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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements as endorsed by the Saudi Organisation for Certified Public Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

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

Key Audit Matters

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

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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
Expected credit loss allowance against loans and advances As at 31 December 2020, the gross loans and advances of the Group were SAR 195.9 billion against which an expected credit loss ("ECL") allowance of SAR 4.5 billion was maintained. We considered ECL allowance against loans and advances as a key audit matter, as the determination of ECL involves significant management judgement and has a material impact on the consolidated financial statements of the Group. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL. The key areas of judgement include: 1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the various government support programs that resulted in deferrals to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") include but are not limited to an assessment of the financial condition of the counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages. 3. The need to apply management overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model.	▪ We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology including any key adjustments made in light of the COVID-19 pandemic. ▪ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. ▪ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over: • the ECL model including governance over the model and its validation including approval of key assumptions and management overlays, if any; • the classification of borrowers into various stages and timely identification of SICR and the determination of default / individually impaired exposures; • the IT systems and applications underpinning the ECL model; and • the integrity of data inputs into the ECL model. ▪ For a sample of customers, we assessed: • the internal ratings determined by management based on the Group's internal rating model and considered them in light of external market conditions and available industry information. In particular, we considered the impact of the COVID-19 pandemic and also assessed that these internal ratings were in line with the ratings used as input in the ECL model; • the staging as identified by management; and • management's computations for ECL. ▪ We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio including for customers who were eligible for deferral of installments under government support programs with specific focus on customers operating in sectors most affected by the COVID-19 pandemic.

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
Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2020. *Refer to the summary of significant accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 30.3 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.*	▪ We assessed the governance process implemented and the qualitative factors considered by the Group when applying any management overlays or making any adjustment to the output from the ECL model, due to, data or model limitations or otherwise. ▪ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios due to the COVID-19 pandemic. ▪ We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2020. ▪ Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays. ▪ We assessed the adequacy of disclosures in the consolidated financial statements.

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

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
SAMA support program and related government grant In response to the COVID-19 pandemic, the Saudi Central Bank (SAMA) launched a number of initiatives including the liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). The PSFSP was launched in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). The PSFSP included deferred payments program whereby the Bank deferred the instalment payable by MSMEs during a period from 14 March 2020 to 31 March 2021. In order to compensate the Group with respect to the losses incurred in connection with the above PSFSP, and the liquidity support programme, the Group has received various interest/profit free deposits of varying maturities. The difference between market value of deposits calculated using market rates of deposits of similar size and tenure and the interest/profit free deposits has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: *Government Grants* ("IAS 20"). As of 31 December 2020, the Bank has received SR 26.2 billion under the various SAMA support programs. We considered the accounting treatment of the SAMA support programme and government grant as a key audit matter because: 1. These represent significant events and material transactions that occurred during the period and thereby required significant auditors' attention; and 2. the recognition and measurement of the government grant involved significant management judgement including but not limited to: • determining the appropriate discount rate to be used to calculate the grant income on the deposit; and • identifying the objective of each individual deposit to determine the timing of recognition of the grant.	We obtained an understanding of the various programs and initiatives taken by SAMA and assessed the objectives of the various deposits received by the Group in order to assess whether the IAS 20 criteria were met for government grant recognition. We obtained the details of the deposit amounts received during the year by the Group. We assessed the reasonableness of the relevant discount rate used for the computation of government grant. We tested the accuracy of the government grant computation and assessed the basis for the timing of recognition of the government grant being at a point in time or over a period thereby matching the expense/ related costs for which the government grant was intended to compensate. We assessed the disclosures included by management in the consolidated financial statements in relation to government grant as required by IAS 20.

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Independent Auditors' Report
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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
Refer to the significant accounting policy note 3 (g) to the consolidated financial statements relating to government grant accounting, note 2 (d) (vi) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to government grant recognition and note 38 which contains the disclosure of SAMA support programs and details of the government grant received over the year from SAMA.	

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

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

Key Audit Matters (continued)

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

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

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

Other Information included in the Bank's 2020 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. The other information consists of the information included in the Bank's 2020 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.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as endorsed in KSA, the applicable requirements of the 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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.

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

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

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations 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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12 Rajab 1442H
(24 February 2021)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No 323/11/25/1
C.R. 4030289002

RIYAD BANK ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 and 2019

	Note	2020 SAR'000	2019 SAR'000
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	**41,954,124**	29,189,487
Due from banks and other financial institutions	5	**13,624,476**	4,734,888
Positive fair value of derivatives	6	**1,558,957**	608,847
- Investment at FVIS	7 a)	**1,101,133**	1,038,918
- Investment at amortised cost, net	7 a)	**33,290,075**	32,141,544
- Investments at FVOCI, net	7 a)	**22,058,598**	20,180,953
Investments, net	7	**56,449,806**	53,361,415
Loans and advances, net	8	**191,346,635**	173,981,999
Investment in associates	9	**699,151**	702,882
Other real estate		**324,054**	233,057
Property, equipment and right of use assets, net	10	**2,427,811**	2,201,925
Other assets	11	**1,702,893**	774,378
Total assets		**310,087,907**	265,788,878
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	**41,788,903**	13,124,480
Negative fair value of derivatives	6	**1,640,934**	649,226
Customer deposits	13	**203,039,336**	194,517,899
Debt securities in issue	14	**5,684,008**	4,003,029
Other liabilities	15	**13,579,628**	12,922,782
Total liabilities		**265,732,809**	225,217,416
Shareholders' equity			
Share capital	16	**30,000,000**	30,000,000
Statutory reserve	17	**7,680,879**	6,502,130
Other reserves		**1,745,649**	1,027,108
Retained earnings		**4,928,570**	1,392,224
Proposed dividends	26	**-**	1,650,000
Total shareholders' equity		**44,355,098**	40,571,462
Total liabilities and shareholders' equity		**310,087,907**	265,788,878

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 2020 and 2019

	Note	2020 SAR'000	2019 SAR'000
Special commission income	20	**9,813,394**	10,371,426
Special commission expense	20	**1,599,789**	2,534,411
Net special commission income		**8,213,605**	7,837,015
Fee and commission income	21	**2,710,220**	2,880,929
Fee and commission expense	21	**836,665**	850,184
Fee and commission income, net		**1,873,555**	2,030,745
Exchange income, net		**412,614**	342,658
Trading income, net		**218,297**	132,806
Dividend income		**102,518**	102,866
Gains on disposal of non-trading investments, net	22	**305,068**	255,486
Other operating income	23	**79,464**	15,487
Total operating income, net		**11,205,121**	10,717,063
Salaries and employee-related expenses	24	**1,939,428**	1,879,017
Rent and premises-related expenses		**177,716**	200,189
Depreciation of property, equipment and right of use assets	10	**488,344**	438,976
Other general and administrative expenses		**974,969**	1,035,685
Other operating expenses		**54,100**	120,207
Total operating expenses before impairment charge		**3,634,557**	3,674,074
Impairment charge for credit losses and other financial assets, net	8 f)	**2,061,743**	1,012,284
Impairment charge (reversal) for investments, net		**44,192**	(48,028)
Total operating expenses, net		**5,740,492**	4,638,330
Net operating income		**5,464,629**	6,078,733
Share in earnings of associates, net		**19,368**	153,333
Income for the year before zakat		**5,483,997**	6,232,066
Zakat for the year	26	**769,000**	630,000
Net income for the year		**4,714,997**	5,602,066
Basic and diluted earnings per share (in SAR)	25	**1.57**	1.87

