Arab National Bank

(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended 31 December 2018

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arab National Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 45.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

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:

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of loans and advances
At 31 December 2018, gross loans and advances of the Group were SAR 123,716 million against which impairment allowance of SAR 2,677 million was maintained.
Effective 1 January 2018, the Group has adopted IFRS 9 – Financial Instruments which introduced a forward looking, expected credit loss ("ECL") impairment model. On adoption, the Group has applied the requirements of IFRS 9 retrospectively without restating the comparatives. The adoption of IFRS 9 resulted in transition adjustment of SAR 630 million to the Group's equity as at 1 January 2018. The impact of transition is explained in note 3(I.a.3) to the consolidated financial statements.
We considered this as a key audit matter as the determination of 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 in Stage 1, 2 and 3 based on identification of:
a) exposures with significant increase in credit risk ("SICR") since their origination; and
b) individually impaired / default exposures.
Assumptions used in the ECL model including but not limited to assessment of financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc.

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We obtained an understanding of management's assessment of impairment of loans and advances including the IFRS 9 implementation process, the Group's internal rating model, the Group's impairment allowance policy and ECL modelling methodology.
We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9 and assessed the underlying assumptions and the data used.
We assessed the design and implementation, and tested the operating effectiveness of the key controls over:

the modelling process including model review, governance over monitoring of the model and approval of key assumptions;
the classification of borrowers in various stages and timely identification of SICR , and
the integrity inputs into the ECL model.

We assessed the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures and their classification into stages.
For a sample of customers, we assessed:

the internal ratings determined by the management based on the Group's internal rating model and checked that there ratings were in line with the ratings used in the ECL model;
the staging as identified by management; and
management's computation of ECL.

We assessed the underlying assumptions including forward looking assumptions used by the Group in ECL calculation. Where management overlays were used, we assessed those overlays and the governance process around such overlays.
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Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

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 (continued)	
3. The need to apply overlays to reflect current or future external factors that might not be captured by the expected credit loss model. *Refer to the significant accounting policies note 3(I.a) and 3 (II.e) to the consolidated financial statements for the impact of adoption of IFRS 9 – Financial Instruments and significant accounting policy relating to impairment of financial assets, note 2 (e) which contains the disclosure of critical accounting judgement, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 7 which contains the disclosure of impairment against loans and advances and note 33 for details of credit quality analysis and key assumptions and factors considered in determination of ECL .*	We tested the completeness of data underlying the ECL calculation as of 31 December 2018. Where relevant, we involved specialists to assist us in review of model calculations and data integrity. As the Goup has used, modified restrospective approach for adoption of IFRS 9, we performed all the above mentioned tasks to evaluate management's computation of adjustment to the Group's equity as of January 1, 2018 (as a result of adoption of IFRS 9). We assessed the disclosures included by the management in the consolidated financial statements.

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

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
Fee from banking services	
The Group charges administrative fee upfront to borrowers on loans and advances. Due to the large volume of transactions, with mostly individually insignificant fee amounts, management uses certain assumptions in relation to the recognition of such fees and records it within fee and commission income. All such fees are an integral part of generating an involvement with the resulting financial instrument and therefore all such fees should be considered for making an adjustment to the effective yield and such adjustment should be recognised within special commission income. We considered this as a key audit matter since the use of assumptions could result in material over/understatement of fees and commission income and special commission income. *Refer to the significant accounting policies note 3(IV.f) to the consolidated financial statements.*	We evaluated the assumptions used by the management in relation to recognition of such fee income. We obtained management's assessment of the impact of the use of assumptions and: • on a sample basis, traced the historical and current year data used by the management in their assessment to the underlying accounting records; and • assessed the management's estimation of the impact of the use of assumptions relating to the recognition of fees and commission income and special commission income.
Valuation of derivatives	
The Group has entered into various derivative transactions, including commission rate and cross currency swaps ("swaps"), forward foreign exchange and commodity contracts ("forwards"), commission rate futures ("futures") and commission rate options ("options"). Swaps, forwards and options derivative contracts are over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations including adjustments to counterparty's own credit risk. The majority of these derivatives are held for trading purposes; however, certain commission rate swaps are also categorized as fair value hedge in the consolidated financial statements.	We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuation of derivatives including the testing of relevant automated controls covering the fair valuation process for derivatives. We selected a sample of derivatives and: • Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations; • Checked the accuracy and appropriateness of the key inputs to the valuation model;

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

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
Valuation of derivatives (continued) An in appropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of hedge ineffectiveness also impact the hedge accounting. We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation, where complex modelling techniques and valuation inputs that are not market observable are being used. *Refer to the significant accounting policies note 3(IV.c) of the consolidated financial statements for the accounting policy relating to valuation of derivative and note 12 which explains the derivative positions and explains the valuation methodology used by the Group.*	• Involved valuation specialists to assist in performing an independent valuation of the derivatives and compared the result with management's valuation; • Checked hedge effectiveness performed by the Group and the related hedge accounting; and • Considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement.

Other Information included in the Group's 2018 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 Group's 2018 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.

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.

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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 modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal control as the Directors determines 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 intends 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.

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.

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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.

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.

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KPMG Al Fozan & Partners
Certified Public Accountants

Independent Auditors' Report
To the Shareholders of Arab National Bank (A Saudi Joint Stock Company) (continued)

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 respect, with the applicable requirements of Regulation for Companies, 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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19 Jumada Al-Thani 1440H
(24 February 2019)

Arab National Bank – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(Saudi Riyals in Thousands)

	Notes	2018	2017
ASSETS			
Cash and balances with SAMA	4	**22,980,266**	17,251,379
Due from banks and other financial institutions	5	**1,134,048**	1,710,123
Positive fair value of derivatives	12	**1,580,334**	943,760
Investments, net	6	**27,857,183**	32,320,816
Loans and advances, net	7	**121,038,239**	114,542,929
Investments in associates	8	**887,276**	637,222
Other real estate		**220,697**	220,697
Investment property, net	9	**-**	1,626,563
Property and equipment, net	10	**1,552,491**	1,694,591
Other assets	11	**1,039,972**	753,619
Total assets		**178,290,506**	171,701,699
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	13	**1,536,602**	2,691,549
Negative fair value of derivatives	12	**1,291,384**	855,902
Customers' deposits	14	**140,909,422**	136,048,089
Other liabilities	15	**6,040,188**	5,023,920
Sukuk	16	**2,020,491**	2,016,274
Total liabilities		**151,798,087**	146,635,734
Equity			
Equity attributable to equity holders of the Bank			
Share capital	17	**10,000,000**	10,000,000
Statutory reserve	18	**10,000,000**	10,000,000
Other reserves		**(7,263)**	(75,807)
Retained earnings		**5,613,196**	3,795,494
Proposed dividends	28	**850,000**	650,000
Total equity attributable to equity holders of the Bank		**26,455,933**	24,369,687
Non-controlling interest		**36,486**	696,278
Total equity		**26,492,419**	25,065,965
Total liabilities and equity		**178,290,506**	171,701,699

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Arab National Bank – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF INCOME
For the years ended December 31, 2018 and 2017
(Saudi Riyals in Thousands)

	Notes	**2018**	2017
Special commission income	20	**6,832,413**	6,035,194
Special commission expense	20	**1,680,971**	1,370,441
Net special commission income		**5,151,442**	4,664,753
Fee and commission income	21	**1,335,185**	1,560,775
Fee and commission expense	21	**684,071**	720,377
Fees and commission income, net		**651,114**	840,398
Exchange income, net		**404,529**	415,112
Unrealized gains on investments at FVTPL, net		**19,502**	31
Trading income, net	22	**21,155**	22,832
Dividend income	23	**63,376**	53,203
(Losses) / gains on investments not held at FVTPL, net	24	**(208)**	177,177
Unrealized gain on remeasurement of investment upon loss of control	8	**34,319**	-
Other operating income, net	25	**189,594**	204,437
Total operating income		**6,534,823**	6,377,943
Salaries and employee related expenses	30	**1,265,985**	1,247,129
Rent and premises related expenses		**161,533**	173,535
Depreciation and amortization	10	**204,990**	221,379
Other general and administrative expenses		**608,217**	577,741
Impairment charges for credit losses and other provisions, net	26	**998,323**	1,148,790
(Reversal) / charges for impairment of other financial assets, net		**(3,542)**	5,970
Total operating expenses		**3,235,506**	3,374,544
Net operating income		**3,299,317**	3,003,399
Share in earnings of associates, net	8	**12,500**	30,659
Net income for the year		**3,311,817**	3,034,058
Attributable to:			
Equity holders of the Bank		**3,310,164**	3,026,972
Non-controlling interest		**1,653**	7,086
Net income for the year		**3,311,817**	3,034,058
Basic and diluted earnings per share (expressed in SAR)	27	**3.31**	3.03

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Arab National Bank – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(Saudi Riyals in Thousands)

	2018	2017
Net income for the year	**3,311,817**	3,034,058
Other comprehensive income:		
Items that cannot be reclassified to consolidated statement of income in subsequent periods		
Equity instruments at fair value through other comprehensive income:		
- Net changes in fair value	**97,764**	-
Actuarial losses on defined benefit plans	**(20,662)**	(59,817)
Items that can be reclassified to the consolidated statement of income in subsequent periods		
Debt instruments at fair value through other comprehensive income:		
- Net changes in fair value	**(28,899)**	-
- Net amounts transferred to consolidated statement of income	**(1,429)**	-
Available for sale financial assets:		
- Net changes in fair value	**-**	(11,493)
- Net amounts transferred to consolidated statement of income	**-**	(171,011)
Impairment of investments	**-**	*5,970*
Gains on sale of investments	**-**	*(176,981)*
Total other comprehensive income / (loss)	**46,774**	(242,321)
Total comprehensive income for the year	**3,358,591**	2,791,737
Attributable to:		
Equity holders of the Bank	**3,356,938**	2,784,651
Non-controlling interests	**1,653**	7,086
Total comprehensive income for the year	**3,358,591**	2,791,737

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Arab National Bank – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

(Saudi Riyals in Thousands)

2018	**Notes**	**Attributable to equity holders of the Bank**								
				Other reserves						
		Share capital	**Statutory reserve**	**FVOCI / AFS financial assets**	**Actuarial losses on defined benefit plan**	**Retained earnings**	**Proposed dividends**	**Total**	**Non-controlling interests**	**Total equity**
Balance at the beginning of the year (as previously reported)		**10,000,000**	**10,000,000**	**(15,990)**	**(59,817)**	**3,795,494**	**650,000**	**24,369,687**	**696,278**	**25,065,965**
Impact of adopting IFRS 9 and other adjustments at January 1, 2018	3	**-**	**-**	**4,793**	**-**	**(634,327)**	**-**	**(629,534)**	**-**	**(629,534)**
Restated balance at January 1, 2018		**10,000,000**	**10,000,000**	**(11,197)**	**(59,817)**	**3,161,167**	**650,000**	**23,740,153**	**696,278**	**24,436,431**
Changes in equity for the year:										
Net changes in fair values of FVOCI equity investments				**97,764**	**-**	**-**	**-**	**97,764**	**-**	**97,764**
Net changes in fair values of FVOCI debt instruments				**(28,899)**	**-**	**-**	**-**	**(28,899)**	**-**	**(28,899)**
Actuarial losses	31			**-**	**(20,662)**	**-**	**-**	**(20,662)**	**-**	**(20,662)**
Net transfers to consolidated statement of income				**(1,429)**	**-**	**-**	**-**	**(1,429)**	**-**	**(1,429)**
Net income for the year				**-**	**-**	**3,310,164**	**-**	**3,310,164**	**1,653**	**3,311,817**
Total comprehensive income for the year				**67,436**	**(20,662)**	**3,310,164**	**-**	**3,356,938**	**1,653**	**3,358,591**
Net loss on derecognition of FVOCI equity				**16,977**	**-**	**(16,977)**	**-**	**-**	**-**	**-**
Distribution from a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,780)**	**(24,780)**
Derecognition of non-controlling interest due to loss of control	8	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(636,665)**	**(636,665)**
2017 final dividends	28	**-**	**-**	**-**	**-**	**-**	**(650,000)**	**(650,000)**	**-**	**(650,000)**
Interim and proposed dividends	28	**-**	**-**	**-**	**-**	**(1,500,000)**	**850,000**	**(650,000)**	**-**	**(650,000)**
Zakat - prior years	28	**-**	**-**	**-**	**-**	**1,113,261**	**-**	**1,113,261**	**-**	**1,113,261**
Zakat - current year	28	**-**	**-**	**-**	**-**	**(182,051)**	**-**	**(182,051)**	**-**	**(182,051)**
Income tax - current year	28	**-**	**-**	**-**	**-**	**(272,368)**	**-**	**(272,368)**	**-**	**(272,368)**
Balance at the end of the year		**10,000,000**	**10,000,000**	**73,216**	**(80,479)**	**5,613,196**	**850,000**	**26,455,933**	**36,486**	**26,492,419**

2017	Notes	Attributable to equity holders of the Bank								
				Other reserves						
		Share capital	Statutory reserve	Available for sale financial assets	Actuarial losses on defined benefit plan	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
Balance at the beginning of the year		10,000,000	9,446,000	166,514	-	3,172,847	450,000	23,235,361	689,192	23,924,553
Changes in equity for the year:										
Net changes in fair value of available for sale investments				(11,493)	-	-	-	(11,493)	-	(11,493)
Actuarial losses	31			-	(59,817)	-	-	(59,817)	-	(59,817)
Net transfers to consolidated statement of income				(171,011)	-	-	-	(171,011)	-	(171,011)
Net income for the year				-	-	3,026,972	-	3,026,972	7,086	3,034,058
Total comprehensive income for the year				(182,504)	(59,817)	3,026,972	-	2,784,651	7,086	2,791,737
Transfer to statutory reserve	18	-	554,000	-	-	(554,000)	-	-	-	-
2016 final dividends	28	-	-	-	-	-	(450,000)	(450,000)	-	(450,000)
Interim and proposed dividends	28	-	-	-	-	(1,200,000)	650,000	(550,000)	-	(550,000)
Zakat for the current year	28	-	-	-	-	(390,195)	-	(390,195)	-	(390,195)
Income tax for the current year	28	-	-	-	-	(260,130)	-	(260,130)	-	(260,130)
Balance at the end of the year		10,000,000	10,000,000	(15,990)	(59,817)	3,795,494	650,000	24,369,687	696,278	25,065,965

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

Arab National Bank – Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Saudi Riyals in Thousands)

	Notes	2018	2017
OPERATING ACTIVITIES	43		
Net income for the year		**3,311,817**	3,034,058
Adjustments to reconcile net income for the year to net cash from operating activities:			
Amortization of premium on investments not held as FVTPL, net		**642**	2,668
Special commission expense on sukuk	20	**78,054**	71,460
Losses/(gains) on investments not held as FVTPL, net	24	**208**	(177,177)
Unrealized gains on FVTPL financial instruments, net		**(19,502)**	(31)
Dividend income	23	**(63,376)**	(53,203)
Depreciation of investment property	9	**18,600**	24,800
Depreciation and amortization of property and equipment	10	**204,990**	221,379
Losses on disposal of property and equipment, net	25	**1,284**	4,669
Impairment charges for credit losses and other provisions, net	26	**998,323**	1,148,790
(Reversal) charges for impairment of other financial assets, net		**(3,542)**	5,970
Unrealized gain on remeasurement of investment upon loss of control	8	**(34,319)**	-
Share in earnings of associates, net	8	**(12,500)**	(30,659)
		4,480,679	4,252,724
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA	4	**166,910**	(1,219)
Investments held at FVTPL (including trading investments)	6	**(447,309)**	757
Positive fair value of derivatives		**(636,574)**	(483,990)
Loans and advances		**(7,185,847)**	(257,478)
Other assets		**105,771**	(43,303)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**(1,154,947)**	(1,167,322)
Negative fair value of derivatives		**435,482**	416,113
Customers' deposits		**4,858,046**	140,632
Other liabilities		**1,696,366**	808,731
Net cash from operating activities		**2,318,577**	3,665,645
INVESTING ACTIVITIES	43		
Proceeds from sale of and maturities of investments not held as FVTPL		**7,609,057**	4,612,991
Purchase of investments not held as FVTPL		**(2,729,045)**	(11,477,010)
Purchase of property and equipment	10	**(66,670)**	(84,905)
Proceeds from sale of property and equipment		**2,377**	3,488
Dividends received		**63,376**	53,203
Net cash from (used in) investing activities		**4,879,095**	(6,892,233)
FINANCING ACTIVITIES	43		
Special commission paid on sukuk		**(73,837)**	(73,376)
Dividends paid		**(1,300,403)**	(994,072)
Zakat and tax paid		**(476,479)**	(280,504)
Non-controlling interest from distributions from a subsidiary		**(24,780)**	-
Net cash used in financing activities		**(1,875,499)**	(1,347,952)
Net increase / (decrease) in cash and cash equivalents		**5,322,173**	(4,574,540)
Cash and cash equivalents at the beginning of the year		**11,772,783**	16,347,323
Cash and cash equivalents at the end of the year	29	**17,094,956**	11,772,783
Special commission received during the year		**6,547,113**	5,977,154
Special commission paid during the year		**(1,440,734)**	(1,401,009)
Supplemental non-cash information			
Net changes in fair value of available for sale investments		**-**	(11,493)
Net changes in fair value of investments held at fair value through other comprehensive income		**68,865**	-

The accompanying notes 1 to 45 form an integral part of these consolidated financial statements.

1. General

Arab National Bank (a Saudi Joint Stock Company, the “Bank”) was formed pursuant to Royal Decree No. M/38 dated Rajab 18,1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 140 branches (2017: 142 branches) in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The address of the Bank’s head office is as follows:

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides its customers non-commission based 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 the Bank and the following subsidiaries (collectively referred to as “the Group”):

Arab National Investment Company (ANB Invest)

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary (directly and indirectly), a Saudi closed joint stock company, registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above mentioned subsidiary effective January 12, 2008. On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha’ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary’s customers to trade in financial papers as per the Saudi Arabian Monetary Authority’s circular No. 371000014867 dated 5/2/1437H, and the CMA’s circular No. S/6/16287/15 dated 10/3/1437H.

