
End of service benefit	1,578
Total remunerations of board executives (if any)	-
Grand total	**23,644**

Assignment of Interests by Shareholders, Board Members or Senior Executives:

• There are no arrangements or agreements by any of the members of the Board or any of the senior executives to assign any salaries, remunerations, or compensation.

• There are no arrangements or agreements for any of the shareholders of Riyad Bank to assign any of their rights to the profits.

The cash dividends distributed for the first half were paid to all shareholders on 24 July 2019. Cash dividends for the second half of 2019 will be distributed to the shareholders of Riyad Bank who kept their shares at the end of the Bank's General Assembly day, and those registered in the records of Riyad Bank at the Securities Depository Center company at the end of the second trading day following the date of the General Assembly meeting, which will be held during the first quarter of 2020 and will be later announced after obtaining the necessary approvals from the competent authorities.

Qualifications and Experience of Senior Management:

Name	Qualification	Academic Institution	Graduation Year	Job Title	Experience (Employer)	Year
Tareq A. Al Sadhan	Bachelor of Accounting	King Saud University, Kingdom of Saudi Arabia	1998	Chief Executive Officer	Riyad Bank	From 2019 till present
				Senior Executive Vice President - Chief Financial Officer	Riyad Bank	2018-2019
				Chairman Advisor	SFD	2017-2018
				Acting Director Manager	The General Authority of Zakat and Income Tax	2016-2017
	Executive MBA	École de Pontes Business School, France	2007	Deputy Governor for Supervision	SAMA	2015-2016
				He held various positions, including the CEO from 2010	Saudi KPMG Company	1997-2015
Mohammed Abdullah Al Yahya	Bachelor of Computer Science	Eastern Michigan University, USA	1990	Senior Executive Vice President- Chief Operations Officer	Riyad Bank	2019 till present
				Board Member	SABB	2017-2018
				He has experience spanning more than 16 years in the business of banks and companies. He acquired such experience by working in the banking industry with several local banks and companies, in addition to his work in the Saudi Arabian Monetary Fund.		
Fahad Mohammed Al-Semari	Bachelor of Engineering	King Fahd University of Petroleum and Minerals, Kingdom of Saudi Arabia	1980	Senior Executive Vice President- Strategy and Transformation	Riyad Bank	2019 till present
				He occupied various positions in the bank, where he was among the establishment team and responsible for launching the service. He also headed the Retail Banking Group, followed by the Strategy and Business	Alinma Bank	2007-2019
	Master in Information Systems Management	The American University, USA	1989	Founder and CEO	Mabian Saudi Arabia Company	2005-2006
				Founder and vice Chairman	Knowledge Network Company	1999-2005
	Advanced Management Program	Harvard Business College, USA	1997	General Manager for Retail Banking	Arab National Bank	1992-1998

Qualifications and Experience of Senior Management (continued):

Name	Qualification	Academic Institution	Graduation Year	Job Title	Experience (Employer)	Year
Abdullah Ali Al-Oraini	Bachelor's Degree in Electrical Engineering	King Fahd University of Petroleum and Minerals, Kingdom of Saudi Arabia	2003	Chief Financial Officer	Riyad Bank	2019 till present
				Chief Financial Officer	Alawwal Bank	2016-2019
	Master's Degree in Administrative Sciences	Waterloo University, Canada	2007	Head of Accounting, Asset & Liability Management and Investor Relations	SABB	2012-2016
				Head, Capital & Liquidity Management	National Commercial Bank	2007-2011
				Senior Financial Analyst	National Commercial Bank	2003-2006
Mohammed Abo Al-Naja	Bachelor's Degree in Systems	King Saud University, KSA	1994	Executive Vice President - Corporate Banking Division	Riyad Bank	2018 till present
				Executive Vice President - Corporate Banking services	Riyad Bank	2014-2018
				Manager of Multinational Corporate Banking Department	Riyad Bank	2013-2014
				Regional Manager for Corporate Banking – the Central Region	Riyad Bank	2010-2013
				Senior Manager of Corporate Banking	Samba Financial Group	2004-2005
				Relations Senior Manager	Riyad Bank	1996-2004
Riyadh O. Al-Zahrani	Bachelor's Degree in Accounting	King Saud University, KSA	1992	Executive Vice President - Retail Banking	Riyad Bank	2016 till present
				Executive Vice President - Operations and Business Technology	Riyad Bank	2014-2016
				Executive Vice President of Operations	Riyad Bank	2011-2014
				Head of Retail Banking Services	Riyad Bank	2008-2010
				Manager - Electronic Banking	Riyad Bank	2002-2008
Nadir S Al-Koraya	Bachelor's Degree in Civil Engineering	California State University, USA	1987	Executive Vice President - Treasury and Investment	Riyad Bank	2019 till present
				Head of Treasury Department	Riyad Bank	2014-2018
	Master in Business Administration	California State University, USA	1989	Treasurer	Riyad Bank	2013-2014
				Assistant General Manager for Treasury Group	Samba	1993-2013

Name	Qualification	Academic Institution	Graduation Year	Job Title	Experience (Employer)	Year
Mazen Mohamed Khalefah	Bachelor's Degree in Industrial Engineering	King Abdulaziz University, KSA	2004	Executive Vice President - Human Capital	Riyad Bank	2018 till present
				General Manager – Human Resources	SAMA	2016-2018
Khalid Waleed AlKhudair	Bachelor's Degree in Commerce	St Mary's University, UK	2007	Executive Vice President - Communication and Customer Experience	Riyad Bank	2019 till present
				SVP - Head of Marketing and Communication Division	Riyad Bank	2018-2019
Steven Robert Monaghan	Master's Degree in Executive Management	Helsinki School of Economics	2002	Executive Vice President - Digital Banking	Riyad Bank	2019 till present
				Occupied several positions including the Chairman and CEO	Gen.Life Limited	2016
				Board Member	Pulse Global	2017
				General Partner / Chairman	Fin Mirai KK	2014

Changes in Shareholders' Equity:

The following table shows the primary shareholders of the bank, each of which owns 5% or more of the shares, and the changes in their equity as of the end of the trading Thursday 31 December 2019:

Shareholder's Name	No. of shares (Year Beginning)	No. of shares (Year End)	Net change	Change %	Equity %
Public Investment Fund	652,608,000	652,608,000	-	0.00%	21.75%
GOSI	501,757,200	501,757,200	-	0.00%	16.73%
Al Nahla Trade & Contracting Co.	261,998,976	261,998,976	-	0.00%	8.73%
Aseela Investment Co.	240,000,000	240,000,000	-	0.00%	8.00%

To monitor the above data, Riyad Bank relied on the bank's records at the Saudi Stock Exchange (Tadawul) at the end of trading Thursday, 31 December 2019.

Ownership of Riyad Bank Shares by the Board Members, Senior Executives, or Their Wives and Minors, and Their Changes During 2019:

The below tables are description of any interest that belongs to members of the Board and Senior Executives or their wives and minors in shares or debt instruments of the Bank or any of its subsidiaries and any change that occurred thereof during the year:

A) Members of the Board, Their Wives, and Minors

Stakeholder's Name	No. of shares (Year Beginning)	No. of shares (Year End)	Net change	Change %	Ownership %
Abdullah Mohammed Al-Issa	1,262,000	1,262,000	-	0.00%	-
Jamal Abdul-karim Al-Rammah	1,142	1,142	-	0.00%	-
Ibrahim Hassan Sharbatly	694,508	694,508	-	0.00%	-
Talal Ibrahim Al-Qudaibi	66,864	66,864	-	0.00%	-
Abdul-Rahman Amin Jawa	1,928	1,928	-	0.00%	-
Mohammed Talal Al-Nahas	-	-	-	0.00%	-
Mohammed Abdulaziz Al-Afaleq	100,000	100,000	-	0.00%	-
Mohammad Omair Al-Otaibi	1,000	1,000	-	0.00%	-
Mutaz Kusai AlAzzawi	1,347,000	1,347,000	-	0.00%	-
Nader Ibrahim Al-Wehibi	-	-	-	0.00%	-

B) Senior Executives, their Wives, and Minors

Stakeholder's Name	No. of shares (Year Beginning)	No. of shares (Year End)	Net change	Change %	Ownership %
-	-	-	-	-	-

General Assemblies Held During 2019:

Riyad Bank held two assemblies for the shareholders during the fiscal year 2019; the first Ordinary General Assembly held on 01/02/1441H, corresponding to 19 March 2019, and the second Ordinary General Assembly was on 12/07/1440H, corresponding to 30 September 2019. Below is the Board attendance record for these meetings:

	Attendees	
Name	Ordinary General Assembly dated 19/03/2019	Ordinary General Assembly dated 30/09/2019
Abdullah Mohammed Al-Issa	✓	✓
Jamal Abdul-karim Al-Rammah	✓	✓
Ibrahim Hassan Sharbatly	✓	✓
Talal Ibrahim Al-Qudaibi	✓	✓
Abdul-Rahman Amin Jawa	-	✓
Mohammed Talal Al-Nahas	✓	-
Mohammed Abdulaziz Al-Afaleq	✓	✓
Mohammad Omair Al-Otaibi	✓	✓
Mutaz Kusai AlAzzawi	✓	✓
Nader Ibrahim Al-Wehibi	✓	✓

Statement of the Number of Riyad Bank's Requests for Shareholders' Records, Their Dates, and Reasons during 2019:

Request Date	Reason
20/03/2019	Profits file
15/05/2019	Corporate procedures
16/06/2019	Corporate procedures
14/07/2019	Profits file
10/11/2019	Corporate procedures
30/12/2019	Shareholders' data at the end of 2019

Board Declaration:

- The account records have been correctly prepared.
- The internal control system has been based on a sound foundation, and it is implemented effectively.
- There is absolutely no doubt about Riyad Bank's ability to continue its activity.
- There is no contract in which Riyad Bank was a party, where a substantial interest exists or has been existing for any of the Chairman, members of the Riyad Bank Board of Directors, the CEO, the Chief Financial Officer, or any person directly related to any of them, except for what was mentioned in the statement of transactions with relevant parties.

Interests in the Class of Common Shares:

None of those who have interest in interest in the class of common shares (except for Riyad Bank's Board members, senior executives and their relatives), has informed Riyad Bank of such rights under Article 68 of the rules for offering securities and continuing obligations, or of any changes in such rights during the fiscal year 2019.

Auditors:

The Ordinary General Assembly of the shareholders of Riyad Bank approved in its meeting held on 19 March 2019 the appointment of Ernst & Young, and PricewaterhouseCoopers as Riyad Bank auditors for the fiscal year ending on 31 December 2019. During the next meeting, the General Assembly will consider reappointing or replacing existing auditors and setting their fees in return for auditing Riyad Bank's accounts for the fiscal year ending 31 December 2020, after reviewing the Board's recommendation in this regard and based on the recommendation of the Audit Committee of the Board.

Auditors' Reservations on the Annual Financial Statements:

The auditors' report shows that the financial statements are free of any material misstatement, and there are no reservations about them.

Recommendations of the Board to Replace the Auditors and their Reasons:

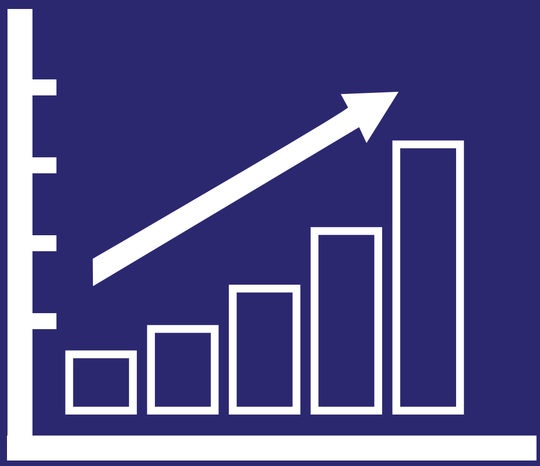
The Board of Directors did not recommend the replacement of the auditors before the end of the period for which they were appointed.

Corporate Governance Regulations:

In general, Riyad Bank is obliged to apply the provisions set out in the Corporate Governance Regulations issued by the Capital Market Authority, and the main principles of governance in the banks operating in the Kingdom of Saudi Arabia and the instructions issued by the Saudi Arabian Monetary Authority. Riyad Bank is keen to adhere to all the regulations of governance and keep abreast in this regards. Further, the Bank keeps updating the relevant policies and procedures upon the issuance of regulatory developments that so entail.

Economic Review and Outlook

4



Global Economy:

The year 2019 portrayed a considerable growth slowdown of the global economy. According to IMF estimates, the real growth of the World economy fall from 3.6% in 2018 to 2.9% last year and, realizing the lowest level since the global financial crisis. In the case of advanced economies, this slowdown was a little more moderate, with a reduction from 2.2% to 1.7%. In contrast, emerging market economies witnessed a more pronounced growth decline from 4.5% to 3.7%. This growth downturn was particularly noteworthy in the case of the two largest emerging market economies; China and India. In the case of China, growth declined from 6.6% in 2018 to 6.1% in 2019, while India experienced a sharp drop in growth from 6.5% to 4.8%.

The global growth slowdown was also reflected in a significant decline in international trade and notable weakness in the manufacturing industry. According to the CPB Netherlands Bureau for Economic Policy Analysis, global trade volume fell by -2.1% in October 2019 compared to the previous year. In return, the full year of 2018 recorded a positive growth rate of 3.4%. Global industrial production decreased by -0.6% in October 2019 compared to the same month in the previous year. In 2018, it had expanded by 3.1%.

The decline in global trade must also be seen against the background of the trade dispute between the United States and China. The reason for this dispute was the substantial US trade deficit with China, which in 2017 amounted to $375 bn, representing 47% of the total US trade deficit. The US government had already imposed punitive tariffs on Chinese imported products in the course of 2018, which the Chinese authorities had countered with appropriate retaliatory measures. In 2019, punitive tariffs on Chinese products were extended and partially increased by the US authorities. On the Chinese side, tariffs on US goods were also tightened accordingly. Through global product supply chains, this bilateral trade dispute had repercussions on other countries as well and, ultimately, a dampening effect on global growth during the last year.

Europe was significantly affected by this trade dispute, as the export industry constitutes a substantial growth driver for the European economy. Growth in the European Monetary Union slowed down accordingly from 1.9% in 2018 to 1.2% in 2019. This growth decline was especially pronounced in Germany with a drop from 1.5% to 0.5%. This deterioration can also be explained by the weakness in the German automotive industry, which suffered from a big drop in demand in China.

The European growth weakness was further compounded by the uncertainties surrounding the planned exit of the United Kingdom from the European Union (BREXIT). In fact, due to political trials and tribulations in the United Kingdom and the EU, the possibility of a hard BREXIT, i.e., the UK leaving the EU without a contractual basis, could no longer be ruled out in the course of last year.

Because of the relapsing economic outlook, the US Federal Reserve adopted its monetary policy stance over the course of the year. While the Fed had raised its key interest rates four times by 0.25% each in 2018, the US Central Bank decided to cut rates three times between July and October 2019. In addition, the balance sheet tapering, which had started two years ago, was suspended. The European Central Bank also turned to a more expansionary monetary policy course in 2019. In particular, the original bond purchase program was resumed in order to provide the economy with additional liquidity.

Alongside the leading central banks in advanced economies, the monetary policy authorities in major emerging market economies also relaxed their monetary policy stance. In the course of 2019, the central banks of India, Russia, and Brazil lowered their key interest rates by 1.25% - 1.50%.

This decisive response by central banks improved the monetary conditions for the global economy in the second half of the year. Also, towards the end of the year, there were growing signs of de-escalation in the US- Chinese trade dispute. Finally, in December, the clear election victory of the conservative party under the leadership of Boris Johnson resulted in a clear majority in the British parliament, which remarkably reduced the risk of a hard BREXIT in the short term.

Against this backdrop, the World economy showed growing signs of stabilization towards the end of the year; specifically, the much noticed IHS Markit Purchasing Manager Index of the global manufacturing industry, which recovered for the first time in 18 months after having temporarily dropped below 50 by mid-year – a level which indicates a contraction in the manufacturing industry.

The IMF assumes that the global economy will stabilize in the short term and experience a moderate recovery in the course of 2020. However, this recovery is not expected to be broad-based, but rather the result of a rebound in selected emerging market economies. For the world economy, the IMF forecasts growth of 3.3% in 2020 after 2.9% in 2019. According to the IMF, this growth recovery will be led by emerging market economies picking up from 3.7% to 4.4%. In comparison, advanced economies will further marginally slow down from 1.7% to 1.6%.

Oil Markets:

Oil prices continued to fluctuate considerably in 2019, though not to the same extent as in the year before when the Brent price fell from a high of $86 to a low of $50.5 in the period from October to December 2018.

Due to the output cut decided by OPEC at the end of 2018, oil prices recovered notably from their lows in December 2018. At the end of April 2019, the Brent price stood at $75. This substantial increase must also be seen against the backdrop of a general improvement in investor sentiment on global financial markets during this period. However, towards the middle of the year, the renewed tensions in the US-China trade dispute clouded the outlook for the global economy, which caused notable corrections in international stock markets and the global oil markets, at the same time. The Brent oil price fell to $56 in mid-August. The substantial crude output reduction by OPEC and the seasonal rise in global oil demand resulted in excess demand in the 3rd and 4th quarters, which, together with a brightening of the investment climate on the global financial markets, led to a considerable recovery in oil prices. The Brent oil price stood at $66 by the end of the year.

