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INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: THE SHAREHOLDERS OF
RIYAD BANK
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2020, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended and other explanatory notes (the "interim condensed consolidated financial statements").

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *"Interim Financial Reporting"* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by Saudi Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note (19) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (19) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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C.R. 4030289002

7 Dhu al-Hijjah 1441H
(28 July 2020)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 (Unaudited) SAR'000**	31 December 2019 (Audited) SAR'000	30 June 2019 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		**28,055,280**	29,189,487	19,188,042
Due from banks and other financial institutions		**17,581,596**	4,734,888	9,770,653
Positive fair value of derivatives	6	**1,816,184**	608,847	555,517
Investments, net	7	**53,961,946**	53,361,415	50,152,833
Loans and advances, net	8	**187,650,666**	173,981,999	161,324,535
Investment in associates	18	**695,417**	702,882	731,572
Other real estate		**332,534**	233,057	249,501
Property and equipment, net		**2,313,961**	2,201,925	2,170,580
Other assets		**2,675,778**	774,378	1,972,915
Total assets		**295,083,362**	265,788,878	246,116,148
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		**31,373,934**	13,124,480	11,901,770
Negative fair value of derivatives	6	**1,968,036**	649,226	669,672
Customer deposits	9	**199,986,608**	194,517,899	176,510,280
Debt securities in issue	10	**5,683,099**	4,003,029	4,003,037
Other liabilities		**15,285,747**	12,922,782	13,603,346
Total liabilities		**254,297,424**	225,217,416	206,688,105
Shareholders' equity				
Share capital		**30,000,000**	30,000,000	30,000,000
Statutory reserve		**6,502,130**	6,502,130	5,101,613
Other reserves		**352,006**	1,027,108	914,654
Retained earnings		**3,931,802**	1,392,224	3,411,776
Proposed dividends		**-**	1,650,000	-
Total shareholders' equity		**40,785,938**	40,571,462	39,428,043
Total liabilities and shareholders' equity		**295,083,362**	265,788,878	246,116,148

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2020	2019	**2020**	2019
		SAR'000	SAR'000	**SAR'000**	SAR'000
Special commission income		**2,534,157**	2,606,240	**5,142,538**	5,036,832
Special commission expense		**418,405**	643,287	**1,037,468**	1,265,163
Net special commission income		**2,115,752**	1,962,953	**4,105,070**	3,771,669
Fee and commission income		**481,519**	699,689	**1,266,616**	1,445,875
Fee and commission expense		**158,779**	223,174	**371,918**	418,821
Fee and commission income, net		**322,740**	476,515	**894,698**	1,027,054
Exchange income, net		**139,068**	80,588	**252,124**	159,162
Trading income, net		**98,536**	22,799	**177,308**	91,886
Dividend income		**32,623**	31,892	**58,616**	48,245
(Losses) gains on disposal of non-trading investments, net		**(1,609)**	92,173	**100,052**	146,854
Other operating income		**1,836**	2,646	**6,557**	4,840
Total operating income, net		**2,708,946**	2,669,566	**5,594,425**	5,249,710
Salaries and employee-related expenses		**463,146**	444,061	**974,022**	899,959
Rent and premises-related expenses		**40,977**	45,476	**86,670**	97,129
Depreciation of property and equipment		**123,795**	107,601	**238,595**	214,674
Other general and administrative expenses		**219,789**	219,783	**457,974**	441,795
Other operating expenses		**13,322**	2,840	**29,163**	11,431
Total operating expenses before impairment charge		**861,029**	819,761	**1,786,424**	1,664,988
Impairment charge for credit losses and other financial assets, net	8.4	**612,085**	228,458	**920,214**	439,897
Impairment charge (reversal) for investments, net		**33,649**	(34,697)	**33,953**	(37,625)
Total operating expenses, net		**1,506,763**	1,013,522	**2,740,591**	2,067,260
Net operating income		**1,202,183**	1,656,044	**2,853,834**	3,182,450
Share in earnings of associates, net	18	**(7,137)**	13,701	**646**	132,089
Income for the period before zakat		**1,195,046**	1,669,745	**2,854,480**	3,314,539
Zakat for the period		**132,000**	170,000	**315,000**	330,000
Net income for the period after zakat		**1,063,046**	1,499,745	**2,539,480**	2,984,539
Basic and diluted earnings per share (in SAR)	17	**0.35**	0.50	**0.85**	0.99