Arabian Heavy Equipment Leasing Company (AHEL)

An 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari’ah principles. The Bank started consolidating the subsidiary’s financial statements effective May 10, 2009, the date the subsidiary started its operations. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to reach 87.5%.

ANB Insurance Agency

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Authority (SAMA) to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.

A wholly owned Saudi limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of lands and real estates and invest them through sale or rent in favor of the company, maintenance and management of owners and others’ assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated 10/8/1436H.

ANB Global Markets Limited

The Bank established on January 31, 2017 ANB Global Markets Limited, as a limited liability company registered in the Cayman Islands. The Bank has 100% ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

Change in status of a subsidiary

The Bank owns indirectly 25.47% of ANBI Business Gate Fund (the Fund), which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14//411 dated Shawwal 9, 1435H (corresponding to August 5, 2014). The Fund’s purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term.

1. General (continued)

Change in status of a subsidiary (continued)

The Fund was consolidated as a subsidiary in 2017. During the year, the Group has reassessed its control over the Fund and after considering the Fund Board composition and other factors concluded that the Group does not control the relevant activities of the Fund, effective October 2018, though, significant influence over the Fund is still retained by the Group. Accordingly, the Group has discontinued consolidation of the Fund in its consolidated financial statements and has accounted for the Fund as an associate (see Note 8).

2. Basis of preparation

a) Statement of compliance / Basis of preparation

The consolidated financial statements of the Group have been prepared;

i) In accordance with 'International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax', which requires adoption of all IFRS issued by International Accounting Standard Board (IASB), except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" in so far as these relate to zakat and income tax. Further, certain accounting policies followed in the current and comparative period are different as explained in note 3; and

ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's bylaws.

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 trading securities, financial instruments held at Fair Value through Profit or Loss (FVTPL), FVOCI investments (2017: available for sale investments), and derivatives. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship and that are otherwise carried at cost are adjusted to record changes in fair value attributable to the risks that are being hedged.

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

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the Group). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries where necessary to align them with the Bank's financial statements.

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.

Specifically, the Group controls an investee if and only if it has:

- Power over the investee i.e. existing rights that give it the current ability to direct the relevant activities of the investee,
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2. Basis of preparation (continued)

c) Basis of consolidation (continued)

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and separately from equity holders of the Bank within equity in the consolidated statement of financial position. Any losses related to the non-controlling interest in a subsidiary are allocated to non-controlling interest even if doing so causes non-controlling interest to have a deficit balance.

Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognized as goodwill.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest is subsequently adjusted for the Group's share of changes in the equity of the consolidated subsidiary after the date of acquisition.

All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

d) 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, the financial information presented in SAR has been rounded off to the nearest thousand.

e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. 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 current circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. 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 both IFRS 9 and IAS 39 across all 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 Bank'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 Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank'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 formulas 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; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(ii) Fair value Measurement (Note 37)
(iii) Impairment of FVOCI debt investments (Note 33)
(iv) Classification of investments at Amortised Cost (Note 6)
(v) Determination of control over investees
(vi) Provisions for liabilities and charges
(vii) Define benefit plans (Note 31)
(viii) Going concern

3. Summary of significant accounting policies

I. 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, 2017, except for the adoption of the following new standards and other amendments to existing standard and a new interpretation mentioned below. Except for adoption of IFRS 9, these amendments and adoption has had no material impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have an insignificant effect in future periods. The impact and disclosures pertaining to adoption of IFRS 9 have been illustrated below.

a. Adoption of New Standards

Effective from January 1, 2018, the Group has adopted two new accounting standards, the impact of the adoption of these standards is explained below:

IFRS 15 – Revenue from Contracts with Customers

The Bank adopted IFRS 15 ‘Revenue from Contracts with Customers’ resulting in a change in the revenue recognition policy of the bank in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Bank has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at January 1, 2018 in equity.

IFRS 9 – Financial Instruments

The Bank has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Bank classifies financial assets under IFRS 9, see respective section of significant accounting policies.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in the consolidated statement of income.

For an explanation of how the Bank classifies financial liabilities under IFRS 9, refer to section (3II-b).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model (“ECL”). IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. 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.

Under IFRS 9, credit losses are recognized earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

(Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

I. Changes in accounting policies (continued)

a. Adoption of New Standards (continued)

IFRS 7R

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures were updated and the Bank has adopted it, together with IFRS 9, for the year beginning January 1, 2018. Changes include transition disclosures as shown below, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 33.

Reconciliations from opening to closing ECL allowances are presented in Note 7. IFRS 7R also requires additional and more detailed disclosures for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9; and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  i. The determination of the business model within which a financial asset is held.
  ii. The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.
  iii. The designation of certain investments in equity instruments not held for trading as FVOCI. For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

  It is assumed that the credit risk has not increased significantly for those debt securities which carry low credit risk at the date of initial application of IFRS 9.

1. Financial assets and financial liabilities

i) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original classification categories in accordance with IAS 39 and the new classification categories under IFRS 9 for the Bank's financial assets and financial liabilities as at January 1, 2018.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Financial assets					
Cash and balances with SAMA		Amortised cost	Amortised cost	17,251,379	17,251,379
Due from banks and other financial institutions		Amortised cost	Amortised cost	1,710,123	1,709,700
Investments, net	6	AFS	FVOCI	10,454,174	10,404,322
		Amortised cost	Amortised cost	21,866,642	21,851,371
		FVTPL	FVTPL	-	49,852
Positive fair value of derivatives	12	FVTPL	FVTPL	943,760	943,760
Loans and advances, net	7	Amortised cost	Amortised cost	114,542,929	114,156,749
Other assets - accounts receivable		Amortised cost	Amortised cost	550,953	550,953
				167,319,960	166,918,086
Financial liabilities					
Due to banks and other financial institutions		Amortised cost	Amortised cost	2,691,549	2,691,549
Customers' deposits	14	Amortised cost	Amortised cost	136,048,089	136,048,089
Negative fair value of	12	FVTPL	FVTPL	855,902	855,902
Sukuk		Amortised cost	Amortised cost	2,016,274	2,016,274
Other liabilities - accounts payable		Amortised cost	Amortised cost	3,946,285	4,075,401
				145,558,099	145,687,215

(Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

I. Changes in accounting policies (continued)

a. Adoption of New Standards (continued)

1. Financial assets and financial liabilities (continued)

ii) Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

	IAS 39 carrying amount as at December 31, 2017	Re-classification	Re-measurement	IFRS 9 carrying amount as at January 1, 2018
Financial assets				
Amortized cost				
Cash and balances with SAMA	17,251,379	-	-	17,251,379
Due from banks and other financial institutions	1,710,123	-	(423)	1,709,700
Loans and advances, net	114,542,929	-	(386,180)	114,156,749
Investments, net	21,866,642	-	(15,271)	21,851,371
Other assets	550,953	-	-	550,953
Total amortized cost	155,922,026	-	(401,874)	155,520,152
Available for sale				
Investments:				
Opening balance	10,454,174	-	-	10,454,174
Transferred to:				
FVOCI – equity	-	(766,287)	-	(766,287)
FVOCI – debt	-	(9,638,035)	-	(9,638,035)
FVTPL	-	(49,852)	-	(49,852)
Total available for sale	10,454,174	(10,454,174)	-	-
FVOCI				
Investments:				
Opening balance	-	-	-	-
From available for sale	-	10,404,322	-	10,404,322
Total FVOCI	-	10,404,322	-	10,404,322
FVTPL				
- Investments:				
Opening balance	-	-	-	-
From available for sale	-	49,852	-	49,852
Closing balance	-	49,852	-	49,852
- Positive fair value of derivatives	943,760	-	-	943,760
Total FVTPL	943,760	49,852	-	993,612
Financial liabilities				
At amortized cost				
Due to banks and other financial institutions	2,691,549	-	-	2,691,549
Customers' deposits	136,048,089	-	-	136,048,089
Other liabilities	3,946,285	-	129,116	4,075,401
Sukuk	2,016,274	-	-	2,016,274
Total amortized cost	144,702,197	-	129,116	144,831,313
At FVTPL				
Negative fair value of derivatives	855,902	-	-	855,902
Total FVTPL	855,902	-	-	855,902

(Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

I. Changes in accounting policies (continued)

a. Adoption of New Standards (continued)

2. Non financial assets

i) Classification of non-financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's non-financial assets as at January 1, 2018.

	Original carrying value under IAS 39	New carrying value under IFRS 9
Non-financial assets		
Investments in associates	637,222	623,222

ii) Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

	IAS 39 carrying amount as at December 31, 2017	Re-classification	Re-measurement	IFRS 9 carrying amount as at January 1, 2018
Non-financial assets				
Investments in associates	637,222	-	(14,000)	623,222

3. Impact on retained earnings and other reserves

	Retained earnings	Other reserves
Balance as reported (December 31, 2017)	3,795,494	(75,807)
Revenue recognition adjustment	(84,544)	-
Reclassifications under IFRS 9	(4,793)	4,793
Recognition of expected credit losses under IFRS 9 (including loan commitments and financial guarantee contracts including those measured at FVOCI)	(530,990)	-
Recognition of expected credit losses under IFRS 9 resulting from equity-accounting of an associate	(14,000)	-
	(634,327)	4,793
Balance as adjusted (January 1, 2018)	**3,161,167**	**(71,014)**

The following table reconciles the impairment allowance and provision recorded as per the requirements of IAS 39 and IAS 37 to that of IFRS 9:

- The closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at December 31, 2017; to
- The opening ECL allowance determined in accordance with IFRS 9 as at January 1, 2018.

	December 31, 2017 (IAS 39/IAS 37)	Re-classification	Re-measurement	January 1, 2018 (IFRS 9)
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS-9)				
Cash and balances with SAMA	-	-	-	-
Due from banks and other financial institutions	-	-	423	423
Investments, net	-	-	15,271	15,271
Loans and advances, net	2,253,542	-	386,180	2,639,722
	2,253,542	-	401,874	2,655,416
Loan commitments and financial guarantee contracts	586,285	-	129,116	715,401
Total	2,839,827	-	530,990	3,370,817

(Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

I. Changes in accounting policies (continued)

a. Adoption of New Standards (continued)

4. The following table provides carrying value of financial assets and financial liabilities in the consolidated statement of financial position.

		December 31, 2018					
	Notes	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity investments**	**Amortized cost**	**Total carrying amount**
Financial assets							
Cash and balances with SAMA	4	**-**	**-**	**-**	**-**	**22,980,266**	**22,980,266**
Due from banks and other financial institutions	5	**-**	**-**	**-**	**-**	**1,134,048**	**1,134,048**
Positive fair value of derivatives	12	**1,580,334**	**-**	**-**	**-**	**-**	**1,580,334**
Investments, net	6	**516,663**	**-**	**2,824,286**	**988,140**	**23,528,094**	**27,857,183**
Loans and advances, net	7	**-**	**-**	**-**	**-**	**121,038,239**	**121,038,239**
Other assets - accounts receivable	11	**-**	**-**	**-**	**-**	**873,881**	**873,881**
Total financial assets		**2,096,997**	**-**	**2,824,286**	**988,140**	**169,554,528**	**175,463,951**
Financial liabilities							
Due to banks and other financial institutions	13	**-**	**-**	**-**	**-**	**1,536,602**	**1,536,602**
Negative fair value of derivatives	12	**1,291,384**	**-**	**-**	**-**	**-**	**1,291,384**
Customers' deposits	14	**-**	**-**	**-**	**-**	**140,909,422**	**140,909,422**
Other liabilities - accounts payable and accruals	15	**-**	**-**	**-**	**-**	**4,801,132**	**4,801,132**
Sukuk	16	**-**	**-**	**-**	**-**	**2,020,491**	**2,020,491**
Total financial liabilities		**1,291,384**	**-**	**-**	**-**	**149,267,647**	**150,559,031**

		December 31, 2017				
	Notes	Designated as at FVTPL	Loans and receivable	Available for sale	Other amortized cost	Total carrying amount
Financial assets						
Cash and balances with SAMA	4	-	17,251,379	-	-	17,251,379
Due from banks and other financial institutions	5	-	1,710,123	-	-	1,710,123
Positive fair value of derivatives	12	943,760	-	-	-	943,760
Investments, net	6	-	-	10,454,174	21,866,642	32,320,816
Loans and advances, net	7	-	114,542,929	-	-	114,542,929
Other assets – accounts receivable	11	-	550,953	-	-	550,953
Total financial assets		943,760	134,055,384	10,454,174	21,866,642	167,319,960
Financial liabilities						
Due to banks and other financial institutions	13	-	-	-	2,691,549	2,691,549
Negative fair value of derivatives	12	855,902	-	-	-	855,902
Customers' deposits	14	-	-	-	136,048,089	136,048,089
Other liabilities - accounts payable and accruals	15	-	-	-	3,946,285	3,946,285
Sukuk	16	-	-	-	2,016,274	2,016,274
Total financial liabilities		855,902	-	-	144,702,197	145,558,099

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018

a. Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

Financial Asset at amortised cost

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

- 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.

Financial Asset at FVOCI

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

- 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 Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognised in the consolidated statement of income.

Equity Instruments

On initial recognition, for an equity investment that is not held for trading, the Bank may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis.

Financial Asset at FVTPL

All other financial assets are classified measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL 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 in the period after the Bank changes its business model for managing financial assets.

Business model assessment

The Bank 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 Bank'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 Bank'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 Bank's original expectations, the Bank 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 FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018 (continued)

a. Classification of financial assets (continued)

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

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 Bank 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 Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank'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 profit or loss

At initial recognition, the Bank may designate certain financial assets at FVTPL. The designated financial assets (if any) are required to be managed, evaluated and reported internally on a fair value basis.

b. Classification of financial liabilities

(Policy applicable before January 1, 2018)

All money market deposits, customer deposits, term loans, subordinated debts and other debt securities in issue are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

Financial liabilities classified as FVTPL using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the income statement.

Amounts in OCI relating to own credit are not recycled to the income statement even when the liability is derecognized and the amounts are realized.

Financial guarantees and loan commitments that entities choose to measure at fair value through profit or loss will have all fair value movements recognized in profit or loss.

(Policy applicable after January 1, 2018)

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium and costs that are an integral part of the EIR.

c. Derecognition

i) Financial assets

The Bank 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 Bank 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 the consolidated statement of income.

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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018 (continued)

c. Derecognition (continued)

i) Financial assets (continued)

In transactions in which the Bank 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 Bank 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 Bank 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.

Before January 1, 2018, retained interests were primarily classified as available-for-sale investment securities and measured at fair value.

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 Bank is recognized as a separate asset or liability.

ii) Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

d. Modifications of financial assets and financial liabilities

i) Financial assets

If the terms of a financial asset are modified, the Bank 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 amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank 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 Bank 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 Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Due from banks and other financial institutions;
- Financial assets that are debt instruments;
- Lease receivables;
- Loans and advances;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Bank 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 Bank 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 are the portion of ECL 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)

II. Policies applicable from January 1, 2018 (continued)

e. Impairment (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank 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 Bank assesses whether financial assets carried at amortized cost 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 addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank 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.

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018 (continued)

e. Impairment (continued)

Credit-impaired financial assets (continued)

Presentation of allowance for ECL in the consolidated statement of financial position

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

- financial assets measured at amortized 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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank 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 recognized in the consolidated statement of income and changes between the amortised cost of the assets and their fair value are recognized 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 Bank'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.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank’s accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank’s statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank’s accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank’s policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank’s policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018 (continued)

f. Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank 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 as follows:

- from January 1, 2018: at the higher of this amortized amount and the amount of loss allowance; and
- Before January 1, 2018: at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments:

- from January 1, 2018: the Bank recognizes loss allowance;
- Before January 1, 2018: the Bank recognizes a provision in accordance with IAS 37 if the contract was considered to be onerous.

g. Revenue/expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in the consolidated statement of income 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 or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank 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 'amortized 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 amortized 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 amortized 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 amortized 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 amortized 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 Bank provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Bank 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. Whereas for free services related to credit card, the Bank recognizes revenue over the period of time.

3. Summary of significant accounting policies (continued)

II. Policies applicable from January 1, 2018 (continued)

i. Customer Loyalty Program

The Bank offers customer loyalty program (reward points), which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand alone selling price. The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

III. Policies applicable before adoption of IFRS 9

a) Investments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

All investment securities are initially recognized at fair value plus, in the case of financial assets other than those carried at FVTPL, any directly attributable incremental costs of acquisition. Premiums are amortized and discounts accreted on effective yield basis and recognised in special commission income.

The Fair value of securities traded in organized financial markets is determined by reference to exchange quoted market bid prices at the close of business on the consolidated statement of financial position date without any deduction of transaction costs. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values, which approximate fair value.

For securities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security. Where fair value cannot be derived from an active market, it is determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values.

Following initial recognition, subsequent transfers between the various classes of investments are not ordinarily permissible. The subsequent measurement of period-end reporting values of each class of investment are determined on the basis set out in the following paragraphs:

(i) Held at FVTPL

Investments in this category include those investments held for trading or those designated as FVTPL on initial recognition. Investments classified as trading are acquired for the purpose of selling or repurchasing in short term and are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognized in Trading income, net. An investment may be designated as FVTPL if it satisfies the criteria laid down by IAS 39 except for equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

After initial recognition, investments held at FVTPL are measured at fair value. Changes in fair value are recorded in the consolidated statement of income in the year in which it arises. Special commission income and dividend income received on financial assets held as FVTPL are reflected in the consolidated statement of income as either Trading income or Dividend income from FVTPL financial instruments in line with the underlying assets.