According to OPEC estimates, global oil demand rose by 0.9 m barrels/day in 2019. Meanwhile, the non-OPEC supply expanded by 1.9 m barrels/day. In 2019, though, OPEC member countries reduced their output by 2.0 m barrels/day (secondary sources), which led to an overall demand overhang of 1.0 m barrels/day over the full year.

As for 2020, OPEC forecasts an increase in global oil demand of 1.2 m barrels/day. OPEC further expects the non-OPEC supply to grow by 2.4 m barrels/day, hence, to exceed demand by 1.2 m barrels/day. Against this background, OPEC decided in December 2019 to further cut its output in order to keep the global oil market in balance in 2020.

Saudi Economy:

Gross Domestic Product (GDP)

The Saudi economy experienced a temporary slowdown in 2019. While the real growth rate was 4.0% in the fourth quarter of 2018, it fell to -0.5% in the 3rd quarter of 2019. The reason for this slowdown was the decline in oil production due to the OPEC output cut decision in December 2018. In the 3rd quarter of 2018, the Saudi crude output was still 10.4 m barrels/day on average; in the 3rd quarter of 2019, it stood at 9.5 m barrels/day. Accordingly, the real GDP growth of the oil sector fell by -6.4% in the 3rd quarter of 2018 compared to the previous year.

The non-oil economy showed a diverging trend; its real growth reached 4.3% in the 3rd quarter of 2019, which is the highest level since 2014. This growth acceleration was primarily the result of the growth-oriented fiscal and economic policy of the Saudi government over the past two years. Among the sectors of the non-oil economy, the finance, insurance & business services sectors expanded the most with 10.0%, followed by the wholesale, retail trade & hospitality sectors with 8.0%. The non-oil mining grew 6.9%, and transportation, storage & communication expanded 5.6%. Also, the growth of the construction sector at 4.6% was impressive, since this sector had previously been in a protracted recession for three years (2015 - 2018). The agriculture, forestry & fishing sectors showed a small positive growth with 1.8%. In contrast, the sectors of electricity, gas & water decreased by -4.8%. The important non-oil manufacturing sector was subject to a growth decline of -0.8%. This drop can be understood by the fact that the non-oil manufacturing sector includes the export-oriented petrochemical industry, which was hit last year by the growth slowdown of the global economy and the repercussions of the US-China trade dispute.

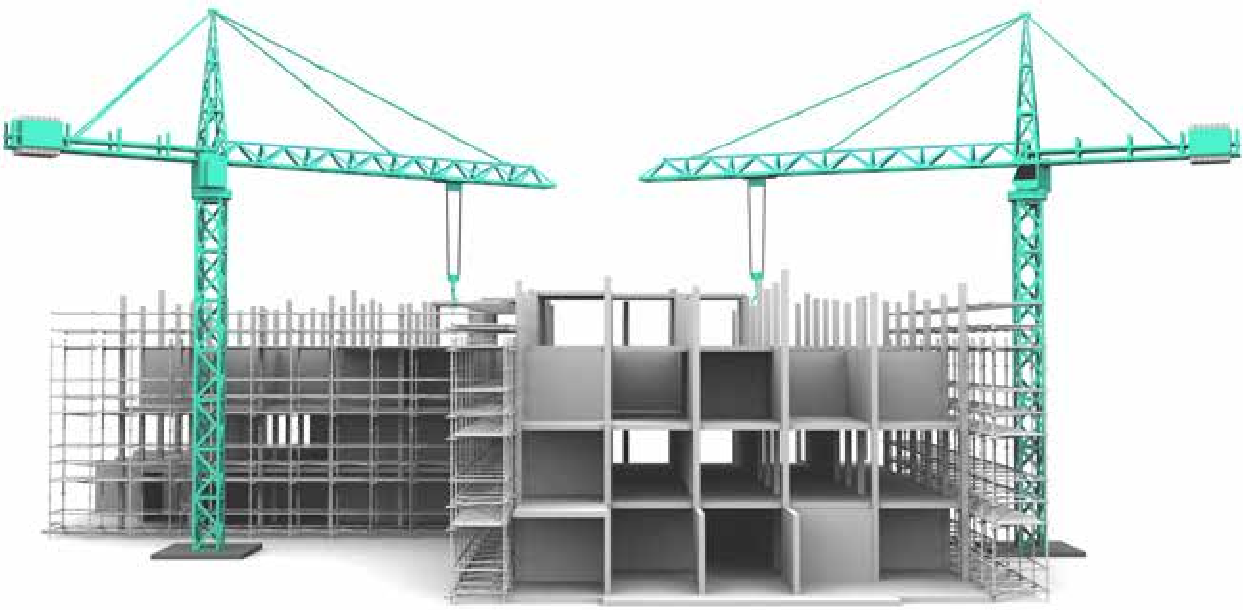
On the expenditure level of the GDP, the government's final consumption expenditure expanded at constant prices in the third quarter of 2019 by 7.7%, while the private final consumption expenditure increased by 4.9%. The gross fixed capital formation rose by 11.9%, and the export growth slowed by -5.8%, while imports expanded by 10.3%.

Inflation Rate

The inflation rate averaged -1.2% in 2019 after 2.5% in 2018. While the inflation rate in 2018 was still influenced by the introduction of VAT and energy price increases, the decrease in 2019 is primarily explained by a significant decline in housing rents. They fell on average by 7.4% in 2019.

Real Estate Market

The development of housing rents has to be clarified in the broader context of the general Saudi Real Estate market. Real estate prices have been falling since the end of 2014. According to the official Real Estate Index issued by General Authority for Statistics (GASTAT), real estate prices fell by a total of -20.7% from the 3rd quarter of 2014 to the 3rd quarter of 2019. At -25.0%, the decline in commercial real estate prices was gradually more pronounced than that of residential real estate prices at -19.2%. Compared to the previous year, real estate prices fell by -5.7% in the 3rd quarter of 2019, with residential prices falling stronger at -7.1% than the commercial prices at -3.2%. However, there are increasing signs that the Saudi real estate market should stabilize in 2020. One thing; the general decline in prices has been increasingly easing over the course of 2019. Second, there was a significant rise in transaction activities in the real estate market in 2019. According to data from the Ministry of Justice, the total annual turnover of real estate transactions fell from a maximum value of SAR 440 bn in 2014 to a SAR 142 bn in 2018. Last year, the real estate transactions surged to 178 bn SAR, which represents an increase of 25%.

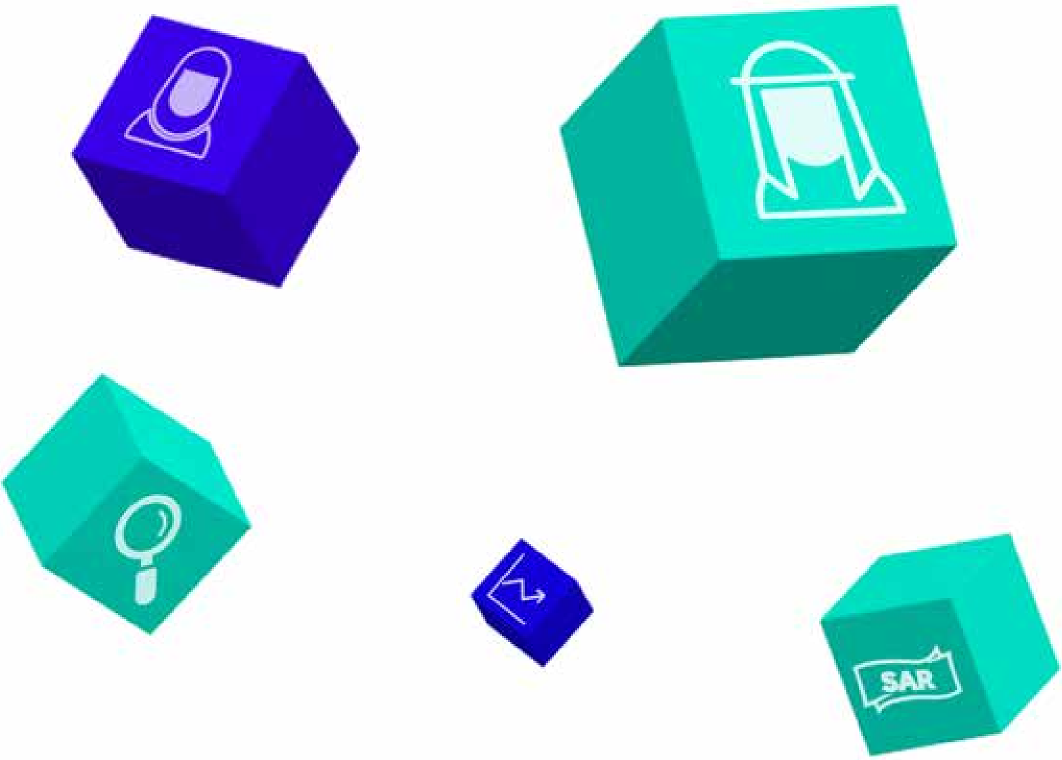


The Saudi Economy (Continued):

Labor Market

The substantial recovery of the non-oil economy also had a positive impact on the labor market. The unemployment rate for Saudis fell from 12.7% in the 4th quarter of 2018 to 12.0% in the 3rd quarter of 2019. At the same time, more Saudis entered the labor market, which resulted in a significant increase of the Saudi labor force participation rate from 42.0% in the 4th quarter 2018 to 45.5% in the 3rd quarter of 2019. These data indicate that hundreds of thousands of new jobs were created for Saudis during 2019.

At the same time, the labor market statistics by GASTAT show that during the period from the 1st quarter of 2017 to the 3rd quarter of 2019, a net outflow of -1.98 million expatriate workers (excluding domestic expatriate workers) was recorded. More than half of this expatriate exodus was due to workers from the construction sector. The statistics also show that this net outflow peaked in the 2nd quarter of 2018 when a net of 312k expatriate workers left the Kingdom. This trend has eased significantly since then. Based on these data, it seems likely that this outflow of expatriate workers will be fading in 2020, which should positively affect the Saudi economy.



External Sector

According to data from SAMA, the Saudi current account balance reached a surplus of SAR 144 bn for the first three quarters of 2019. In 2018, a surplus of 265 bn SAR was achieved for the full year, while in 2017, the current account surplus amounted to SAR 39 bn, and in 2016, a deficit of SAR -89 bn was recorded.

As a result of the expatriate exodus in the past years, expatriate workers' remittances also substantially declined. In 2016, these remittances were still at SAR 139 bn. In 2018, this amount was reduced to SAR 124 bn. For the first three quarters of 2019, an amount of SAR 84 bn was recorded. This decline corresponds to a decrease of -10.3% compared to the first three quarters of 2018.

The private financial account balance (excluding changes in official reserve assets) showed a deficit of SAR -119 bn in the first three quarters of 2019. In comparison, a deficit of SAR -252 bn was recorded for the full year 2018. In 2017 this deficit was SAR -176 bn, and in 2016, a surplus of SAR 40 bn was achieved. The deficit over the first three quarters of 2019 decreased by 25% compared to the same period in 2018.

As a result of these financial flows, SAMA saw its official reserve assets increase by SAR 15 bn in the first three quarters of 2019. In 2018, the official reserve assets remained unchanged, while a reduction of SAR -148 bn was recorded in 2017 and of SAR -302 bn in 2016.

Monetary Sector

In the course of 2019, the liquidity in the monetary system has been improved. In November, money supply M2 expanded by 5.3% compared to the previous year, money supply M3 by 5.2%. This compares to a yearly growth rate of 2.2% for M2 and 2.7% for M3 in 2018, respectively 0.8% for M2 and 0.3% for M3 in 2017.

Customer deposits at commercial banks correspondingly increased by 5.2% in November 2019 after a yearly expansion of 2.5% in 2018 and 0.2% in 2017. This deposit growth can entirely be attributed to demand deposits, which rose by 7.6% in November 2019 year-over-year, while time & savings deposits remained broadly unchanged over this period with -0.1% growth.

SAMA reduced its key interest rates three times during 2019. The official repo rate was cut from 3.0% to 2.25% and the reverse repo rate from 2.5% to 1.75%. The 3M Saudi Arabian Interbank Offered Rate (SAIBOR) declined from 2.98% by the end of 2018 to 2.23% by the end of 2019.

The commercial banks extended the loans to the private sector during 2019. By November, credit to private expanded by 4.8% year-over-year. This record compares to a yearly growth rate of 2.8% in 2018 and -0.9% in 2017. In 2019, credit to the private sector was mainly driven by residential mortgage loans. From the 3rd quarter of 2018 to the 3rd quarter of 2019, outstanding residential mortgage loans at commercial banks strongly increased from SAR 131 bn to SAR 174 bn, which corresponds to a growth rate of 33%.

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Authority

The Saudi Economy (Continued):

Financial Markets

The year 2019 highlighted two key events in the local Tadawul stock market. First, Saudi equities were included in the leading emerging market equity indices of MSCI and FTSE Russell. This inclusion led to a substantial inflow of funds from foreign institutional investors, which caused a notable rally on the local stock market in the first half of the year. The Tadawul All-share index (TASI) rose by 20% from the end of 2018 to the beginning of May. The yearly high was reached on May 1 at 9362. Subsequently, some profit taking by investors kicked-in. Moreover, the market was also affected by corrections on global equity markets in the course of the 3rd quarter. TASI reached its lowest point on 15 October 2019, at 7482. In the course of the last quarter, the climate on global financial markets improved again, which led to a considerable recovery on international equity markets. Throughout this development, TASI also recovered from its lows and ended the year at 8389. The Saudi stock market, thus, rose by 7.2% over the entire year. In the context of the inclusion in leading emerging market equity indices, the net capital inflow by foreign investors into the local stock market amounted to SAR 91 bn for the entire year.

The second key event on the Saudi equity market during 2019 was the historic Initial Public Offering (IPO) of the national oil company Aramco. In the course of this going public, 1.7% of Aramco shares were listed on the local stock exchange. An unprecedented amount of $29.4 bn (SAR 110 bn) was raised through this partial privatization, which implied that this was the largest IPO ever on a global scale. The issue price was set at SAR 32. This IPO corresponded to a total company valuation of $ 1.7 tr (SAR 7.6 tr), which made Aramco the most valuable listed company in the world. The IPO was oversubscribed 4.6 times. On December 11, Aramco shares debuted on the local stock exchange. During the first four trading days, the price shot up to a high of SAR 38, which represented a profit of 19% compared to the issue price. Later on, investors started to take some profits. At the end of the year, the Aramco share price was set at SAR 35.25.

Public Finance

According to preliminary estimates, the Saudi government achieved a fiscal deficit of SAR -131 bn in 2019. This deficit corresponds to 4.7% of the nominal GDP of 2019. Fiscal revenues approximated to SAR 917 bn; of this amount, SAR 602 bn related to oil revenues and SAR 315 bn to non-oil revenues. The budgetary revenues were thus 1.2% higher than in 2018. Oil revenues were slightly below those of the previous year (SAR -9 bn), which is attributable to lower oil prices and lower production on average. In contrast, non-oil revenues exceeded the previous year›s value by SAR 21 bn. Tax revenues, in particular, expanded by 20.5% compared to 2018, which illustrates the government's efforts to broaden its revenues base beyond oil.

On the expenditure side, there was a slight reduction compared to 2018. The total expenditure amounted to SAR 1048 bn compared to SAR 1079 bn in the previous year and an original budget of SAR 1106 bn. This difference can be explained by increased spending efficiency and increased participation of the private sector in project financing. Above all, the difference applies to capital expenditure, which was -8.9% lower than in the previous year. The operating spending decreased by -1.6% compared with the year earlier. This decrease is primarily due to a reduction in spending on goods and services and other expenses. In contrast, employee compensations increased by 4.2% compared to the previous year.

The 2019 budget deficit of SAR -131 bn was primarily funded through the issuance of local and international bonds and Sukuk. As a consequence, the government's outstanding debt increased by SAR 118 bn from SAR 560 bn SAR to 678 bn, which corresponds to 24% of GDP. The remaining part of the fiscal deficit was financed through withdrawals from government reserves.

Saudi Economic Outlook 2020

Fiscal Budget of 2020 and Medium-Term Fiscal Plan

The target of fiscal policy for the last three years was to stimulate the domestic private sector economy in the Kingdom. Such objective was activated through the implementation of programs and initiatives that aimed at supporting households, empowering the private sector, and alleviating the impact of some fiscal reforms. These initiatives successfully achieved the required objectives, as the economy started to recover, the private sector performance improved, and employment picked up.

For the period 2020 - 2022, the Saudi government is focusing on fiscal consolidation to reduce the budget deficit sustainably. The planned expenditures for 2020 were estimated at SAR 1020 bn, which represents a reduction of -2.7% compared to the previous year. Furthermore, fiscal spending is to be further reduced to SAR 955 bn by 2022.

Talking about revenues, the Saudi government expects 833 billion riyals in revenue, which means a decrease of 9.2% compared to 2019, mainly due to the lower oil revenue projections. The government forecasts an increase in revenue to SAR 863 bn by 2022, which will lead to a planned reduction of the budget deficit to SAR -92 bn or 2.9% of the Gross Domestic Product (GDP) in 2022. However, the budget deficit in 2020 is expected to be SAR -187 bn or 6.4% of GDP.