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020	2019	**2020**	2019
	SAR'000	SAR'000	**SAR'000**	SAR'000
Net income for the period after zakat	**1,063,046**	1,499,745	**2,539,480**	2,984,539
Other comprehensive income (OCI):				
a) Items that may be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Fair value through other comprehensive income (FVOCI- debt instruments)				
- Net change in fair value	**1,578,929**	342,556	**(361,247)**	747,874
- Net amounts transferred to interim condensed consolidated statement of income	**13,376**	(86,791)	**(73,146)**	(133,702)
- Net changes in allowance for expected credit losses of debt instruments	**15,016**	(8,098)	**16,661**	(16,811)
b) Items that cannot be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Net change in fair value of equity instruments at fair value through other comprehensive income- (FVOCI- equity instruments)	**318,234**	35,601	**(257,272)**	271,927
Other comprehensive income (loss) for the period	**1,925,555**	283,268	**(675,004)**	869,288
Total comprehensive income for the period	**2,988,601**	1,783,013	**1,864,476**	3,853,827

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the six month period ended 30 June 2020 & 2019

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
30 June 2020						
Balance at the beginning of the period	**30,000,000**	**6,502,130**	**1,027,108**	**1,392,224**	**1,650,000**	**40,571,462**
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	**-**	**-**	**(257,272)**	**-**	**-**	**(257,272)**
- FVOCI debt instruments	**-**	**-**	**(361,247)**	**-**	**-**	**(361,247)**
Net amount reclassified to the interim				**-**	**-**	**-**
condensed consolidated statement of income for FVOCI -debt instruments	**-**	**-**	**(73,146)**	**-**	**-**	**(73,146)**
Net changes in allowance for expected credit						
losses on FVOCI -debt instruments	**-**	**-**	**16,661**	**-**	**-**	**16,661**
Net income for the period	**-**	**-**	**-**	**2,539,480**	**-**	**2,539,480**
Total comprehensive income	**-**	**-**	**(675,004)**	**2,539,480**	**-**	**1,864,476**
Disposal of FVOCI -equity instruments	**-**	**-**	**(98)**	**98**	**-**	**-**
Final dividends - 2019 (note 16)	**-**	**-**	**-**	**-**	**(1,650,000)**	**(1,650,000)**
Balance at the end of the period	**30,000,000**	**6,502,130**	**352,006**	**3,931,802**	**-**	**40,785,938**
30 June 2019						
Balance at the beginning of the period	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	-	-	271,927	-	-	271,927
- FVOCI debt instruments	-	-	747,874	-	-	747,874
Net amount reclassified to the interim condensed						
consolidated statement of income for FVOCI - debt instruments	-	-	(133,702)	-	-	(133,702)
Net changes in allowance for expected credit						
losses on FVOCI -debt instruments	-	-	(16,811)	-	-	(16,811)
Net income for the period	-	-	-	2,984,539	-	2,984,539
Total comprehensive income	-	-	869,288	2,984,539	-	3,853,827
Disposal of FVOCI equity	-	-	(12,681)	12,681		-
Final dividends - 2018	-	-	-	-	(1,200,000)	(1,200,000)
Balance at the end of the period	30,000,000	5,101,613	914,654	3,411,776	-	39,428,043