Reclassification

Investments at FVTPL are not reclassified subsequent to their initial recognition, except that non-derivative FVTPL instrument, other than those designated as FVTPL upon initial recognition, may be reclassified out of the FVTPL fair value through the statement of income (i.e. trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3. Summary of significant accounting policies (continued)

III. Policies applicable before adoption of IFRS 9 (continued)

a) Investments (continued)

(ii) Available for sale (AFS)

AFS investments are those equity and debt securities intended to be held for an unspecified period of time and which may be sold in response to a need for liquidity or changes in commission rates, exchange rates or equity prices.

AFS investments are non-derivative financial instruments that are designated as AFS or not classified as another category of financial assets.

Investments which are classified as AFS are subsequently measured at fair value. Where the fair value has not been hedged, gains or losses arising from a change in fair value is recognized through the consolidated statement of comprehensive income in Other reserves in Equity. On derecognition, any cumulative gain or loss previously recognized in shareholders' equity is transferred to the consolidated statement of income.

Special commission income is recognized in the consolidated statement of income on an effective yield basis. Dividend income is recognized in the consolidated statement of income when the Group becomes entitled to the dividend. Foreign exchange gains or losses on AFS debt security investments are recognized in the consolidated statement of income.

A Security held as available for sale may be reclassified to “Other investments held at amortised cost” if it otherwise would have met the definition of “Other investments held at amortized cost” and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(iii) Held to maturity (HTM)

Investments having fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that meet the definition of “Other investments held at amortized cost”, are classified as HTM. These investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for any impairment. Amortized cost is calculated using the effective yield method taking into account any discount or premium on acquisition and any fees that are an integral part thereof. Gains or losses on such investments are recognized in the consolidated statement of income when the investment is derecognized or impaired.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Group's ability to use this classification:

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value;
- Sales or reclassifications after the Group has collected substantially all the assets' original principal; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(iv) Other investments held at amortized cost (OI)

Investment securities with fixed or determinable payments that are not quoted in an active market and other than those that the Bank intends to sell immediately or in the near term or those designated as AFS are classified as “other investments held at amortized cost”. Such investments where fair values have not been hedged are stated at amortized cost using the effective yield basis, less provision for any impairment. Gains or losses are recognized in the consolidated statement of income when the investment is derecognized or impaired.

b) Loans and advances

Loans and advances are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments. Loans and advances are recognized when cash is advanced to borrowers. They are derecognized when borrowers repay their obligations, the loans are sold or written off or substantially all the risks and rewards of ownership are transferred.

All loans and advances are initially measured at fair value, including acquisition charges, except for loans held as FVTPL.

Loans and advances originated or acquired by the Bank that are not quoted in an active market and for which fair value has not been hedged are classified as loan and advances held at amortized cost and are stated at cost less any amount written off and allowance for impairment.

For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

For presentation purposes, impairment charges for credit losses are deducted from loans and advances.

3. Summary of significant accounting policies (continued)

III. Policies applicable before adoption of IFRS 9 (continued)

c) Impairment of financial assets

A financial asset is classified as impaired when there is objective evidence of impairment as a result of one or more events that occurred after initial recognition and where a loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired at the statement of financial position date. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future anticipated cash flows and an impairment loss is recognized for changes in the asset's carrying amounts. The present value of the estimated future cash flows is discounted at the financial asset's original effective commission rate. If an asset has a variable special commission rate, the discount rate for measuring any impairment loss is the special commission rate existing on the measurement date.

When a financial asset is uncollectible, it is written off either directly by a charge to the consolidated statement of income or against the related allowance for impairment account. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is adjusted in impairment charges for credit losses in the consolidated statement of income.

Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognized based on the original effective commission rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Loans whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Restructuring policies and practices are based on indicators or criteria that indicate that payment will most likely continue.

These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective yield rate.

In addition to specific impairment charges for credit losses, an allowance for collective impairment is made on a portfolio basis for credit losses where there is objective evidence that unidentified losses exist at the reporting date. This allowance is estimated based on various factors, including credit ratings allocated to a borrower or group of borrowers, current economic conditions, the experience the Bank had in dealing with a borrower or group of borrowers and available historical default information.

(i) Impairment of financial assets held at amortized cost

Specific impairment charges for credit losses due to impairment of a loan or any other financial asset held at amortized cost is recognized if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective yield rate.

The carrying amount of financial assets at amortized cost is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the consolidated statement of income.

(ii) Impairment of available for sale financial assets

In the case of debt instruments classified as AFS the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

For equity investments held as AFS, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through the consolidated income statement as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is released to the consolidated statement of income.

3. Summary of significant accounting policies (continued)

III. Policies applicable before adoption of IFRS 9 (continued)

d) Financial liabilities

Money market deposits, customers' deposits, and sukuk are initially recognized at cost, being the fair value of the consideration received less transaction costs.

Subsequently all special commission bearing financial liabilities, other than those where fair values have been hedged, are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium. Premiums are amortized and discounts accreted to maturity on an effective yield basis and recognised as special commission expense.

Financial liabilities in an effective fair value hedge relationship are adjusted for fair value changes of the risk being hedged. The resultant gain or loss is recognized in the consolidated statement of income. Gains or losses on financial liabilities carried at amortized cost are recognized in the consolidated statement of income when derecognized.

e) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or group of similar financial assets) is derecognized when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition.

In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognized if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Bank has not retained control of the financial asset. The Bank recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability or part thereof can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption

a) Investments in associates

Associates are enterprises in which the Bank generally holds 20% to 50% of the voting power and/or over which it exercises significant influence. Investments in associates are initially recorded at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity accounted or recoverable amount.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables (if applicable), the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains and losses on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates.

After application of the equity method of accounting, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in share of earnings of associates in the consolidated statement of income.

b) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on settlement date. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or market convention. For financial instruments held at fair value, the Bank accounts for any change in fair values between the trade date and the settlement date.

A contract that requires or permits net settlement of the change in the value of the contract is not a regular way contract. Instead, such a contract is accounted for as a derivative in the period between the trade date and the settlement date.

c) Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps and currency and commission rate options are 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.

3. Summary of significant accounting policies (continued)

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption (continued)

c) Derivative financial instruments and hedge accounting (continued)

The treatment of changes in fair values depends on classifying derivatives into the following categories:

i) Derivatives held for trading

Changes in the fair value of derivatives held for trading are taken directly to the consolidated statement of income and disclosed under trading income, net. Derivatives held for trading also include derivatives which do not qualify for hedge accounting and embedded derivatives.

ii) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held for trading or designated at FVIS. Embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated statement of income.

iii) Hedge accounting

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 recognized asset or liability and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized 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 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.

In relation to fair value hedges that meet the criteria for hedge accounting, any gain or loss from fair valuing the hedging instruments to fair value is recognized immediately in the consolidated statement of income. An equal and opposite adjustment is made against the carrying amount of the hedged item and recognized in the consolidated statement of income. For hedged items measured at amortized cost, where the fair value hedge of a 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 its face value is amortized over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves through the consolidated statement of comprehensive income. The ineffective portion, if any, is recognized in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized 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. However, if the Bank expects that all or a portion of a loss recognized in other reserve will not be recovered in one or more future periods, it reclassifies the amount that is not to be recovered into the consolidated statement of income.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or liability, the associated gains or losses that had previously been recognized in other reserves are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability at the time such asset or liability is recognized.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, the forecasted transaction is no longer expected to occur or the Bank revokes the designation. At that time, any cumulative gain or loss on the hedging instrument that was previously recognized in other reserves is retained in equity until the forecasted transaction occurs. Where it is not expected that the forecasted transaction will occur and that it will affect the consolidated statement of income, the net cumulative gain or loss recognized in other reserves is transferred to the consolidated statement of income.

d) Foreign currencies

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is also the Bank's functional currency. Each entity determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

3. Summary of significant accounting policies (continued)

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption (continued)

d) Foreign currencies (continued)

Transactions in foreign currencies are translated into SAR at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year-end (other than monetary items that form part of the net investment in a foreign operation), denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the date of the consolidated statement of financial position.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective profits rate and payments during the year and the amortized cost in foreign currency translated at exchange rate at the end of the year.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of comprehensive income.

Foreign currency differences arising from the translation of the following items are recognized in OCI:

Available-for-sale equity instruments (before January 1, 2018) or equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI (from January 1, 2018);

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

As at the reporting date, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange as at the statement of financial position date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the statement of income as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

e) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis or to realize 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 these accounting policies.

f) Revenue and expenses recognition

Exchange income / (loss)

Exchange income / loss is recognized when earned / incurred.

Fee and commission income

Fee and commission income are recognized on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized rateably over the period that the service is being provided.

Dividend income

Dividend income is recognized when the right to receive income is established.

Net trading income / (loss)

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVTPL and from January 1, 2018, also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, special commission, dividends and foreign exchange differences.

3. Summary of significant accounting policies (continued)

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption (continued)

f) Revenue and expenses recognition (continued)

Net trading income / (loss) (continued)

(Policy applicable before adoption of IFRS 9)

Results arising from trading activities include all realised and unrealised gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

Net income from FVTPL financial instruments relates to financial assets and liabilities designated as FVTPL and include all realised and unrealised fair value changes, commission, dividends and foreign exchange differences.

Rental income

Rental income is recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Rent received for future periods are recognised as unearned revenue.

g) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized on the consolidated statement of financial position and are measured in accordance with relevant accounting policies for trading securities, investments held as FVIS, available for sale, held to maturity and other investments held at amortized cost. The counterparty liability for amounts received under these agreements is included in Due to banks and other financial institutions or Customers' deposits, as appropriate. The difference between the sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the consolidated statement of financial position, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in Cash and balances with SAMA, due from banks and other financial institutions or Loans and advances, as appropriate. The difference between the purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

h) Other real estate

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

Subsequent to initial recognition, write downs to fair value, less costs to sell, is charged to the consolidated statement of income. Similarly, subsequent gains in fair value less costs to sell are recognized as income to the extent that it does not exceed the cumulative write down. Gains or losses on disposal are recognised in the consolidated statement of income.

i) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and accumulated impairment loss. Freehold land is not depreciated.

The cost of property and equipment is depreciated on a straight-line method over the estimated useful lives of assets as follows:

Buildings	33 years
Leasehold improvements	over lease period
Furniture, equipment and vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

j) Investment property

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives. The estimated useful live of buildings is (30-33) years.

No depreciation is charged on land and capital work-in-progress.

The useful live and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected inflow of economic benefits from these assets.

3. Summary of significant accounting policies (continued)

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption (continued)

j) Investment property (continued)

The Group determines at each reporting date whether there is objective evidence that investment properties are impaired. Whenever the carrying amount of an investment property exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income.

k) Provisions

Provisions other than impairment charges for credit losses are recognized when a reliable estimate can be made of a present legal or constructive obligation as a result of past events that is more likely than not to lead to an outflow of resources to settle the obligation.

l) Accounting for leases

i) Where the Bank is a lessee

Leases entered into by the Bank are all 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.

Penalties paid to a lessor when an operating lease is terminated before the lease period has expired, is recognized as an expense in the period in which termination takes place.

ii) Where the Bank is a lessor

When assets are sold under a finance lease, including Shari'ah compliant leases, the present value of the lease payments is recognized as a receivable and disclosed under loans and advances. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the effective yield basis, which reflects a constant periodic rate of return.

m) 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 deposit and due from banks and other financial institutions maturing within 90 days.

n) End-of-service benefits

Benefits payable to the employees of the Group at the end of their services are accrued based on actuarial valuation in accordance with Saudi Arabian Labor laws. These are included in other liabilities in the consolidated statement of financial position.

o) Loss of Control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the consolidated statement of income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

p) Zakat and income tax

Zakat is computed on the Saudi shareholders' share of net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net income for the year.

Zakat and income tax are accrued on a quarterly basis and charged to retained earnings in accordance with SAMA guidance on zakat and income tax. Previously, zakat and income tax was deducted from dividends upon payment to the shareholders and was recognized as a liability at that time.

q) Shari'ah compliant banking products

In addition to conventional banking, the Bank offers its customers certain non-interest based banking products, which are approved by its Shari'ah Board, as follows:

High level definitions of non-commission based products

(i) Murabaha is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank 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 an agreement whereby the Bank, 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.

(Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

IV. Policies applicable to both years presented and not impacted by IFRS 9 adoption (continued)

q) Shari'ah compliant banking products (continued)

High level definitions of non-commission based products (continued)

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

These non-commission based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

r) Investment management services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds. The Bank's share of these funds is included in the FVTPL investments and fees earned are disclosed under related party transactions.

4. Cash and balances with SAMA

	2018	2017
Cash in hand	**1,642,662**	2,059,993
Statutory deposit	**7,021,809**	7,188,719
Reverse repo with SAMA	**14,312,000**	8,002,000
Current account	**3,795**	667
Total	**22,980,266**	17,251,379

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 is therefore not part of cash and cash equivalents (note 29). The Bank holds balances with SAMA which has investment grade credit rating.

5. Due from banks and other financial institutions

	2018	2017
Current accounts	**563,753**	700,010
Money market placements	**572,746**	1,010,113
Less: impairment	**(2,451)**	-
Total	**1,134,048**	1,710,123

An analysis of changes in loss allowance for due from banks and other financial institutions is, as follows:

	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as reported at December 31, 2017	**-**	**-**	**-**	**-**
Amounts restated through opening retained earnings	**423**	**-**	**-**	**423**
Adjusted loss allowance balance at January 1, 2018	**423**	**-**	**-**	**423**
Transfers to 12 month ECL	**-**	**-**	**-**	**-**
Transfers to Life time ECL not credit impaired	**-**	**-**	**-**	**-**
Transfers to Life time ECL credit impaired	**-**	**-**	**-**	**-**
Net charge for the year	**2,028**	**-**	**-**	**2,028**
Write-offs	**-**	**-**	**-**	**-**
Loss allowance as at December 31, 2018	**2,451**	**-**	**-**	**2,451**

(Saudi Riyals in Thousands)

6. Investments, net

a) Investment securities are classified as follows:

	2018	2017
Investments at amortized cost	**23,539,433**	21,866,642
Investments at FVOCI - equity	**988,140**	-
Investments at FVOCI - debt	**2,824,286**	-
Available for sale investments (2017)	**-**	10,454,174
Investments at FVTPL (including trading investments)	**516,663**	-
Less: Impairment	**(11,339)**	-
Total	**27,857,183**	32,320,816

Equity investment securities designated as at FVOCI

At January 1, 2018, the Bank designated certain investments in equity securities as FVOCI. In 2017, these investments were classified as available-for-sale and measured at fair value. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes. The fair value of these equity investment securities designated as at FVOCI amounted to SAR 988,140 thousands as of December 31, 2018. Dividend income recognized in the consolidated statement of income amounted to SAR 45,943 thousands for the year ended December 31, 2018.

b) Investments by type of securities:

	Domestic		**International**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
Fixed rate securities	**10,500,558**	8,455,280	**2,125,856**	9,223,488	**12,626,414**	17,678,768
Floating rate securities	**13,737,305**	13,825,909	**-**	-	**13,737,305**	13,825,909
Equities	**987,732**	765,861	**408**	426	**988,140**	766,287
Other	**40,480**	41,029	**476,183**	8,823	**516,663**	49,852
Less: impairment (*)	**(11,148)**	-	**(191)**	-	**(11,339)**	-
Total	**25,254,927**	23,088,079	**2,602,256**	9,232,737	**27,857,183**	32,320,816

(*) The impairment relates to debt instruments carried at amortized cost only. The reversal of impairment allowance on debt instruments at FVOCI amounts to SAR 3,931 thousand (2017: nil), which has been charged to the consolidated statement of income.

An analysis of changes is loss allowance for debt instruments carried at amortized cost, is as follows:

	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss allowance as reported at December 31, 2017	**-**	**-**	**-**	**-**
Amounts restated through opening retained earnings	**15,271**	**-**	**-**	**15,271**
Adjusted loss allowance as at January 1, 2018	**15,271**	**-**	**-**	**15,271**
Transfers to 12 month ECL	**-**	**-**	**-**	**-**
Transfers to Life time ECL not credit impaired	**-**	**-**	**-**	**-**
Transfers to Life time ECL credit impaired	**-**	**-**	**-**	**-**
Net reversal of loss allowance for the year	**(3,932)**	**-**	**-**	**(3,932)**
Write-offs	**-**	**-**	**-**	**-**
Loss allowance as at December 31, 2018	**11,339**	**-**	**-**	**11,339**

(Saudi Riyals in Thousands)

6. Investments, net (continued)

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

	2018			2017		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed rate securities	**2,125,922**	**10,500,492**	**12,626,414**	9,225,207	8,453,561	17,678,768
Floating rate securities	**-**	**13,737,305**	**13,737,305**	-	13,825,909	13,825,909
Equities	**985,839**	**2,301**	**988,140**	763,741	2,546	766,287
Others	**-**	**516,663**	**516,663**	-	49,852	49,852
Less: impairment	**(285)**	**(11,054)**	**(11,339)**	-	-	-
Investments, net	**3,111,476**	**24,745,707**	**27,857,183**	9,988,948	22,331,868	32,320,816

Unquoted fixed rate securities and floating rate notes are mainly Sukuk, treasury bills and Saudi Government Bonds; and others mainly include investments in mutual funds.

d) The analysis of unrealized gains and losses and fair values of investments held at amortized cost is as follows:

	2018				2017			
	Carrying value	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed rate securities	**10,735,328**	**50,433**	**(268,327)**	**10,517,434**	8,907,980	18,449	(99,497)	8,826,932
Floating rate securities	**12,804,105**	**58,199**	**(26,659)**	**12,835,645**	12,958,662	11,494	(37,992)	12,932,164
Less: impairment	**(11,339)**	**-**	**-**	**(11,339)**	-	-	-	-
Total	**23,528,094**	**108,632**	**(294,986)**	**23,341,740**	21,866,642	29,943	(137,489)	21,759,096

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

	2018	2017
Government and quasi government	**25,386,956**	30,078,680
Banks and other financial institutions	**1,133,534**	1,173,434
Corporate	**810,449**	1,007,906
Other	**526,244**	60,796
Total	**27,857,183**	32,320,816

There were no investments that have been pledged under repurchase agreements with other banks and customers as of December 31, 2018 (2017: SAR 1,123 million) (note 19d). The market value of these investments is SAR 1,123 million as of December 31, 2017.