2020

In the same year of 2020, the government forecasts operational expenditure to reach SAR 847 bn, about 3.4% lower than the estimated figure for 2019. Employee compensation is expected to remain stable, while expenses on goods and services will decline by -14.6% compared to 2019. This reduction has to be perceived given the expected improvement in spending efficiency, especially after implementing the new Government Tenders and Procurement Law. Although expenditure on social benefits is estimated to reach SAR 69 bn, or 10.3% lower than the 2019 estimate, it shall include financing the Citizen Account Program, as well as continuing other support programs providing the social protection for citizens and their families.

Expenditure on non-financial assets in 2020 is estimated at SAR 173 bn, including the capital spending on the Vision 2030 realization programs, allocations for megaprojects, and execution of various investment projects in municipal services, medical education, infrastructure, transportation, among other sectors. The amount of capital spending in 2020 corresponds to the estimated figure of 2019, given the improvement in private sector participation in financing the establishments and operations of several projects, in addition to extending some Vision realization programs and other projects to ensure the efficiency and effectiveness of spending.

Along with the government expenditure, the Public Investment Fund (PIF) is expected to allocate a significant part of the proceeds of SAR 110 bn from Aramco IPO to spend on various Saudi megaprojects in the next few years, which will provide support to the local economy and help accelerate the economic transformation process.

Real Economy

After the temporary growth slowdown in 2019 to an estimated +0.3%, the Saudi economy is expected to rebound to 2.4% in 2020. The oil sector is forecasted to grow by +1.6% in 2020 after a contraction of -3.4% in the previous year. The growth of the non-oil economy has gained momentum in the course of the last 18 months, and it is expected to remain strong in 2020. The non-oil private sector economy is forecasted to grow at a solid 3.3% in 2020 after a growth rate of 3.5% in 2019.

Monetary Sector

Liquidity is likely to rise sufficiently to fund economic expansion in 2020. The broad money supply M3 is forecasted to grow by 45%- for the full year. Loan growth to the private sector is expected to expand in a more balanced manner, in particular, with corporate loan demand picking up on the back of the economic recovery. Meanwhile, residential mortgage loans will continue to be a primary growth driver in the commercial banking credit portfolio. Overall private sector credit growth is forecasted to reach about 45%- in 2020.

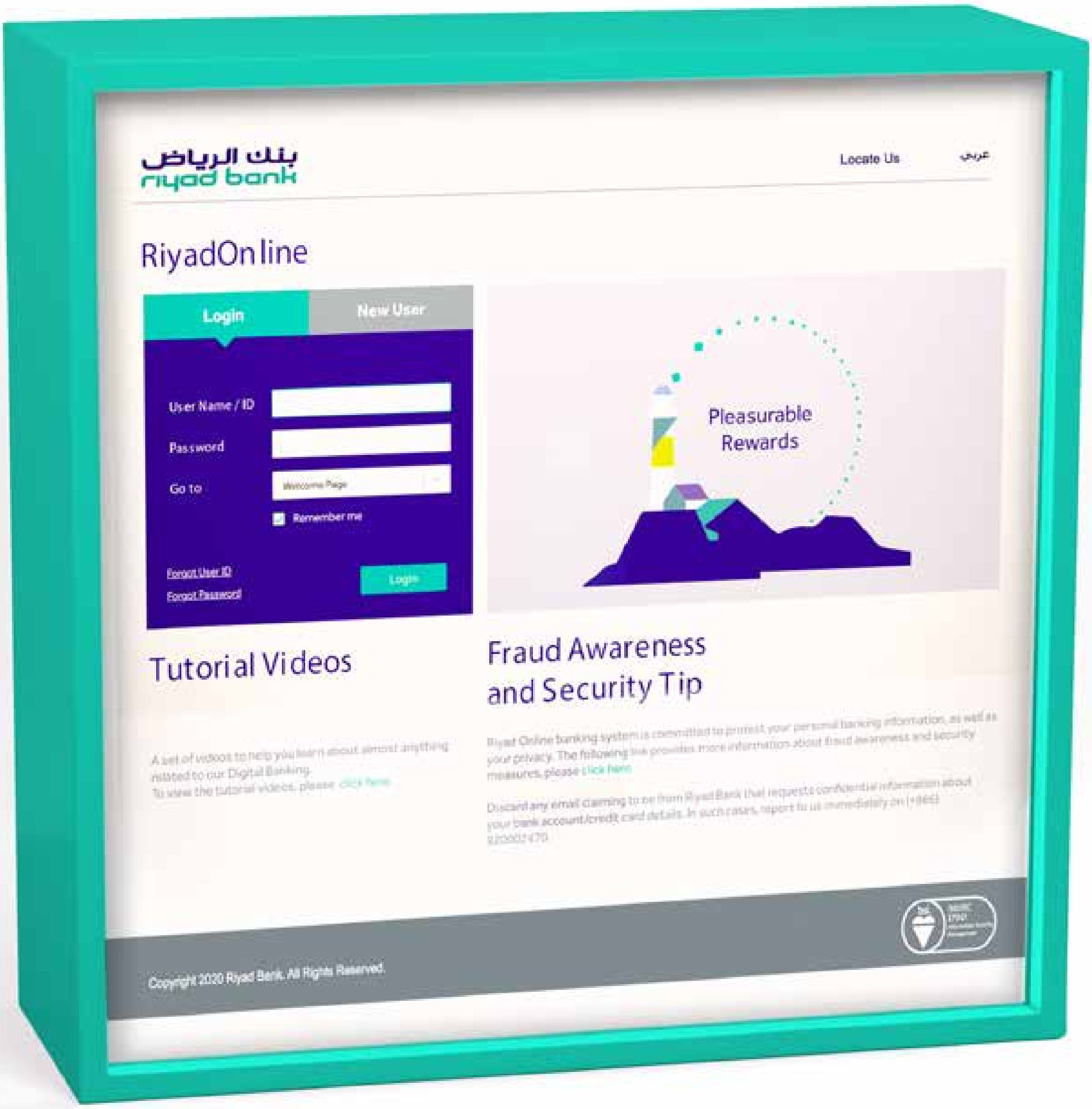
The Federal Reserve is expected to keep its key interest rates at current levels throughout 2020. Therefore, SAMA isexpected to keep the official repo rate unchanged at 2.25% and the reverse repo rate at 1.75% in 2020.

Inflation

Consumer Price Index (CPI) inflation is projected to recover from its deflationary trend in 2019 to average at 1.4% in 2020. In particular, the decline of housing rents as the major driver for the recent CPI deflation is expected to fade in 2020 on the back of an anticipated stabilization of the Saudi residential real estate market.

Labor Market

With a view on the substantial growth prospects for the Saudi non-oil economy, the unemployment rate for Saudi nationals is forecasted to further ease to 11.7% in 2020, from an average of 12.2% in 2019. Saudi labor force participation rate is expected to gradually increase to 45.9% compared to an average of 44.6% in 2019. These forecasts imply that about 250k-300k new jobs will be created for Saudi nationals in the course of 2020.



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Financial data
For the year 2019

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Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Certified Public Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

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Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances At 31 December 2019, the gross loans and advances of the Group were Saudi Riyals 176.7 billion against which an impairment allowance of Saudi Riyals 2.8 billion was maintained. We considered impairment of loans and advances as a key audit matter as the determination of expected credit loss (ECL) involves signficant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: - Categorisation of loans into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination (b) individually impaired / defaulted exposures - Assumptions used in the ECL model for determining probability of default (PD), loss given default (LGD) and exposure at default (EAD) including but not limited to assessment of financial condition of counterparty, expected future cash flows and forward looking macroeconomic factors. - The need to apply overlays to reflect current or future external factors that might not be captured by the expected credit loss model. - Disclosures relating to IFRS 9 and the related incremental disclosures of IFRS 7. ***Impairment of loans and advances*** *Refer to the note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the impairment losses on financial assets and the impairment assessment methodology used by the Group, note 8 which contains the disclosure of impairment against loans and advances and note 30.3 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	We obtained an understanding of management's process of assessment of the impairment of loans and advances as per IFRS 9 , the Group's internal rating model, impairment allowance policy and the ECL modelling methodology. We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9. We assessed the design and implementation, and tested the operating effectiveness of the key controls over: - the modelling process, including governance over the monitoring of the model and approval of key assumptions; - the classification of borrowers into various stages and timely identification of SICR and determination of default / individually impaired exposures; and - the integrity of data inputs into the ECL model. We assessed the Group's criteria for the determination of SICR and identification of impaired / default exposures and their classification into various stages. For a sample of customers, we assessed: - the internal ratings determined by the management based on the Group's internal rating model and assessed these ratings were in line with the ratings used in the ECL model; - the staging as identified by management; and - management's computations for ECL. We assessed the reasonableness of underlying assumptions including forward looking assumptions used by the Group in the ECL model. Where management overlays were used, we assessed those overlays and the governance process around such overlays. We tested the completeness of data underlying the ECL calculations as of 31 December 2019. Where relevant, we involved specialists to assist us in the review of model calculations. We assessed the disclosures included in the consolidated financial statements.

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Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fees from banking services The Group charges administrative fees upfront to borrowers on loan financing. All such fees are an integral part of generating an involvement with the resulting financial instrument and therefore, all such fees should be considered in making an adjustment to the effective yield and income should be recognised using that adjusted effective yield and classified as special commission income. However, due to the large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and threshold in relation to the recognition of such fees and classifies them within "Fee and commission income, net". We considered this as a key audit matter since the use of management assumptions and threshold could result in material over / understatement of the Group's profitability. *Refer to the notes 3 (g) to the consolidated financial statements related to accounting policies for special commisssion income and note 2 (d) (v) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the fee income.*	We performed the following procedures: We evaluated the assumptions and judgments used by management for recognizing the administrative fees charged upfront to borrowers. We obtained the management's assessment of the impact of the use of assumptions and threshold and performed the following: - on a sample basis, traced the historical and current year data used by management in their assessment to the underlying accounting records; and - assessed the impact on the recognition of fee and commission income and special commission income.

Other Information included in the Bank's 2019 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. The other information consists of the information included in the Bank's 2019 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Bank's 2019 Annual Report (continued)

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

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

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report
to the Shareholders of Riyad Bank (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Companies' Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

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8 Jumada Al Alkhir 1441H
(2 February 2020)

Financial Statements for 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	Note	2019	2018
		SAR'000	SAR'000
ASSETS			
Cash and balances with SAMA	4	**29,189,487**	16,323,172
Due from banks and other financial institutions	5	**4,734,888**	11,029,176
Positive fair value of derivatives	6	**608,847**	286,625
Investments, net	7	**53,361,415**	47,992,772
Loans and advances, net	8	**173,981,999**	151,024,830
Investment in associates	9	**702,882**	595,493
Other real estate		**233,057**	227,405
Property and equipment, net	10	**2,201,925**	1,699,462
Other assets	11	**774,378**	720,641
Total assets		**265,788,878**	229,899,576
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	**13,124,480**	8,580,514
Negative fair value of derivatives	6	**649,226**	274,270
Customer deposits	13	**194,517,899**	169,822,156
Debt securities in issue	14	**4,003,029**	4,003,783
Other liabilities	15	**12,922,782**	10,444,637
Total liabilities		**225,217,416**	193,125,360
Shareholders' equity			
Share capital	16	**30,000,000**	30,000,000
Statutory reserve	17	**6,502,130**	5,101,613
Other reserves	18	**1,027,108**	58,047
Retained earnings		**1,392,224**	414,556
Proposed dividends	26	**1,650,000**	1,200,000
Total shareholders' equity		**40,571,462**	36,774,216
Total liabilities and shareholders' equity		**265,788,878**	229,899,576

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 2019 and 2018

	Note	2019	2018
		SAR'000	SAR'000
			(Restated)
Special commission income	20	**10,371,426**	8,332,365
Special commission expense	20	**2,534,411**	1,703,905
Net special commission income		**7,837,015**	6,628,460
Total fee and commission income	21	**2,880,929**	2,411,911
Total fee and commission expense	21	**850,184**	700,859
Fee and commission income, net		**2,030,745**	1,711,052
Exchange income, net		**342,658**	292,581
Trading income, net		**132,806**	104,560
Dividend income		**102,866**	57,533
Gains on disposal of non-trading investments, net	22	**255,486**	130,308
Other operating income	23	**15,487**	42,907
Total operating income, net		**10,717,063**	8,967,401
Salaries and employee-related expenses	24	**1,879,017**	1,765,185
Rent and premises-related expenses		**200,189**	327,607
Depreciation of property and equipment	10	**438,976**	296,901
Other general and administrative expenses		**1,035,685**	926,271
Other operating expenses		**120,207**	31,392
Total operating expenses before impairment charge		**3,674,074**	3,347,356
Impairment charge for credit losses and other financial assets, net	8 (e)	**1,012,284**	927,840
Impairment (reversal) charge for investments, net		**(48,028)**	26,870
Total operating expenses, net		**4,638,330**	4,302,066
Net operating income		**6,078,733**	4,665,335
Share in earnings of associates, net	9	**153,333**	50,750
Net income for the year before zakat		**6,232,066**	4,716,085
Zakat for the year	3 (a)	**630,000**	430,249
Zakat for the previous years	26	**-**	1,193,559
Total zakat		**630,000**	1,623,808
Net income for the year		**5,602,066**	3,092,277
Basic and diluted earnings per share (in SAR)	**25**	**1.87**	1.03

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

	2019	2018
	SAR'000	SAR'000
Net income for the year	5,602,066	3,092,277
Other comprehensive income (OCI):		
a) Items that will be reclassified to consolidated statement of income in subsequent periods		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value (note 18)	1,105,992	(579,105)
- Net amounts transferred to consolidated statement of income (note 18)	(235,604)	(109,563)
- Net changes in allowance for expected credit losses (ECL) of debt instruments (note 18)	(17,276)	19,801
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial (losses) /gains on defined benefit plans (note 27 b)	(149,515)	1581
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments) (note 18)	251,583	101,200
Other comprehensive income for the year	955,180	(566,086)
Total comprehensive income for the year	6,557,246	2,526,191

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
December 31, 2019						
Balance at the beginning of the year	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	-	-	251,583	-	-	251,583
- FVOCI -debt instruments	-	-	1,105,992	-	-	1,105,992
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(235,604)	-	-	(235,604)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	(17,276)	-	-	(17,276)
Actuarial losses (Note 27 (b))	-	-	(149,515)	-	-	(149,515)
Net income for the year after zakat	-	-	-	5,602,066	-	5,602,066
Total comprehensive income	-	-	955,180	5,602,066	-	6,557,246
Disposal of FVOCI-equity instruments (note 7 b))	-	-	13,881	(13,881)	-	-
Final dividends - 2018 (note 26)	-	-	-	-	(1,200,000)	(1,200,000)
Interim dividend - 2019 (note 26)	-	-	-	(1,560,000)	-	(1,560,000)
Transfer to statutory reserve (note 17)	-	1,400,517	-	(1,400,517)	-	-
Final proposed dividend - 2019 (note 26)	-	-	-	(1,650,000)	1,650,000	-
Balance at the end of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
December 31, 2018						
Balance at the beginning of the year	30,000,000	3,922,592	686,865	2,873,536	1,140,000	38,622,993
Impact of adopting IFRS 9 at January 1, 2018	-	-	(116,478)	(2,008,490)	-	(2,124,968)
Restated balance at the beginning of the year	30,000,000	3,922,592	570,387	865,046	1,140,000	36,498,025
Total comprehensive income Net changes in fair values of						
- FVOCI -equity instruments	-	-	101,200	-	-	101,200
- FVOCI -debt instruments	-	-	(579,105)	-	-	(579,105)
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(109,563)	-	-	(109,563)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	19,801	-	-	19,801
Actuarial gains (Note 27 (b))	-	-	1,581	-	-	1,581
Net income for the year after zakat	-	-	-	3,092,277	-	3,092,277
Total comprehensive income	-	-	(566,086)	3,092,277	-	2,526,191
Disposal of FVOCI-equity instruments (note 7 b))	-	-	53,746	(53,746)	-	-
Final dividends - 2017	-	-	-	-	(1,140,000)	(1,140,000)
Interim dividend - 2018 (note 26)	-	-	-	(1,110,000)	-	(1,110,000)
Transfer to statutory reserve (note 17)	-	1,179,021	-	(1,179,021)	-	-
Final proposed dividend - 2018 (note 26)	-	-	-	(1,200,000)	1,200,000	-
Balance at the end of the year	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	Note	2019	2018
		SAR'000	SAR'000
OPERATING ACTIVITIES			
Net income for the year before zakat		**6,232,066**	4,716,085
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortization of premium, net on non-FVIS instruments, net		**(113,104)**	(53,358)
Gains on non-trading investments, net	22	**(255,486)**	(130,308)
Gains (loss) on trading investments, net		**(21,569)**	178
Dividend income		**(102,866)**	(57,533)
Depreciation of property and equipment	10	**438,976**	296,901
Share in earnings of associates, net		**(153,333)**	(50,750)
Impairment charge for investments, net		**(48,028)**	26,870
Impairment charge for credit losses and other provisions, net	8 (e)	**1,012,284**	927,840
		6,988,940	5,675,925
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**(1,038,289)**	(648,599)
Due from banks and other financial institutions maturing after three months from date of acquisition		**499,845**	2,459,615
Positive fair value of derivatives		**(322,222)**	(170,735)
Fair value through income statement (FVIS)		**(619,607)**	865,853
Loans and advances, net		**(23,927,290)**	(14,551,201)
Other real estate		**(5,652)**	7,714
Other assets		**(102,298)**	(190,632)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**4,543,966**	1,524,346
Negative fair value of derivatives		**374,956**	196,347
Customer deposits		**24,695,743**	15,456,607
Other liabilities		**2,008,446**	691,051
Zakat paid		**(905,404)**	(661,542)
Net cash from operating activities		**12,191,134**	10,654,749

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	Note	2019	2018
		SAR'000	SAR'000
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**61,538,567**	25,094,607
Purchase of investments not held as FVIS instruments		**(64,609,430)**	(27,966,717)
Purchase of property and equipment, net		**(333,802)**	(243,955)
Net cash used in investing activities		**(3,404,665)**	(3,116,065)
FINANCING ACTIVITIES			
Repayment of debt securities in issue		**-**	(4,000,000)
Dividend paid		**(2,757,618)**	(2,246,438)
Cash used in financing activities		**(2,757,618)**	(6,246,438)
Net increase in cash and cash equivalents		**6,028,851**	1,292,246
Cash and cash equivalents at beginning of the year		**17,443,889**	16,151,643
Cash and cash equivalents at end of the year	28	**23,472,740**	17,443,889
Special commission received during the year		**10,372,322**	8,156,702
Special commission paid during the year		**2,433,950**	1,667,443
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		**1,121,971**	(587,468)

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

1- GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 341 (2018 : 341) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 5,955 as at December 31, 2019 (2018: 5,973). The Bank's Head Office is located at the following address:

Granada Oasis - A1 Tower

Riyadh - Al Shuhada District

P.O. Box 22622

Riyadh 11416

Kingdom of Saudi Arabia

The objective of the Group is to provide a full range of banking and investment services. The Bank also provides to its customers, non-conventional banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries (the Bank and the subsidiaries are collectively referred to as ("the Group"), a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), b) Ithra Al-Riyad Real Estate Company (formed with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities); c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), incorporated in the Kingdom of Saudi Arabia; d) Curzon Street Properties Limited incorporated in the Isle of Man; and e) Riyad Financial Markets incorporated in the Cayman Islands - a netting and bankruptcy jurisdiction country, to execute derivative transactions with international counterparties on behalf of Riyad Bank.