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Notes	For the six month period ended 30 June 2020 SAR'000	2019 SAR'000
OPERATING ACTIVITIES			
Income for the period before zakat		**2,854,480**	3,314,539
Adjustments to reconcile income for the period before zakat to net cash from (used in) operating activities:			
Accretion of discounts and amortisation of premium, net on non-FVIS instruments, net		**(7,290)**	(73,785)
Gains on disposals of non-trading investments, net		**(100,052)**	(146,854)
Gains on trading investments, net		**(15,298)**	(12,596)
Dividend income		**(58,616)**	(48,245)
Depreciation of property and equipment		**238,595**	214,674
Share in earnings of associates, net		**(646)**	(132,089)
Impairment (reversal) charge for investments, net		**33,953**	(37,625)
Impairment charge for credit losses and other financial assets, net	8.4	**920,214**	439,897
		3,865,340	3,517,916
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**(1,014,321)**	(568,164)
Due from banks and other financial institutions maturing after three months from date of acquisition		**519,088**	(575,935)
Positive fair value of derivatives		**(1,207,337)**	(268,892)
Fair value through income statement (FVIS)		**199,642**	(166,951)
Loans and advances, net		**(14,542,059)**	(10,745,132)
Other real estate		**(99,477)**	(22,096)
Other assets		**(1,890,975)**	(1,300,835)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**18,249,454**	3,321,256
Negative fair value of derivatives		**1,318,810**	395,402
Customer deposits		**5,468,709**	6,688,124
Other liabilities		**1,794,227**	2,799,449
		12,661,101	3,074,142
Zakat paid		**-**	(430,249)
Net cash from operating activities		**12,661,101**	2,643,893
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**20,014,361**	41,442,110
Purchase of investments not held as FVIS instruments		**(21,280,619)**	(42,251,563)
Purchase of property and equipment, net		**(154,278)**	(173,026)
Net cash used in investing activities		**(1,420,536)**	(982,479)
FINANCING ACTIVITIES			
Proceeds from issuance of debt securities in issue		**1,626,500**	-
Dividend paid		**(1,643,424)**	(1,203,096)
Net cash used in financing activities		**(16,924)**	(1,203,096)
Net increase in cash and cash equivalents		**11,223,641**	458,318
Cash and cash equivalents at the beginning of the period	12	**23,472,740**	17,443,752
Cash and cash equivalents at end of the period	12	**34,696,381**	17,902,070
Special commission received during the period		**5,027,847**	4,993,270
Special commission paid during the period		**1,063,480**	1,204,145
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		**(691,665)**	886,099

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 341 licensed branches (30 June 2019: 341 licensed branches) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank's Head Office is as follows:

Granada Oasis - A1 Tower
Riyadh - Al Shuhada District
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers Islamic (non-interest based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the six months period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2019.

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements include the financial statements of the subsidiaries which are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

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 ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

4. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The below are amended accounting standards that become applicable for annual reporting periods commencing on 1 January 2020

(a) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

Management is running a project on the bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

(b) Definition of a Business (Amendments to IFRS 3)

(c) Definition of Material (Amendments to IAS 1 and IAS 8)

(d) Amendments to References to the Conceptual Framework in IFRS Standards.

The above amendments to IFRS do not have material impact on the accompanying interim condensed consolidated financial statements of the Group.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2019, except for the policies explained below. Based on the adoption of amended standards explained in note 4, the following accounting policies are applicable effective 1 January 2020 replacing / amending or adding to the corresponding accounting policies set out in 2019 financial statements.

Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the statement of income on a systematic basis over the period in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

6. DERIVATIVES

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

	30 June 2020 (Unaudited)			31 December 2019 (Audited)			30 June 2019 (Unaudited)		
	Positive fair value SAR'000	**Negative fair value SAR'000**	**Notional amount SAR'000**	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000
Held for trading:									
Special commission rate swaps	**1,741,029**	**(1,501,457)**	**46,809,546**	513,761	(427,453)	40,316,114	508,635	(437,541)	38,662,984
Forward foreign exchange contracts	**75,155**	**(44,848)**	**28,303,061**	95,086	(21,762)	29,886,020	46,882	(34,043)	29,099,776
Held as fair value hedges:									
Special commission rate swaps	**-**	**(421,731)**	**3,395,315**	-	(200,011)	3,169,439	-	(198,088)	3,168,636
Total	**1,816,184**	**(1,968,036)**	**78,507,922**	608,847	(649,226)	73,371,573	555,517	(669,672)	70,931,396