7. Loans and advances, net

a) Loans and advances (held at amortized cost) comprise the following:

2018	**Overdrafts**	**Credit cards**	**Consumer loans**	**Commercial loans and others**	**Total**
Performing loans and advances, gross	**3,694,867**	**496,547**	**24,387,163**	**93,641,280**	**122,219,857**
Non-performing loans and advances, net	**5,364**	**11,727**	**93,141**	**1,385,454**	**1,495,686**
Total loans and advances	**3,700,231**	**508,274**	**24,480,304**	**95,026,734**	**123,715,543**
Impairment allowance	**(22,066)**	**(35,953)**	**(432,806)**	**(2,186,479)**	**(2,677,304)**
Loans and advances, net	**3,678,165**	**472,321**	**24,047,498**	**92,840,255**	**121,038,239**
2017					
Performing loans and advances, gross	3,734,884	500,540	24,469,442	86,691,122	115,395,988
Non-performing loans and advances, net	7,487	14,482	103,286	1,275,228	1,400,483
Total loans and advances	3,742,371	515,022	24,572,728	87,966,350	116,796,471
Impairment allowance	(6,839)	(9,350)	(64,921)	(2,172,432)	(2,253,542)
Loans and advances, net	3,735,532	505,672	24,507,807	85,793,918	114,542,929

Loan and advances include Shari'ah compliant banking products: Murabaha and Tawarruq agreements and Ijarah, which are stated at amortized cost, of SAR 76.9 billion (2017: SAR 72.6 billion).

(Saudi Riyals in Thousands)

7. Loans and advances, net (continued)

b) Impairment allowance for credit losses

Movement in impairment allowances for credit losses are as follows:

2018	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Impairment allowance balance as reported at December 31, 2017 (calculated under IAS 39)	**6,839**	**9,350**	**64,921**	**2,172,432**	**2,253,542**
Amounts restated through opening retained earnings	**59,929**	**33,270**	**398,245**	**(105,264)**	**386,180**
Adjusted impairment allowance balance at January 1, 2018 (calculated under IFRS 9)	**66,768**	**42,620**	**463,166**	**2,067,168**	**2,639,722**
Charges (reversals) for the year, net	**(26,515)**	**22,019**	**214,324**	**835,188**	**1,045,016**
Bad debts written off against impairment allowance	**(18,187)**	**(28,686)**	**(244,684)**	**(715,877)**	**(1,007,434)**
Impairment allowance balance at the end of the year	**22,066**	**35,953**	**432,806**	**2,186,479**	**2,677,304**
2017					
Impairment allowance balance as the beginning of the year	30,397	5,737	89,636	2,592,021	2,717,791
Charges for the year, net	-	35,557	263,635	346,890	646,082
Bad debts written off against impairment allowance	(23,558)	(31,944)	(288,350)	(766,479)	(1,110,331)
Impairment allowance balance at the end of the year	6,839	9,350	64,921	2,172,432	2,253,542

Impairment charge for credit losses, net for the year ended December 31, 2018 amounted to SAR 990,327 thousand (2017: SAR 562,505 thousand) (note 26), including bad debts directly written-off to consolidated income statement amounting to SAR 81,553 thousand (2017: SAR 67,635 thousand), and net of recoveries amounting to SAR 136,242 thousand (2017: SAR 151,212 thousand).

An analysis of changes in impairment allowance of loans and advances is as follows:

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Balance at January 1, 2018	**390,196**	**1,174,118**	**1,075,408**	**2,639,722**
Transfer to 12-month ECL	**38,134**	**(26,348)**	**(11,786)**	**-**
Transfer to lifetime ECL not credit - impaired	**(36,113)**	**61,042**	**(24,929)**	**-**
Transfer to lifetime ECL credit impaired	**(2,272)**	**(65,739)**	**68,011**	**-**
Net charge for the year	**41,077**	**(20,167)**	**1,024,106**	**1,045,016**
Write-offs	**-**	**-**	**(1,007,434)**	**(1,007,434)**
Balance at December 31, 2018	**431,022**	**1,122,906**	**1,123,376**	**2,677,304**

For "Lifetime ECL credit impaired (Stage 3)", it includes loss allowance for NPL portfolio along with the impact of other factors related to IFRS 9.

8. Investments in associates

	2018	2017
Balance at beginning of the year	**637,222**	616,395
Investment in an associate	**217,235**	-
Unrealized gain on remeasurement of investment upon loss of control	**34,319**	-
Share in earnings, net	**12,500**	30,659
Share of impact of adopting IFRS 9	**(14,000)**	-
Cumulative share in Zakat	**-**	(9,832)
Balance at end of the year	**887,276**	637,222

Saudi Home Loans Company

The Bank participated in the setting up of Saudi Home Loans Company (SHL). The associate's authorized capital was SAR 2 billion and its issued and paid-up capital was SAR 800 million. During 2017, SHL increased the paid-up capital by issuing 20 million shares for SAR 10 each, by transfer from its retained earnings to its existing shareholders in proportion to the existing number of shares (by capitalizing profit). This increase in share capital was approved in the Extraordinary General Assembly (EGM) held on May 24, 2017. Later, SHL's EGM took the decision to cancel unpaid shares of the authorized share capital for 100 million shares for SAR 10 each with a total value of SAR 1 billion, which was effected in April 2018. Accordingly, SHL's authorized and fully paid share capital amounts to SAR 1 billion as of December 31, 2018. The Bank's share of the paid-up capital amounted to SAR 400 million, representing 40% of the issued share capital of the associate.

(Saudi Riyals in Thousands)

8. Investments in associates (continued)

The associate is a specialized Islamic home and real estate finance company with all its products and services being fully Shariah compliant. The associate was launched at the end of the fourth quarter of 2007 and is accounted for under the equity method.

MetLife – AIG – ANB Cooperative Insurance Company

The Bank participated in the setting up of MetLife – AIG – ANB Cooperative Insurance Company (the MetLife) in the Kingdom. The Bank's share is 30% of the associate's initial total capital of SAR 175 million. MetLife was launched during the fourth quarter of 2013 and is accounted for under the equity method. SAMA has provided the associate with final approval to conduct insurance business in the Kingdom on February 25, 2014. The Bank initially paid SAR 52.5 million representing 30% of the issued share capital of MetLife.

On April 27, 2015, the MetLife's board of directors has recommended increasing the associate's capital from SAR 175 million to SAR 350 million through a rights issue. The Bank owns 10.5 million shares (30%) at a nominal value of SAR 10 per share as of December 31, 2017.

MetLife in its extraordinary general meeting held on April 18, 2018 approved the reduction of the share capital from SAR 350 million to SAR 180 million by reducing the number of shares from 35 million to 18 million shares of SAR 10 each to restructure the associate's capital to offset SAR 170 million of the associate's accumulated losses in line with the new Companies' Law. The Bank owns 5.4 million shares (30%) at a nominal value of SAR 10 per share at December 31, 2018. The MetLife's shares are listed on the Saudi Arabian Stock Exchange; and, the quoted value of the Bank's investment in its associate is SAR 246.3 million (2017: SAR 160.7 million).

ANBI Business Gate Fund

As mentioned in note 1, during October 2018, the Group ceased to consolidate the Fund and the Group's interest in the Fund has been accounted for using equity method and is presented as an investment in associate in these consolidated financial statements.

The retained interest of the Group in the Fund is recorded at fair value at the date of loss of control and the value of investment was determined using fair value of the assets and liabilities of the Fund. The Group involved valuation experts for the valuation of the real estate property held by the Fund.

The Group has recorded an unrealized gain of SAR 34.3 million in the consolidated statement of income on re-measurement of its retained interest in the Fund and has derecognized its total assets, total liabilities and non-controlling interest amounting to SAR 676 million, SAR 39 million and SAR 637 million, respectively from the consolidated financial statements.

The Bank's share of associates' financial statements:

	ANBI Business Gate Fund	Saudi Home Loans Company		MetLife – AIG – ANB Cooperative Insurance Company (*)	
	2018	**2018**	2017	**2018**	2017
Total assets	**417,163**	**1,746,894**	1,718,838	**177,536**	217,218
Total liabilities	**199,454**	**1,155,740**	1,144,156	**128,934**	163,884
Total equity	**217,709**	**591,154**	574,682	**48,602**	53,334
Total income	**7,380**	**74,010**	68,320	**5,956**	(2,581)
Total expenses	**(6,875)**	**(43,698)**	(28,310)	**(10,193)**	(14,761)

(*) Based on latest available financial information.

(Saudi Riyals in Thousands)

9. Investment Property, net

Investment properties consist of land, commercial offices being rented out and a hotel under construction. It was located in the Kingdom and was acquired by the Group's subsidiary, ANBI Business Gate Fund. During the year, the Group has reassessed its control over the fund and concluded that the Group does not control the relevant activities of the fund. Accordingly, the Group discontinued consolidation of the fund in its consolidated financial statements (refer note 1). The following is the movement in investment property:

	Land	Commercial buildings	Hotel (*)	Total 2018	Total 2017
Cost					
Balance at beginning of the year	**550,000**	**744,000**	**406,963**	**1,700,963**	1,700,963
Derecognized upon deconsolidation of a subsidiary (note 43)	**(550,000)**	**(744,000)**	**(406,963)**	**(1,700,963)**	-
As at December 31, 2018	**-**	**-**	**-**	**-**	1,700,963
Accumulated depreciation					
Balance at beginning of the year	**-**	**74,400**	**-**	**74,400**	49,600
Charge for the year	**-**	**18,600**	**-**	**18,600**	24,800
Derecognized upon deconsolidation of a subsidiary (note 43)	**-**	**(93,000)**	**-**	**(93,000)**	-
As at December 31, 2018	**-**	**-**	**-**	**-**	74,400
Net book value					
As at December 31, 2018	**-**	**-**	**-**	**-**	
As at December 31, 2017	550,000	669,600	406,963		1,626,563

As at December 31, 2017, the fair value of investment properties was determined by management based on a valuation performed by two independent and professionally qualified valuers registered with the Royal Institute of Chartered Surveyors using the Income Capitalisation Method and discounted cash flows (DCF). Management assessed this valuation as Level 3 in the hierarchy for determining and disclosing fair value as defined in note 37. The fair value of investment properties is SAR 1,769 million as of December 31, 2017 (which is the lower of the two independent valuations), compared with a carrying value of SAR 1,627 million as of December 31, 2017.

10. Property and equipment, net

	Land and buildings	Leasehold improvements	Equipment, furniture and vehicles	Computer and Software	Work-in-progress	Total 2018	Total 2017
Cost							
Balance at beginning of the year	**1,404,430**	**605,319**	**795,751**	**1,248,991**	**66,163**	**4,120,654**	4,087,416
Additions	**-**	**6,017**	**6,995**	**23,057**	**30,601**	**66,670**	84,905
Disposals	**(11,438)**	**(7,388)**	**(15,914)**	**(103,223)**	**(494)**	**(138,457)**	(51,667)
Derecognized upon deconsolidation of a subsidiary (note 43)	**-**	**(90)**	**(73)**	**-**	**-**	**(163)**	-
Transfers	**3,986**	**2,290**	**1,164**	**19,690**	**(27,130)**	**-**	-
Balance at end of the year	**1,396,978**	**606,148**	**787,923**	**1,188,515**	**69,140**	**4,048,704**	4,120,654
Accumulated depreciation							
Balance at beginning of the year	**401,820**	**442,244**	**466,238**	**1,115,761**	**-**	**2,426,063**	2,248,194
Charge for the year	**34,292**	**36,217**	**75,008**	**59,473**	**-**	**204,990**	221,379
Disposals	**(11,437)**	**(4,768)**	**(15,388)**	**(103,203)**	**-**	**(134,796)**	(43,510)
Derecognized upon deconsolidation of a subsidiary (note 43)	**-**	**(22)**	**(22)**	**-**	**-**	**(44)**	-
Balance at end of the year	**424,675**	**473,671**	**525,836**	**1,072,031**	**-**	**2,496,213**	2,426,063
Net book value							
As at December 31, 2018	**972,303**	**132,477**	**262,087**	**116,484**	**69,140**	**1,552,491**	
As at December 31, 2017	1,002,610	163,075	329,513	133,230	66,163		1,694,591

(Saudi Riyals in Thousands)

11. Other assets

	2018	2017
Prepaid expenses	**166,091**	202,666
Other	**873,881**	550,953
Total	**1,039,972**	753,619

12. Derivative financial instruments

In the ordinary course of business, the Bank utilizes 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 commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For currency swaps, fixed commission payments and principal are exchanged in different currencies. For cross-currency commission rate 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 on a date in the future. Forwards are customized contracts transacted in the over the counter market.

Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges with changes in fair values settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for the cash settlement, on a specified future date or series of dates, of the difference between the contracted commission rate and the market rate calculated on a notional principal.

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

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to acceptable levels as determined by the Board of Directors (the Board) 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 set limits. The Board has established the level of commission rate risk by setting limits on commission rate gaps for stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce commission rate gap to within the set limits.

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to adjust its exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging, other than portfolio hedges for commission rate risk, do not qualify for hedge accounting and related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against commission rate risk arising from specifically identified fixed commission rate exposures.

The Bank also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as either fair value or cash flow hedges.

The tables below show the notional amounts and the positive and negative fair values of derivative financial instruments analyzed 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 necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

(Saudi Riyals in Thousands)

12. Derivative financial instruments (continued)

2018	**Positive fair value**	**Negative fair value**	**Notional amount total**	**Notional amounts by term to maturity: Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Monthly average**
Held for trading:								
Commission rate and cross currency swaps	**671,122**	**630,828**	**20,242,545**	**1,937,005**	**336,602**	**11,544,864**	**6,424,074**	**19,401,193**
Commission rate futures and options	**619,698**	**617,373**	**13,189,978**	**3,007,477**	**-**	**1,488,571**	**8,693,930**	**13,324,861**
Forward foreign exchange and commodity contracts	**31,059**	**7,489**	**4,898,307**	**4,578,554**	**285,618**	**34,135**	**-**	**3,282,822**
Currency and commodity options	**2,383**	**1,691**	**134,026**	**41,336**	**92,690**	**-**	**-**	**369,685**
Held as fair value hedges:								
Commission rate swaps	**256,072**	**34,003**	**17,150,089**	**922,719**	**1,701,245**	**3,474,169**	**11,051,956**	**17,310,925**
Total	**1,580,334**	**1,291,384**	**55,614,945**	**10,487,091**	**2,416,155**	**16,541,739**	**26,169,960**	**53,689,486**

2017	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading:								
Commission rate and cross currency swaps	443,057	417,595	16,869,829	2,699,911	3,433,375	5,904,500	4,832,043	16,475,443
Commission rate futures and options	367,552	364,373	11,951,618	18,749	1,724,931	1,000,000	9,207,938	11,068,652
Forward foreign exchange and commodity contracts	50,545	18,959	3,330,684	2,545,951	737,097	47,636	-	6,151,495
Currency and commodity options	8,869	9,043	1,502,128	1,061,870	440,258	-	-	4,213,306
Held as fair value hedges:								
Commission rate swaps	73,737	45,932	16,081,637	46,605	3,100,605	4,711,002	8,223,425	11,219,452
Total	943,760	855,902	49,735,896	6,373,086	9,436,266	11,663,138	22,263,406	49,128,348

Derivatives have been disclosed at gross amounts as at the consolidated statement of financial position date and have not been netted off by cash margins placed and received against derivatives, which are detailed as follows:

	2018	2017
Held for trading:		
Commission rate and cross currency swaps	**148,071**	38,536
Commission rate futures and options	**(123)**	-
Forward foreign exchange and commodity contracts	**268**	(2,877)
Currency and commodity options	**1,068**	3,025
Held as fair value hedges:		
Commission rate swaps	**(194,931)**	2,788
Total	**(45,647)**	41,472

The table below shows a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value:

Description of hedged items	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
2018						
Fixed commission rate investments	**10,023,782**	**10,213,214**	Fair value	Commission rate swap	**205,676**	**27,770**
Fixed commission rate loans	**6,979,976**	**6,936,875**	Fair value	Commission rate swap	**50,396**	**7,295**
2017						
Fixed commission rate investments	10,613,532	10,655,099	Fair value	Commission rate swap	52,238	18,172
Fixed commission rate loans	5,432,799	5,426,538	Fair value	Commission rate swap	21,499	27,760

Cash flow hedges

The Bank is not exposed to variability in future commission rate cash flows on non-trading assets and liabilities which bear commission at a variable rate. The bank did not use commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Bank is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. For the years ended December 31, 2018 and 2017 the Bank had no outstanding cash flow hedges.

(Saudi Riyals in Thousands)

12. Derivative financial instruments (continued)

No discontinuation of hedge accounting took place in 2018 and 2017.

Approximately 63% (2017: 41%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and approximately 32% (2017: 28%) of the positive fair value contracts are with any single counter-party at the consolidated statement of financial position date. Derivative activities are mainly carried out by the Bank's treasury segment.

13. Due to banks and other financial institutions

	2018	2017
Current accounts	**576,979**	162,430
Money market deposits	**959,623**	2,529,119
Total	**1,536,602**	2,691,549

There are no money market deposits against sale of securities as of December 31, 2018 (2017: SAR 1,123 million) (note 19d) with agreements to repurchase the same at fixed future dates.

14. Customers' deposits

	2018	2017
Demand	**65,759,753**	71,003,290
Time	**67,888,136**	58,204,406
Saving	**112,263**	93,944
Other	**7,149,270**	6,746,449
Total	**140,909,422**	136,048,089

There are no customers' deposits against sale of securities as of December 31, 2018 and 2017 (note 19d) with agreements to repurchase the same at fixed future dates. Other customers' deposits include SAR 5,304 million (2017: SAR 5,115 million) of margins held against irrevocable commitments.