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

	2020	2019
	SAR'000	SAR'000
Net income for the year	**4,714,997**	5,602,066
Other comprehensive income (OCI):		
a) Items that will be reclassified to consolidated statement of income in subsequent periods		
- Fair value through other comprehensive income (FVOCI- debt instruments)		
- Net change in fair value (note 18)	**656,713**	1,105,992
- Net amounts transferred to consolidated statement of income (note 18)	**(131,379)**	(235,604)
- Net changes in allowance for expected credit losses (ECL) of debt instruments (note 18)	**42,541**	(17,276)
- Net change in fair value of cash flow hedge	**3,401**	-
b) Items that will not be reclassified to consolidated statement of income in subsequent periods		
- Actuarial losses on defined benefit plans (note 27 b)	**(60,134)**	(149,515)
- Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI- equity instruments) (note 18)	**207,497**	251,583
Other comprehensive income for the year	**718,639**	955,180
Total comprehensive income for the year	**5,433,636**	6,557,246

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2020 and 2019

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
December 31, 2020						
Balance at the beginning of the year	**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	**-**	**-**	**207,497**	**-**	**-**	**207,497**
- FVOCI -debt instruments	**-**	**-**	**656,713**	**-**	**-**	**656,713**
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	**-**	**-**	**(131,379)**	**-**	**-**	**(131,379)**
Net changes in allowance for expected credit losses on FVOCI -debt instruments	**-**	**-**	**42,541**	**-**	**-**	**42,541**
Actuarial losses (Note 27 (b))	**-**	**-**	**(60,134)**	**-**	**-**	**(60,134)**
Net change in fair value of cash flow hedge	**-**	**-**	**3,401**	**-**	**-**	**3,401**
Net income for the year	**-**	**-**	**-**	**4,714,997**	**-**	**4,714,997**
Total comprehensive income	**-**	**-**	**718,639**	**4,714,997**	**-**	**5,433,636**
Disposal of FVOCI-equity instruments (note 7 b))	**-**	**-**	**(98)**	**98**	**-**	**-**
Final dividends - 2019 (note 26)	**-**	**-**	**-**	**-**	**(1,650,000)**	**(1,650,000)**
Transfer to statutory reserve (note 17)	**-**	**1,178,749**	**-**	**(1,178,749)**	**-**	**-**
Balance at the end of the year	**30,000,000**	**7,680,879**	**1,745,649**	**4,928,570**	**-**	**44,355,098**
December 31, 2019						
Balance at the beginning of the year	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216
Total comprehensive income						
Net changes in fair values of						
- FVOCI -equity instruments	-	-	251,583	-	-	251,583
- FVOCI -debt instruments	-	-	1,105,992	-	-	1,105,992
Net amount reclassified to the consolidated statement of income for FVOCI -debt instruments	-	-	(235,604)	-	-	(235,604)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	(17,276)	-	-	(17,276)
Actuarial losses (Note 27 (b))	-	-	(149,515)	-	-	(149,515)
Net income for the year	-	-	-	5,602,066	-	5,602,066
Total comprehensive income	-	-	955,180	5,602,066	-	6,557,246
Disposal of FVOCI-equity instruments (note 7 b))	-	-	13,881	(13,881)	-	-
Final dividends - 2018	-	-	-	-	(1,200,000)	(1,200,000)
Interim dividend - 2019 (note 26)	-	-	-	(1,560,000)	-	(1,560,000)
Transfer to statutory reserve (note 17)	-	1,400,517	-	(1,400,517)	-	-
Final proposed dividend - 2019 (note 26)	-	-	-	(1,650,000)	1,650,000	-
Balance at the end of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	Note	2020 SAR'000	2019 SAR'000
OPERATING ACTIVITIES			
Income for the year before zakat		**5,483,997**	6,232,066
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium on non-FVIS instruments, net		**(89,884)**	(112,349)
Gains on non-trading investments, net	22	**(305,068)**	(255,486)
Gains (loss) on trading investments, net		**(30,251)**	(21,569)
Dividend income		**(102,518)**	(102,866)
Depreciation of property, equipment and right of use assets	10	**488,344**	438,976
Share in earnings of associates, net		**(19,368)**	(153,333)
Impairment charge (reversal) for investments, net		**44,192**	(48,028)
Impairment charge for credit losses and other financial assets, net	8 f)	**2,061,743**	1,012,284
		7,531,187	6,989,695
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**(782,994)**	(1,038,289)
Due from banks and other financial institutions maturing after three months from date of acquisition		**616,000**	494,645
Positive fair value of derivatives		**(950,110)**	(322,222)
Fair value through income statement (FVIS)		**(43,706)**	(619,607)
Loans and advances, net		**(19,351,710)**	(23,927,290)
Other real estate		**(90,997)**	(5,652)
Other assets		**(908,685)**	(102,298)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**28,664,423**	4,543,966
Negative fair value of derivatives		**991,708**	374,956
Customer deposits		**8,521,437**	24,695,743
Other liabilities		**624,921**	2,008,446
		24,821,474	13,092,093
Zakat paid		**(1,117,728)**	(905,404)
Net cash from operating activities		**23,703,746**	12,186,689
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**59,737,569**	61,539,244
Purchase of investments not held as FVIS instruments		**(61,496,377)**	(64,609,430)
Purchase of property and equipment, net		**(478,927)**	(333,802)
Net cash used in investing activities		**(2,237,735)**	(3,403,988)
FINANCING ACTIVITIES			
Debt securities in issue, net	14	**1,680,979**	(755)
Dividend paid		**(1,654,811)**	(2,757,618)
Net cash from (used in) financing activities		**26,168**	(2,758,373)
Net increase in cash and cash equivalents		**21,492,179**	6,024,328
Cash and cash equivalents at beginning of the year		**23,473,417**	17,449,089
Cash and cash equivalents at end of the year	28	**44,965,596**	23,473,417
Special commission received during the year		**9,513,410**	10,372,322
Special commission paid during the year		**1,714,624**	2,433,950
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		**736,232**	1,121,971
ROU assets		**842,940**	607,637
ROU lease liabilities		**543,855**	401,563

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 341 (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 number of the Group's employees stood at 6,147 as at December 31, 2020 (2019: 5,955). The Bank's Head Office is located at the following address:

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

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared ;

- in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and
- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

2. BASIS OF PREPARATION (continued)

b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments. In addition, financial assets and liabilities that are carried at cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc.

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

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Group has made various accounting estimates in these consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements. Revisions to accounting estimates are recognised 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.

2. BASIS OF PREPARATION (continued)

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

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Expected credit losses (ECL) on financial assets

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

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

-The Group's internal credit grading model, which assignsProbabilities of default (PDs) to the individual grades

-The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment

-The segmentation of financial assets when their ECL is assessed on a collective basis

-Development of ECL models, including the various formulae and the choice of inputs

-Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

-Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models (note 30.3 (b) (v)).

ii) Fair value measurement

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

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

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

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

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. BASIS OF PREPARATION (continued)

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

iii) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

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

iv) Defined benefit scheme

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

v) Fee income

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

vi) Government Grant

The management has exercised certain judgements in the recognition and measurement of the grant income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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, 2019 except for the changes explained below.

Based on the amendments to standards and interpretations explained below, the accounting policies are applicable effective 1 January 2020 replacing / amending or adding to the corresponding accounting policies set out in 2019 annual consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendment to standards adopted by the Group

Below amendments to accounting standards became applicable for annual reporting periods commencing on or after January 1, 2020. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to References to the Conceptual Framework in IFRS Standards.