On December 24, 2018, the Board of Directors' passed resolution to enter into preliminary merger negotiations with the National Commercial Bank (NCB). On December 16, 2019, after considering the merger study discussions with NCB, the Board of Directors of both the Banks agreed to end the merger discussions and study.

2- BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared;

- in accordance with 'International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"); and

- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

The interim condensed consolidated financial statements of the Group for the period ended 31 March 2019 and consolidated financial statements at year-ended 31 December 2018, respectively, were prepared in compliance with the IFRS, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the banks in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are endorsed by the SOCPA.

Accordingly, the Group changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3) and the effects of this change are disclosed in note 26 to the consolidated financial statements. The change in accounting policies due to this new standard and treatment of Zakat & Tax are disclosed in Note 3.

b) Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments. In addition, financial assets and liabilities that are carried at cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

The consolidated statement of financial position is stated broadly in order of liquidity.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand Saudi Arabian Riyals.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS, as endorsed in the KSA and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i- Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 on the applicable categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 30.3 (b) (v)).

2- BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions(continued)

ii- Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

iii- Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

iv- Defined benefit scheme

The Group operates an End of service benefit scheme for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate please refer note 27.

v- Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within 'fee and commission income, net'.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements are set out below.

Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2018 except for the changes explained below.

Based on the adoption of new standards explained below, the accounting policies are applicable effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 annual consolidated financial statements.

Effective from 1 January 2019 the Group has adopted the below mentioned new accounting standard and an amendment to the accounting treatment for Zakat & Income Tax, the impact of the adoption of these standards is explained below:

IFRS 16 ‘Leases’

The Bank adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases”, IFRIC 4 ‘Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group’s financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

RECONCILIATION OF LEASE LIABILITIES	2019
SAR’000	
Off-balance sheet lease obligations as of December 31, 2018	516,957
Current leases with a lease term of 12 months or less & low-value leases	(29,915)
Operating lease obligations as of January 1, 2019 (Gross undiscounted)	487,042
Operating lease obligations as of January 1, 2019 (net, discounted)	406,306
Lease liabilities due to initial application of IFRS 16 as January 1, 2019	406,306

SAR’000	December 31, 2019	January 1, 2019
Less than one year	8,776	25,790
One to five years	339,760	240,503
More than five years	198,701	220,749
Total undiscounted lease liabilities	**547,237**	487,042

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat & Income Tax

As mentioned above, the basis of preparation has been changed from the year ended 31 December 2019 as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat was recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the instructions issued by SAMA dated 17 July 2019, the zakat is recognized in the statement of comprehensive income. The Group has accounted for this change in the accounting for zakat retrospectively and the effects of the above change are disclosed in note 26 to the consolidated financial statements.

a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

i) Financial Asset at amortised cost (AC)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

ii) Financial Asset at FVOCI

Debt instrument: A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Equity instruments at FVOCI are not subject to an impairment assessment.

iii) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except if the Group changes its business model for managing financial assets.

The details of business model assessment and SPPI test are explained below.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;

- leverage features;

- prepayment and extension terms;

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Designation at Fair value through income statement (FVIS)

At initial recognition, the Group has designated certain financial assets at FVIS. Before 1 January 2018, the Group also designated certain financial assets as at FVIS because the assets were managed, evaluated and reported internally on a fair value basis.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat & Income Tax

b) Classification of financial liabilities

All money market deposits, Customer deposits, term loans, subordinated debts and other debt securities in issue are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

c) Derecognition

i) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

From January 1, 2018, any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

ii) Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

d) Modifications of financial assets and financial liabilities

i) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

ii) Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

e) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- financial assets that are debt instruments;

- lease receivables;

- financial guarantee contracts issued; and

- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.

- The rating agencies' assessments of creditworthiness.

- The country's ability to access the capital markets for new debt issuance.

- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;

- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in profit and loss and changes between the amortised cost of the assets and their fair value are recognised in OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments the Group recognizes loss allowance based on the ECL requirement.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Measurement of amortized cost and special commission income

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

h) Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied.

i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as "Hassad points"), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to December 31, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Investment funds

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

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee

- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities

- Contractual arrangements such as call rights, put rights and liquidation rights

- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

l) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

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

i) Derivatives held for trading

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

ii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

(a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated statement of income for the period.

m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

o) Revenue recognition

i) Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

ii) Others

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

p) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

q) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

r) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

s) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the unamortised premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in 'impairment charge for credit losses'. The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

u) Accounting for leases

Leases entered into by the Group as a lessee, are operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

v) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

w) End of service benefits

Benefits payable to the employees of the Group at the end of their services are accrued in accordance with the guidelines set by the Saudi Arabian Labor Regulations or other applicable laws in other jurisdictions, and are included in other liabilities in the consolidated statement of financial position.

x) Zakat

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017.

With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of income. The Group has accounted for this change in the accounting for zakat and income tax retrospectively (see note 3) and the effects of the above change are disclosed in note 26 to the consolidated financial statements.

The change has resulted in reduction of reported income of the Group for the year ended 31 December 2018 by SAR 1,624 million.

This comprises of SAR 430.2 million zakat for year-ended 31 December 2018 and SAR 1,193.6 million representing settlement for years till 2017. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

y) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

z) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

ii) Ijarah is a an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

iii) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The sells the underlying commodity at spot and uses the proceeds for his financing requirements.

aa) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

ab) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.CASH AND BALANCES WITH SAMA

	2019	2018
	SAR'000	SAR'000
Cash in hand	4,916,642	5,212,780
Statutory deposit	9,626,700	8,588,411
Reverse repos with SAMA	14,628,798	2,459,863
Other balances	17,347	62,118
Total	29,189,487	16,323,172

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents (note 28).

The allowance for expected credit losses (ECLs), in respect of the above, amounted to SAR 0.202 million as on December 31, 2019 (December 31, 2018: SAR 0.137 million). The ECL allowance relate to stage 1 exposures.

5- DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019	2018
	SAR'000	SAR'000
Current accounts	958,966	1,983,429
Money market placements	3,775,922	9,045,747
Total	**4,734,888**	11,029,176

The allowance for expected credit losses(ECLs) in respect of the above, amounted to SAR 0.54 million as on December 31, 2019 (December 31, 2018: SAR 5.2 million). The ECL allowance relates to stage 1 exposures.

6- DERIVATIVES

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes:

a. Swaps

Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal. For currency swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b. Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled on daily basis.

c. Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying pricing anomalies in different markets and products, with the expectation of profiting from price differentials between markets or products.

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

Fair value hedges

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate at a variable rate. The Group uses special commission rate swaps as cash flow hedges of these special commission rate risks.

The table below shows the positive and negative fair values of derivative financial instruments held, together with their notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

2019				Notional amounts by term to maturity				
SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	513,761	(427,453)	40,316,114	4,471,190	10,044,002	23,593,510	2,207,412	38,646,106
Forward foreign exchange contracts	95,086	(21,762)	29,886,020	23,969,845	3,575,365	2,340,810	-	27,877,541
Held as fair value hedges:								
Special commission rate swaps	-	(200,011)	3,169,439	153,075	467,730	2,120,244	428,390	3,169,439
Total	608,847	(649,226)	73,371,573	28,594,110	14,087,097	28,054,564	2,635,802	69,693,086

2018				Notional amounts by term to maturity				
SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Special commission rate swaps	239,364	(167,805)	31,853,110	2,526,398	7,339,354	20,428,597	1,558,761	20,498,184
Forward foreign exchange contracts	46,053	(51,631)	27,248,377	21,046,531	4,248,967	1,952,879	-	20,691,540
Currency options	1,184	(1,184)	476,362	473,103	3,259	-	-	1,602,607
Held as fair value hedges:								
Special commission rate swaps	24	(53,650)	3,428,279	147,444	450,523	2,070,143	760,169	1,261,980
Total	286,625	(274,270)	63,006,128	24,193,476	12,042,103	24,451,619	2,318,930	44,054,311

6- DERIVATIVES (continued)

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2019 and 2018.

2019 SAR'000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed special commission rate investments and loans	**3,536,296**	**3,336,267**	**Fair value**	**Special commission rate swaps**	**-**	**(200,011)**

2018 SAR'000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed special commission rate investments and loans	3,675,675	3,622,683	Fair value	Special commission rate swaps	24	(53,650)

7- INVESTMENTS, NET

a) Investment securities are classified as follows:

	2019	2018
	SAR'000	SAR'000
Investment at FVIS	**1,038,918**	393,272
Investment at amortised cost	**32,154,904**	32,917,341
Investments at FVOCI		
Debt instruments	**17,131,969**	12,730,942
Equity investments	**3,088,985**	2,035,385
Less: Allowance	**(53,361)**	(84,168)
Total	**53,361,415**	47,992,772

b) Equity investment securities designated as at FVOCI

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	Fair value as at December 31, 2019	Fair value as at December 31, 2018	**Dividend income recognised during 2019**	Dividend income recognised during 2018
	SAR'000	SAR'000	**SAR'000**	SAR'000
Saudi (Tadawul listed) equities	**2,140,816**	1,363,474	**93,080**	48,064
Other Saudi equities	**371,948**	354,627	**-**	-
Foreign equities	**536,220**	277,228	**2,616**	5,640
Total	**3,048,984**	1,995,329	**95,696**	53,704

During 2019, the Group sold shares in its Saudi (Tadawul listed) equities having a fair value of SAR 324 million (SAR 643.9 million during 2018) and the loss amounting to SAR 13.9 million (2018: loss amounting to SAR 53.7 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio to enhance value.

c) Investments by type of securities

	Domestic		International		Total	
SAR'000	2019	2018	2019	2018	2019	2018
Fixed rate securities	22,652,319	20,958,135	17,887,519	13,849,448	40,539,838	34,807,583
Floating rate securities	7,914,418	9,439,677	832,617	1,401,023	8,747,035	10,840,700
Equities	2,513,364	1,719,250	575,621	316,135	3,088,985	2,035,385
Others	1,038,918	392,484	-	788	1,038,918	393,272
Total investments	34,119,019	32,509,546	19,295,757	15,567,394	53,414,776	48,076,940
Less: Allowance	(9,700)	(36,972)	(43,661)	(47,196)	(53,361)	(84,168)
Total	34,109,319	32,472,574	19,252,096	15,520,198	53,361,415	47,992,772

The impairment allowance on debt instruments at FVOCI amounts to SAR 57.8 million (2018: SAR 75.1 million).

Above investments include sukuks amounting to SAR 15.14 billion (2018: SAR 14.2 billion).

International investments above includes investment portfolios of SAR 1.8 billion (2018: SAR 6.4 billion) which are externally managed.

d) An analysis of changes in loss allowance for debt instruments carried at amortised cost, is as follows:

The loss allowance as on December 31, 2019 amounted to SAR 13.4 million (December 31, 2018: SAR 44.1 million) and these relate to stage 1 exposures.

e) The analysis of the composition of investments is as follows:

	2019			2018		
SAR'000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	18,418,030	22,121,808	40,539,838	15,566,369	19,241,214	34,807,583
Floating rate securities	2,064,940	6,682,095	8,747,035	2,515,192	8,325,508	10,840,700
Equities	2,656,262	432,723	3,088,985	1,706,453	328,932	2,035,385
Others	1,038,918	-	1,038,918	393,272	-	393,272
Total investments	24,178,150	29,236,626	53,414,776	20,181,286	27,895,654	48,076,940
Less: Allowance	(6,309)	(47,052)	(53,361)	(20,360)	(63,808)	(84,168)
Investments, net	24,171,841	29,189,574	53,361,415	20,160,926	27,831,846	47,992,772

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 24.6 billion (2018: SAR 21.9 billion)

7- INVESTMENTS, NET (continued)

f) The analysis of investments by counter-party is as follows:

	2019	2018
	SAR'000	SAR'000
Government and quasi Government	29,325,148	28,414,499
Corporate	14,845,500	10,163,384
Banks and other financial institutions	9,190,767	9,414,889
Total	53,361,415	47,992,772

Investments include SAR 11,664 million (2018: SAR 683.6 million), which have been pledged under repurchase agreements with customers (note 19 d). The market value of such investments is SAR 12,116 million (2018: SAR 687 million).

8- LOANS AND ADVANCES, NET

a) These comprise the following:

2019 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	**6,778,704**	**798,484**	**55,951,555**	**111,157,478**	**497,510**	**175,183,731**
Non-performing loans and advances	**95,536**	**-**	**377,950**	**1,078,062**	**2,586**	**1,554,134**
Total loans and advances	**6,874,240**	**798,484**	**56,329,505**	**112,235,540**	**500,096**	**176,737,865**
Allowance for impairment	**(110,945)**	**(37,971)**	**(937,524)**	**(1,667,204)**	**(2,222)**	**(2,755,866)**
Total	**6,763,295**	**760,513**	**55,391,981**	**110,568,336**	**497,874**	**173,981,999**

2018 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans	Others	Total
Performing loans and advances	6,006,142	775,403	45,029,627	99,728,737	282,013	151,821,922
Non-performing loans and advances	62,817	-	243,387	1,255,233	-	1,561,437
Total loans and advances	6,068,959	775,403	45,273,014	100,983,970	282,013	153,383,359
Allowance for impairment	(71,928)	(44,456)	(923,783)	(1,317,739)	(623)	(2,358,529)
Total	5,997,031	730,947	44,349,231	99,666,231	281,390	151,024,830

Loans and advances, net, include non-conventional banking products of SAR 105.9 billion (2018: SAR 87.0 billion). As at December 2019, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 72.1 billion (2018: SAR 59.4 billion), Ijarah amounting to SAR 21.4 billion (2018: SAR 21.7 billion) and Murabaha amounting to SAR 13.6 billion (2018: SAR 7.2 billion) and the expected credit loss allowance on the portfolio was SAR 1.65 billion (2018: SAR 1.63 billion). During 2019, the special commission income on the portfolio amounted to SAR 5.4 billion (2018: SAR 4.0 billion).