The above include foreign currency deposits as follows:

	2018	2017
Demand	**2,633,540**	2,410,927
Time	**12,460,448**	10,586,133
Saving	**2,761**	2,538
Other	**233,971**	167,599
Total	**15,330,720**	13,167,197

15. Other liabilities

	2018	2017
Trustee for sale of real estate – current deposit	**1,146,187**	80,846
Provision for end of service benefits (note 31)	**536,942**	491,350
Provision for credit related commitments and contingencies (a)	**702,114**	586,285
Accrued expenses	**661,459**	630,567
Zakat and income tax accrual / provision	**934,358**	1,658,828
Others	**2,059,128**	1,576,044
Total	**6,040,188**	5,023,920

a) Movement in the provision for credit related commitments and contingencies:

	2018	2017
Provision balance as reported at December 31	**586,285**	-
Amounts restated through opening retained earnings	**129,116**	-
Adjusted provision balance at January 1	**715,401**	-
Provided during the year (note 26)	**7,996**	586,285
Write-offs	**(21,283)**	-
Balance at the end of the year	**702,114**	586,285

16. Sukuk

On October 7, 2015 the Bank issued SAR 2 billion, 10 year subordinated and unsecured Tier II Capital (Sukuk), callable in 5 years. These Sukuk carry a special commission rate of SIBOR plus 140 bps.

(Saudi Riyals in Thousands)

17. Share capital

As at December 31, 2018, the authorized, issued and fully paid share capital of the Bank consists of 1,000 million shares of SAR 10 each (2017: 1,000 million shares of SAR 10 each). The ownership of the Bank's share capital is as follows:

	2018	2017
Saudi shareholders	**60%**	60%
Arab Bank PLC – Jordan	**40%**	40%

On December 24, 2018, the board of directors recommended to increase the Bank's capital from SAR 10 billion to SAR 15 billion through the issuance of 500 million bonus shares of SAR 10 each, subject to the final approval by the extraordinary general assembly. The capital increase will be paid through capitalizing 60% from statutory reserves and 40% from retained earnings.

18. Statutory reserve

In accordance with the Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up share capital of the Bank. Accordingly, the Bank has reached the required limits and no further transfers are required from the net income for the year ended December 31, 2018 (2017: SAR 554 million). The statutory reserve is not available for distribution.

19. Commitments and contingencies

a) Legal proceedings

As at December 31, 2018 and 2017 there were legal proceedings of a routine nature outstanding against the Bank. No material provision has been made as professional legal advice indicates that it is unlikely that a significant loss will arise.

b) Capital commitments

As at December 31, 2018 the Bank had capital commitments of SAR 65.1 million (2017: SAR 105 million) in respect of building and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank 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 Bank does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank 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 Bank 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.

(Saudi Riyals in Thousands)

19. Commitments and contingencies (continued)

c) Credit related commitments and contingencies (continued)

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2018	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**2,689,141**	**1,815,049**	**586,674**	**-**	**5,090,864**
Letters of guarantee	**8,161,326**	**9,618,886**	**4,428,888**	**484,497**	**22,693,597**
Acceptances	**787,297**	**437,407**	**5,355**	**-**	**1,230,059**
Irrevocable commitments to extend credit	**-**	**488,825**	**2,165,634**	**-**	**2,654,459**
Other	**-**	**-**	**-**	**86,030**	**86,030**
Total	**11,637,764**	**12,360,167**	**7,186,551**	**570,527**	**31,755,009**

2017	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	2,370,667	2,037,866	93,918	-	4,502,451
Letters of guarantee	8,321,360	10,596,170	3,793,549	204,007	22,915,086
Acceptances	878,482	420,191	6,672	-	1,305,345
Irrevocable commitments to extend credit	50,659	601,950	2,406,923	-	3,059,532
Other	-	-	-	94,965	94,965
Total	11,621,168	13,656,177	6,301,062	298,972	31,877,379

The unutilized portion of non-firm commitments for commercial and corporate loans as at December 31, 2018, which can be revoked unilaterally at any time by the Bank, amounts to SAR 13,536 million (2017: SAR 14,889 million).

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2018	2017
Corporate	**27,469,563**	26,143,968
Banks and other financial institutions	**3,291,219**	4,786,272
Other	**994,227**	947,139
Total	**31,755,009**	31,877,379

d) Assets pledged

Securities pledged under repurchase agreements with other banks include government and non-government banks. Assets pledged as collateral with other financial institutions for security are as follows:

	2018		2017	
	Assets	**Related liabilities**	Assets	Related liabilities
FVOCI / AFS (notes 6d, 13 and 14)	**-**	**-**	1,122,847	1,122,909

e) Operating lease commitments

The future minimum lease payments under non-cancelable operating leases where the Bank is the lessee are as follows:

	2018	2017
Less than 1 year	**95,640**	99,958
1 to 5 years	**221,723**	237,392
Over 5 years	**98,480**	120,595
Total	**415,843**	457,945

(Saudi Riyals in Thousands)

20. Net special commission income

Special commission income	**2018**	2017
Investments:		
FVOCI / AFS	**121,147**	110,438
Amortized cost	**644,870**	372,082
	766,017	482,520
Due from banks and other financial institutions	**137,727**	145,920
Loans and advances	**5,928,669**	5,406,754
Total	**6,832,413**	6,035,194
Special commission expense		
Due to banks and other financial institutions	**46,670**	40,291
Customers' deposits	**1,556,247**	1,258,690
Sukuk	**78,054**	71,460
Total	**1,680,971**	1,370,441
Net special commission income	**5,151,442**	4,664,753

21. Fees and commission income, net

Fee and commission income	**2018**	2017
Share trading and fund management	**53,116**	63,022
Trade finance	**224,564**	261,307
Credit cards	**208,948**	212,541
Credit facilities	**583,785**	762,335
Other banking services	**264,772**	261,570
Total	**1,335,185**	1,560,775
Fee and commission expense		
Credit cards	**156,501**	157,310
Credit facilities	**307,976**	393,169
Other banking services	**219,594**	169,898
Total	**684,071**	720,377
Fees and commission income, net	**651,114**	840,398

22. Trading income, net

	2018	2017
Debt securities	**1,726**	5,503
Derivatives	**19,429**	17,329
Total	**21,155**	22,832

23. Dividend income

	2018	2017
FVTPL investments	**17,433**	-
FVOCI / AFS investments (2017)	**45,943**	53,203
Total	**63,376**	53,203

24. (Losses)/gains on investments not held at FVTPL, net

	2018	2017
Amortised cost investments	**-**	196
FVOCI / AFS (2017) – Debt investments	**(208)**	(40)
AFS – Equity investments	**-**	177,021
Total	**(208)**	177,177

(Saudi Riyals in Thousands)

25. Other operating income, net

	2018	2017
Rental income, net	**152,384**	186,488
Losses on disposal of property and equipment, net	**(1,284)**	(4,669)
Others	**38,494**	22,618
Total	**189,594**	204,437

26. Impairment charges for credit losses and other provisions, net

	2018	2017
Impairment charges for credit losses, net (note 7)	**990,327**	562,505
Provision for credit-related commitments and contingencies (note 15)	**7,996**	586,285
Total	**998,323**	1,148,790

27. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2018 and 2017 are calculated by dividing the net income for the year attributable to equity holders of the Bank by 1,000 million shares. The diluted earnings per share are the same as the basic earnings per share.

28. Dividends, Zakat and Income Tax

	2018	2017
Interim dividends **(a)**	**650,000**	550,000
Proposed dividends **(b)**	**850,000**	650,000
Zakat and income tax **(c)**	**454,419**	650,325
Total	**1,954,419**	1,850,325

(a) The Board has approved an interim dividend of SAR 650 million for distribution to the shareholders from the net income for the year ended December 31, 2018 (2017: 550 million). This interim dividend resulted in a payment to the shareholders of SAR 0.65 per share, net of Zakat and income tax (2017: 0.55 per share, net).

(b) On December 24, 2018 the Board recommended to pay cash dividends of SAR 850 million (2017: SAR 650 million). These dividends are subject to final approval by the general assembly.

(c) Zakat and income tax

The dividends are paid to Saudi and non-Saudi shareholders after deduction of Zakat and income tax respectively as follows:

Zakat

Zakat for the year attributable to Saudi Shareholders amounted to approximately SAR 182 million (2017: SAR 390 million). The due Zakat is already been deducted from retained earnings. Moreover, the Zakat charge for the year ended December 31, 2018 has been computed in line with the basis of settlement agreement with the General Authority of Zakat and Income Tax.

Income Tax

Income tax payable by the non-Saudi Shareholder on the current year's share of net income is SAR 272 million (2017: SAR 260 million).

Zakat Claims Settlement with the General Authority of Zakat and Income Tax (GAZT)

The Group has filed its Zakat and Income Tax returns with GAZT and paid Zakat and Income Tax for financial years up to and including the year 2017 and received assessments for the years up to 2013 in which the GAZT raised additional demands. On December 20, 2018 the Group has reached a settlement agreement with GAZT to settle Zakat liability amounting to SAR 649 million for previous years and accordingly all assessments are finalized until 2017. The settlement agreement requires the Bank to settle 20% of the agreed Zakat liability upfront and the remaining to be settled over a period of five years. Yet, the settlement agreement resulted in an increase in shareholders' equity in the amount of SAR 1,113 million being surplus in Zakat provision for the years up to and including the year 2017, and the Zakat provision has been disclosed in note 15 to the accompanying consolidated financial settlements.

(Saudi Riyals in Thousands)

29. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2018	2017
Cash and balances with SAMA excluding statutory deposit (note 4)	**15,958,457**	10,062,660
Due from banks and other financial institutions maturing within ninety days of acquisition	**1,136,499**	1,710,123
Total	**17,094,956**	11,772,783

30. Compensation practices

The Bank has implemented a "Risk-Based Compensation Policy" in compliance with the rules issued by SAMA, which are consistent with the principles and standards of the Financial Stability Board (FSB). The policy was approved by the Board and gives highest consideration to the alignment of compensation with risk and provides a competitive and balanced package of fixed and variable compensation. The policy ensures that compensation takes into account the likelihood and timelines of earnings and its impact on the Bank's capital. It also focuses on promoting effective risk management, achieving financial stability and dealing with risks posed by the Bank's compensation practices. The Bank takes into account all types of existing and potential material risks and ensures a balance between general industry practices and bank-specific factors such as business model, financial condition, operating performance, market perception, business prospects and appropriate managerial judgement, etc.

The Board, while determining and approving the bonus pool of the Bank, considers performance in absolute and relative terms, consistency of earnings, long term performance, historical bonus pool, market conditions, etc. Similarly, while allocating the Bank-wide bonus pool to business units, due consideration is given to the type of business transacted, level of risk assumed, relative importance of earnings, distinctive business drivers, historical bonus pool, current performance and the business unit's consistency of performance.

The Board has ultimate responsibility for promoting effective governance and sound compensation practices. In order to assist it in overseeing the Compensation policies design and its operation, the Board has appointed a Nomination & Compensation Committee. The Nomination & Compensation Committee comprises three non-executives members of the Board and is chaired by an independent member of the Board. The Committee has full authority on behalf of the Board to review and where considered appropriate propose changes to the Bank's compensation policy and practices and recommend the same to the Board, for its approval and to ensure adequacy and effectiveness of the policy in meeting its intended objectives. The Committee also reviews the level and composition of remuneration of key executives of the Bank and recommends a risk-adjusted bonus pool to the Board, for approval.

The governance process ensures that the Compensation Policy is consistently applied and operates as intended. The Bank has established an oversight mechanism to regularly evaluate the design characteristics of compensation practices and their implementation.

2018	**Categories of employees**	**Number of employees**	**Fixed compensation**	**Variable cost paid cash in 2018**
1.	Senior executive requiring SAMA no objections	**20**	**42,543**	**32,460**
2.	Employees engaged in risk taking activities	**180**	**85,178**	**30,031**
3.	Employees engaged in control functions	**530**	**140,862**	**21,558**
4.	Other employees	**3,402**	**633,817**	**65,707**
	Total	**4,132**	**902,400**	**149,756**
	Variable compensation accrued in 2018		**145,000**	
	Other employment related costs*		**218,585**	
	Total salaries and employee related expenses		**1,265,985**	

2017	Categories of employees	Number of employees	Fixed compensation	Variable cost paid cash in 2017
1.	Senior executive requiring SAMA no objections	19	39,540	31,305
2.	Employees engaged in risk taking activities	176	85,994	31,751
3.	Employees engaged in control functions	436	122,762	14,436
4.	Other employees	3,539	620,840	67,916
	Total	4,170	869,136	145,408
	Variable compensation accrued in 2017		126,500	
	Other employee related costs*		251,493	
	Total salaries and employee related expenses		1,247,129	

*Other employee related costs include end of service benefits, GOSI, business travel, training and development, and other employees' benefits.

(Saudi Riyals in Thousands)

31. Employee benefit obligation

a) General description

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

b) The amounts recognized in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2018	2017
Defined benefit obligation at the beginning of the year	**491,350**	423,212
Past service cost	**-**	(16,369)
Current service cost	**50,050**	49,910
Special commission cost	**19,590**	21,161
Benefits paid	**(44,710)**	(46,381)
Unrecognized actuarial loss	**20,662**	59,817
Defined benefit obligation at the end of the year	**536,942**	491,350

c) Charge for the year

	2018	2017
Current service cost	**69,640**	71,071
Past service cost	**-**	(16,369)
	69,640	54,702

d) Re-measurement recognised in Other comprehensive income

	2018	2017
Loss / (gain) from change in experience assumptions	**48,568**	(9,422)
(Gain) / loss from change in financial assumptions	**(27,906)**	69,239
	20,662	59,817

e) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2018	2017
Discount rate	**4.8%**	4.25%
Expected rate of salary increase	**4%**	4%
Normal retirement age	**11.4 years**	11.9 years

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2018 and 2017 based on the principal actuarial assumptions disclosed in note (e) above, withdrawal assumptions and mortality rates:

2018	**Impact on defined benefit obligation – Increase / (Decrease)**		
Base Scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**+1%**	**-**	**(44,871)**
	-1%	**52,693**	**-**
Expected rate of salary increase	**+1%**	**52,584**	**-**
	-1%	**-**	**(45,594)**
Normal retirement age	**+20%**	**32**	**-**
	-20%	**-**	**(31)**

2017	Impact on defined benefit obligation – Increase / (Decrease)		
Base Scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+1%	-	(41,390)
	-1%	48,557	-
Expected rate of salary increase	+1%	48,234	-
	-1%	-	(41,899)
Normal retirement age	+20%	28	-
	-20%	-	(28)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

(Saudi Riyals in Thousands)

31. Employee benefit obligation (continued)

g) Expected maturity

Expected maturity analysis of undiscounted define benefit obligation for the end of service plan is as follows:

Less than a year	**(1-2) years**	**(3-5) years**	**Over 5 years**	**Total as at December 31, 2018**
59,330	**65,114**	**174,531**	**303,143**	**602,118**

Less than a year	(1-2) years	(3-5) years	Over 5 years	Total as at December 31, 2017
67,009	53,770	178,622	299,934	599,335

The weighted average duration of the defined benefit obligation as of December 31, 2018 is 11.4 years (2017: 11.9 years).

32. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to the segments and to assess its performance.

For management purposes, the Group is organized into the following major operating segments:

Retail banking

Deposit, credit and investment products for individuals.

Corporate banking

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses and the Bank's London Branch.

Treasury

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

Investment and brokerage services

Investment management services, asset management activities related to dealing, managing, arranging and advising and custody of securities.

Other

Includes income on capital and unallocated costs and assets and liabilities of Head Office and other supporting departments.

Transactions between operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/(expense) for the current year are consistent with the basis used for December 31, 2017. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group's primary business is conducted in the Kingdom with one international branch in London. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall consolidated financial statements.

(Saudi Riyals in Thousands)

32. Operating segments (continued)

a) The Group's total assets and liabilities as at December 31, 2018 and 2017 and its total operating income, expenses and net income for the years then ended, by operating segments, are as follows:

2018	**Retail banking**	**Corporate banking**	**Treasury**	**Investment and brokerage services**	**Other**	**Total**
Total assets	**38,204,960**	**86,119,766**	**51,467,059**	**73,226**	**2,425,495**	**178,290,506**
Investments in associates	**-**	**-**	**-**	**-**	**887,276**	**887,276**
Total liabilities	**67,303,484**	**77,773,557**	**4,827,343**	**44,464**	**1,849,239**	**151,798,087**
Operating income (loss) from external customers	**2,065,930**	**4,169,340**	**(39,659)**	**208,529**	**130,683**	**6,534,823**
Intersegment operating income/(expense)	**390,887**	**(1,698,513)**	**1,115,424**	**(146)**	**192,348**	**-**
Total operating income	**2,456,817**	**2,470,827**	**1,075,765**	**208,383**	**323,031**	**6,534,823**
Of which:						
Net special commission income	**2,216,053**	**2,044,393**	**648,621**	**37,381**	**204,994**	**5,151,442**
Fees and commission income, net	**142,104**	**427,645**	**8,352**	**59,308**	**13,705**	**651,114**
Impairment charges for credit losses and other provisions, net	**127,265**	**871,058**	**-**	**-**	**-**	**998,323**
Reversal of impairment charges for other financial assets, net	**-**	**-**	**(3,542)**	**-**	**-**	**(3,542)**
Depreciation and amortization	**102,645**	**8,231**	**1,559**	**2,119**	**90,436**	**204,990**
Total operating expenses	**1,588,613**	**1,422,072**	**86,320**	**85,907**	**52,594**	**3,235,506**
Share in earnings of associates, net	**-**	**-**	**-**	**-**	**12,500**	**12,500**
Net income attributable to equity holders of the Bank	**868,204**	**1,048,755**	**989,445**	**122,476**	**281,284**	**3,310,164**
Net income attributable to non-controlling interest	**-**	**-**	**-**	**-**	**1,653**	**1,653**

2017	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	35,667,915	82,667,224	49,361,106	1,701,042	2,304,412	171,701,699
Investments in associates	-	-	-	-	637,222	637,222
Total liabilities	69,272,729	70,371,879	4,451,683	113,485	2,425,958	146,635,734
Operating income from external customers	2,052,326	3,905,732	124,303	167,666	127,916	6,377,943
Intersegment operating income/(expense)	337,524	(1,461,835)	1,012,976	-	111,335	-
Total operating income	2,389,850	2,443,897	1,137,279	167,666	239,251	6,377,943
Of which:						
Net special commission income	2,020,713	2,010,691	492,665	22,696	117,988	4,664,753
Fees and commission income, net	290,789	470,695	11,926	61,275	5,713	840,398
Impairment charges for credit losses and other provisions, net	217,654	931,136	-	-	-	1,148,790
Impairment charges for other financial assets, net	-	-	5,970	-	-	5,970
Depreciation and amortization	115,209	5,702	3,576	2,258	94,634	221,379
Total operating expenses	1,675,952	1,452,735	99,950	93,469	52,438	3,374,544
Share in earnings of associates, net	-	-	-	-	30,659	30,659
Net income attributable to equity holders of the Bank	713,898	991,162	1,037,329	74,197	210,386	3,026,972
Net income attributable to non-controlling interest	-	-	-	-	7,086	7,086

(Saudi Riyals in Thousands)

32. Operating segments (continued)

b) The Group's credit exposure by operating segments is as follows:

2018	Retail Banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	**35,947,299**	**85,986,354**	**51,206,108**	**40,425**	**654,497**	**173,834,683**
Credit-related commitment and contingencies	**1,742,685**	**13,016,025**	**106,772**	**43,015**	**56,772**	**14,965,269**
Derivatives	**-**	**2,983**	**2,303,024**	**-**	**-**	**2,306,007**
2017						
Total assets	32,777,098	82,287,544	48,648,994	41,202	647,638	164,402,476
Credit-related commitment and contingencies	2,326,627	12,785,097	-	47,482	81,419	15,240,625
Derivatives	-	3,492	1,437,498	-	-	1,440,990

Credit exposure comprises the carrying value of consolidated statement of financial position assets, excluding cash, property and equipment, other real estate, and other assets. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure (note 34a).