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

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 January 01, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Phase 2

The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after January 01, 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Bank will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programs to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Group needs to ensure it has appropriate accounting policies and governance in place. For the additional disclosures, the Group will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

Management is running a project on the Group'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.

The table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

December 31, 2020 SAR Mn	Non derivative financial assets - carrying value	Non-derivative financial liabilities carrying value	Derivatives Nominal amount
SIBOR - SAR	42,069	-	21,203
LIBOR- USD	9,258	-	25,389
LIBOR- GBP	8	-	-

3.2 Accounting Policies

a) Classification of financial assets

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

i) Financial Asset at amortised cost (AC)

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

ii) Financial Asset at FVOCI

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

iii) Financial Asset at FVIS

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Classification of financial assets (continued)

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Designation at Fair value through income statement(FVIS)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Classification of financial liabilities

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

c) Derecognition

i) Financial assets

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

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

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

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

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

ii) **Financial liabilities**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Modifications of financial assets and financial liabilities

i) **Financial assets**

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

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

ii) **Financial liabilities**

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

e) Impairment

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

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: loss allowance is not recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in profit and loss and changes between the amortised cost of the assets and their fair value are recognised in OCI.

Write-off

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial guarantees and loan commitments

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

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

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

g) 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 consolidated 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.

h) Revenue / expenses recognition

Special commission income and expenses

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue / expenses recognition (continued)

Measurement of amortized cost and special commission income

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

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

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

Fee and commission income

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

Others

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

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

i) Customer Loyalty Program

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year 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 the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

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

Investment funds

The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Investment in associates

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

l) Derivative financial instruments and hedge accounting

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

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

i) Derivatives held for trading

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

ii) Hedge accounting

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Derivative financial instruments and hedge accounting (continued)

(ii) Hedge accounting (continued)

(a) Fair value hedges

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

(b) Cash flow hedges

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign currencies

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

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

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

n) Offsetting financial instruments

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

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

o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Other real estate

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

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

q) Property and equipment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Guarantee contracts

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

s) Provisions

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

t) Accounting for leases - Right of Use Asset / Lease Liabilities

On initial recognition, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right of Use Assets

Bank apply cost model, and measure right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, Bank measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

u) Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) End of service benefits

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

w) Zakat

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

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

x) Investment management services

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

y) Non-conventional banking products

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

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

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

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

z) Short term employee benefits

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

aa) Settlement date accounting

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

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA)

	2020	2019
	SAR'000	SAR'000
Cash in hand	5,136,666	4,916,642
Statutory deposit	10,409,694	9,626,700
Reverse repos with SAMA	26,323,268	14,628,798
Other balances	84,496	17,347
Total	**41,954,124**	29,189,487

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

The allowance for expected credit losses (ECLs), in respect of the above, was marginal as on December 31, 2020 (December 31, 2019: SAR 0.202 million). The ECL allowance relate to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020	2019
	SAR'000	SAR'000
Current accounts	6,250,160	958,966
Money market placements	7,374,316	3,775,922
Total	**13,624,476**	4,734,888

Money market placements include margin deposits amounting to SAR 2,326 million (2019: SAR 809 million).

The allowance for expected credit losses (ECLs) in respect of the above, amounted to SAR 5.2 million as on December 31, 2020 (December 31, 2019: SAR 0.54 million). The ECL allowance relates to stage 1 exposures.

6. DERIVATIVES

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

a) Swaps

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

b) Forwards and futures

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

c) Options

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

Held for trading purposes

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

Held for hedging purposes

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

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

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc..

6. DERIVATIVES (continued)

Held for hedging purposes (continued)

Fair value hedges

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

Cash flow hedges

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

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

2020 SAR'000	**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:								
Special commission rate swaps	**1,436,648**	**(1,210,717)**	**46,191,559**	**5,085,964**	**10,848,551**	**23,274,519**	**6,982,525**	**42,700,791**
Forward foreign exchange contracts	**118,908**	**(78,021)**	**24,759,998**	**17,863,337**	**4,687,415**	**2,209,246**	**-**	**26,879,235**
Held as fair value hedges:								
Special commission rate swaps	**-**	**(352,196)**	**3,253,728**	**189,196**	**578,098**	**2,105,159**	**381,275**	**3,253,728**
Held as cash flow hedges:								
Special commission rate swaps	**3,401**	**-**	**925,000**	**40,317**	**123,192**	**654,036**	**107,455**	**925,000**
Total	**1,558,957**	**(1,640,934)**	**75,130,285**	**23,178,814**	**16,237,256**	**28,242,960**	**7,471,255**	**73,758,754**

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

Derivatives include non-conventional banking products of SAR 7.24 billion as at December 31, 2020 (December 31, 2019: SAR 3.68 billion)

6. DERIVATIVES (continued)

Cash flow hedges

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses 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 Group is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. Below is the schedule indicating as at December 31, 2020, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2020 SAR 000s	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
Cash inflows (assets)	8,048	16,095	16,095	5,299
Total	8,048	16,095	16,095	5,299

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2020 and 2019.

2020 **SAR '000** **Description of hedged items**	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Fixed special commission rate investments and loans	**3,792,738**	**3,440,775**	**Fair value**	**Special commission rate swaps**	**-**	**(352,196)**
Floating rate notes	**925,000**	**925,000**	**Cash flow**	**Special commission rate swaps**	**3,401**	**-**

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

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed with financial counterparties. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the financial counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

a) Investment securities are classified as follows:

		2020 SAR'000	2019 SAR'000
i)	Investment at FVIS	**1,101,133**	1,038,918
ii)	Investment at amortised cost	**33,306,148**	32,154,904
	Less: Allowance for credit losses / ECL	**(16,073)**	(13,360)
	Investment at amortised cost, net	**33,290,075**	32,141,544
iii)	Investments at FVOCI – Debt instruments	**18,539,730**	17,131,969
	Investments at FVOCI – Equity investments	**3,518,868**	3,048,984
	Investments at FVOCI, net	**22,058,598**	20,180,953
	Total Investments, net	**56,449,806**	53,361,415

b) Equity investment securities designated as at FVOCI

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

	Fair value as at December 31, 2020 SAR'000	Fair value as at December 31, 2019 SAR'000	Dividend income recognised during 2020 SAR'000	Dividend income recognised during 2019 SAR'000
Saudi (Tadawul listed) equities	**2,478,120**	2,140,816	**96,385**	93,080
Other Saudi equities	**368,183**	371,948	**700**	-
Foreign equities	**672,565**	536,220	**122**	2,616
Total	**3,518,868**	3,048,984	**97,207**	95,696

During 2020, the Group sold shares in its Saudi (Tadawul listed) equities having a fair value of SAR 0.06 million (SAR 324 million during 2019) and the gain amounting to SAR 0.098 million (2019: loss of SAR 13.881 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio to enhance value.

7. INVESTMENTS, NET (continued)

c) Investments by type of securities

i) Investment at FVIS

SAR'000	Domestic		International		Total	
	2020	2019	**2020**	2019	**2020**	2019
Others	**1,101,133**	**1,038,918**	**-**	-	**1,101,133**	1,038,918
Total	**1,101,133**	1,038,918	**-**	-	**1,101,133**	1,038,918

ii) Investment at amortised cost, net

SAR'000	Domestic		International		Total	
	2020	2019	**2020**	2019	**2020**	2019
Fixed rate securities	**24,925,136**	22,648,556	**935,799**	1,332,445	**25,860,935**	23,981,001
Floating rate securities	**7,178,921**	**7,909,080**	**250,219**	251,463	**7,429,140**	8,160,543
Total	**32,104,057**	30,557,636	**1,186,018**	1,583,908	**33,290,075**	32,141,544

iii) Investments at FVOCI, net

SAR'000	Domestic		International		Total	
	2020	2019	**2020**	2019	**2020**	2019
Fixed rate securities	**-**	-	**18,539,730**	16,551,046	**18,539,730**	16,551,046
Floating rate securities	**-**	-	**-**	580,923	**-**	580,923
Equities	**2,846,303**	2,512,764	**672,565**	536,220	**3,518,868**	3,048,984
Total	**2,846,303**	2,512,764	**19,212,295**	17,668,189	**22,058,598**	20,180,953

The impairment allowance on debt instruments at FVOCI amounts to SAR 100.4 million (2019: SAR 57.8 million).