*Includes consumer mortgage loans

b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	301,461	667,541	1,389,527	2,358,529
Transfer to 12-month ECL	153,611	(70,327)	(83,284)	-
Transfer to lifetime ECL - not credit impaired	(10,480)	60,611	(50,131)	-
Transfer to lifetime ECL - credit impaired	(4,096)	(141,785)	145,881	-
Net re-measurement of loss allowance**	9,261	(6,832)	394,908	397,337
Balance as at December 31, 2019	**449,757**	**509,208**	**1,796,901**	**2,755,866**

ECL on total loans and advances SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	367,358	662,765	2,480,865	3,510,988
Transfer to 12-month ECL	99,420	(6,470)	(92,950)	-
Transfer to lifetime ECL - not credit impaired	(32,700)	45,320	(12,620)	-
Transfer to lifetime ECL - credit impaired	(5,527)	(67,392)	72,919	-
Net re-measurement of loss allowance**	(127,090)	33,318	(1,058,687)	(1,152,459)
Balance as at December 31, 2018	301,461	667,541	1,389,527	2,358,529

**Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts and others).

b) An analysis of changes in loss allowance for Loans and Advances (continued)

ECL on credit cards SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	14,012	4,679	25,765	44,456
Transfer to 12-month ECL	5,134	(597)	(4,537)	-
Transfer to lifetime ECL - not credit Impaired	(545)	3,400	(2,855)	-
Transfer to lifetime ECL - credit Impaired	(412)	(2,240)	2,652	-
Net re-measurement of loss allowance including charge-offs	(9,907)	(1,731)	5,153	(6,485)
Balance as at December 31, 2019	**8,282**	**3,511**	**26,178**	**37,971**

8- LOANS AND ADVANCES, NET (continued)

b) An analysis of changes in loss allowance for Loans and Advances (continued)

ECL on credit cards* SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	22,806	5,283	23,263	51,352
Transfer to 12-month ECL	1,557	(337)	(1,220)	-
Transfer to lifetime ECL - not credit Impaired	(787)	1,035	(248)	-
Transfer to lifetime ECL - credit Impaired	(548)	(1,949)	2,497	-
Net re-measurement of loss allowance including charge-offs	(9,016)	647	1,473	(6,896)
Balance as at December 31, 2018	14,012	4,679	25,765	44,456

ECL on consumer loans* SAR'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2019	**167,976**	**259,031**	**496,776**	**923,783**
Transfer to 12-month ECL	**104,540**	**(54,644)**	**(49,896)**	**-**
Transfer to lifetime ECL - not credit Impaired	**(8,624)**	**55,602**	**(46,978)**	**-**
Transfer to lifetime ECL - credit Impaired	**(2,716)**	**(56,549)**	**59,265**	**-**
Net re-measurement of loss allowance including charge-offs	**(43,182)**	**(110,106)**	**167,029**	**13,741**
Balance as at December 31, 2019	**217,994**	**93,334**	**626,196**	**937,524**

ECL on consumer loans* SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	176,565	227,768	323,998	728,331
Transfer to 12-month ECL	10,585	(3,396)	(7,189)	-
Transfer to lifetime ECL - not credit Impaired	(10,720)	14,021	(3,301)	-
Transfer to lifetime ECL - credit Impaired	(3,544)	(60,512)	64,056	-
Net re-measurement of loss allowance including charge-offs	(4,910)	81,150	119,212	195,452
Balance as at December 31, 2018	167,976	259,031	496,776	923,783

Movement in expected credit losses is mainly due to the increase in portfolio of consumer loans by gross amount of 11 billion. Further re-measurement of expected credit losses on consumer loans due to model related changes resulted in net decrease of ECL by SAR 312 million.

* Includes consumer mortgage loans

ECL on Commercial loans** SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	119,473	403,831	866,986	1,390,290
Transfer to 12-month ECL	43,937	(15,086)	(28,851)	-
Transfer to lifetime ECL - not credit Impaired	(1,311)	1,609	(298)	-
Transfer to lifetime ECL - credit Impaired	(968)	(82,996)	83,964	-
Net re-measurement of loss allowance	62,350	105,005	999,242	1,166,597
Write-offs	-	-	(776,516)	(776,516)
Balance as at December 31, 2019	223,481	412,363	1,144,527	1,780,371

Movement in expected credit losses is mainly due to the increase in portfolo of commercial loans and overdrafts by gross amount of SAR 12.2 billion. Further re-measurement of ECL on written-off facilities during the year amounted to SAR 474.4 million.

ECL on Commercial loans** SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	167,987	429,714	2,133,604	2,731,305
Transfer to 12-month ECL	87,278	(2,737)	(84,541)	-
Transfer to lifetime ECL - not credit Impaired	(21,193)	30,264	(9,071)	-
Transfer to lifetime ECL - credit Impaired	(1,435)	(4,931)	6,366	-
Net re-measurement of loss allowance	(113,164)	(48,479)	954,645	793,002
Write-offs	-	-	(2,134,017)	(2,134,017)
Balance as at December 31, 2018	119,473	403,831	866,986	1,390,290

**Includes overdrafts and others

c) Movement in allowance for impairment of credit losses

	2019
	SAR'000
Balance at the beginning of the year	2,358,529
Provided during the year, net	1,173,853
Bad debts written off against provision	(776,516)
Balance at the end of the year	2,755,866

	2018
	SAR'000
Closing loss allowance as at December 31, 2017 (calculated under IAS 39)	2,084,926
Amounts restated through opening retained earnings	1,426,062
Opening loss allowance as at January 1, 2018 (calculated under IFRS 9)	3,510,988
Provided during the year, net	981,558
Bad debts written off against provision	(2,134,017)
Balance at the end of the year	2,358,529

8- LOANS AND ADVANCES, NET (continued)

d) Impairment charge for financing losses in the consolidated statement of income represents:

	2019	2018
	SAR'000	SAR'000
Charge for the year, net*	1,424,202	1,372,947
Recovery of written off loans and advances, net	(454,007)	(434,242)
Allowance for impairment, net	**970,195**	938,705

* Includes net charge offs

e) Impairment charges for credit losses and other provisions, net as reflected in the statement of income is detailed as follows:

SAR'000s	2019	2018
	SAR'000	SAR'000
Impairment charge for credit losses, net	970,195	938,705
Impairment charge (reversal) for other financial assets, net	42,089	(10,865)
Total	**1,012,284**	927,840

9- INVESTMENT IN ASSOCIATES

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

a) 48.46% (2018: 35%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading divisions and other skilled professions along with finance leasing of fixed and moveable assets.

During the year, the Group increased its holding in Ajil Financial Services Company to 48.46 % (31 December 2018: 35%). Cash consideration of SAR 33.7 million was paid for the additional stake. In the absence of control, the additional investment has been accounted for using the equity method in the consolidated financial statements. Gains on the above transaction amounting to SAR 103.7 million has been included in share of earnings in associates, net

b) 21.4 % (2018: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain, engaged in insurance and re-insurance business and

c) 30.6% (2018: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

10- PROPERTY AND EQUIPMENT, NET

SAR'000	Land and buildings	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs and automation projects	Motor vehicles	Total
Cost						
Balance as at January 1, 2018	1,448,228	914,198	477,553	2,783,857	992	5,624,828
Additions	-	26,146	20,740	196,948	545	244,379
Disposals	(310)	(3,425)	(4,664)	(133,690)	(118)	(142,207)
Balance as at December 31, 2018	**1,447,918**	**936,919**	**493,629**	**2,847,115**	**1,419**	**5,727,000**
Additions	**691,916**	**60,734**	**46,213**	**217,437**	**696**	**1,016,996**
Disposals	**(80,269)**	**(1,771)**	**(5,713)**	**(1,200)**	**-**	**(88,953)**
Balance at December 31, 2019	**2,059,565**	**995,882**	**534,129**	**3,063,352**	**2,115**	**6,655,043**
Accumulated depreciation and amortisation						
Balance as at January 1, 2018	532,987	793,172	411,851	2,133,510	900	3,872,420
Charge for the year	21,672	42,969	27,184	204,925	151	296,901
Disposals	-	(3,425)	(4,628)	(133,612)	(118)	(141,783)
Balance as at December 31, 2018	**554,659**	**832,716**	**434,407**	**2,204,823**	**933**	**4,027,538**
Charge for the year	**157,560**	**40,750**	**22,640**	**217,171**	**855**	**438,976**
Disposals	**(5,106)**	**(1,771)**	**(5,321)**	**(1,198)**	**-**	**(13,396)**
Balance at December 31, 2019	**707,113**	**871,695**	**451,726**	**2,420,796**	**1,788**	**4,453,118**
Net book value						
As at January 1, 2018	915,241	121,026	65,702	650,347	92	1,752,408
As at December 31, 2018	893,259	104,203	59,222	642,292	486	1,699,462
As at December 31, 2019	**1,352,452**	**124,187**	**82,403**	**642,556**	**327**	**2,201,925**

Improvements and decoration of premises include work in progress amounting to SAR 5.5 million as at December 31, 2019 (2018: SAR 0.8 million).

Land and buildings balance as at January 1, 2019, include Right-of-Use (RoU) assets amounting to SAR 687.9 million, which was recognised upon implementation of IFRS 16. Depreciation and interest expense on these assets during 2019 amounted to SAR 135.9 million and SAR 17.1 million, respectively.

Rights on contracts amounting to SAR 80.3 million (accumulated depreciation SAR 5.1 million), expired during the year. The balance of the RoU assets amounted to SAR 476.8 million as at 31 December 2019. Refer note 3 for details on the corresponding lease liabilities.

11- OTHER ASSETS

	2019	2018
	SAR'000	SAR'000
Accounts receivable	430,429	348,506
Others*	343,949	372,135
Total	**774,378**	**720,641**

*Mainly include prepayments and sundry debtors and settlement accounts of SAR 77.1 million (2018: SAR 180.3 million) and items in transit amounting to SAR 263.6 million (2018: SAR 177.0 million), which are cleared in the normal course of business.

12- DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019	2018
	SAR'000	SAR'000
Current accounts	851,791	832,905
Money market deposits	12,272,689	7,747,609
Total	**13,124,480**	**8,580,514**

Money market deposits include deposits against sales of fixed rate bonds of SAR 10,891 million (2018: SAR 684.3 million) with agreement to repurchase the same at fixed future dates.

13- CUSTOMER DEPOSITS

	2019	2018
	SAR'000	SAR'000
Demand	93,707,806	86,842,195
Saving	525,605	459,724
Time	80,114,743	66,304,252
Others	20,169,745	16,215,985
Total	**194,517,899**	**169,822,156**

Time deposits also include non-conventional banking deposits of SAR 31,450 million (2018: SAR 31,190 million). The special commission expense on the portfolio for 2019 amounted to SAR 801 million (2018: SAR 523 million). Other customers' deposits include SAR 3,099 million (2018: SAR 2,738 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2019	2018
	SAR'000	SAR'000
Demand	3,829,760	4,048,138
Saving	13,833	12,547
Time	18,996,369	20,165,422
Other	499,577	325,742
Total	**23,339,539**	**24,551,849**

14- DEBT SECURITIES IN ISSUE

During June 2015, the Bank issued SAR 4,000 million Subordinated debt (Sukuk). These are SAR denominated and have maturity date of June 24, 2025 and are callable after 5 years, subject to the terms and conditions of the agreement. The sukuks carry a special commission rate of 6 month SAIBOR plus 115 basis points.

During November 2018, the Bank settled the Senior debt (Sukuk) of SAR 4,000 million issued in November 2013 .This settlement has been done in line with the early settlement option to repay the sukuk after 5 years from issuance date, subject to prior approval of SAMA and terms and conditions of the agreement.

15- OTHER LIABILITIES

	2019	2018
	SAR'000	SAR'000
Accounts payable	822,483	716,417
Others*	12,100,299	9,728,220
Total	**12,922,782**	10,444,637

*Mainly include provision for zakat and tax of SAR 2,531 million (2018: SAR 2,806 million), end of service benefits of SAR 908 million (2018 : SAR 717 million) based on actuarial calculations (note 27 b), insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business.

16- SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consists of 3,000 million shares of SAR 10 each (2018: 3,000 million shares of SAR 10 each).

17- STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank. Accordingly, SAR 1,400.5 million has been transferred from 2019 net income (2018: SAR 1,179.0 million). The statutory reserve is not currently available for distribution.

18- OTHER RESERVES*

2019 SAR'000	**FVOCI debt**	**FVOCI equity**	**Total**
Balance at beginning of the year	**(434,099)**	**490,565**	**56,466**
Net change in fair value of FVOCI investments	**1,105,992**	**251,583**	**1,357,575**
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	**(235,604)**	**-**	**(235,604)**
Net ECL movement during the year	**(17,276)**	**-**	**(17,276)**
Net disposals during the year	**-**	**13,881**	**13,881**
Balance at end of the year	**419,013**	**756,029**	**1,175,042**

2018 SAR'000	FVOCI debt	FVOCI equity	Total
Balance at beginning of the year	179,485	507,380	686,865
Impact of implementation of IFRS 9	55,283	(171,761)	(116,478)
Net change in fair value of FVOCI investments	(579,105)	101,200	(477,905)
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	(109,563)	-	(109,563)
Net ECL movement during the year	19,801	-	19,801
Net disposals during the year	-	53,746	53,746
Balance at end of the year	(434,099)	490,565	56,466

* Does not include actuarial loss on defined benefit plan of SAR 147.9 million (2018: gain of SAR 1.58 million).

19- COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2019, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2019 the Group had capital commitments of SAR 246.4 million (2018: SAR 178.3 million). This includes computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2019 **SAR'000**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**4,374,295**	**4,125,413**	**698,111**	**-**	**9,197,819**
Letters of guarantee*	**14,898,743**	**27,225,872**	**18,660,176**	**762,147**	**61,546,938**
Acceptances	**1,566,581**	**823,008**	**26,736**	**285**	**2,416,610**
Irrevocable commitments to extend credit	**2,291,067**	**1,733,792**	**5,739,262**	**2,572,421**	**12,336,542**
Total	**23,130,686**	**33,908,085**	**25,124,285**	**3,334,853**	**85,497,909**

2018 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	4,394,052	3,399,272	325,657	-	8,118,981
Letters of guarantee*	17,175,558	30,614,563	15,853,614	757,247	64,400,982
Acceptances	1,329,468	447,421	51,908	-	1,828,797
Irrevocable commitments to extend credit	187,629	1,862,547	8,243,469	1,332,301	11,625,946
Total	23,086,707	36,323,803	24,474,648	2,089,548	85,974,706

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

The outstanding unused portion of non-firm commitments as at December 31,2019 which can be revoked unilaterally at any time by the Group, amounts to SAR 92,891 million (2018: SAR 97,192 million).

19- COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

ii) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	**32,821**	**34,827**	**93,381**	**161,029**
Transfer to 12-month ECL	**16,731**	**(14,532)**	**(2,199)**	**-**
Transfer to lifetime ECL - not Credit Impaired	**(416)**	**6,888**	**(6,472)**	**-**
Transfer to lifetime ECL - Credit Impaired	**(37)**	**(10,013)**	**10,050**	**-**
Net re-measurement of loss allowance	**401**	**(2,811)**	**58,524**	**56,114**
Transfer to write-off reserves	**-**	**-**	**(24,358)**	**(24,358)**
Balance as at December 31, 2019	**49,500**	**14,359**	**128,926**	**192,785**

SAR'000	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	51,789	104,502	497,618	653,909
Transfer to 12-month ECL	6,718	(737)	(5,981)	-
Transfer to lifetime ECL - not Credit Impaired	(7,313)	10,369	(3,056)	-
Transfer to lifetime ECL - Credit Impaired	(116)	(43,026)	43,142	-
Net re-measurement of loss allowance	(18,257)	(36,281)	73,753	19,215
Transfer to write-off reserves	-	-	(512,095)	(512,095)
Balance as at December 31, 2018	32,821	34,827	93,381	161,029

As at December 31, 2019, the balance in the write-off reserves amounted to SAR 603 million (December 31, 2018: SAR 594 million).

iii) The analysis of commitments and contingencies by counterparty is as follows:

	2019	2018
	SAR'000	SAR'000
Government and quasi government	**-**	-
Corporate	**66,605,044**	67,468,753
Banks and other financial institutions	**18,892,865**	18,505,953
Total	**85,497,909**	85,974,706

d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2019		2018	
	Assets	**Related liabilities**	Assets	Related liabilities
	SAR'000	**SAR'000**	SAR'000	SAR'000
Investments held at amortised cost and FVOCI (note 7 f) and 12	**12,115,699**	**10,891,186**	683,599	684,277

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

20- SPECIAL COMMISSION INCOME AND EXPENSE

	2019	2018
	SAR'000	SAR'000
Special commission income on		
Investments		
- FVIS	**-**	11,805
- FVOCI	**624,587**	437,340
- Amortised cost	**999,496**	841,049
	1,624,083	1,290,194
Due from banks and other financial institutions	**256,777**	146,713
Loans and advances	**8,490,566**	6,895,458
Total	**10,371,426**	8,332,365

	2019	2018
	SAR'000	SAR'000
Special commission expense on:		
Due to banks and other financial institutions	**417,087**	209,255
Customer deposits	**1,952,622**	1,248,209
Debt securities in issue	**164,702**	246,441
Total	**2,534,411**	1,703,905

21- FEE AND COMMISSION INCOME, NET

SAR'000	2019	2018
	SAR'000	SAR'000
Fee and commission income on:		
Share brokerage and fund management	**460,426**	323,464
Trade finance	**599,826**	596,781
Credit facilities and advisory	**901,583**	641,278
Card products	**767,946**	707,002
Other banking services	**151,148**	143,386
Total fee and commission income	**2,880,929**	2,411,911
Fee and commission expense on:		
Banking cards	**615,936**	513,162
Share brokerage	**50,169**	49,080
Other banking services	**184,079**	138,617
Total fee and commission expense	**850,184**	700,859
Fee and commission income, net	**2,030,745**	1,711,052

22- GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2019	2018
	SAR'000	SAR'000
FVOCI	**243,827**	123,468
Amortised Cost	**11,659**	6,840
Total	**255,486**	130,308

23- OTHER OPERATING INCOME

Other operating income for 2019, includes gain on disposals of property and equipment amounting to SAR 0.19 million (2018: SAR 25.7 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 4.43 million (2018: nil).

24- SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2019 and 2018, and the forms of such payments.

SAR'000	Number of employees		Fixed compensation		Variable compensation		Total compensation	
Categories	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Senior executives requiring SAMA no objection	**19**	15	**29,549**	28,007	**10,112**	12,712	**39,661**	40,719
Employees engaged in risk taking activities	**344**	355	**104,584**	100,923	**31,434**	25,370	**136,018**	126,293
Employees engaged in control functions	**411**	411	**91,715**	90,710	**13,699**	12,321	**105,414**	103,031
Outsourced employees	**514**	381	**36,476**	23,212	**-**	-	**36,476**	23,212
Other employees	**4,667**	4,811	**794,607**	753,061	**93,064**	106,338	**887,671**	859,399
Total	**5,955**	5,973	**1,056,931**	995,913	**148,309**	156,741	**1,205,240**	1,152,654

Variable compensation accrued during the year and other employee related benefits*	**822,086**	769,272
Total salaries and employee-related expenses as per consolidated statement of income	**1,879,017**	1,765,185

*Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

The Group's compensation policy is based on the nature of the job, market practices and a jobholder's level of involvement in risk taking process. This policy applies to all employees, including the executive management team, and aims to link individual performance to the Group's overall achievements and financial soundness. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are decided based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

The Board of Directors has the responsibility to approve and oversee the Group's compensation and incentives policy. The Board Nomination and Compensation Committee is composed of five non-executive Directors (comprising of three Board Directors and two independent external members) and is charged with overseeing the compensation system design and effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee is accountable for reviewing and approving the Group's compensation and incentives policy and undertaking its periodic assessment and update so as to ensure achievement of the system objectives and to reinforce the Group's risk management framework. Fixed compensation comprises salaries and wages and other benefits and allowances. Variable compensation includes sales incentives, product-related rewards and performance-related payments.

The Group has adopted fixed and variable compensation schemes. For senior managers and material risk takers, the variable component is vested over a period of 3 years and is aligned with the jobholder's level of responsibility, Group and individual performance and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against both industry norms and international best practice and makes necessary revisions as and when required.

25- EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2019 and 2018 are calculated by dividing the net income for the year by 3,000 million shares.

26- DIVIDENDS AND ZAKAT

The dividends for 2019 amounted to SAR 3,210 million (2018: SAR 2,310 million), resulting in a dividend to the shareholders of SAR 1.07 per share (2018: SAR 0.77 per share). The total dividends for 2019 include interim dividends of SAR 1,560 million paid for the first half of 2019 (2018: SAR 1,110 million). The Board of Directors approved interim dividend which was ratified and announced on 7 July 2019, resulting in dividends of SAR 0.52 per share (2018: SAR 0.37 per share) to the shareholders.

26- DIVIDENDS AND ZAKAT (continued)

Final dividends of SAR 1,650 million (2018: SAR 1,200 million) have been proposed for 2019. On 19 March 2019, the shareholders in the Ordinary General Assembly meeting approved the distribution of the final dividends for 2018 amounting to SAR 1,200 million to shareholders and the distribution date for the dividend was 2 April 2019.

During 2018, the Group reached an agreement with the General Authority of Zakat and Tax (GAZT) on the settlement of zakat claims for previous financial years up to the end of the fiscal financial year 2017, against payment of an amount of SAR 2,970 million. As per the settlement agreement, the Group was required to settle 20% of the agreed zakat liability in 2018, and the remaining amount to be settled over a period of five years. Accordingly, the Group has recorded zakat for the previous years and until the end of financial year 2017, through its retained earnings amounting to SAR 753.6 million. This was in addition to SAR 440 million accrued during first half of 2018. As a result of the settlement agreement the Group agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

On 14 March 2019, Saudi Arabia's General Authority of Zakat and Tax (the "GAZT") had published rules for computation of zakat for companies engaged in financing activities (the "Rules") and licensed by SAMA. The Rules are issued pursuant to the zakat Implementing Regulations and are applicable for the periods from 1 January 2019. In addition to providing a new basis for calculating the Zakat base, the Rules have also introduced a minimum floor at 4 times the net income and a maximum cap at 8 times the net income when determining the Zakat base. Zakat liability for the shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

Accordingly based on the new regulations, the Bank has estimated provision for zakat liability for the year ended 31 December 2019 at SAR 630 million (31 December 2018: SAR 1,624 million of which SAR 430 million pertains to year 2018).

The change in the accounting treatment for zakat (as explained in note 3) has the following impacts on the line items of statements of income, statement of financial position and changes in shareholders' equity as at and for the year ended 31 December 2018:

Amount in SAR 000s	Financial statement impacted	As previously reported for the year ended 31 December 2018	Effect of restatement	As restated for for the year ended 31 December 2018
Provision for zakat and income (retained earnings)	Statement of changes in equity	1,623,808	(1,623,808)	-
Zakat	Statement of income	-	1,623,808	1,623,808
Earnings per share (SAR)	Statement of income	1.57	(0.54)	1.03

27- DEFINED BENEFIT PLAN

a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 - Employee Benefits, and using "Projected Unit Credit Method".

b) The movement in the obligation during the year based on its present value are as follows:

	2019	2018
	SAR'000	SAR'000
Defined benefit obligation at the beginning of the year	717,103	699,325
Current service cost	75,366	67,646
Interest cost	35,389	29,731
Benefits paid	(69,315)	(78,018)
Actuarial loss / (gain) recognised in other comprehensive income	149,515	(1,581)
Defined benefit obligation at the end of the year	**908,058**	**717,103**

The end of service liability is disclosed within 'other liabilities' in the consolidated statement of financial position

c) Charge for the year

	2019	2018
	SAR'000	SAR'000
Current service cost	75,366	67,646
Interest on defined benefit obligations	35,389	29,731
Total	**110,755**	**97,377**

d) Re-measurement recognised in Other comprehensive income

	2019	2018
	SAR'000	SAR'000
Gain from change in experience assumptions	2,536	(697)
Actuarial gains due to change in demographic assumptions	(16,300)	(884)
Loss from change in financial assumptions	163,279	-
Total	**149,515**	**(1,581)**

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2019 and 2018 are as follows:

	2019	2018
	SAR'000	SAR'000
Discount rate per annum	2.9%	4.5%
Expected rate of salary increase per annum	4.5%	4.0%
Normal retirement age	60	60

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

27- DEFINED BENEFIT PLAN (continued)

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2019 and 2018 to the discount rate of 2.9% (2018: 4.5%) and salary escalation rate 4.5% (2018: 4.0%)

	Impact on defined benefit obligation increase / (decrease)		
2019	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
		SAR'000	**SAR'000**
Discount rate	**0.50%**	**(44,512)**	**48,229**
Expected rate of salary increase	**0.50%**	**47,245**	**(44,076)**

	Impact on defined benefit obligation increase / (decrease)		
2018	Change in assumption	Increase in assumption	Decrease in assumption
		SAR'000	SAR'000
Discount rate	0.50%	(36,239)	42,501
Expected rate of salary increase	0.50%	42,291	(36,718)

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

28- CASH AND CASH EQUIVALENTS

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

	2019	2018
	SAR'000	SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	**19,562,787**	7,734,761
Due from banks and other financial institutions maturing within three months from the date of acquisition	**3,909,953**	9,709,128
Total	**23,472,740**	17,443,889

29- OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. There are no other material items of income or expenses between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail Banking	Deposits, credit and investment products for retail and small to medium sized businesses.
Investment Banking and brokerage	Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.
Corporate Banking	Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.
Treasury and investments	Principally providing money market, trading and treasury services as well as the management of the Group's investment portfolios.

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2019 **SAR'000**	**Retail Banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Total assets	**71,292,636**	**1,572,694**	**122,370,875**	**70,552,673**	**265,788,878**
Total liabilities	**87,456,194**	**460,331**	**105,297,654**	**32,003,237**	**225,217,416**
Total operating income, net including	**3,898,044**	**587,302**	**4,062,047**	**2,169,670**	**10,717,063**
- Inter segment income (expenses)	**795,190**	**139,891**	**(949,438)**	**14,357**	**-**
- Net special commission income	**3,493,973**	**140,534**	**2,867,685**	**1,334,823**	**7,837,015**
- Fee and commission income, net	**424,103**	**411,976**	**1,182,181**	**12,485**	**2,030,745**
Total operating expenses, net including	**2,341,755**	**218,671**	**2,005,505**	**72,399**	**4,638,330**
- Depreciation of property and equipment	**343,334**	**18,344**	**66,272**	**11,026**	**438,976**
- Impairment charge for credit losses and other financial assets, net	**(85,435)**	**-**	**1,102,315**	**(4,596)**	**1,012,284**
- Impairment charge for investments, net	**-**	**-**	**-**	**(48,028)**	**(48,028)**
Share in earnings of associates, net	**-**	**-**	**-**	**153,333**	**153,333**
Net income before zakat	**1,556,289**	**368,631**	**2,056,542**	**2,250,604**	**6,232,066**

2018 SAR'000	Retail Banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	56,293,608	1,135,210	110,221,419	62,249,339	229,899,576
Total liabilities	80,948,660	259,540	96,683,322	15,233,838	193,125,360
Total operating income, net including	3,197,392	379,825	3,576,043	1,814,141	8,967,401
- Inter segment income (expenses)	702,672	95,039	(1,030,785)	233,074	-
- Net special commission income	2,831,214	95,118	2,477,671	1,224,457	6,628,460
- Fee and commission income, net	362,252	266,617	1,077,117	5,066	1,711,052
Total operating expenses, net including	2,382,915	154,662	1,618,686	145,803	4,302,066
- Depreciation of property and equipment	217,725	8,806	56,084	14,286	296,901
- Impairment charge for credit losses and other financial assets, net	161,502	-	768,687	(2,349)	927,840
- Impairment charge for investments, net	-	-	-	26,870	26,870
Share in earnings of associates, net	-	-	-	50,750	50,750
Net income before zakat	814,477	225,163	1,957,357	1,719,088	4,716,085

29- OPERATING SEGMENTS (continued)

b) The Group's credit exposure by operating segment is as follows:

2019 **SAR'000**	**Retail Banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Consolidated statement of financial position assets	**69,292,126**	**465,740**	**122,014,454**	**67,829,710**	**259,602,030**
Commitments and contingencies	**-**	**-**	**54,875,398**	**-**	**54,875,398**
Derivatives	**-**	**-**	**-**	**2,560,041**	**2,560,041**

2018 SAR'000	Retail Banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	55,394,517	705,088	110,045,615	59,236,667	225,381,887
Commitments and contingencies	-	-	55,682,946	-	55,682,946
Derivatives	-	-	-	1,673,863	1,673,863

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment, other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

30- FINANCIAL RISK MANAGEMENT

30.1 CREDIT RISK

Credit exposures arise principally in lending activities (for both conventional and non-conventional banking products) that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by the deployment of Risk Acceptance Criteria (RAC's) as credit risk screening tools, appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business divisions or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /economic division (division concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with retail or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note (30.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7. For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note (29.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 35.

30.2 GEOGRAPHICAL CONCENTRATION

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2019 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	29,189,473	-	14	-	-	-	-	29,189,487
Cash in hand	4,916,628	-	14	-	-	-	-	4,916,642
Balances with SAMA	24,272,845	-	-	-	-	-	-	24,272,845
Due from banks and other financial institutions	2,028,239	1,040,121	1,076,209	499,759	-	6,926	83,634	4,734,888
Current accounts	150,836	118,901	98,910	499,759	-	6,926	83,634	958,966
Money market placements	1,877,403	921,220	977,299	-	-	-	-	3,775,922
Positive fair value of derivatives	376,643	19,417	207,418	5,139	-	-	230	608,847
Investments, net	34,109,319	2,088,402	4,543,109	8,893,244	384,582	1,040,100	2,302,659	53,361,415
FVIS	1,038,918	-	-	-	-	-	-	1,038,918
FVOCI	2,512,765	915,684	4,543,109	8,893,244	384,582	1,040,100	1,891,469	20,180,953
Amortised cost	30,557,636	1,172,718	-	-	-	-	411,190	32,141,544
Investment in associates	502,655	200,227	-	-	-	-	-	702,882
Loans and advances, net	169,354,108	4,289,854	68,841	175,430	-	93,766	-	173,981,999
Overdraft	6,763,295	-	-	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	-	-	760,513
Consumer loans	55,391,981	-	-	-	-	-	-	55,391,981
Commercial loans	105,940,445	4,289,854	68,841	175,430	-	93,766	-	110,568,336
Others	497,874	-	-	-	-	-	-	497,874
Other assets	774,378	-	-	-	-	-	-	774,378
Accounts receivable and others	774,378	-	-	-	-	-	-	774,378
Total	**236,334,815**	**7,638,021**	**5,895,591**	**9,573,572**	**384,582**	**1,140,792**	**2,386,523**	**263,353,896**

30- FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION (continued)

The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2019 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	24,685	3,271,775	9,016,995	273,405	-	44,882	492,738	13,124,480
Current accounts	23,491	280,932	458,484	39,094	-	7,208	42,582	851,791
Money market deposits	1,194	2,990,843	8,558,511	234,311	-	37,674	450,156	12,272,689
Negative fair value of derivatives	106,063	19,067	446,963	76,923	-	-	210	649,226
Customer deposits	193,530,568	-	987,331	-	-	-	-	194,517,899
Demand	93,389,475	-	318,331	-	-	-	-	93,707,806
Saving	525,605	-	-	-	-	-	-	525,605
Time	79,445,743	-	669,000	-	-	-	-	80,114,743
Other	20,169,745	-	-	-	-	-	-	20,169,745
Debt securities in issue	4,003,029	-	-	-	-	-	-	4,003,029
Other liabilities	12,893,204	-	20,006	9,491	-	81	-	12,922,782
Accounts payable and others	12,893,204	-	20,006	9,491	-	81	-	12,922,782
Total	210,557,549	3,290,842	10,471,295	359,819	-	44,963	492,948	225,217,416

2019 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Commitments and contingencies	60,471,836	1,709,305	10,001,675	8,965,345	371	2,048,852	2,300,525	85,497,909
Letters of credit	8,710,575	297,199	61,990	2,104	371	73,122	52,458	9,197,819
Letters of guarantee	41,348,138	652,730	9,938,582	5,449,647	-	1,973,945	2,183,896	61,546,938
Acceptances	2,390,696	16,997	1,039	1,922	-	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	8,022,427	742,379	64	3,511,672	-	-	60,000	12,336,542
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,200,123	215,488	938,293	168,405	-	-	37,732	2,560,041
Held for trading	1,200,123	215,488	768,005	168,405	-	-	37,732	2,389,753
Held as fair value hedges	-	-	170,288	-	-	-	-	170,288
Commitments and contingencies	38,825,666	983,631	6,730,997	5,431,302	194	1,370,278	1,533,330	54,875,398
Letters of credit	4,559,809	155,578	32,451	1,101	194	38,278	27,461	4,814,872
Letters of guarantee	27,863,947	439,866	6,697,475	3,672,443	-	1,330,215	1,471,698	41,475,644
Acceptances	2,390,696	16,997	1,039	1,922	-	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	4,011,214	371,190	32	1,755,836	-	-	30,000	6,168,272

2018 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	16,323,163	-	9	-	-	-	-	16,323,172
Cash in hand	5,212,771	-	9	-	-	-	-	5,212,780
Balances with SAMA	11,110,392	-	-	-	-	-	-	11,110,392
Due from banks and other financial institutions	7,168,419	243,582	1,747,766	1,736,290	-	98,657	34,462	11,029,176
Current accounts	46,468	104,300	402,968	1,304,564	-	90,667	34,462	1,983,429
Money market placements	7,121,951	139,282	1,344,798	431,726	-	7,990	-	9,045,747
Positive fair value of derivatives	165,878	22,552	63,051	35,144	-	-	-	286,625
Investments, net	32,472,574	2,336,183	2,995,033	8,222,419	104,526	417,458	1,444,579	47,992,772
FVIS	392,484	-	-	788	-	-	-	393,272
FVOCI	1,718,101	88,728	2,995,033	8,221,631	104,526	417,458	1,180,794	14,726,271
Amortised cost	30,361,989	2,247,455	-	-	-	-	263,785	32,873,229
Investment in associates	419,769	175,724	-	-	-	-	-	595,493
Loans and advances, net	148,104,829	2,312,590	61,789	208,005	-	337,617	-	151,024,830
Overdraft	5,997,031	-	-	-	-	-	-	5,997,031
Credit cards	730,947	-	-	-	-	-	-	730,947
Consumer loans	44,349,231	-	-	-	-	-	-	44,349,231
Commercial loans	96,746,230	2,312,590	61,789	208,005	-	337,617	-	99,666,231
Others	281,390	-	-	-	-	-	-	281,390
Other assets	720,641	-	-	-	-	-	-	720,641
Accounts receivable and others	720,641	-	-	-	-	-	-	720,641
Total	205,375,273	5,090,631	4,867,648	10,201,858	104,526	853,732	1,479,041	227,972,709

30- FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION (continued)