33. Credit Risk

Credit risk is the risk that a customer or counter-party may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer or counter-party is either unwilling to perform an obligation or its ability to perform such an obligation is impaired, resulting in an economic loss to the Bank. The Bank is exposed to credit risk when its business units extend credit to counterparties. The Bank's Executive Committee (ExCom)/Board provides oversight of Credit Risk through Credit Policy document.

The enterprise-wide requirements for identification, assessment, monitoring and reporting of credit risk is set by the Risk Management Group, while business/support units are accountable for the credit risks within their respective areas, aligning business strategies with Bank's risk appetite.

Credit Risk policies and procedures are established to provide control on credit portfolios through periodic assessment of the credit standing of borrowers and quantifying maximum permissible exposure to specific borrower. Such individual and/or group exposures are monitored periodically on a portfolio basis. The Bank's Credit Policy provides detailed guidelines to manage credit risk effectively; it is reviewed and updated from time to time based on experience, emerging issues, best market practices and directives from regulatory authorities. The Credit Policy is designed to ensure clear recognition of credit risk management strategies and objectives, which, inter-alia, include:

- Strengthening and enhancing Bank's ability to measure and mitigate credit risks on pre-emptive basis to minimize credit losses.
- Strengthening and enhancing credit portfolio management process.
- Strengthening and enhancing Bank's systems and procedures for early problem recognition.
- Compliance with local regulatory requirement and industry's best practices for credit risk management.

The Policy addresses all functions and activities related to the credit process including the underwriting criteria. It stipulates Bank's appetite for risk, which, inter-alia, provides guidance on the target markets (Corporate, Commercial/Small and Medium Enterprises (SMEs), Consumer and High Net-Worth Individuals) and desirable type of borrowers/industries. Some criteria are product-specific and are governed by individual credit product policies while others generally include credit quality standards, purpose and terms of facilities, undesirable loans, credit analysis, concentrations of credit, repayment ability, compliance with laws & regulations, expected losses and documentation.

Portfolio Monitoring

Portfolio management is ensured through diversification of the credit portfolio on the basis of tenor, industries/business segments, risk grades and geographical areas to avoid the risk of over-exposure to certain economic sectors/credit products, which might be impacted by unfavorable developments in the economy. The Bank broadly uses borrower and sector criteria for mitigating concentration risk. The Bank's business is predominantly concentrated in Saudi Arabia, minimizing cross-currency risk although geographical concentration remains but this is considered acceptable and within Bank's risk appetite.

Consumer Banking portfolio is a diversified one since relatively small exposures are approved to a large number of individuals, based mainly on assignment of salary or security with exposure caps on products/employers, etc.

33. Credit Risk (continued)

Risk Measurement and Reporting System

Credit Risk tracks trends and identifies weaknesses in the quality of corporate, commercial, retail and private banking loans portfolio by employing:

- Obligor and Facility risk rating system to assess the quality of obligor and riskiness of facilities; and
- Periodic reviews and reporting of aggregate statistics on asset diversification and credit quality for key segments of the portfolio.

Rating system is established with the objective to:

- place the responsibility on business units to regularly evaluate credit risk on exposures and identify problems within their portfolios;
- establish early warning signals for detecting deterioration in credit quality;
- set standards for business units to submit their inputs on problematic exposures; and
- provide guidelines to respond and take remedial actions as soon as deterioration in credit quality is detected.

The Bank classifies its exposures into 13 risk categories, of which 10 are for performing obligors and 3 are for non-performing obligors. Rating is assigned to a borrower through a system-based methodology, which takes into account financial and non-financial information, translating into a grade and Probability of Default (PD) for the relationship.

Facility Risk Rating (FRR), which assesses the riskiness of facilities, is used for deriving the Loss Given Default (LGD) for a relationship, thus assigning separate rating for obligor and facility characteristics.

Management reports are generated for monitoring and control purposes on periodical basis - monthly, quarterly, semi-annually and annually. These reports are comprehensive, have wide scope and address several issues including:

- Portfolio quality, industry concentration and large exposures;
- Product concentration, credit monitoring and concentration of shares held by the Bank as collateral; and
- Past due follow-up, customer-provisioning details and provision movement.

Retail portfolio comprises of personal loans, credit cards, housing loans and auto leasing.

Individual customers are assessed on the basis of standardized pre-set criteria for specific schemes to assess eligibility for each of the above products. Delinquent customers, based on days past due (bucket-wise), are classified as non-performing.

Major portion of retail portfolio is personal loans, which are granted against salary assignments to borrowers who are employees of approved list of acceptable employers, mainly government departments. The main criteria for lending to this portfolio include approved employer, minimum salary requirements, length of service and pre-specified Debt Service Ratio (DSR). Housing loan and auto leasing products are considered generally secured since the underlying assets are owned by the Bank and leased to customers, thus mitigating risk to a large extent.

The Bank has developed application score-cards and behavior score-cards, using internal and external data, to evaluate, monitor and control consumer credits as this is expected to go a long way in making consumer credit risk management more effective and efficient.

Asset Quality

Corporate and commercial exposures are considered non-performing and placed on non-accrual status in the following circumstances:

- The principal of loan or interest payment remains past due more than 90 days after its due date;
- The outstanding of an overdraft remains in excess of approved limit for more than 90 days or the overdraft account is in-active for more than 180 days.

Non-performing exposures migrate across the non-performing risk grades (Substandard, Doubtful and Loss) according to their days past due and/or deterioration in credit quality.

In determining whether a corporate exposure has become impaired, the Bank makes judgments as to whether there is any observable data indicating decrease in the estimated future cash flows. This evidence may include an indication that there has been an adverse change in the payment status of borrowers. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics, when estimating the cash flows. The methodology and assumptions used for estimating both - the amount and timing of future cash flows - are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Consumer assets are considered non-performing and placed on non-accrual status if payment remains past due more than 90 days after its due date.

(Saudi Riyals in Thousands)

33. Credit Risk (continued)

Credit quality analysis

a. The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Due from Bank and Other financial institutions				
Investment grade	976,115	-	-	976,115
Non-investment grade	142,480	-	-	142,480
Unrated	17,904	-	-	17,904
Gross carrying amount	1,136,499	-	-	1,136,499

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost				
Grades 1-8: Low – fair risk	101,038,326	15,598,458	48,524	116,685,308
Grades 9-10: Watch list	-	5,487,986	46,563	5,534,549
Grades 11-13 Substandard, Doubtful, Loss	-	-	1,495,686	1,495,686
Gross carrying amount	101,038,326	21,086,444	1,590,773	123,715,543

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost – Consumer Loans and Credit cards				
Grades 1-8: Low – fair risk	22,556,504	1,988,718	46,694	24,591,916
Grades 9-10: Watch list	-	253,736	38,058	291,794
Grades 11-13: Substandard, doubtful, loss	-	-	104,868	104,868
Gross carrying amount	22,556,504	2,242,454	189,620	24,988,578

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized cost – Commercial Loans, Overdrafts and others				
Grades 1-8: Low – fair risk	78,481,822	13,609,740	1,830	92,093,392
Grades 9-10: Watch list	-	5,234,250	8,505	5,242,755
Grades 11-13: Substandard, doubtful, loss	-	-	1,390,818	1,390,818
Gross carrying amount	78,481,822	18,843,990	1,401,153	98,726,965

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at amortized cost				
Investment grade	21,371,280	-	-	21,371,280
Non-investment grade	-	-	-	-
Unrated	2,168,153	-	-	2,168,153
Gross carrying amount	23,539,433	-	-	23,539,433

(Saudi Riyals in Thousands)

33. Credit Risk (continued)

Credit quality analysis (continued)

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Debt investment securities at FVOCI				
Investment grade	**1,729,166**	**-**	**-**	**1,729,166**
Non-investment grade	**86,045**	**-**	**-**	**86,045**
Unrated	**1,009,075**	**-**	**-**	**1,009,075**
Carrying amount – fair value	**2,824,286**	**-**	**-**	**2,824,286**

Investment Grade comprises investments having credit rating equivalent to Standard & Poor's AAA to BBB. The unrated investments comprise mainly corporate debt securities, sukuk, mutual funds and investment in equities.

	December 31, 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Credit-related commitments and contingencies				
Grades 1-8: Low – fair risk	**8,142,608**	**534,997**	**-**	**8,677,605**
Grades 9-10: Watch list	**-**	**137,857**	**-**	**137,857**
Grades 11-13: Substandard, doubtful, loss	**-**	**-**	**126,884**	**126,884**
Gross carrying amount	**8,142,608**	**672,854**	**126,884**	**8,942,346**

b. Credit analysis of financial assets held as FVTPL

The following table sets out the credit analysis for financial assets measured at FVTPL.

	December 31, 2018
Investment funds	
Investment grade	**-**
Non-investment grade	**-**
Unrated	**516,663**
Total carrying amount – Fair value	**516,663**

c. 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 Bank 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 Bank's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Bank allocates credit risk grades to each exposure based on a variety of variables 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.

Credit risk grades are defined and calibrated such that the risk of default occurring increases significantly 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 8 and 9.

33. Credit Risk (continued)

c. Amounts arising from ECL – Significant increase in credit risk (continued)

Credit risk grades (continued)

Credit risk grade or score is allocated to corporate exposures 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 or score. The monitoring of exposures involve use of the following data:

Corporate exposures	Retail exposures
• 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 of management, etc. and senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings. • Quoted bond and credit default swap (CDS) prices for the borrower where available. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data and customer behavior data – e.g. utilization of credit card facilities • Affordability metrics • External data from credit reference agencies including default information.

i) Generating the term structure of PD

Credit risk grades are a primary input in the determination of the term structure of PD for exposures. The Bank 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 retail portfolios, SIMAH information is also used.

The Bank 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 over a period of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors. For most exposures, key macro-economic indicators include Oil Price, GDP growth, Government Expenditures, Share Price Index and Employment.

Based on the available economic data and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.. The Bank then uses these forecasts to adjust its estimates of PDs.

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 a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank 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.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date when full payment became due.

The Bank 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).

33. Credit Risk (continued)

c. Amounts arising from ECL – Significant increase in credit risk (continued)

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. 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:

- its remaining Net Present Value (NPV) of the cash-flows at the reporting date based on the modified terms; with
- the remaining NPV of the cash-flows calculated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. As per Bank's policy, loan restructuring 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 timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the restructuring policy.

For financial assets modified as part of the Bank's policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar restructuring action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of restructuring 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 following criteria are used to determine obligor default. The obligor:

- Has an obligation which is 90 (or more) days past due.
- Has an obligation for which the Bank has stopped accruing interest.
- Has obligation(s) that has/have been restructured with loss to the Bank.
- Has an obligation that is classified as non-performing by the Bank.
- Has an obligation that the Bank has charged off in part or in full.

In assessing whether a borrower is in default, the Bank 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 Bank; and
- based on data developed internally and obtained from external sources.

Inputs to the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

v) Incorporation of forward looking information

The Bank 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. Based on consideration of a variety of actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts provided by agencies, such as Moody's Economic Data services.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

33. Credit Risk (continued)

c. Amounts arising from ECL – Significant increase in credit risk (continued)

v) Incorporation of forward looking information (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio using an analysis of historical data and estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at December 31, 2018 included the following key indicators.

Oil Price
GDP growth
Employment rates
Government Expenditures
Share Price Index

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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. They are adjusted to reflect forward-looking information as described above.

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 rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery costs of any collateral that is integral to the financial asset. For secured retail loans, asset value / type are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. 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 Bank 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 Bank 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 Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect, however this contractual right is not enforced in the normal day-to-day management but only when the Bank becomes aware of significant increase in credit risk at the facility level, prompting such action. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

(Saudi Riyals in Thousands)

33. Credit Risk (continued)

d. Aging of loans and advances (past due but not impaired)

2018	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Past due (1-30) days	**-**	**23,683**	**661,439**	**276,244**	**961,366**
Past due (31-60) days	**-**	**7,267**	**162,492**	**71,329**	**241,088**
Past due (61-90) days	**-**	**3,446**	**80,529**	**105,783**	**189,758**
Past due (91-180) days	**-**	**-**	**-**	**392,333**	**392,333**
Above 180 days	**2,559**	**-**	**-**	**287,899**	**290,458**
Total	**2,559**	**34,396**	**904,460**	**1,133,588**	**2,075,003**

2017	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Past due (1-30) days	-	17,533	715,784	302,234	1,035,551
Past due (31-60) days	-	-	-	64,573	64,573
Past due (61-90) days	-	-	-	198,871	198,871
Past due (91-180) days	9,190	-	-	288,630	297,820
Total	9,190	17,533	715,784	854,308	1,596,815

e. Economic sector risk concentration for loans and advances and allowance for impairment are as follows:

2018	Not credit-impaired (*)	Credit-impaired (**)	Allowance for impairment	Loans and advances, net
1. Government and quasi government	**11,175**	**-**	**(22)**	**11,153**
2. Banks and other financial institutions	**2,547,827**	**-**	**(19,505)**	**2,528,322**
3. Agriculture and fishing	**1,452,683**	**39,858**	**(43,683)**	**1,448,858**
4. Manufacturing	**13,640,743**	**815,747**	**(605,672)**	**13,850,818**
5. Mining and quarrying	**161,133**	**-**	**(283)**	**160,850**
6. Electricity, water, gas and health services	**5,924,203**	**406**	**(90,056)**	**5,834,553**
7. Building and construction	**9,844,768**	**233,245**	**(493,142)**	**9,584,871**
8. Commerce	**14,652,732**	**97,288**	**(199,946)**	**14,550,074**
9. Transportation and communication	**6,469,632**	**4,081**	**(369,731)**	**6,103,982**
10. Services	**3,743,979**	**14,644**	**(30,654)**	**3,727,969**
11. Consumer loans and credit cards	**24,798,958**	**189,620**	**(468,759)**	**24,519,819**
12. Other	**38,876,937**	**195,884**	**(355,851)**	**38,716,970**
Total	**122,124,770**	**1,590,773**	**(2,677,304)**	**121,038,239**

(*) Not credit-impaired loans include loans classified under 12 month ECL and life time ECL not credit-impaired.

(**) Credit-impaired loans include NPL portfolio along with the impact of other factors related to IFRS 9.