Above investments include sukuks amounting to SAR 16.68 billion (2019: SAR 15.14 billion).

International investments above includes investment portfolios of SAR 2.0 billion (2019: SAR 1.8 billion) which are externally managed.

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

The loss allowance as on December 31, 2020 amounted to SAR 16.1 million (December 31, 2019: SAR 13.4 million) and these relate to stage 1 exposures.

7. INVESTMENTS, NET (continued)

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

i) Investment at FVIS

SAR '000	2020 Quoted	2020 Unquoted*	2020 Total	2019 Quoted	2019 Unquoted*	2019 Total
Others	**1,101,133**	**-**	**1,101,133**	1,038,918	-	1,038,918
Total	**1,101,133**	**-**	**1,101,133**	1,038,918	-	1,038,918

ii) Investment at amortised cost, net

SAR '000	2020 Quoted	2020 Unquoted*	2020 Total	2019 Quoted	2019 Unquoted*	2019 Total
Fixed rate securities	**3,739,287**	**22,121,648**	**25,860,935**	2,034,874	21,946,127	23,981,001
Floating rate securities	**1,299,995**	**6,129,145**	**7,429,140**	1,481,296	6,679,247	8,160,543
Total	**5,039,282**	**28,250,793**	**33,290,075**	3,516,170	28,625,374	32,141,544

iii) Investments at FVOCI, net

SAR '000	2020 Quoted	2020 Unquoted*	2020 Total	2019 Quoted	2019 Unquoted*	2019 Total
Fixed rate securities	**18,360,964**	**178,766**	**18,539,730**	16,379,570	171,476	16,551,046
Floating rate securities	**-**	**-**	**-**	580,923	-	580,923
Equities	**3,064,161**	**454,707**	**3,518,868**	2,656,261	392,723	3,048,984
Total	**21,425,125**	**633,473**	**22,058,598**	19,616,754	564,199	20,180,953

*Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 26.7 billion (2019: SAR 24.6 billion)

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

	2020 SAR '000	2019 SAR '000
Government and quasi Government	**31,277,846**	29,325,148
Corporate	**15,604,427**	14,845,500
Banks and other financial institutions	**9,567,533**	9,190,767
Total	**56,449,806**	53,361,415

Investments include SAR 13,125 million (2019: SAR 11,664 million), which have been pledged under repurchase agreements with customers (note 19 d)). The market value of such investments is SAR 14,195 million (2019: SAR 12,116 million).

8. LOANS AND ADVANCES, NET

a) These comprise the following:

2020 **SAR'000**	**Overdrafts**	**Credit cards**	**Consumer loans***	**Commercial loans**	**Others**	**Total**
Performing loans and advances	**6,432,126**	**679,634**	**63,426,847**	**121,300,756**	**389,349**	**192,228,712**
Non-performing loans and advances	**327,012**	**30,482**	**1,105,749**	**2,186,669**	**2,024**	**3,651,936**
Total loans and advances	**6,759,138**	**710,116**	**64,532,596**	**123,487,425**	**391,373**	**195,880,648**
Allowance for impairment/ ECL	**(217,061)**	**(29,830)**	**(998,568)**	**(3,287,425)**	**(1,129)**	**(4,534,013)**
Total	**6,542,077**	**680,286**	**63,534,028**	**120,200,000**	**390,244**	**191,346,635**

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

Loans and advances, net, include non-conventional banking products of SAR 122.9 billion (2019: SAR 105.9 billion). As at December 2020, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 85.2 billion (2019: SAR 72.1 billion), Ijarah amounting to SAR 21.1 billion (2019: SAR 21.4 billion) and Murabaha amounting to SAR 19.4 billion (2019: SAR 13.6 billion) and the expected credit loss allowance on the portfolio was SAR 3.1 billion (2019: SAR 1.6 billion). During 2020, the special commission income on the portfolio amounted to SAR 5.3 billion (2019: SAR 5.4 billion).

* Includes consumer mortgage loans

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

ECL on total loans and advances (SAR'000)

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2020	**449,757**	**509,208**	**1,796,901**	**2,755,866**
Transfer to 12-month ECL	**122,508**	**(38,824)**	**(83,684)**	**-**
Transfer to lifetime ECL - not credit impaired	**(14,478)**	**74,053**	**(59,575)**	**-**
Transfer to lifetime ECL - credit impaired	**(6,530)**	**(287,976)**	**294,506**	**-**
Net re-measurement of loss allowance**	**475,124**	**688,991**	**614,032**	**1,778,147**
Balance as at December 31, 2020	**1,026,381**	**945,452**	**2,562,180**	**4,534,013**

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

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

8. LOANS AND ADVANCES, NET (continued)

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

ECL on credit cards (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	**8,282**	**3,511**	**26,178**	**37,971**
Transfer to 12-month ECL	**5,969**	**(478)**	**(5,491)**	**-**
Transfer to lifetime ECL - not credit Impaired	**(408)**	**4,604**	**(4,196)**	**-**
Transfer to lifetime ECL - credit Impaired	**(316)**	**(1,745)**	**2,061**	**-**
Net re-measurement of loss allowance including charge-offs	**(7,769)**	**(3,297)**	**2,925**	**(8,141)**
Balance as at December 31, 2020	**5,758**	**2,595**	**21,477**	**29,830**

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

ECL on consumer loans*(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	**217,994**	**93,334**	**626,196**	**937,524**
Transfer to 12-month ECL	**111,770**	**(35,663)**	**(76,107)**	**-**
Transfer to lifetime ECL - not credit Impaired	**(2,897)**	**57,507**	**(54,610)**	**-**
Transfer to lifetime ECL - credit Impaired	**(2,338)**	**(19,237)**	**21,575**	**-**
Net re-measurement of loss allowance including charge-offs	**(10,695)**	**(22,957)**	**94,696**	**61,044**
Balance as at December 31, 2020	**313,834**	**72,984**	**611,750**	**998,568**

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

* Includes consumer mortgage loans

8. LOANS AND ADVANCES, NET (continued)

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

ECL on Commercial loans (SAR'000)**

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	**223,481**	**412,363**	**1,144,527**	**1,780,371**
Transfer to 12-month ECL	**4,769**	**(2,683)**	**(2,086)**	**-**
Transfer to lifetime ECL - not credit Impaired	**(11,173)**	**11,942**	**(769)**	**-**
Transfer to lifetime ECL - credit Impaired	**(3,876)**	**(266,994)**	**270,870**	**-**
Net re-measurement of loss allowance	**493,588**	**715,245**	**1,057,960**	**2,266,793**
Write-offs	**-**	**-**	**(541,549)**	**(541,549)**
Balance as at December 31, 2020	**706,789**	**869,873**	**1,928,953**	**3,505,615**