7 INVESTMENTS, NET

	30 June 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 June 2019 (Unaudited) SAR'000
Investments at amortized cost	**32,901,320**	32,154,904	32,692,079
Investments at FVOCI			
- Equity	**3,034,861**	3,088,985	2,547,942
- Debt	**17,250,419**	17,131,969	14,401,660
Total investments at FVOCI	**20,285,280**	20,220,954	16,949,602
Investment at FVIS	**845,992**	1,038,918	574,484
Less: impairment	**(70,646)**	(53,361)	(63,332)
Total	**53,961,946**	53,361,415	50,152,833

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

30 June 2020 (Unaudited) **SAR'000**	**Overdraft**	**Credit Cards**	**Consumer Loans**	**Commercial Loans**	**Others**	**Total**
Performing loans and advances-gross	**7,684,867**	**673,286**	**61,118,479**	**119,472,452**	**519,763**	**189,468,847**
Non-performing loans and advances	**227,203**	**-**	**372,863**	**1,341,003**	**2,259**	**1,943,328**
Total loans and advances	**7,912,070**	**673,286**	**61,491,342**	**120,813,455**	**522,022**	**191,412,175**
Allowance for impairment	**(213,867)**	**(37,064)**	**(1,047,518)**	**(2,458,885)**	**(4,175)**	**(3,761,509)**
Loans and advances, net	**7,698,203**	**636,222**	**60,443,824**	**118,354,570**	**517,847**	**187,650,666**

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

30 June 2019 (Unaudited) SAR'000	Overdraft	Credit Cards	Consumer Loans	Commercial Loans	Others	Total
Performing loans and advances-gross	5,737,658	773,273	49,549,275	105,664,147	337,538	162,061,891
Non-performing loans and advances	58,782	-	315,077	1,258,403	480	1,632,742
Total loans and advances	5,796,440	773,273	49,864,352	106,922,550	338,018	163,694,633
Allowance for impairment	(60,297)	(36,661)	(743,138)	(1,529,230)	(772)	(2,370,098)
Loans and advances, net	5,736,143	736,612	49,121,214	105,393,320	337,246	161,324,535

8.2 The movement in the allowance for impairment of loans and advances to customers is as follows:

SAR'000	**For the six month period ended 30 June 2020 (Unaudited)**	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period/ year	**2,755,866**	2,358,529
Provided during the period/ year	**1,153,016**	1,173,853
Bad debts written off against provision during the period/ year	**(147,373)**	(776,516)
	3,761,509	2,755,866

8.3 The breakdown of allowance for impairment of loans and advances by stages is as follows:

SAR'000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Balance at 30 June 2020 (Unaudited)	**928,475**	**589,231**	**2,243,803**	**3,761,509**
Balance at 31 December 2019 (Audited)	449,757	509,208	1,796,901	2,755,866
Balance at 30 June 2019 (Unaudited)	332,198	384,790	1,653,110	2,370,098

8.4 Impairment charges for credit losses and other financial assets, net as reflected in the interim consolidated statement of income are detailed as follows:

	For the three month period ended 30 June		**For the six month period ended 30 June**	
SAR'000	**2020 (Unaudited)**	2019 (Unaudited)	**2020 (Unaudited)**	2019 (Unaudited)
Impairment charge for credit losses, net	**569,989**	283,053	**873,393**	445,427
Impairment charge for other financial assets, net	**42,096**	(54,595)	**46,821**	(5,530)
Total	**612,085**	228,458	**920,214**	439,897

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	30 June 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 June 2019 (Unaudited) SAR'000
Demand	**117,843,825**	93,707,806	87,546,176
Saving	**677,218**	525,605	498,159
Time	**56,698,841**	80,114,743	69,335,935
Others	**24,766,724**	20,169,745	19,130,010
Total	**199,986,608**	194,517,899	176,510,280

10. DEBT SECURITIES IN ISSUE

During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015(due 2025). This settlement has been done in line with the early settlement option to repay the sukuk after 5 years from issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

Earlier in February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum.