2017	Performing	Non performing	Allowance for impairment	Loans and advances, net
1. Government and quasi government	7,140	-	-	7,140
2. Banks and other financial institutions	2,110,259	-	-	2,110,259
3. Agriculture and fishing	1,638,133	-	-	1,638,133
4. Manufacturing	13,866,743	794,851	(504,499)	14,157,095
5. Mining and quarrying	168,078	-	(1,400)	166,678
6. Electricity, water, gas and health services	5,545,701	502	(48)	5,546,155
7. Building and construction	8,243,980	333,409	(359,712)	8,217,677
8. Commerce	14,899,152	92,937	(94,123)	14,897,966
9. Transportation and communication	6,143,879	30,547	(37,708)	6,136,718
10. Services	2,849,512	16,999	(16,618)	2,849,893
11. Consumer loans and credit cards	24,969,982	117,768	(74,271)	25,013,479
12. Other	34,953,429	13,470	(138,439)	34,828,460
	115,395,988	1,400,483	(1,226,818)	115,569,653
Allowance for collective impairment	-	-	(1,026,724)	(1,026,724)
Total	115,395,988	1,400,483	(2,253,542)	114,542,929

(Saudi Riyals in Thousands)

33. Credit Risk (continued)

f. Collateral

In the ordinary course of lending activities, the Bank hold collaterals as security to mitigate credit risk. 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 loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The Bank obtained assets by taking possession of collateral held as security, or calling upon other credit enhancements. The collateral for commercial and corporate loans are as follows:

	2018	2017
Nature of collateral held as security		
Listed securities	**18,890,073**	21,089,964
Properties	**28,330,585**	26,936,112
Others	**10,009,013**	10,353,781
Total	**57,229,671**	58,379,857

(Saudi Riyals in Thousands)

34. Concentration risk of financial assets with credit risk exposure and financial liabilities

a) Geographical concentration

The bank's main credit exposure by geographical region is as follows:

2018	Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total
Assets								
Cash and balances with SAMA								
Cash in hand	1,641,276	-	1,386	-	-	-	-	1,642,662
Balances with SAMA	21,337,604	-	-	-	-	-	-	21,337,604
Due from banks and other financial institutions								
Current accounts	271,455	28,241	116,654	81,860	-	61,202	1,890	561,302
Money market placements	25,051	184	375,000	172,511	-	-	-	572,746
Investments, net								
Held as FVTPL	40,480	-	471,190	4,993	-	-	-	516,663
Held as FVOCI	3,057,772	731,778	22,876	-	-	-	-	3,812,426
Held at amortised cost	23,338,925	189,169	-	-	-	-	-	23,528,094
Positive fair value of derivatives								
Held for trading	92,003	2,505	1,229,742	-	-	-	12	1,324,262
Held as fair value hedges	214	1,338	254,520	-	-	-	-	256,072
Loans and advances, net								
Overdraft	3,579,693	-	98,321	-	-	-	151	3,678,165
Credit cards	472,321	-	-	-	-	-	-	472,321
Consumer loans	24,047,362	-	136	-	-	-	-	24,047,498
Commercial loans and others	90,337,614	571,593	1,712,363	-	-	-	218,685	92,840,255
Other assets								
Accounts receivable	872,430	-	1,451	-	-	-	-	873,881
Total assets	169,114,200	1,524,808	4,283,639	259,364	-	61,202	220,738	175,463,951
Liabilities								
Due to banks and other financial institutions								
Current accounts	493,255	80,869	1,198	100	-	772	785	576,979
Money market deposits	-	821,626	137,997	-	-	-	-	959,623
Customers' deposits								
Demand	65,610,500	88,884	29,305	-	-	182	30,882	65,759,753
Time	67,787,753	382	91,230	468	-	-	8,303	67,888,136
Saving	112,263	-	-	-	-	-	-	112,263
Other	7,149,270	-	-	-	-	-	-	7,149,270
Negative fair value of derivatives								
Held for trading	27,946	2,874	1,226,561	-	-	-	-	1,257,381
Held as fair value hedges	958	95	32,950	-	-	-	-	34,003
Other liabilities								
Accrued expenses and accounts payable	4,797,672	-	3,460	-	-	-	-	4,801,132
Sukuk	2,020,491	-	-	-	-	-	-	2,020,491
Total liabilities	148,000,108	994,730	1,522,701	568	-	954	39,970	150,559,031
Commitments and contingencies								
Letters of credit	2,605,069	642,966	911,650	51,970	82,997	766,310	29,902	5,090,864
Letters of guarantee	21,588,865	262,678	707,977	-	-	87,268	46,809	22,693,597
Acceptances	352,877	238,707	259,782	58,988	471	226,984	92,250	1,230,059
Irrevocable commitments to extend credit	2,654,459	-	-	-	-	-	-	2,654,459
Other	86,030	-	-	-	-	-	-	86,030
Maximum credit exposure (stated at credit equivalent amounts)								
Derivatives								
Held for trading	518,357	18,593	567,676	42,452	-	-	142	1,147,220
Held as fair value hedges	-	-	489,541	669,246	-	-	-	1,158,787
Commitments and contingencies								
Letters of credit	521,014	128,593	182,330	10,394	16,599	153,262	5,980	1,018,172
Letters of guarantee	10,794,432	131,339	353,989	-	-	43,634	23,405	11,346,799
Acceptances	352,876	238,707	259,782	58,988	471	226,984	92,250	1,230,058
Irrevocable commitments to extend credit	1,327,230	-	-	-	-	-	-	1,327,230
Other	43,016	-	-	-	-	-	-	43,016

(Saudi Riyals in Thousands)

34. Concentration risk of financial assets with credit risk exposure and financial liabilities (continued)

a) Geographical concentration (continued)

The bank's main credit exposure by geographical region is as follows: (continued)

2017	Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total
Assets								
Cash and balances with SAMA								
Cash in hand	2,057,792	-	2,201	-	-	-	-	2,059,993
Balances with SAMA	15,191,386	-	-	-	-	-	-	15,191,386
Due from banks and other financial institutions								
Current accounts	77,937	119,544	271,817	149,501	-	81,068	143	700,010
Money market placements	1,010,113	-	-	-	-	-	-	1,010,113
Investments, net								
Held as FVTPL	-	-	-	-	-	-	-	-
Available for sale	2,747,763	748,878	25,082	6,932,451	-	-	-	10,454,174
Other investments held at amortised cost	21,620,688	245,954	-	-	-	-	-	21,866,642
Positive fair value of derivatives								
Held for trading	81,782	5,022	783,207	-	-	-	12	870,023
Held as fair value hedges	572	760	72,405	-	-	-	-	73,737
Loans and advances, net								
Overdraft	3,660,766	277	73,876	-	-	-	613	3,735,532
Credit cards	505,672	-	-	-	-	-	-	505,672
Consumer loans	24,507,672	-	135	-	-	-	-	24,507,807
Commercial loans and others	83,580,119	627,793	1,332,763	-	-	-	253,243	85,793,918
Other assets								
Accounts receivable	549,661	-	1,292	-	-	-	-	550,953
Total assets	155,591,923	1,748,228	2,562,778	7,081,952	-	81,068	254,011	167,319,960
Liabilities								
Due to banks and other financial institutions								
Current accounts	1,178	122,266	1,197	22,430	-	14,970	389	162,430
Money market deposits	1,358,787	468,731	343,229	141,329	-	217,043	-	2,529,119
Customers' deposits								
Demand	70,842,309	72,305	43,528	-	-	552	44,596	71,003,290
Time	58,063,408	225	51,896	481	-	-	88,396	58,204,406
Saving	93,944	-	-	-	-	-	-	93,944
Other	6,746,449	-	-	-	-	-	-	6,746,449
Negative fair value of derivatives								
Held for trading	33,817	982	775,159	-	-	-	12	809,970
Held as fair value hedges	1,643	8,387	35,902	-	-	-	-	45,932
Other liabilities								
Accrued expenses and accounts payable	3,940,992	517	4,686	-	-	46	44	3,946,285
Sukuk	2,016,274	-	-	-	-	-	-	2,016,274
Total liabilities	143,098,801	673,413	1,255,597	164,240	-	232,611	133,437	145,558,099
Commitments and contingencies								
Letters of credit	1,794,284	721,009	863,193	64,776	32,839	987,839	38,511	4,502,451
Letters of guarantee	17,732,165	1,120,696	2,364,957	373,532	7,084	1,299,900	16,752	22,915,086
Acceptances	388,090	126,569	320,607	18,401	517	451,161	-	1,305,345
Irrevocable commitments to extend credit	3,059,532	-	-	-	-	-	-	3,059,532
Other	94,965	-	-	-	-	-	-	94,965
Maximum credit exposure (stated at credit equivalent amounts)								
Derivatives								
Held for trading	409,307	23,173	288,568	57,639	-	-	511	779,198
Held as fair value hedges	-	-	193,981	467,811	-	-	-	661,792
Commitments and contingencies								
Letters of credit	358,857	144,202	172,639	12,955	6,568	197,568	7,702	900,491
Letters of guarantee	8,866,080	560,348	1,182,479	186,766	3,542	649,950	8,376	11,457,541
Acceptances	388,090	126,569	320,607	18,401	517	451,161	-	1,305,345
Irrevocable commitments to extend credit	1,529,766	-	-	-	-	-	-	1,529,766
Other	47,482	-	-	-	-	-	-	47,482

(Saudi Riyals in Thousands)

34. Concentration risk of financial assets with credit risk exposure and financial liabilities (continued)

Credit equivalent amounts reflect the amounts that result from translating the Bank's off consolidated statement of financial position liabilities into the risk equivalent of loans using credit conversion factors prescribed by SAMA. Credit conversion factor is meant to capture the potential credit risk related to commitments being exercised.

b) The distributions by geographical concentration of non-performing loans and advances and impairment allowance for credit losses are as follows:

	Non-Performing Loans, net				Impairment allowance for Credit Losses			
2018	**Overdraft**	**Credit cards**	**Consumer loans**	**Commercial loans and others**	**Overdraft**	**Credit cards**	**Consumer loans**	**Commercial loans and others**
Saudi Arabia	**5,364**	**11,727**	**93,141**	**1,385,454**	**22,066**	**35,953**	**432,806**	**2,186,479**

	Non-Performing Loans, net				Impairment allowance for Credit Losses			
2017	Overdraft	Credit cards	Consumer loans	Commercial loans and others	Overdraft	Credit cards	Consumer loans	Commercial loans and others
Saudi Arabia	7,487	14,482	103,286	1,275,228	6,839	9,350	64,921	2,172,432

35. Market risk

Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices. The Bank classifies exposures to market risk into either trading, non-trading or banking-book.

a) Market risk - Trading book

The Board has set limits for the acceptable level of risk in managing the trading book. In order to manage market risk in the trading book, the Bank periodically applies a VaR (Value at Risk) methodology to assess the market risk positions held and to estimate the potential economic loss based on a set of parameters and assumptions regarding 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 Bank uses risk models to assess the possible changes in the market value of the trading book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use thereof has limitations due to it being based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VaR that the bank 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 one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VaR should occur, on average, not more than once every hundred days.

The VaR represents the market risk in a portfolio at the close of a business day. It does not account for any losses that may occur beyond the defined confidence interval. Actual trading results can, however, differ from the VaR calculations. VaR does not provide a meaningful indication of profits and losses in stressed market conditions.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

I. A 1-day holding period assumes that it is possible to hedge or dispose of positions within a one day horizon. This is considered to be a realistic assumption in most cases but may not be true in situations where there is severe market liquidity for a prolonged period.

II. A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed VaR.

III. VaR is calculated on an end of day basis and does not reflect exposures that may arise on positions during the trading day.

IV. VaR is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of VaR are recognized by supplementing the VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Bank carries out stress testing on its trading book to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset and Liabilities Committee (ALCO) for review.

(Saudi Riyals in Thousands)

35. Market risk (continued)

a) Market risk - Trading book (continued)

The Bank's calculated VaR for the years ended December 31, 2018 and 2017 is as follows. All the figures are in SAR million:

	2018				2017			
	Year-end	**Average**	**High**	**Low**	Year-end	Average	High	Low
Special commission rate risk	**0.2844**	**1.1452**	**7.6250**	**0.1993**	0.3916	0.4177	7.8488	0.1596
Foreign exchange risk	**0.7039**	**0.6315**	**1.6036**	**0.2325**	1.2453	0.6058	1.5009	0.2191
Diversification effect *	**(0.2027)**	**(0.3641)**	**n/m**	**n/m**	(0.3870)	(0.2392)	n/m	n/m
Total VaR (one day measure)	**0.7856**	**1.4126**	**7.6351**	**0.3745**	1.2499	0.7843	7.8383	0.2717

* Total VaR is less than the sum of the VaR of the different market risk types due to risk offsets resulting from a portfolio diversification effect.
n/m – It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

b) Market risk: non-trading or banking book

Market risk on non-trading or banking positions mainly arises from commission rate and foreign currency exposures and equity price changes.

i) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Board has established commission rate gap limits for stipulated periods. The Bank monitors positions daily and uses hedging strategies to ensure positions are maintained within the established gap limits.

The following table shows the sensitivity of the Group's consolidated statement of income and equity to a reasonable possible change in commission rates, with other variables held constant. Income sensitivity arises from the impact of assumed changes in commission rates on special commission income for one year, based on floating rate non-trading financial assets and liabilities held as at December 31, after taking into account the effect of hedging. Equity sensitivity is calculated by revaluing fixed rate FVOCI / AFS financial assets, including the effect of any associated hedges as at December 31, 2018 and 2017, for the effect of assumed changes in commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap. Banking book exposures are monitored and analyzed in their respective currencies and relevant sensitivities are disclosed in SAR million.

	2018						
Currency	**Increase in basis points**	**Sensitivity of special commission income**	**Sensitivity of equity**				**Total**
			6 months or less	**1 year or less**	**1-5 years or less**	**Over 5 years**	
SAR	**+10**	**50.86**	**(0.09)**	**-**	**(0.01)**	**(0.18)**	**(0.28)**
USD	**+10**	**2.96**	**(0.03)**	**(0.03)**	**(0.43)**	**0.43**	**(0.06)**
Others	**+10**	**0.68**	**-**	**-**	**(0.02)**	**-**	**(0.02)**

Currency	**Decrease in basis points**	**Sensitivity of special commission income**	**Sensitivity of equity**				**Total**
			6 months or less	**1 year or less**	**1-5 years or less**	**Over 5 years**	
SAR	**-10**	**(50.86)**	**0.09**	**-**	**0.01**	**0.18**	**0.28**
USD	**-10**	**(2.96)**	**0.03**	**0.03**	**0.43**	**(0.43)**	**0.06**
Others	**-10**	**(0.68)**	**-**	**-**	**0.02**	**-**	**0.02**

(Saudi Riyals in Thousands)

35. Market risk (continued)

b) Market risk: non-trading or banking book (continued)

i) Commission rate risk (continued)

2017

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years or less	Over 5 years	
SAR	+10	45.40	-	-	(0.10)	(0.21)	(0.31)
USD	+10	6.41	(2.24)	(0.09)	(0.70)	0.25	(2.78)
Others	+10	0.01	-	-	(0.02)	-	(0.02)

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years or less	Over 5 years	
SAR	-10	(45.40)	-	-	0.10	0.21	0.31
USD	-10	(6.41)	2.24	0.09	0.70	(0.25)	2.78
Others	-10	(0.01)	-	-	0.02	-	0.02

Commission rate sensitivity of assets, liabilities and off consolidated statement of financial position items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market commission rates on its financial position and cash flows.

The table below summarizes the Group's exposure to commission rate risk. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to commission rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities and derivatives, credit related commitment and contingencies 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.

(Saudi Riyals in Thousands)

35. Market risk (continued)

b) Market risk: non-trading or banking book (continued)

i) Commission rate risk (continued)

Commission rate sensitivity of assets, liabilities and off consolidated statement of financial position items (continued)

2018	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Assets						
Cash and balances with SAMA	14,312,000	-	-	-	8,668,266	22,980,266
Due from banks and other financial institutions	572,746	-	-	-	561,302	1,134,048
Positive fair value derivatives	1,580,334	-	-	-	-	1,580,334
Investments, net						
Held as FVTPL	-	-	-	-	516,663	516,663
Held as FVOCI	376,156	736,389	699,883	1,011,858	988,140	3,812,426
Held at amortised cost	12,216,817	644,029	3,121,349	7,545,899	-	23,528,094
Loans and advances, net						
Overdrafts	3,678,165	-	-	-	-	3,678,165
Credit cards	472,321	-	-	-	-	472,321
Consumer loans	2,358,974	3,027,723	15,773,212	2,887,589	-	24,047,498
Commercial loans and others	52,007,065	28,936,766	10,138,117	1,758,307	-	92,840,255
Other assets – accounts receivable	-	-	-	-	873,881	873,881
Total assets	87,574,578	33,344,907	29,732,561	13,203,653	11,608,252	175,463,951
Liabilities						
Due to banks and other financial institutions	959,623	-	-	-	576,979	1,536,602
Negative fair value derivatives	1,291,384	-	-	-	-	1,291,384
Customers' deposits	48,176,822	16,447,512	7,378,082	-	68,907,006	140,909,422
Other liabilities						
Accrued expenses and accounts payable	-	-	-	-	4,801,132	4,801,132
Sukuk	-	2,020,491	-	-	-	2,020,491
Total liabilities	50,427,829	18,468,003	7,378,082	-	74,285,117	150,559,031
Commission rate sensitivity on consolidated statement of financial position gap	37,146,749	14,876,904	22,354,479	13,203,653	(62,676,865)	24,904,920
Commission rate sensitivity off consolidated statement of financial position gap	10,220,494	4,012,087	(3,465,997)	(10,766,584)	-	-
Total commission rate sensitivity gap	47,367,243	18,888,991	18,888,482	2,437,069	(62,676,865)	24,904,920
Cumulative commission rate sensitivity gap	47,367,243	66,256,234	85,144,716	87,581,785	24,904,920	-

(Saudi Riyals in Thousands)

35. Market risk (continued)

b) Market risk: non-trading or banking book (continued)

i) Commission rate risk (continued)

Commission rate sensitivity of assets, liabilities and off consolidated statement of financial position items (continued)

2017	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Assets						
Cash and balances with SAMA	8,002,667	-	-	-	9,248,712	17,251,379
Due from banks and other financial institutions	1,010,113	-	-	-	700,010	1,710,123
Positive fair value derivatives	943,760	-	-	-	-	943,760
Investments, net						
Held as FVTPL	-	-	-	-	-	-
Available for sale	2,635,709	5,280,079	819,840	881,994	836,552	10,454,174
Other investments held at amortised cost	12,358,717	645,311	3,245,257	5,550,008	67,349	21,866,642
Loans and advances, net						
Overdrafts	3,735,532	-	-	-	-	3,735,532
Credit cards	505,672	-	-	-	-	505,672
Consumer loans	2,097,694	4,857,191	15,984,767	1,568,155	-	24,507,807
Commercial loans and others	52,267,447	26,711,472	5,942,326	872,673	-	85,793,918
Other assets - accounts receivable	-	-	-	-	550,953	550,953
Total assets	83,557,311	37,494,053	25,992,190	8,872,830	11,403,576	167,319,960
Liabilities						
Due to banks and other financial institutions	2,529,120	-	-	-	162,429	2,691,549
Negative fair value derivatives	855,902	-	-	-	-	855,902
Customers' deposits	39,939,760	22,075,623	323,899	-	73,708,807	136,048,089
Other liabilities						
Accrued expenses and accounts payable	-	-	-	-	3,946,285	3,946,285
Sukuk	-	2,016,274	-	-	-	2,016,274
Total liabilities	43,324,782	24,091,897	323,899	-	77,817,521	145,558,099
Commission rate sensitivity on consolidated statement of financial position gap	40,232,529	13,402,156	25,668,291	8,872,830	(66,413,945)	21,761,861
Commission rate sensitivity off consolidated statement of financial position gap	7,454,436	4,470,949	(4,883,141)	(7,042,244)	-	-
Total commission rate sensitivity gap	47,686,965	17,873,105	20,785,150	1,830,586	(66,413,945)	21,761,861
Cumulative commission rate sensitivity gap	47,686,965	65,560,070	86,345,220	88,175,806	21,761,861	-

The off consolidated statement of financial position gap represents the net notional amounts of derivative financial instruments, which are used to manage commission rate risk.