2018 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	3,942,949	1,728,654	2,137,307	364,510	-	8,786	398,308	8,580,514
Current accounts	30,710	229,746	483,452	21,394	-	8,786	58,817	832,905
Money market deposits	3,912,239	1,498,908	1,653,855	343,116	-	-	339,491	7,747,609
Negative fair value of derivatives	117,238	6,990	145,290	4,752	-	-	-	274,270
customer deposits	168,705,850	-	1,116,306	-	-	-	-	169,822,156
Demand	86,709,137	-	133,058	-	-	-	-	86,842,195
Saving	459,724	-	-	-	-	-	-	459,724
Time	65,321,004	-	983,248	-	-	-	-	66,304,252
Other	16,215,985	-	-	-	-	-	-	16,215,985
Debt securities in issue	4,003,783	-	-	-	-	-	-	4,003,783
Other liabilities	10,424,589	-	9,219	10,582	-	247	-	10,444,637
Accounts payable and others	10,424,589	-	9,219	10,582	-	247	-	10,444,637
Total	187,194,409	1,735,644	3,408,122	379,844	-	9,033	398,308	193,125,360
Commitments and contingencies	59,581,262	1,077,870	11,749,659	8,939,009	144	2,635,476	1,991,286	85,974,706
Letters of credit	7,580,683	309,286	10,739	-	144	55,159	162,970	8,118,981
Letters of guarantee	41,863,921	446,349	11,553,381	6,147,309	-	2,574,683	1,815,339	64,400,982
Acceptances	1,790,103	19,079	1,004	-	-	5,634	12,977	1,828,797
Irrevocable commitments to extend credit	8,346,555	303,156	184,535	2,791,700	-	-	-	11,625,946
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	821,988	316,193	459,614	76,068	-	-	-	1,673,863
Held for trading	821,988	316,193	358,266	76,068	-	-	-	1,572,515
Held as fair value hedges	-	-	101,348	-	-	-	-	101,348
Commitments and contingencies	38,305,399	625,223	8,019,924	5,597,647	70	1,797,880	1,336,803	55,682,946
Letters of credit	3,675,653	149,964	5,207	-	70	26,745	79,019	3,936,658
Letters of guarantee	28,706,763	306,069	7,922,339	4,215,309	-	1,765,501	1,244,807	44,160,788
Acceptances	1,790,103	19,079	1,004	-	-	5,634	12,977	1,828,797
Irrevocable commitments to extend credit	4,132,880	150,111	91,374	1,382,338	-	-	-	5,756,703

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2019	2018	**2019**	2018
	SAR'000	SAR'000	**SAR'000**	SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	**1,176,184**	1,318,050	**(784,655)**	(640,240)
Consumer Loans**	**377,950**	243,387	**(226,413)**	(57,741)
Total	**1,554,134**	1,561,437	**(1,011,068)**	(697,981)

*Includes overdrafts and other loans

**includes consumer mortgage loans

30.3 CREDIT QUALITY ANALYSIS

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

a) The following table sets out information about the credit quality of financial assets as at December 31, 2019 and 2018. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

i) Balances with SAMA and due from bank and other financial institutions

2019 **SAR'000**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Investment grade	**28,498,974**	**-**	**-**	**28,498,974**
Non-investment grade	**509,501**	**-**	**-**	**509,501**
Carrying amount	**29,008,475**	**-**	**-**	**29,008,475**

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	17,878,277	-	-	17,878,277
Non-investment grade	4,266,628	-	-	4,266,628
Carrying amount	22,144,905	-	-	22,144,905

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

ii) Loans and advances, gross at amortized cost

2019 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**168,355,686**	**3,065,353**	**665,573**	**172,086,612**
Watch list	**114,590**	**1,913,529**	**291,497**	**2,319,616**
Substandard	**-**	**-**	**1,357,736**	**1,357,736**
Doubtful	**-**	**-**	**427,437**	**427,437**
Loss	**-**	**-**	**546,464**	**546,464**
Carrying amount	**168,470,276**	**4,978,882**	**3,288,707**	**176,737,865**

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	141,464,024	6,823,511	137,155	148,424,690
Watch list	163,672	1,896,235	601,582	2,661,489
Substandard	-	-	1,432,249	1,432,249
Doubtful	-	-	501,808	501,808
Loss	-	-	363,123	363,123
Carrying amount	141,627,696	8,719,746	3,035,917	153,383,359

ii) (a) Credit cards, gross

2019 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**714,841**	**32,487**	**-**	**747,328**
Watch list	**-**	**18,728**	**-**	**18,728**
Substandard	**-**	**-**	**32,428**	**32,428**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Carrying amount	**714,841**	**51,215**	**32,428**	**798,484**

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	684,864	35,713	-	720,577
Watch list	-	23,893	-	23,893
Substandard	-	-	30,933	30,933
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	684,864	59,606	30,933	775,403

ii) (b) Consumer loans, gross*

2019 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**53,660,065**	**814,201**	**-**	**54,474,266**
Watch list	**-**	**732,214**	**-**	**732,214**
Substandard	**-**	**-**	**745,075**	**745,075**
Doubtful	**-**	**-**	**198,189**	**198,189**
Loss	**-**	**-**	**179,761**	**179,761**
Carrying amount	**53,660,065**	**1,546,415**	**1,123,025**	**56,329,505**

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	42,580,593	903,916	-	43,484,509
Watch list	-	840,308	-	840,308
Substandard	-	-	704,810	704,810
Doubtful	-	-	197,445	197,445
Loss	-	-	45,942	45,942
Carrying amount	42,580,593	1,744,224	948,197	45,273,014

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

ii) (c) Commercial loans, gross**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	113,980,780	2,218,665	665,573	116,865,018
Watch list	114,590	1,162,587	291,497	1,568,674
Substandard	-	-	580,233	580,233
Doubtful	-	-	229,248	229,248
Loss	-	-	366,703	366,703
Carrying amount	114,095,370	3,381,252	2,133,254	119,609,876

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	98,198,567	5,883,882	137,155	104,219,604
Watch list	163,672	1,032,034	601,582	1,797,288
Substandard	-	-	696,506	696,506
Doubtful	-	-	304,363	304,363
Loss	-	-	317,181	317,181
Carrying amount	98,362,239	6,915,916	2,056,787	107,334,942

*Includes consumer mortgage loans

**Includes overdrafts and other loans

iii) Investments (FVOCI and amortised cost- debt instruments)

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	48,646,065	577,601	-	49,223,666
Watch list	18,070	45,106	31	63,207
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	48,664,135	622,707	31	49,286,873

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	44,725,347	866,377	-	45,591,724
Watch list	3,279	42,970	-	46,249
Substandard	-	-	10,310	10,310
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	44,728,626	909,347	10,310	45,648,283

The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2019 and 2018.

2019 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**71,543,608**	**791,185**	**128,052**	**72,462,845**
Watch list	**6,266**	**357,718**	**4,459**	**368,443**
Substandard	**-**	**-**	**81,862**	**81,862**
Doubtful	**-**	**-**	**1,143**	**1,143**
Loss	**-**	**-**	**247,074**	**247,074**
Carrying amount	**71,549,874**	**1,148,903**	**462,590**	**73,161,367**

2018 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	67,754,998	5,810,793	50,169	73,615,960
Watch list	10,524	433,165	51,161	494,850
Substandard	-	-	190,645	190,645
Doubtful	-	-	2,247	2,247
Loss	-	-	45,058	45,058
Carrying amount	67,765,522	6,243,958	339,280	74,348,760

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining 12 month probability of default (PD) as at the reporting date; with

- the remaining 12 month PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group, groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the Lifetime ECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower and his business activities.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

Corporate exposures	Retail exposures	Requests for and granting of forbearance
Information obtained during periodic review of Customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management and senior management changes.	Internally collected data and customer behavior – e.g. utilization of credit card facilities	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Customer payment behavior based on internally collected data – e.g. Delinquency cycles	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available	Types and number of products held at customer level	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk

ii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Disclosure of relevant qualitative indicators, including different criteria used for different portfolios- e.g. retail mortgages, credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due; and there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer or being undergone into financially stressed conditions. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's for bearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

iv) Definition of 'Default'

The Group considers a financial asset to be in default when:

the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The Group considers indicators that are:

- qualitative- e.g. breaches of covenant;

- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and

- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different indigenous macro-econometric models to help estimating default rates for the wholesale, banks and corporate bonds portfolios, as well as personal loans, mortgage loans, auto loans and credit cards.

The models are developed individually and the relative importance of macroeconomic variables are identified by using the most suitable statistical techniques including Co-integration, Ordinary least square regressions and Granger causality test for non-retail portfolios. To explore the potential impact of changing economic conditions on the future Group's default rates, a composite index is established for the most relevant macroeconomic factors to each single portfolio in non-retail portfolios, under different scenarios and using the weights from the models. Each composite index is a mean to measure the influence of the different factors comprising the model on default rates for each product within the non-retail portfolios. Through the composite index, the Group could obtain simultaneous changes in all the factors that appear to affect the default rate for each credit risk exposure.

For the retail portfolios, the modelling methodology involves a systematic approach with rigorous analyses to arrive at the final macroeconomic model where the underlying development process involves steps of data transformation, univariate and multivariate variable reduction and model selection.

These models help in quantifying the direction and magnitude of the impact of each single macroeconomic factor on the default rate in each separate portfolio. The upmost macroeconomic variables seem to affect the default rate in the Group are:

Economic Indicators

- GDP/ The non-oil private sector
- GDP based on purchasing-power-parity (PPP)
- The International prices for Saudi Oil
- The Daily Average Saudi Oil production
- The Short term interest rate (3 month SIBOR)
- The 5 year SAR Interest rate swap (IRS) rate.
- The Consumer Price Index (inflation)
- The loans to private sector
- The Unemployment rate
- Volume of imports of goods and services
- General government lending/borrowing
- Government Investments

vi) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

i. probability of default (PD);

ii. loss given default (LGD);

iii. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL based on the existing expiry date of the credit card. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group has the right to cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk. The Group does not offer retail overdraft facilities, and any technical overdrafts originating in retail current accounts are considered payable immediately; such technical overdrafts are also subjected to Group's staging criteria.

30- FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

vi) Measurement of ECL (continued)

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

• product/instrument type;

• credit risk categorization;

• collateral;

• recovery and cure rates; date of initial recognition;

• remaining term to maturity;

The grouping is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

30.4 CREDIT QUALITY OF LOANS AND ADVANCES

a) Ageing of loans and advances (Excluding non-performing loans)

2019 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	48,544	2,168,986	1,267,010	3,484,540
From 31 - 90 days	22,737	769,237	462,993	1,254,967
From 91 - 180 days	16,934	290,882	190,919	498,735
More than 180 days	-	-	522,903	522,903
Total	**88,215**	**3,229,105**	**2,443,825**	**5,761,145**

2018 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	62,231	3,495,818	51,340	3,609,389
From 31 - 90 days	27,208	1,031,869	422,787	1,481,864
From 91 - 180 days	16,546	360,058	50,777	427,381
More than 180 days	-	-	351,176	351,176
Total	105,985	4,887,745	876,080	5,869,810

***Includes consumer mortgage loans.**
****Includes overdrafts and other loans.**

30.4 CREDIT QUALITY OF LOANS AND ADVANCES (continued)

b) Economic division risk concentration for the loans and advances and allowance for impairment are as follows:

	2019				2018			
SAR'000	Performing	Non performing	Allowance for impairment	Loans and advances, net	Performing	Non performing	Allowance for impairment	Loans and advances, net
Government and quasi Government	61,521	-	(719)	60,802	-	-	-	-
Banks and other financial institutions	8,363,041	-	(4,782)	8,358,259	6,989,286	-	(8,263)	6,981,023
Agriculture and fishing	2,169,818	-	(2,961)	2,166,857	1,935,554	-	(3,492)	1,932,062
Manufacturing	24,506,104	19,929	(337,249)	24,188,784	24,897,676	501	(231,725)	24,666,452
Mining and quarrying	7,896,825	-	(3,652)	7,893,173	6,940,962	-	(257)	6,940,705
Electricity, water, gas and health services	3,188,051	500	(818)	3,187,733	3,098,627	-	(1,276)	3,097,351
Building and construction	14,721,715	234,096	(163,465)	14,792,346	14,694,804	490,505	(321,636)	14,863,673
Commerce	43,386,698	860,464	(1,242,568)	43,004,594	35,934,569	824,993	(809,696)	35,949,866
Transportation and communication	4,748,303	-	(1,967)	4,746,336	3,883,443	-	(3,600)	3,879,843
Services	9,389,690	61,195	(22,189)	9,428,696	7,610,301	2,051	(10,336)	7,602,016
Consumer loans and credit cards	56,750,039	377,950	(975,495)	56,152,494	45,805,030	243,387	(968,239)	45,080,178
Others	1,926	-	(1)	1,925	31,670	-	(9)	31,661
Total	175,183,731	1,554,134	(2,755,866)	173,981,999	151,821,922	1,561,437	(2,358,529)	151,024,830

c) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2019	2018
	SAR'000	SAR'000
Good loans	52,148,593	46,388,480
Past due but performing loans	2,586,024	4,103,990
Non performing loans	867,516	1,864,326
Total	**55,602,133**	52,356,796

31- MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

31.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation.

2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2019 and 2018 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

2019	**Foreign exchange rate risk**	**Special commission rate risk**	**Equity price risk**	**Overall risk**
VaR as at December 31, 2019	**2.24**	**5.20**	**2.55**	**8.10**
Average VaR for 2019	**6.90**	**8.78**	**1.58**	**13.63**
Maximum VaR for 2019	**28.78**	**24.35**	**2.63**	**34.39**
Minimum VaR for 2019	**1.11**	**1.62**	**0.19**	**4.98**

2018	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2018	3.71	2.83	5.54	10.33
Average VaR for 2018	7.87	1.31	5.04	13.54
Maximum VaR for 2018	27.39	4.34	5.54	32.97
Minimum VaR for 2018	1.58	0.04	4.82	6.41

31.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2019 and 2018, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2019 and 2018 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

31- MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2019 Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	1 year or less	1 – 5 years	Over 5 years	Total
SAR	+100	309.65	-	-	-	-	-
USD	+100	(43.08)	(4.59)	(2.25)	(265.61)	(330.53)	(602.98)
EUR	+100	0.13	(0.26)	(2.03)	(4.38)	(3.73)	(10.40)
GBP	+100	(8.24)	-	-	-	-	-
JPY	+100	1.01	-	-	-	-	-
Others	+100	(0.60)	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	1 year or less	1 - 5 years	Over 5 years	Total
SAR	-100	(309.65)	-	-	-	-	-
USD	-100	45.89	4.59	2.25	265.61	330.53	602.98
EUR	-100	(0.13)	0.26	2.03	4.38	3.73	10.40
GBP	-100	7.93	-	-	-	-	-
JPY	-100	(0.95)	-	-	-	-	-
Others	-100	0.59	-	-	-	-	-

2018 Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	1 year or less	1 - 5 years	Over 5 years	Total
SAR	+ 100	310.00	-	-	-	-	-
USD	+ 100	(50.00)	(0.64)	(0.70)	(44.81)	(303.27)	(349.42)
EUR	+ 100	(8.00)	(0.01)	-	(0.42)	(0.56)	(0.99)
GBP	+ 100	(0.60)	-	-	-	-	-
JPY	+ 100	4.96	-	-	-	-	-
Others	+ 100	(0.57)	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	1 year or less	1 - 5 years	Over 5 years	Total
SAR	-100	(310.00)	-	-	-	-	-
USD	-100	50.00	0.64	0.70	44.81	303.27	349.42
EUR	-100	-	0.01	-	0.42	0.56	0.99
GBP	-100	0.40	-	-	-	-	-
JPY	-100	(4.96)	-	-	-	-	-
Others	-100	0.57	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

ii) Special commission rate risk (continued)

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	14,628,798	-	-	-	14,560,689	29,189,487
Cash in hand	-	-	-	-	4,916,642	4,916,642
Balances with SAMA	14,628,798	-	-	-	9,644,047	24,272,845
Due from banks and other financial institutions	3,625,622	724,843	-	-	384,423	4,734,888
Current accounts	574,543	-	-	-	384,423	958,966
Money market placements	3,051,079	724,843	-	-	-	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406	172,642	-	608,847
Investments, net	7,276,051	10,437,818	15,759,844	15,799,800	4,087,902	53,361,415
FVIS	-	-	-	-	1,038,918	1,038,918
FVOCI	627,141	398,823	5,469,978	10,636,027	3,048,984	20,180,953
Amortised cost	6,648,910	10,038,995	10,289,866	5,163,773	-	32,141,544
Investment in associates	-	-	-	-	702,882	702,882
Loans and advances, net	74,544,810	52,393,664	30,897,620	16,145,905	-	173,981,999
Overdraft	6,763,295	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	760,513
Consumer loans	4,414,493	11,369,452	24,428,101	15,179,935	-	55,391,981
Commercial loans	62,108,635	41,024,212	6,469,519	965,970	-	110,568,336
Others	497,874	-	-	-	-	497,874
Other real estate	-	-	-	-	233,057	233,057
Property and equipment, net	-	-	-	-	2,201,925	2,201,925
Other assets	430,429	-	-	-	343,949	774,378
Accounts receivable and others	430,429	-	-	-	343,949	774,378
Total assets	**100,559,317**	**63,572,517**	**47,023,870**	**32,118,347**	**22,514,827**	**265,788,878**

31- MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Liabilities and shareholders' equity						
Due to banks and other financial institutions	3,786,561	7,853,898	-	632,230	851,791	13,124,480
Current accounts	-	-	-	-	851,791	851,791
Money market deposits	3,786,561	7,853,898	-	632,230	-	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518	290,332	-	649,226
Customer deposits	59,917,083	19,349,365	7,407,767	48,200	107,795,484	194,517,899
Demand	6,082,067	-	-	-	87,625,739	93,707,806
Saving	525,605	-	-	-	-	525,605
Time	53,309,411	19,349,365	7,407,767	48,200	-	80,114,743
Other	-	-	-	-	20,169,745	20,169,745
Debt securities in issue	-	4,003,029	-	-	-	4,003,029
Other liabilities	-	-	-	-	12,922,782	12,922,782
Accounts payable and others	-	-	-	-	12,922,782	12,922,782
Shareholders' equity	-	-	-	-	40,571,462	40,571,462
Total liabilities and shareholders' equity	**63,710,368**	**31,217,944**	**7,748,285**	**970,762**	**162,141,519**	**265,788,878**
Special commission rate sensitivity -On statement of financial position gap	36,848,949	32,354,573	39,275,585	31,147,585	(139,626,692)	-
Special commission rate sensitivity -Off statement of financial position gap	2,437,935	731,504	(1,116,556)	(2,052,883)	-	
Total special commission rate sensitivity gap	39,286,884	33,086,077	38,159,029	29,094,702	(139,626,692)	
Cumulative special commission rate sensitivity gap	39,286,884	72,372,961	110,531,990	139,626,692	-	

2018 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	2,459,863	-	-	-	13,863,309	16,323,172
Cash in hand	-	-	-	-	5,212,780	5,212,780
Balances with SAMA	2,459,863	-	-	-	8,650,529	11,110,392
Due from banks and other financial institutions	10,198,199	275,000	-	-	555,977	11,029,176
Current accounts	1,427,452	-	-	-	555,977	1,983,429
Money market placements	8,770,747	275,000	-	-	-	9,045,747
Positive fair value of derivatives	11,156	12,641	200,866	61,962	-	286,625
Investments, net	7,455,110	8,687,858	19,910,977	9,550,226	2,388,601	47,992,772
FVIS	-	-	-	-	393,272	393,272
FVOCI	798,891	441,728	5,912,461	5,577,862	1,995,329	14,726,271
Amortised cost	6,656,219	8,246,130	13,998,516	3,972,364	-	32,873,229
Investment in associates	-	-	-	-	595,493	595,493
Loans and advances, net	70,156,997	50,221,294	27,615,205	3,031,334	-	151,024,830
Overdraft	5,997,031	-	-	-	-	5,997,031
Credit cards	730,947	-	-	-	-	730,947
Consumer loans	5,102,474	15,153,760	21,958,298	2,134,699	-	44,349,231
Commercial loans	58,045,155	35,067,534	5,656,907	896,635	-	99,666,231
Others	281,390	-	-	-	-	281,390
Other real estate	-	-	-	-	227,405	227,405
Property and equipment, net	-	-	-	-	1,699,462	1,699,462
Other assets	348,506	-	-	-	372,135	720,641
Accounts receivable and others	348,506	-	-	-	372,135	720,641
Total assets	90,629,831	59,196,793	47,727,048	12,643,522	19,702,382	229,899,576

31- MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

2018 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Liabilities and shareholders' equity						
Due to banks and other financial institutions	6,742,481	373,058	-	632,070	832,905	8,580,514
Current accounts	-	-	-	-	832,905	832,905
Money market deposits	6,742,481	373,058	-	632,070	-	7,747,609
Negative fair value of derivatives	33,147	6,612	144,052	90,459	-	274,270
Customer deposits	55,242,009	13,368,807	2,294,172	-	98,917,168	169,822,156
Demand	4,141,012	-	-	-	82,701,183	86,842,195
Saving	459,724	-	-	-	-	459,724
Time	50,641,273	13,368,807	2,294,172	-	-	66,304,252
Other	-	-	-	-	16,215,985	16,215,985
Debt securities in issue	-	4,003,783	-	-	-	4,003,783
Other liabilities	-	-	-	-	10,444,637	10,444,637
Accounts payable and others	-	-	-	-	10,444,637	10,444,637
Shareholders' equity	-	-	-	-	36,774,216	36,774,216
Total liabilities and shareholders' equity	62,017,637	17,752,260	2,438,224	722,529	146,968,926	229,899,576
Special commission rate sensitivity -On statement of financial position gap	28,612,194	41,444,533	45,288,824	11,920,993	(127,266,544)	-
Special commission rate sensitivity -Off statement of financial position gap	2,677,733	750,180	(2,034,454)	(1,393,459)	-	
Total special commission rate sensitivity gap	31,289,927	42,194,713	43,254,370	10,527,534	(127,266,544)	
Cumulative special commission rate sensitivity gap	31,289,927	73,484,640	116,739,010	127,266,544	-	

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2019 and 2018 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income(due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency Exposures As of December 31, 2019 (SAR million)	**Change in currency rate in %**	**Effect on net income**
USD	**± 1**	**±6.68**
EUR	**± 1**	**±0.34**
GBP	**± 1**	**±(0.07)**
JPY	**± 1**	**±0.06**
Others	**± 1**	**±(0.02)**

Currency Exposures As of December 31, 2018 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±4.45
EUR	± 1	±0.46
GBP	± 1	±0.01
JPY	± 1	±0.32
Others	± 1	±(0.04)

iv) Foreign currency risk

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

As of December 31,	**2019 Long (short)**	2018 Long (short)
	SAR'000	SAR'000
US Dollar	**749,299**	759,314
Japanese Yen	**351**	1,795
Euro	**79**	414
Pound Sterling	**(1,466)**	(246)
Others	**55,995**	35,956

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

31- MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's equity investments held as available for sale due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

	December 31, 2019		December 31, 2018	
Market Index	**Change in equity index %**	**Effect in SAR millions**	Change in equity index %	Effect in SAR millions
Tadawul	**+5**	**94.70**	+5	59.61
	+10	**189.41**	+10	119.23
	-5	**(94.70)**	-5	(59.61)
	-10	**(189.41)**	-10	(119.23)

32- LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2018: 7%) of total demand deposits and 4% (2018: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

32- LIQUIDITY RISK (continued)

a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2019 and 2018 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history.

The undiscounted maturity profile of the financial liabilities is as follows:

2019 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial liabilities					
Due to banks and other financial institutions	4,697,862	7,938,807	66,464	688,355	13,391,488
Current accounts	851,791	-	-	-	851,791
Money market deposits	3,846,071	7,938,807	66,464	688,355	12,539,697
Customer deposits	165,744,777	20,959,856	8,346,040	102,404	195,153,077
Demand	93,707,806	-	-	-	93,707,806
Saving	525,606	-	-	-	525,606
Time	53,595,601	19,630,105	7,475,614	48,600	80,749,920
Other	17,915,764	1,329,751	870,426	53,804	20,169,745
Debt securities in issue	40,029	122,310	638,237	4,092,871	4,893,447
Derivative financial instruments (gross contractual amounts payable)	11,952	7,573	138,209	67,275	225,009
Total undiscounted financial liabilities	170,494,620	29,028,546	9,188,950	4,950,905	213,663,021

2018 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	7,598,134	387,701	66,447	703,639	8,755,921
Current accounts	832,905	-	-	-	832,905
Money market deposits	6,765,229	387,701	66,447	703,639	7,923,016
Customer deposits	152,411,341	14,607,249	3,319,674	38,145	170,376,409
Demand	86,842,195	-	-	-	86,842,195
Saving	459,726	-	-	-	459,726
Time	50,873,370	13,586,168	2,398,965	-	66,858,503
Other	14,236,050	1,021,081	920,709	38,145	16,215,985
Debt securities in issue	40,029	122,310	649,356	4,244,845	5,056,540
Derivative financial instruments (gross contractual amounts payable)	40,637	59,751	336,949	117,806	555,143
Total undiscounted financial liabilities	160,090,141	15,177,011	4,372,426	5,104,435	184,744,013

32- LIQUIDITY RISK (continued)

b) The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	19,545,440	-	-	-	9,644,047	29,189,487
Cash in hand	4,916,642	-	-	-	-	4,916,642
Balances with SAMA	14,628,798	-	-	-	9,644,047	24,272,845
Due from banks and other financial institutions	4,010,045	724,843	-	-	-	4,734,888
Current accounts	958,966	-	-	-	-	958,966
Money market placements	3,051,079	724,843	-	-	-	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406	172,642	-	608,847
Investments, net	1,452,805	7,753,664	17,611,814	22,455,229	4,087,903	53,361,415
FVIS	-	-	-	-	1,038,918	1,038,918
FVOCI	145,069	301,562	5,689,132	10,996,205	3,048,985	20,180,953
Amortised cost	1,307,736	7,452,102	11,922,682	11,459,024	-	32,141,544
Investment in associates	-	-	-	-	702,882	702,882
Loans and advances, net	50,970,560	30,184,094	43,660,866	49,166,479	-	173,981,999
Overdraft	6,763,295	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	760,513
Commercial loans	175,973	338,192	24,143,453	30,734,363	-	55,391,981
Commercial loans	42,772,905	29,845,902	19,517,413	18,432,116	-	110,568,336
Others	497,874	-	-	-	-	497,874
Other real estate	-	-	-	-	233,057	233,057
Property and equipment, net	-	-	-	-	2,201,925	2,201,925
Other assets	430,429	-	-	-	343,949	774,378
Accounts receivable and others	430,429	-	-	-	343,949	774,378
Total assets	**76,462,886**	**38,678,793**	**61,639,086**	**71,794,350**	**17,213,763**	**265,788,878**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	4,638,352	7,853,898	-	632,230	-	13,124,480
Current accounts	851,791	-	-	-	-	851,791
Money market deposits	3,786,561	7,853,898	-	632,230	-	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518	290,332	-	649,226
Customer deposits	165,458,586	20,679,116	8,278,193	102,004	-	194,517,899
Demand	93,707,806	-	-	-	-	93,707,806
Saving	525,605	-	-	-	-	525,605
Time	53,309,411	19,349,365	7,407,767	48,200	-	80,114,743
Other	17,915,764	1,329,751	870,426	53,804	-	20,169,745
Debt securities in issue	-	4,003,029	-	-	-	4,003,029
Other liabilities	12,352	37,058	212,083	646,565	12,014,72	12,922,782
Accounts payable and others	12,352	37,058	212,083	646,565	12,014,724	12,922,782
Shareholders' equity	-	-	-	-	40,571,462	40,571,462
Total liabilities and shareholders' equity	**170,116,014**	**32,584,753**	**8,830,794**	**1,671,131**	**52,586,186**	**265,788,878**

b) Analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (continued).

2018 SAR'000	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	7,672,643	-	-	-	8,650,529	16,323,172
Cash in hand	5,212,780	-	-	-	-	5,212,780
Balances with SAMA	2,459,863	-	-	-	8,650,529	11,110,392
Due from banks and other financial institutions	10,754,176	275,000	-	-	-	11,029,176
Current accounts	1,983,429	-	-	-	-	1,983,429
Money market placements	8,770,747	275,000	-	-	-	9,045,747
Positive fair value of derivatives	11,156	12,641	200,866	61,962	-	286,625
Investments, net	5,343,882	1,345,109	21,343,815	17,571,365	2,388,601	47,992,772
FVIS	-	-	-	-	393,272	393,272
FVOCI	209,263	461,362	6,130,976	5,929,341	1,995,329	14,726,271
Amortised cost	5,134,619	883,747	15,212,839	11,642,024	-	32,873,229
Investment in associates	-	-	-	-	595,493	595,493
Loans and advances, net	50,246,419	26,432,328	37,924,610	36,421,473	-	151,024,830
Overdraft	5,997,031	-	-	-	-	5,997,031
Credit cards	730,947	-	-	-	-	730,947
Commercial loans	171,433	325,318	22,331,390	21,521,090	-	44,349,231
Commercial loans	43,065,618	26,107,010	15,593,220	14,900,383	-	99,666,231
Others	281,390	-	-	-	-	281,390
Other real estate	-	-	-	-	227,405	227,405
Property and equipment, net	-	-	-	-	1,699,462	1,699,462
Other assets	348,506	-	-	-	372,135	720,641
Accounts receivable and others	348,506	-	-	-	372,135	720,641
Total assets	**74,376,782**	**28,065,078**	**59,469,291**	**54,054,800**	**13,933,625**	**229,899,576**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	7,575,386	373,058	-	632,070	-	8,580,514
Current accounts	832,905	-	-	-	-	832,905
Money market deposits	6,742,481	373,058	-	632,070	-	7,747,609
Negative fair value of derivatives	33,147	6,612	144,052	90,459	-	274,270
Customer deposits	152,179,242	14,389,888	3,214,881	38,145	-	169,822,156
Demand	86,842,195	-	-	-	-	86,842,195
Saving	459,724	-	-	-	-	459,724
Time	50,641,273	13,368,807	2,294,172	-	-	66,304,252
Other	14,236,050	1,021,081	920,709	38,145	-	16,215,985
Debt securities in issue	-	-	-	4,003,783	-	4,003,783
Other liabilities	6,818	20,136	146,596	543,553	9,727,534	10,444,637
Accounts payable and others	6,818	20,136	146,596	543,553	9,727,534	10,444,637
Shareholders' equity	-	-	-	-	36,774,216	36,774,216
Total liabilities and shareholders' equity	**159,794,593**	**14,789,694**	**3,505,529**	**5,308,010**	**46,501,750**	**229,899,576**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note 19 c) .

33- FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Fair value and fair value hierarchy

2019 **SAR'000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Investments Held as FVIS	**1,038,918**	**-**		**1,038,918**
Investments Held as FVOCI	**19,788,231**	**-**	**392,722**	**20,180,953**
Positive fair value derivatives	**-**	**608,847**	**-**	**608,847**
Financial liabilities measured at fair value				
Negative fair value derivatives	**-**	**649,226**	**-**	**649,226**

2018 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	392,484	788	-	393,272
Investments Held as FVOCI	14,437,395	-	288,876	14,726,271
Positive fair value derivatives	-	286,625	-	286,625
Financial liabilities measured at fair value				
Negative fair value derivatives	-	274,270	-	274,270

The fair value of loans and advances amounts to SAR 178,286 million (2018: SAR 155,451 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost amounted to SAR 32,750 million (2018: SAR 32,825 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued at 31 December 2019 and 2018 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

	2019	2018
Reconciliation of movement in Level 3	SAR'000	SAR'000
Opening balance	288,876	315,912
Total gains or losses		
- recognised in consolidated statement of income	3	(477)
- recognised in other comprehensive income	5,178	(45,572)
Redemptions	-	-
Purchases	98,665	19,013
Closing balance	392,722	288,876

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or

b) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

34- RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

a) Directors, key management personnel, other major shareholders' and their affiliates:

	2019	2018
	SAR'000	SAR'000
Loans and advances	4,852,201	6,446,784
Customer deposits	29,307,754	26,552,085
Derivatives asset (at fair value)	172,374	6,378
Commitments and contingencies (irrevocable)	4,528,173	6,786,554
Executive end of service	31,997	32,671

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

b) Bank's mutual funds:

Customer deposits	908,000	-

34- RELATED PARTY TRANSACTIONS (continued)

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2019	2018
	SAR'000	SAR'000
Special commission income	210,739	322,129
Special commission expense	469,019	403,924
Fees from banking services, net	338,202	174,092
Directors and committees remuneration and expenses	5,912	5,772
Executive remuneration and bonus	80,775	67,621
Executive end of service	6,784	3,984
Other expenses	88,075	50,872

35- CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers the Group's business plans along with economic conditions which directly and indirectly affect its business environment. SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Group's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	2019		2018	
	Capital	Ratio	Capital	Ratio
	SAR'000	%	SAR'000	%
Top consolidated level				
Tier 1 capital	40,571,462	16.3%	36,774,216	16.1%
Tier 2 capital	4,513,360		4,383,731	
Total regulatory capital (Tier 1 + Tier 2)	45,084,822	18.1%	41,157,947	18.1%

	2019	2018
	SAR'000s	SAR'000s
Risk weighted assets		
Credit risk weighted assets	229,293,237	210,879,810
Operational risk weighted assets	16,561,830	14,705,072
Market risk weighted assets	3,701,400	2,330,200
Total Pillar 1 Risk Weighted Assets	**249,556,467**	**227,915,082**

36- STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

37- INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totaling SAR 50.0 billion (2018: SAR 33.0 billion).

The Bank's assets under management, include Shariah-approved portfolios amounting to SAR 27.9 billion (2018: SAR 8.6 billion).

38- IFRS ISSUED BUT NOT EFFECTIVE

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting years beginning on or after 1 January 2020 and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS

- IFRS 17 'Insurance Contracts' was issued by the IASB on 18 May 2017 and is effective for periods beginning on or after 1 January 2021.

- On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

- On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

- Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

- On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020

39- COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation

40- BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Jumada Al-Awwal 27, 1441 (corresponding to January 22, 2020).

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