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

a) The Group's credit related commitments and contingencies are as follows:

	30 June 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 June 2019 (Unaudited) SAR'000
Letters of credit	**7,719,068**	9,197,819	8,265,133
Letters of guarantee	**62,310,931**	61,546,938	62,972,259
Acceptances	**2,420,487**	2,416,610	1,953,498
Irrevocable commitments to extend credit	**11,407,099**	12,336,542	11,811,580
Total	**83,857,585**	85,497,909	85,002,470

b) The breakdown of allowance for impairment of credit related commitments and contingencies by stages is as follows:

SAR'000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Balance at 30 June 2020 (Unaudited)	**70,748**	**45,694**	**139,543**	**255,985**
Balance at 31 December 2019 (Audited)	49,500	14,359	128,926	192,785
Balance at 30 June 2019 (Unaudited)	50,006	33,011	72,877	155,894

Other liabilities as at 30 June 2020, include write-off reserves amounting to SAR 581 million (31 December 2019: SAR 603 million).

12. CASH AND CASH EQUIVALENTS

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

	30 June 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000	30 June 2019 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	**17,414,259**	19,562,787	10,031,467
Due from banks and other financial institutions maturing within three months from date of acquisition	**17,282,122**	3,909,953	7,870,603
Total	**34,696,381**	23,472,740	17,902,070

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Following are the financial instruments carried at fair value in the interim condensed consolidated financial statements.

Fair value and fair value hierarchy

30 June 2020 SAR'000 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
- Positive fair value of derivatives	**-**	**1,816,184**	**-**	**1,816,184**
- Investments held at FVIS	**845,992**	**-**	**-**	**845,992**
- Investments held at FVOCI	**19,858,773**	**-**	**386,512**	**20,245,285**
Financial liabilities measured at fair value				
- Negative fair value of derivatives	**-**	**1,968,036**	**-**	**1,968,036**

31 December 2019 SAR'000 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	608,847	-	608,847
- Investments held at FVIS	1,038,918	-	-	1,038,918
- Investments held at FVOCI	19,788,231	-	392,722	20,180,953
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	649,226	-	649,226

30 June 2019 SAR'000 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	555,517	-	555,517
- Investments held at FVIS	573,873	611	-	574,484
- Investments held at FVOCI	16,599,968	-	309,379	16,909,347
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	669,672	-	669,672

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Reconciliation of movement in Level 3	For the six month period ended 30 June 2020 (Unaudited) SAR'000	For the year-ended 31 December 2019 (Audited) SAR'000
Opening balance	**392,722**	288,876
Total gains or losses		
- recognised in interim condensed consolidated statement of income	**(29)**	3
- recognised in other comprehensive income	**(6,181)**	5,178
Purchases	**-**	98,665
Closing balance	**386,512**	392,722

There were no transfers between the fair value hierarchy levels during the current or prior period.

The fair values of on-balance sheet financial instruments, except for loans and advances and other investments held at amortised cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of customer deposits, debt securities in issue, cash and balances with SAMA, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions, other assets and other liabilities.

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. The estimated fair values of loans and advances was SAR 195 billion as at 30 June 2020 (31 December 2019: SAR 178.3 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 33.9 billion as at 30 June 2020 (31 December 2019: SAR 32.8 billion).

14. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's overall interim condensed consolidated financial statements and as a result have not been separately disclosed. The transactions between the Group's operating segments are recorded as per the Bank's transfer pricing system.There are no other material items of income or expenses between the operating segments.