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

** Includes overdrafts and others

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances

Total loans and advances (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2020	**168,470,276**	**4,978,882**	**3,288,707**	**176,737,865**
Transfer to 12-month ECL	**1,411,286**	**(1,221,777)**	**(189,509)**	**-**
Transfer to lifetime ECL - not credit impaired	**(6,520,500)**	**6,648,942**	**(128,442)**	**-**
Transfer to lifetime ECL - credit impaired	**(874,609)**	**(1,034,156)**	**1,908,765**	**-**
Net other movements*	**14,106,592**	**5,544,264**	**33,476**	**19,684,332**
Write-off	**-**	**-**	**(541,549)**	**(541,549)**
Balance as at 31 December, 2020	**176,593,045**	**14,916,155**	**4,371,448**	**195,880,648**

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2019	141,627,696	8,719,746	3,035,917	153,383,359
Transfer to 12-month ECL	2,833,972	(2,634,098)	(199,874)	-
Transfer to lifetime ECL - not credit impaired	(952,420)	1,059,622	(107,202)	-
Transfer to lifetime ECL - credit impaired	(677,679)	(672,433)	1,350,112	-
Net other movements*	25,638,707	(1,493,955)	(13,730)	24,131,022
Write-off	-	-	(776,516)	(776,516)
Balance as at 31 December, 2019	168,470,276	4,978,882	3,288,707	176,737,865

Credit cards (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2020	**714,841**	**51,215**	**32,428**	**798,484**
Transfer to 12-month ECL	**23,086**	**(17,444)**	**(5,642)**	**-**
Transfer to lifetime ECL - not credit impaired	**(38,517)**	**44,062**	**(5,545)**	**-**
Transfer to lifetime ECL - credit impaired	**(27,447)**	**(18,658)**	**46,105**	**-**
Net other movements*	**(45,848)**	**(5,656)**	**(36,864)**	**(88,368)**
Balance as at 31 December, 2020	**626,115**	**53,519**	**30,482**	**710,116**

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2019	684,864	59,606	30,933	775,403
Transfer to 12-month ECL	21,799	(17,728)	(4,071)	-
Transfer to lifetime ECL - not credit impaired	(34,304)	38,056	(3,752)	-
Transfer to lifetime ECL - credit impaired	(26,484)	(21,663)	48,147	-
Net other movements*	68,966	(7,056)	(38,829)	23,081
Balance as at 31 December, 2019	714,841	51,215	32,428	798,484

*Includes New loans generated, Loans repaid, charge offs and other re-measurements.

8. LOANS AND ADVANCES, NET (continued)

c) An analysis of changes in gross carrying amount of loans and advances (continued)

Consumer loans* (SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2020	**53,660,065**	**1,546,415**	**1,123,025**	**56,329,505**
Transfer to 12-month ECL	**868,199**	**(688,891)**	**(179,308)**	**-**
Transfer to lifetime ECL - not credit impaired	**(881,820)**	**1,002,387**	**(120,567)**	**-**
Transfer to lifetime ECL - credit impaired	**(373,975)**	**(216,452)**	**590,427**	**-**
Net other movements*	**8,645,371**	**(134,452)**	**(307,828)**	**8,203,091**
Balance as at 31 December, 2020	**61,917,840**	**1,509,007**	**1,105,749**	**64,532,596**

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January, 2019	42,580,593	1,744,224	948,197	45,273,014
Transfer to 12-month ECL	733,672	(633,967)	(99,705)	-
Transfer to lifetime ECL - not credit impaired	(704,743)	807,268	(102,525)	-
Transfer to lifetime ECL - credit impaired	(373,626)	(270,550)	644,176	-
Net other movements***	11,424,169	(100,560)	(267,118)	11,056,491
Balance as at 31 December, 2019	53,660,065	1,546,415	1,123,025	56,329,505

Commercial loans**(SAR'000)

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	**114,095,370**	**3,381,252**	**2,133,254**	**119,609,876**
Transfer to 12-month ECL	**520,001**	**(515,442)**	**(4,559)**	**-**
Transfer to lifetime ECL - not credit Impaired	**(5,600,163)**	**5,602,493**	**(2,330)**	**-**
Transfer to lifetime ECL - credit Impaired	**(473,187)**	**(799,046)**	**1,272,233**	**-**
Net other movements*	**5,507,069**	**5,684,372**	**378,168**	**11,569,609**
Write-off	**-**	**-**	**(541,549)**	**(541,549)**
Balance as at December 31, 2020	**114,049,090**	**13,353,629**	**3,235,217**	**130,637,936**

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2019	98,362,239	6,915,916	2,056,787	107,334,942
Transfer to 12-month ECL	2,078,501	(1,982,403)	(96,098)	-
Transfer to lifetime ECL - not credit Impaired	(213,373)	214,298	(925)	-
Transfer to lifetime ECL - credit Impaired	(277,569)	(380,220)	657,789	-
Net other movements***	14,145,572	(1,386,339)	292,217	13,051,450
Write-off	-	-	(776,516)	(776,516)
Balance as at December 31, 2019	114,095,370	3,381,252	2,133,254	119,609,876

* Includes consumer mortgage loans

** Includes overdrafts and others

*** Includes New loans generated, Loans repaid, charge offs and other re-measurements.

8. LOANS AND ADVANCES, NET (continued)

d) Movement in allowance for impairment of credit losses

	2020 SAR'000	2019 SAR'000
Balance at the beginning of the year	**2,755,866**	2,358,529
Provided during the year, net	**2,319,696**	1,173,853
Bad debts written off against provision	**(541,549)**	(776,516)
Balance at the end of the year	**4,534,013**	2,755,866

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

	2020 SAR'000	2019 SAR'000
Charge for the year, net*	**2,450,765**	1,424,202
Recovery of written off loans and advances, net	**(463,691)**	(454,007)
Allowance for impairment, net	**1,987,074**	970,195

* Includes net charge offs

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

	2020 SAR'000	2019 SAR'000
Impairment charge for credit losses, net	**1,987,074**	970,195
Impairment charge for other financial assets, net	**74,669**	42,089
Total	**2,061,743**	1,012,284

9. INVESTMENT IN ASSOCIATES

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

a) 48.46% (2019: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets.

Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2020 the total assets, liabilities and shareholders' equity amounted to SAR 1,642 million(September 30,2019: SAR 1,658 million), SAR 777 million (September 30,2019: SAR 780 million) and SAR 865 million (September 30,2019: SAR 877 million) respectively.

b) 21.4 % (2019: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain, engaged in insurance and re-insurance business and

c) 30.6% (2019: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

SAR' 000	Land and buildings	Right of Use assets	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs, automation projects and motor vehicles	Total
Cost						
Balance as at January 1, 2019	1,447,918	-	936,919	493,629	2,848,534	5,727,000
* Additions	4,010	687,906	60,734	46,213	218,133	1,016,996
Disposals	-	(80,269)	(1,771)	(5,713)	(1,200)	(88,953)
Balance as at December 31, 2019	**1,451,928**	**607,637**	**995,882**	**534,129**	**3,065,467**	**6,655,043**
Additions	**-**	**353,891**	**74,450**	**35,744**	**331,904**	**795,989**
Disposals	**(16,724)**	**(118,588)**	**(899)**	**(3,280)**	**(102,638)**	**(242,129)**
Balance at December 31, 2020	**1,435,204**	**842,940**	**1,069,433**	**566,593**	**3,294,733**	**7,208,903**
Accumulated depreciation and amortisation						
Balance as at January 1, 2019	554,659	-	832,716	434,407	2,205,756	4,027,538
Charge for the year	21,618	135,942	40,750	22,640	218,026	438,976
Disposals	-	(5,106)	(1,771)	(5,321)	(1,198)	(13,396)
Balance as at December 31, 2019	**576,277**	**130,836**	**871,695**	**451,726**	**2,422,584**	**4,453,118**
Charge for the year	**21,132**	**181,041**	**44,827**	**24,836**	**216,508**	**488,344**
Disposals	**(5,332)**	**(48,459)**	**(899)**	**(3,045)**	**(102,635)**	**(160,370)**
Balance at December 31, 2020	**592,077**	**263,418**	**915,623**	**473,517**	**2,536,457**	**4,781,092**
Net book value						
As at January 1, 2019	893,259	-	104,203	59,222	642,778	1,699,462
As at December 31, 2019	875,651	476,801	124,187	82,403	642,883	2,201,925
As at December 31, 2020	**843,127**	**579,522**	**153,810**	**93,076**	**758,276**	**2,427,811**

* Additions under Right of Use assets in 2019 represent the effect of adoption of IFRS 16 as at January 1, 2019.