The effective commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

(Saudi Riyals in Thousands)

35. Market risk (continued)

b) Market risk: non-trading or banking book (continued)

ii) Currency risk

Currency risk represents the risk of changes in the value of financial instruments due to changes in foreign exchange rates. Foreign currency risk exposures that arise in the banking book are transferred to the trading book and are managed as part of the trading portfolio. The Board sets various types of currency risk limits that are monitored daily, including position, stop-loss and VaR limits.

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 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 changes in fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to changes in fair values of currency swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated statement of income or equity whereas, a negative effect shows a potential net reduction in the consolidated statement of income or equity, and are disclosed in SAR million.

	2018		2017	
Currency risk exposures	**Changes in currency rate in %**	**Effect on net income**	Changes in currency rate in %	Effect on net income
US Dollar	**+5**	**(7.595)**	+5	(12.526)
	-5	**7.595**	-5	12.526
Euro	**+3**	**0.118**	+3	(0.150)
	-3	**(0.118)**	-3	0.150
Pound Sterling	**+3**	**(0.184)**	+3	(0.097)
	-3	**0.184**	-3	0.097

iii) Currency position

The Bank manages exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. These limits are monitored daily. At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

	Long (short) 2018	Long (short) 2017
US Dollar	**(151,893)**	(250,520)
Euro	**3,946**	(5,003)
Pound Sterling	**(6,125)**	(3,237)

iv) Equity price risk

Equity price risk refers to the risk of a decrease in the fair values of equities in the 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 Bank's FVOCI / available for sale equity investments due to reasonable possible change in equity indices, with all other variables held constant is as follows:

Market indices	**2018**		2017	
	Change in index %	**Effect in SAR'000**	Change in index %	Effect in SAR'000
Tadawul	**+5**	**49,292**	+5	38,187
	-5	**(49,292)**	-5	(38,187)

(Saudi Riyals in Thousands)

36. Liquidity risk

Liquidity risk is the risk that the Bank 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 suddenly. To mitigate this risk, management has diversified funding sources, manages assets with liquidity in mind and maintains a healthy balance of cash, cash equivalents and readily marketable securities.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2017: 7%) of total demand deposits and 4% (2017: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash, Saudi Government Development Bonds or assets that can be converted into cash within 30 days.

The Bank has the ability to raise additional funds through repo facilities with SAMA against Saudi Government Development Bonds up to 75% of the nominal value of bonds held.

i) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities 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 consolidated statement of financial position 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 Bank's deposit retention history.

2018	Within 3 months	3-12 months	1-5 years	Above 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions	**961,241**	**-**	**-**	**-**	**576,979**	**1,538,220**
Customers' deposits	**47,595,378**	**24,181,184**	**872,149**	**-**	**68,907,006**	**141,555,717**
Derivative financial instruments						
Contractual amounts payable	**285,143**	**1,137,666**	**5,913,470**	**3,546,446**	**-**	**10,882,725**
Contractual amounts receivable	**(287,689)**	**(1,172,331)**	**(6,014,824)**	**(3,716,530)**	**-**	**(11,191,374)**
Sukuk	**20,491**	**69,224**	**381,950**	**2,203,709**	**-**	**2,675,374**
Total financial liabilities	**48,574,564**	**24,215,743**	**1,152,745**	**2,033,625**	**69,483,985**	**145,460,662**
2017						
Financial liabilities						
Due to banks and other financial institutions	2,530,974	-	-	-	162,430	2,693,404
Customers' deposits	39,864,910	22,420,577	335,334	-	73,708,807	136,329,628
Derivative financial instruments						
Contractual amounts payable	110,426	645,231	1,561,756	1,157,211	-	3,474,624
Contractual amounts receivable	(90,287)	(589,059)	(1,578,846)	(1,258,698)	-	(3,516,890)
Sukuk	16,465	54,451	350,499	2,315,810	-	2,737,225
Total financial liabilities	42,432,488	22,531,200	668,743	2,214,323	73,871,237	141,717,991

ii) Maturity profile of Bank's financial assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. See note (i) above for the Bank's contractual undiscounted financial liabilities.

Management monitors the maturity profile 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 Bank, operating subsidiaries and the foreign branch. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

(Saudi Riyals in Thousands)

36. Liquidity risk (continued)

ii. Maturity profile of Bank's financial assets and liabilities (continued)

2018	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	14,312,000	-	-	-	8,668,266	22,980,266
Due from banks and other financial institutions	570,295	-	-	-	563,753	1,134,048
Positive fair value of derivatives	383,813	22,859	93,830	1,079,832	-	1,580,334
Investments, net						
Held as FVTPL	-	-	-	-	516,663	516,663
Held as FVOCI	47,420	385,435	763,834	1,627,597	988,140	3,812,426
Held at amortised cost	114,847	276,403	4,603,881	18,532,963	-	23,528,094
Loans and advances, net						
Overdraft	3,678,165	-	-	-	-	3,678,165
Credit cards	472,321	-	-	-	-	472,321
Consumer loans	1,701,331	4,597,608	14,794,834	2,953,725	-	24,047,498
Commercial loans and others	37,873,689	22,063,837	23,590,077	9,312,652	-	92,840,255
Other assets						
Accounts receivable	-	-	-	-	873,881	873,881
Total assets	59,153,881	27,346,142	43,846,456	33,506,769	11,610,703	175,463,951
Liabilities						
Due to banks and other financial institutions	959,623	-	-	-	576,979	1,536,602
Negative fair value of derivatives	353,813	4,369	42,522	890,680	-	1,291,384
Customers' deposits	47,496,683	23,683,947	821,786	-	68,907,006	140,909,422
Other liabilities						
Accrued expenses and accounts payable	-	-	-	-	4,801,132	4,801,132
Sukuk	-	20,491	-	2,000,000	-	2,020,491
Total liabilities	48,810,119	23,708,807	864,308	2,890,680	74,285,117	150,559,031

(Saudi Riyals in Thousands)

36. Liquidity risk (continued)

ii. Maturity profile of Bank's financial assets and liabilities (continued)

2017	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	8,002,000	-	-	-	9,249,379	17,251,379
Due from banks and other financial institutions	1,010,113	-	-	-	700,010	1,710,123
Positive fair value of derivatives	27,852	34,548	63,048	818,312	-	943,760
Investments, net						
Held as FVTPL	-	-	-	-	-	-
Available for sale	2,430,149	4,621,650	1,129,044	1,436,779	836,552	10,454,174
Other investments held at amortised cost	60,467	6,172	5,142,508	16,590,147	67,348	21,866,642
Loans and advances, net						
Overdrafts	3,735,532	-	-	-	-	3,735,532
Credit cards	505,672	-	-	-	-	505,672
Consumer loans	2,097,694	4,857,191	15,984,767	1,568,155	-	24,507,807
Commercial loans and others	36,749,474	22,696,390	18,422,936	7,925,118	-	85,793,918
Other assets						
Accounts receivable	-	-	-	-	550,953	550,953
Total assets	54,618,953	32,215,951	40,742,303	28,338,511	11,404,242	167,319,960
Liabilities						
Due to banks and other financial institutions	2,529,120	-	-	-	162,429	2,691,549
Negative fair value of derivatives	16,705	21,493	50,926	766,778	-	855,902
Customers' deposits	39,939,760	22,075,623	323,899	-	73,708,807	136,048,089
Other liabilities						
Accrued expenses and accounts payable	-	-	-	-	3,946,285	3,946,285
Sukuk	-	16,274	-	2,000,000	-	2,016,274
Total liabilities	42,485,585	22,113,390	374,825	2,766,778	77,817,521	145,558,099

37. Fair values of financial assets and liabilities

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:

i) In the accessible principal market for the asset or liability; or

ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair values of on-consolidated statement of financial position financial instruments are not significantly different from their carrying amounts included in the consolidated financial statements.

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);

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.

(Saudi Riyals in Thousands)

37. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include the fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets

		Fair value			
December 31, 2018	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investments at FVTPL (including trading investments)	**516,663**	**-**	**40,480**	**476,183**	**516,663**
Investments at FVOCI	**3,812,426**	**2,876,925**	**933,608**	**1,893**	**3,812,426**
Positive fair value of derivatives	**1,580,334**	**-**	**1,580,334**	**-**	**1,580,334**
Financial assets not measured at fair value					
Due from banks and other financial institutions	**1,134,048**	**-**	**-**	**-**	**1,134,048**
Investments at amortised cost	**23,528,094**	**398,169**	**22,943,571**	**-**	**23,341,740**
Loans and advances	**121,038,239**	**-**	**-**	**122,887,396**	**122,887,396**

		Fair value			
December 31, 2017	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Available for sale investments	10,454,174	9,536,248	907,210	10,716	10,454,174
Positive fair value of derivatives	943,760	-	943,760	-	943,760
Financial assets not measured at fair value					
Due from banks and other financial institutions	1,710,123	-	-	-	1,710,123
Investments at amortised cost	21,866,642	465,373	21,293,723	-	21,759,096
Loans and advances	114,542,929	-	-	116,229,580	116,229,580

Financial Liabilities

		Fair value			
December 31, 2018	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value					
Negative fair value of derivatives	**1,291,384**	**-**	**1,291,384**	**-**	**1,291,384**
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	**1,536,602**	**-**	**-**	**-**	**1,536,602**
Customers' Deposits	**140,909,422**	**-**	**-**	**-**	**140,909,422**
Sukuk	**2,020,491**	**-**	**-**	**1,962,503**	**1,962,503**

		Fair value			
December 31, 2017	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	855,902	-	855,902	-	855,902
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	2,691,549	-	-	-	2,691,549
Customers' Deposits	136,048,089	-	-	-	136,048,089
Sukuk	2,016,274	-	-	1,985,606	1,985,606

37. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values

i. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at December 31, 2018 and 2017, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVTPL investments	Fair value is determined based on the investee fund's most recent reported net assets value of the funds.	None	Not applicable
FVOCI / AFS (2017) investments classified as Level 2 include plain vanilla bonds for which market quotes are not available.	Fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI / AFS (2017) investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value of the funds.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, cross currency swaps, special commission rate futures and options, forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost.	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances.	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.

ii. Transfer between levels of the fair value hierarchy

There have been no transfers between levels of the fair value hierarchy during the years ended December 31, 2018 and 2017.

(Saudi Riyals in Thousands)

37. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances for Level 3 fair values.

	2018	
	Investments at FVTPL	**Investments at FVOCI**
Balance at the beginning of the year	**-**	**-**
Transferred from available for sale financial assets at initial application of IFRS 9	**8,823**	**1,893**
Total unrealized gain in consolidated statement of income	**20,033**	**-**
Settlements	**(2,673)**	**-**
Purchases	**450,000**	**-**
Balance at the end of the year	**476,183**	**1,893**

Financial investments held as available for sale (2017):

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2018	2017
Balance at the beginning of the year	**10,716**	24,783
Transferred to FVTPL at initial application of IFRS 9	**(8,823)**	-
Transferred to FVOCI at initial application of IFRS 9	**(1,893)**	-
Total unrealized gains in other comprehensive income	**-**	969
Purchases	**-**	893
Settlements	**-**	(15,929)
Balance at the end of the year	**-**	10,716

38. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of management and the Board, the related party transactions are performed on an arm's length basis. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

a) The balances as at December 31 resulting from transactions with related parties included in the consolidated financial statements are as follows:

	2018	2017
Non-Saudi Major Shareholder and their Affiliates:		
Due from banks and other financial institutions	**22,574**	25,124
Due to banks and other financial institutions	**444,635**	537,129
Commitments and contingencies	**2,125,839**	2,124,518
Directors, key management personnel, other major shareholders and their affiliates:		
Loans and advances	**6,082,248**	4,380,399
Customers' deposits	**10,722,855**	9,674,730
Commitments and contingencies	**1,653,684**	980,824
Purchase of equipment	**-**	45
Bank's mutual funds:		
Investments	**40,480**	41,257
Loans and advances	**164,242**	164,210
Customers' deposits	**6,729**	523,312
Associates:		
Investments in associates	**887,276**	637,222
Loans and advances	**2,952,273**	2,359,588
Customers' deposits	**81,269**	132,854
Commitments and contingencies	**47,346**	46,244
Local sukuk	**10,000**	10,000

Other major shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Bank's issued share capital.

(Saudi Riyals in Thousands)

38. Related party transactions (continued)

b) Income and expense transactions with related parties included in the consolidated financial statements are as follows:

	2018	2017
Special commission income	**337,686**	292,067
Special commission expense	**(201,638)**	(220,382)
Fees and commission income	**34,688**	37,482
Unrealized gain on remeasurement of investment upon loss of control	**34,319**	-
Share in earnings of associates, net	**12,500**	30,659
Directors' remuneration	**(6,309)**	(6,490)
Miscellaneous expenses	**(5,810)**	(8,504)
Insurance contracts	**(545)**	(1,826)

c) The total amount of compensation paid to key management personnel during the year is as follows:

	2018	2017
Short-term employee benefits (Salaries and allowances)	**54,571**	53,666
Post-employment benefits (End of service indemnity and social security)	**6,547**	6,408

Key management personnel are those persons, including an executive director, having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Bank.

39. Non-controlling interests in subsidiaries

The following table summarises the information relating to the Bank's subsidiary that has material non-controlling interests (NCI).

	2018	2017
Summarised statement of financial position		
Investment property	**-**	1,626,563
Other assets	**-**	61,908
Liabilities	**-**	804,812
Net assets	**-**	883,659
Carrying amount of NCI	**-**	658,591
Summarised statement of income		
Total operating income	**-**	110,124
Net income	**-**	10,139
Summarised cash flow statement		
Net cash from operating activities	**-**	11,890
Net cash from financing activities	**-**	25,000
Net increase in cash and cash equivalents	**-**	36,890

40. 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. During the year, the Group has fully complied with regulatory capital requirements.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

(Saudi Riyals in Thousands)

40. Capital Adequacy (continued)

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective starting January 1, 2013. Accordingly, the Group's Pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	2018	2017
Credit Risk RWA	**143,485,274**	138,475,268
Operational Risk RWA	**13,565,927**	13,253,250
Market Risk RWA	**1,174,055**	608,966
Total Pillar I RWA	**158,225,256**	152,337,484
Tier I Capital	**26,046,963**	23,719,687
Tier II Capital	**2,519,304**	3,026,724
Total Tier I & II Capital	**28,566,267**	26,746,411
Capital Adequacy Ratio %		
Tier I ratio	**16.46%**	15.57%
Tier I + Tier II ratio	**18.05%**	17.56%

The increase in regulatory capital for the year is mainly due to the contribution of current-year profit.

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by SAMA in supervising the Bank.

41. Investment management services

The Group offers investment services to its customers, which include management of investment funds with assets totaling SAR 4,287 million (2017: SAR 4,612 million).

The financial statements of these funds are not consolidated with these consolidated financial statements, except for consolidating the financial statements of ANBI Business Gate Fund, from inception date (December 31, 2015) until date of loss of control in October 2018; as the Group is not significantly exposed to variability of return and hence do not qualify to be considered as a subsidiary. However, the Group's share of these non-consolidated funds is included in FVTPL investments and 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 these consolidated financial statements.

42. Prospective changes in the International Financial Reporting Framework

The Group has chosen not to early adopt the following new standards which have been issued but not yet effective for the Bank's accounting years beginning on or after January 1, 2019.

Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2019:

i. IFRS 16 – "Leases", applicable for the period beginning on or after January 1, 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-consolidated statement of financial position finance leases and off-consolidated statement of financial position operating leases. Instead, IFRS 16 proposes on-consolidated statement of financial position accounting model.

   Transition to IFRS 16

   The Group plans to adopt IFRS 16 with a modified retrospective approach and will not restate previous periods while adjusting the difference between right of use assets and lease liability in the beginning balance of 2019 retained earnings as allowed by IFRS 16. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17.

   The Group plans to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, or lease contracts for which the underlying asset is of low value.

   The Group has performed an impact assessment of IFRS 16 based on which, the impact of adoption is expected to be less than 0.5% of net equity of the Group.

ii. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The Bank is currently assessing the impact of this new amendment.

For other standards, amendments or interpretations effective for annual periods beginning on or after January 1, 2019, the Bank does not anticipate that these will have a material impact on the Bank's consolidated financial statements.

(Saudi Riyals in Thousands)

43. Non-cash transactions to consolidated statement of cash flows

The non-cash transactions to the accompanying consolidated statement of cash flows resulting from the deconsolidation of a subsidiary starting from October 2018 (refer to note 1) are summarized as follows:

	2018
Operating activities	
Loans and advances	(735,000)
Other assets	19,009
Customers' deposits	3,287
Other liabilities	(42,366)
Net cash used in operating activities	(755,070)
Investing activities	
Investments in associates	(216,596)
Proceeds from disposal of investments not held as FVTPL	234
Investment property	1,607,963
Property and equipment	119
Net cash from investing activities	1,391,720
Financing Activities	
Non-controlling interests	(636,665)
Net cash used in financing activities	(636,665)
Net decrease in cash and cash equivalents	(15)

44. Comparative figures

Certain prior year figures have been reclassified/restated to conform with current year presentation.

45. Board of directors' approval

The consolidated financial statements were approved by the Board on Jumada II 15, 1440 (corresponding to February 20, 2019).