14. OPERATING SEGMENTS (continued)

The Group's reportable segments under IFRS 8 are as follows:

Retail banking

Deposits, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

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

Corporate banking

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

Treasury and investment

Principally providing money market, trading and treasury services as well as the management of the Group's investment portfolios.

The Group's total assets and liabilities at 30 June 2020 and 2019 and its total operating income, total operating expenses and income before zakat for the six months periods then ended, by operating segments, are as follows:

30 June 2020

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	**74,012,452**	**2,167,045**	**137,403,108**	**81,500,757**	**295,083,362**
Total liabilities	**88,742,469**	**490,980**	**140,742,039**	**24,321,936**	**254,297,424**
Total operating income, net of which	**1,832,631**	**326,801**	**2,134,059**	**1,300,934**	**5,594,425**
- Net special commission income	**1,732,041**	**95,611**	**1,571,120**	**706,298**	**4,105,070**
- Fee and commission income, net	**103,438**	**217,637**	**558,083**	**15,540**	**894,698**
Inter segment revenues	**69,634**	**92,760**	**(276,381)**	**113,987**	**-**
Total operating expenses, net of which	**1,299,226**	**95,297**	**1,240,817**	**105,251**	**2,740,591**
- Depreciation of property and equipment	**186,001**	**11,030**	**34,717**	**6,847**	**238,595**
- Impairment charge for credit losses and other financial assets, net	**104,106**	**-**	**809,670**	**6,438**	**920,214**
- Impairment charge for investment, net	**-**	**-**	**-**	**33,953**	**33,953**
Share in earnings of associates, net	**-**	**-**	**-**	**646**	**646**
Income for the period before zakat	**533,405**	**231,504**	**893,242**	**1,196,329**	**2,854,480**

30 June 2019

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	61,066,147	1,287,496	117,579,603	66,182,902	246,116,148
Total liabilities	83,256,109	317,400	108,194,719	14,919,877	206,688,105
Total operating income, net of which	1,749,156	242,122	2,176,541	1,081,891	5,249,710
- Net special commission income	1,556,485	60,134	1,510,738	644,312	3,771,669
- Fee and commission income, net	197,467	163,451	664,780	1,356	1,027,054
Inter segment revenues	364,048	60,197	(420,266)	(3,979)	-
Total operating expenses, net of which	879,185	93,893	1,083,210	10,972	2,067,260
- Depreciation of property and equipment	168,679	7,943	33,819	4,233	214,674
- Impairment charge (reversal) for credit losses and other financial assets, net	(218,218)	-	662,045	(3,930)	439,897
- Impairment reversal for investment, net	-	-	-	(37,625)	(37,625)
Share in earnings of associates, net	-	-	-	132,089	132,089
Income for the period before zakat	869,971	148,229	1,093,331	1,203,008	3,314,539

15. FINANCIAL RISK MANAGEMENT

Credit risk

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Group uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Group uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Group attempts to control credit risk by appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Concentration risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /service sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting any particular category of concentration.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

16. DIVIDENDS

On 25 March 2020, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for the second half of 2019. The amount of such dividend amounted to SAR 1,650 million (SAR 0.55 per share) and the distribution date for the dividend was 8 April 2020.

17. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 June 2020 and 2019 are calculated by dividing the net income after zakat for the period by 3,000 million outstanding shares.

18. SHARE IN EARNINGS OF ASSOCIATES, NET

During the prior period ended 31 March 2019, the Group increased its holding in Ajil Financial Services Company (associate of the Bank) to 48.46 % (31 December 2018: 35%). Cash consideration of SAR 33.7 million was paid for the additional stake. In the absence of control, the additional investment has been accounted for using the equity method in the interim condensed consolidated financial statements. Gains on the above transaction amounted to SAR 103.7 million and had been included in share of earnings in associate, net for the period ended 30 June 2019.

19. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers the Group’s business plans along with economic conditions which directly and indirectly affects its business environment.