Improvements and decoration of premises include work in progress amounting to SAR 13.5 million as at December 31, 2020 (2019: SAR 5.5 million). Disposals include cancel or closed lease contracts.

11. OTHER ASSETS

	2020	2019
	SAR'000	SAR'000
Accounts receivable	427,104	430,429
Others*	1,275,789	343,949
Total	1,702,893	774,378

* Mainly include prepayments and sundry debtors and settlement accounts of SAR 69.6 million (2019: SAR 77.1 million) and items in transit amounting to SAR 1,205.8 million (2019: SAR 263.6 million), which are cleared in the normal course of business.

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020	2019
	SAR'000	SAR'000
Current accounts	969,252	851,791
Money market deposits	40,819,651	12,272,689
Total	41,788,903	13,124,480

Money market deposits include deposits against sales of fixed rate bonds of SAR 12,971 million (2019: SAR 10,891 million) with agreement to repurchase the same at fixed future dates. During the year ended December 31, 2020, the Bank received profit free deposits from SAMA as under various COVID-19 support programs amounting to SAR 26 billion (note 38) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 854 million (2019: SAR 103 million).

13. CUSTOMER DEPOSITS

	2020	2019
	SAR'000	SAR'000
Demand	116,760,934	93,707,806
Saving	1,054,476	669,226
Time	67,075,543	79,971,122
Others	18,148,383	20,169,745
Total	203,039,336	194,517,899

Time deposits include non-conventional banking deposits of SAR 25,992 million (2019: SAR 31,450 million). Demand deposits also include non-conventional call deposits of SAR 1,927 million (2019: Nil). The special commission expense on the non-conventional deposits for 2020 amounted to SAR 300.6 million (2019: SAR 801.3 million). Other customers' deposits include SAR 3,161 million (2019: SAR 3,099 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2020	2019
	SAR'000	SAR'000
Demand	14,237,775	3,829,760
Saving	38,005	13,833
Time	21,368,898	18,996,369
Other	792,892	499,577
Total	36,437,570	23,339,539

14. 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 its 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 and are callable after 5 years, subject to the terms and conditions of the agreement.

The table below sets out movement in debt securities in issue for each of the years presented:

	2020	2019
	SAR'000	SAR'000
Opening balance	**4,003,029**	4,003,783
Cash flow items		
- Issuance of sukuks	**5,627,400**	-
- Repayment of sukuks	**(4,000,000)**	-
Non cash flow items	**53,579**	(754)
Closing balance	**5,684,008**	4,003,029

15. OTHER LIABILITIES

	2020	2019
	SAR'000	SAR'000
Accounts payable	**660,392**	822,483
Others*	**12,919,236**	12,100,299
Total	**13,579,628**	12,922,782

* Mainly include
a) provision for zakat and tax of SAR 2,182 million (2019: SAR 2,531 million)
b) end of service benefits of SAR 1,029 million (2019 : SAR 908 million) based on actuarial calculations (note 27 b))
c) lease liability of SAR 544 million (2019: SAR 402 million)
d) deferred fair value gain on Government grant (note 38) of SAR 717 million (2019: nil)
e) Loss allowance for credit related commitments and contingencies SAR 285 million (2019: SAR 193 million)
f) Write-off reserves of SAR 577 million (2019: SAR 603 million)
and insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2019: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank.

Accordingly, SAR 1,179 million has been transferred from 2020 net income (2019: SAR 1,401 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES*

2020 **(SAR 000s)**	**FVOCI debt**	**FVOCI equity**	**Total**
Balance at beginning of the year	**419,013**	**756,029**	**1,175,042**
Net change in fair value of FVOCI investments	**656,713**	**207,497**	**864,210**
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	**(131,379)**	**-**	**(131,379)**
Net ECL movement during the year	**42,541**	**-**	**42,541**
Net disposals during the year	**-**	**(98)**	**(98)**
Balance at end of the year	**986,888**	**963,428**	**1,950,316**

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

** Does not include fair value changes on cash flow hedge and actuarial loss on defined benefit plan of SAR 204.667 million (2019: actuarial loss of SAR 147.9 million).*

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2020, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2020 the Group had capital commitments of SAR 317.6 million (2019: SAR 246.4 million). This includes computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

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

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

19. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

2020 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**6,057,428**	**2,919,800**	**96,089**	**-**	**9,073,317**
Letters of guarantee *	**13,184,559**	**28,538,617**	**19,156,195**	**1,642,957**	**62,522,328**
Acceptances	**2,039,976**	**454,981**	**2,545**	**-**	**2,497,502**
Irrevocable commitments to extend credit	**446,174**	**2,512,482**	**6,271,726**	**3,204,807**	**12,435,189**
Total	**21,728,137**	**34,425,880**	**25,526,555**	**4,847,764**	**86,528,336**

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	4,470,577	4,029,551	697,691	-	9,197,819
Letters of guarantee *	15,091,608	27,307,525	18,386,565	761,240	61,546,938
Acceptances	1,579,171	810,418	26,736	285	2,416,610
Irrevocable commitments to extend credit	2,291,067	1,733,792	5,739,262	2,572,421	12,336,542
Total	23,432,423	33,881,286	24,850,254	3,333,946	85,497,909

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

The outstanding unused portion of non-firm commitments as at December 31, 2020 which can be revoked unilaterally at any time by the Group, amounts to SAR 96,300 million (2019: SAR 92,891 million).

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

SAR'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2020	**49,500**	**14,359**	**128,926**	**192,785**
Transfer to 12-month ECL	**3,441**	**(3,365)**	**(76)**	**-**
Transfer to lifetime ECL - not Credit Impaired	**(9,925)**	**11,425**	**(1,500)**	**-**
Transfer to lifetime ECL - Credit Impaired	**(79)**	**(5,733)**	**5,812**	**-**
Net re-measurement of loss allowance	**4,409**	**22,488**	**70,903**	**97,800**
Transfer to write-off reserves	**-**	**-**	**(5,201)**	**(5,201)**
Balance as at December 31, 2020	**47,346**	**39,174**	**198,864**	**285,384**

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

As at December 31, 2020, the balance in the write-off reserves amounted to SAR 577 million (December 31, 2019: SAR 603 million).

19. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

	2020	2019
	SAR'000	SAR'000
Corporate	**69,692,945**	66,605,044
Banks and other financial institutions	**16,835,391**	18,892,865
Total	**86,528,336**	85,497,909

d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2020		2019	
	Assets	**Related liabilities**	Assets	Related liabilities
	SAR'000	**SAR'000**	SAR'000	SAR'000
Investments held at amortised cost and FVOCI (note 7 f) and 12)	**13,125,224**	**12,970,864**	11,664,135	10,891,186

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

20. SPECIAL COMMISSION INCOME AND EXPENSE

		2020	2019
		SAR'000	SAR'000
Special commission income on:			
Investments	- FVOCI	695,722	624,587
	- Amortised cost	872,900	999,496
		1,568,622	1,624,083
Due from banks and other financial institutions		140,569	256,777
Loans and advances (note 8 a))		8,104,203	8,490,566
Total		9,813,394	10,371,426

	2020	2019
	SAR'000	SAR'000
Special commission expense on:		
Due to banks and other financial institutions	289,376	417,087
Customer deposits	1,092,300	1,952,622
Debt securities in issue	218,113	164,702
Total	1,599,789	2,534,411

21. FEE AND COMMISSION INCOME, NET

	2020	2019
	SAR'000	SAR'000
Fee and commission income on:		
- Share brokerage and fund management	642,555	460,426
- Trade finance	593,368	599,826
- Credit facilities and advisory	684,260	901,583
- Card products	621,341	767,946
- Other banking services	168,696	151,148
Total fee and commission income	2,710,220	2,880,929
Fee and commission expense on:		
- Card products	566,634	615,936
- Share brokerage	117,315	50,169
- Other banking services	152,716	184,079
Total fee and commission expense	836,665	850,184
Fee and commission income, net	1,873,555	2,030,745

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

	2020 SAR'000	2019 SAR'000
FVOCI	**299,383**	243,827
Amortised Cost	**5,685**	11,659
Total	**305,068**	255,486

23. OTHER OPERATING INCOME

Other operating income for 2020, includes SAR 66 million, representing waiver of penalty for delay in VAT, gain on disposals of property and equipment amounting to SAR 0.16 million (2019: SAR 0.19 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 3.55 million (2019: SAR 4.43 million).

24. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2020 and 2019, and the forms of such payments.

Categories SAR 000	Number of employees 2020	Number of employees 2019	Fixed compensation 2020	Fixed compensation 2019	Variable compensation 2020	Variable compensation 2019	Total compensation 2020	Total compensation 2019
Senior executives requiring SAMA no objection	**13**	19	**30,344**	29,549	**28,817**	10,112	**59,161**	39,661
Employees engaged in risk taking activities	**376**	344	**118,861**	104,584	**30,566**	31,434	**149,427**	136,018
Employees engaged in control functions	**388**	411	**100,097**	91,715	**20,107**	13,699	**120,204**	105,414
Outsourced employees	**615**	514	**46,181**	36,476	**-**	-	**46,181**	36,476
Other employees	**4,755**	4,667	**857,484**	794,607	**193,273**	93,064	**1,050,757**	887,671
Total	**6,147**	5,955	**1,152,967**	1,056,931	**272,763**	148,309	**1,425,730**	1,205,240

	2020	2019
Variable compensation accrued during the year and other employee related benefits*	**786,461**	822,086
Total salaries and employee-related expenses as per consolidated statement of income	**1,939,428**	1,879,017

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

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

24. SALARIES AND EMPLOYEE-RELATED EXPENSES (continued)

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

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

25. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are calculated by dividing the net income for the year by 3,000 million shares.

26. DIVIDENDS AND ZAKAT

Interim dividends for 2019 amounted to SAR 1,560 million and final dividends of SAR 1,650 million have been proposed for 2019. On 25 March 2020, the shareholders in the Ordinary General Assembly meeting approved the distribution of the final dividends for 2019 amounting to SAR 1,650 million to shareholders and the distribution date for the dividend was 8 April 2020.

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

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

Accordingly based on the new regulations, the Bank has estimated provision for zakat liability for the year ended 31 December 2020 at SAR 769 million(31 December 2019: SAR 630 million).

Under the SAMA COVID-19 support initiatives, the banks in Kingdom of Saudi Arabia (KSA) have received long term interest free deposits from SAMA (note 38). The nature and purpose of these deposits are defined as monetary policy tool from the Government of KSA to the banks in KSA. However, as per the zakat regulations in KSA, all long-term liabilities are included as a zakatable financing source for the calculation of zakat charge. Considering the purpose of these deposits, the Bank is in an advanced level of discussion with concerned authorities, to exclude these deposits from scope of zakatable financing source so that the Bank should not be liable for any related additional zakat charge. Therefore, the Bank did not consider these deposits in its zakat charge for the year ended 31 December 2020 in the consolidated statement of income as it considers that the payment of this additional zakat to be less than probable. Had these deposits been considered in the zakat base, the zakat charge for the year ended 31 December 2020 would have increased and the net income for the year would have decreased by SAR 268 million.

27. DEFINED BENEFIT PLAN

a) General description

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

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

	2020	2019
	SAR'000	SAR'000
Defined benefit obligation at the beginning of the year	**908,058**	717,103
Current service cost	**85,811**	75,366
Interest cost	**27,184**	35,389
Benefits paid	**(51,813)**	(69,315)
Actuarial loss recognised in other comprehensive income	**60,134**	149,515
Defined benefit obligation at the end of the year	**1,029,374**	908,058

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

c) Charge for the year

	2020	2019
	SAR'000	SAR'000
Current service cost	**85,811**	75,366
Interest on defined benefit obligations	**27,184**	35,389
	112,995	110,755

27. DEFINED BENEFIT PLAN (continued)

d) Re-measurement recognised in Other comprehensive income

	2020	2019
	SAR'000	SAR'000
Gain from change in experience assumptions	33,248	2,536
Actuarial gains due to change in demographic assumptions	-	(16,300)
Loss from change in financial assumptions	26,886	163,279
	60,134	149,515

e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate per annum	2.2%	2.9%
Expected rate of salary increase per annum	4.0%	4.5%
Normal retirement age	60	60

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2020 and 2019 to the discount rate of 2.2% (2019: 2.9%) and salary escalation rate 4.0% (2019: 4.5%)

		Impact on defined benefit obligation increase / (decrease)	
	Change in assumption	Increase in assumption	Decrease in assumption
2020		SAR'000	SAR'000
Discount rate	0.50%	(51,217)	55,541
Expected rate of salary increase	0.50%	54,263	(50,594)
2019		SAR'000	SAR'000
Discount rate	0.50%	(44,512)	48,229
Expected rate of salary increase	0.50%	47,245	(44,076)

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

28. CASH AND CASH EQUIVALENTS

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

	2020	2019
	SAR'000	SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	**31,544,430**	19,562,989
Due from banks and other financial institutions maturing within three months from the date of acquisition	**13,421,166**	3,910,428
Total	**44,965,596**	23,473,417

29. OPERATING SEGMENTS

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

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

Retail banking

Deposits, credit and investment products for 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.