19. CAPITAL ADEQUACY (continued)

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

The following table summarizes the Bank's Pillar-1 Risk Weighted Assets, Tier 1 and Tier 2 capital and capital adequacy ratios.

	30 June 2020	31 December 2019	30 June 2019
	(Unaudited)	(Audited)	(Unaudited)
Risk weighted assets	**SAR Millions**	SAR Millions	SAR Millions
Credit	**244,210**	229,293	219,728
Operational	**17,575**	16,562	15,505
Market	**4,678**	3,701	3,213
Total Pillar-I Risk Weighted Assets	**266,463**	249,556	238,446
Eligible capital			
Tier I Capital	**40,786**	40,572	39,428
Tier II Capital	**6,720**	4,513	4,407
Total Tier I and II Capital	**47,506**	45,085	43,835
Tier I Capital Adequacy Ratio %	15.3%	16.3%	16.5%
Total Capital Adequacy Ratio %	17.8%	18.1%	18.4%

20 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The oil prices have shown some recovery in late second quarter of 2020 as oil producing countries cut back production coupled with increasing of demand as countries emerged from lockdowns.

The Bank continues to evaluate the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. The credit reviews take into consideration the impacts of government and SAMA support relief programmes.

The prevailing economic conditions post lock down, require the Bank to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting/ updating macroeconomic factors used by the Bank in estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Bank in ECL estimation. During the first quarter of 2020, the Bank made certain adjustments to the macroeconomic factors and scenario weightings. During second quarter of 2020, as more reliable data became available, the management has further made adjustments to the macroeconomic factors used by the Bank in the estimation of expected credit losses.

The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of SAR 446 million for the Bank for six month period ended 30 June 2020.

The Bank's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis. It continues to be challenging to reliably ascertain the specific effects the pandemic and the government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Bank has therefore concluded that it is too early for any potential credit impairment to be reflected through the application of the staging criteria and has instead put more emphasis on the macroeconomic model underpinning the PD and LGD determinations.The Bank will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Bank is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues . The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognising a day 1 modification loss of SAR 305 million during 31 March 2020.

20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

To give effect to the guidance issued by SAMA during April 2020, the Bank has also deferred MSME customers classified as Stage 2 and some additional Stage 1 customers which have met the definition of MSME during second quarter of 2020 for the same period i.e. 14 March 2020 to 14 September 2020. This has resulted in additional net modification loss amounting to SAR 31 million which has been recognised during the second quarter of 2020. The modification losses have been presented as part of net financing income. The Bank continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk. During the six months period ended 30 June 2020, SAR 157 million has been recognised in the statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank received SAR 3.4 billion of profit free deposit from SAMA on 1 April, 2020, for a period of three years. Management had determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total day 1 fair valuation gain of SAR 320 million, of which SAR 305 million has been recognised in the statement of income for the three month period ended 31 March 2020 immediately and SAR 15 million recognised during three month period ended 30 June 2020. The management has exercised certain judgements in the recognition and measurement of this grant income. During the six months period ended 30 June 2020, SAR 25.4 million has been charged to the statement of income relating to unwinding of the day 1 income.

During second quarter of 2020, the Bank has received additional profit free deposit from SAMA amounting to SAR 4.6 billion for a period of three years. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total day 1 fair valuation gain of SAR 364 million, of which SAR 16 million has been recognised on Day 1 in the statement of income as at June 30, 2020 immediately and the remaining amount deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the six months period ended 30 June 2020, SAR 0.6 million, net, has been charged to the statement of income relating to unwinding of the day 1 income for deposits received in second quarter of 2020.

Subsequently, the Bank also received SAR 4.9 billion of profit free deposit from SAMA for the period of three years under the same program which has been appropriately recorded after the reporting period.

In line with its monetary and financial stability mandate, SAMA injected an amount of 50 billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received SAR 6.3 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 97 million, which has been deferred to be accounted for on a systematic basis.

Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months from April 1, 2020 till June 30, 2020.

21. COMPARATIVE FIGURES

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