Treasury and investments

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

29. OPERATING SEGMENTS (continued)

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

2020 **SAR'000**	**Retail banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Total assets	**77,494,745**	**2,369,748**	**133,403,533**	**96,819,881**	**310,087,907**
Total liabilities	**92,921,098**	**455,333**	**149,572,763**	**22,783,615**	**265,732,809**
Total operating income, net including	**3,744,544**	**766,802**	**4,301,581**	**2,392,194**	**11,205,121**
- Inter segment income (expenses)	**125,905**	**183,202**	**(397,308)**	**88,201**	**-**
- Net special commission income	**3,564,197**	**190,773**	**3,202,907**	**1,255,728**	**8,213,605**
- Fee and commission income, net	**198,118**	**544,069**	**1,102,173**	**29,195**	**1,873,555**
Total operating expenses, net including	**2,463,384**	**222,909**	**2,873,623**	**180,576**	**5,740,492**
- Depreciation of property and equipment	**378,948**	**25,317**	**71,581**	**12,498**	**488,344**
- Impairment charge for credit losses and other financial assets, net	**32,644**	**-**	**2,024,627**	**4,472**	**2,061,743**
- Impairment charge for investments, net	**-**	**-**	**-**	**44,192**	**44,192**
Share in earnings of associates, net	**-**	**-**	**-**	**19,368**	**19,368**
Income before zakat	**1,281,160**	**543,893**	**1,427,958**	**2,230,986**	**5,483,997**

2019 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Total assets	69,754,328	1,573,917	123,120,036	71,340,597	265,788,878
Total liabilities	83,484,858	427,807	124,794,003	16,510,748	225,217,416
Total operating income, net including	3,719,535	588,570	4,239,006	2,169,952	10,717,063
- Inter segment income (expenses)	615,836	141,159	(770,060)	13,065	-
- Net special commission income	3,315,664	141,802	3,045,118	1,334,431	7,837,015
- Fee and commission income, net	424,008	411,976	1,182,277	12,484	2,030,745
Total operating expenses, net including	2,346,799	218,670	2,002,278	70,583	4,638,330
- Depreciation of property and equipment	343,702	18,341	66,041	10,892	438,976
- Impairment charge for credit losses and other financial assets, net	(86,424)	-	1,103,303	(4,595)	1,012,284
- Impairment charge for investments, net	-	-	-	(48,028)	(48,028)
Share in earnings of associates, net	-	-	-	153,333	153,333
Income before zakat	1,372,736	369,900	2,236,728	2,252,702	6,232,066

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

2020 **SAR'000**	**Retail banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investments**	**Total**
Consolidated statement of financial position assets	**75,307,873**	**1,202,563**	**132,922,705**	**93,684,882**	**303,118,023**
Commitments and contingencies	**-**	**-**	**55,018,201**	**-**	**55,018,201**
Derivatives	**-**	**-**	**-**	**3,194,647**	**3,194,647**

2019 SAR'000	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investments	Total
Consolidated statement of financial position assets	67,750,077	466,936	122,763,558	68,621,459	259,602,030
Commitments and contingencies	-	-	54,875,398	-	54,875,398
Derivatives	-	-	-	2,560,041	2,560,041

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment, other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

30. FINANCIAL RISK MANAGEMENT

30.1 CREDIT RISK

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

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

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 /economic 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.

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in note 30.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in note 7 f). For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 6 and for commitments and contingencies in note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 29.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in note 35.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2020 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	41,954,114	-	10	-	-	-	-	41,954,124
Cash in hand	5,136,656	-	10	-	-	-	-	5,136,666
Balances with SAMA	36,817,458	-	-	-	-	-	-	36,817,458
Due from banks and other financial institutions	3,240,734	937,028	4,489,269	4,851,790	-	41,475	64,180	13,624,476
Current accounts	442,765	88,387	1,050,921	4,563,960	-	39,947	64,180	6,250,160
Money market	2,797,969	848,641	3,438,348	287,830	-	1,528	-	7,374,316
Positive fair value of derivatives	1,294,955	21,266	228,920	13,789	-	-	27	1,558,957
Investments, net	36,051,493	1,609,163	3,813,444	9,738,278	436,307	1,616,555	3,184,566	56,449,806
FVIS	1,101,133			-				1,101,133
FVOCI	2,846,303	1,094,040	3,813,444	9,738,278	436,307	1,616,555	2,513,671	22,058,598
Amortised cost	32,104,057	515,123	-	-	-	-	670,895	33,290,075
Investment in associates	494,175	204,976	-	-	-	-	-	699,151
Loans and advances, net	186,541,097	4,319,187	486,351	-	-	-	-	191,346,635
Overdraft	6,542,077	-	-	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	-	-	680,286
Consumer loans	63,534,028	-	-	-	-	-	-	63,534,028
Commercial loans	115,394,462	4,319,187	486,351	-	-	-	-	120,200,000
Others	390,244	-	-	-	-	-	-	390,244
Other assets	1,702,893	-	-	-	-	-	-	1,702,893
Accounts receivable and others	1,702,893	-	-	-	-	-	-	1,702,893
Total	271,279,461	7,091,620	9,017,994	14,603,857	436,307	1,658,030	3,248,773	307,336,042
Liabilities								
Due to banks and other financial institutions	25,235,971	5,709,707	10,037,751	321,519	-	20,127	463,828	41,788,903
Current accounts	10,127	364,418	451,602	83,057	-	10,472	49,576	969,252
Money market deposits	25,225,844	5,345,289	9,586,149	238,462	-	9,655	414,252	40,819,651
Negative fair value of derivatives	412,353	26,760	965,665	236,130	-	-	26	1,640,934
Customer deposits	200,434,165	-	2,605,171	-	-	-	-	203,039,336
Demand	116,696,291	-	64,643	-	-	-		116,760,934
Saving	1,054,476	-	-	-	-	-	-	1,054,476
Time	64,535,015	-	2,540,528		-	-	-	67,075,543
Other	18,148,383	-	-	-	-	-	-	18,148,383
Debt securities in issue	5,684,008	-	-	-	-	-	-	5,684,008
Other liabilities	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Accounts payable and others	13,552,665	-	19,371	7,508	-	84	-	13,579,628
Total	245,319,162	5,736,467	13,627,958	565,157	-	20,211	463,854	265,732,809

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION (continued)

2020 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle	Europe	North America	Latin America	South East Asia	Other countries	Total
Commitments and contingencies	**57,575,386**	**3,580,002**	**11,456,635**	**10,626,956**	**-**	**3,122,792**	**166,565**	**86,528,336**
Letters of credit	8,802,138	246,572	231	16,878	-	2,354	5,144	9,073,317
Letters of guarantee	37,942,185	2,769,660	11,455,709	7,094,433	-	3,120,438	139,903	62,522,328
Acceptances	2,486,843	6,881	695	-	-	-	3,083	2,497,502
Irrevocable commitments to extend credit	8,344,220	556,889	-	3,515,645	-	-	18,435	12,435,189
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	**1,716,502**	**184,296**	**1,040,861**	**248,861**	**-**	**-**	**4,127**	**3,194,647**
Held for trading	1,716,502	160,546	865,068	248,861	-	-	4,127	2,995,104
Held as fair value hedges	-	-	153,293	-	-	-	-	153,293
Held as cash flow hedges	-	23,750	22,500	-	-	-	-	46,250
Commitments and contingencies	**36,392,040**	**2,259,029**	**7,680,345**	**6,485,317**	**-**	**2,093,013**	**108,457**	**55,018,201**
Letters of credit	4,385,201	122,841	115	8,409	-	1,173	2,563	4,520,302
Letters of guarantee	25,435,207	1,856,690	7,679,535	4,755,877	-	2,091,840	93,786	41,912,935
Acceptances	2,486,844	6,881	695	-	-	-	3,083	2,497,503
Irrevocable commitments to extend credit	4,084,788	272,617	-	1,721,031	-	-	9,025	6,087,461

2019 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with	29,189,473	-	14	-	-	-	-	29,189,487
Cash in hand	4,916,628	-	14	-	-	-	-	4,916,642
Balances with SAMA	24,272,845	-	-	-	-	-	-	24,272,845
Due from banks and other financial institutions	2,028,239	1,040,121	1,076,209	499,759	-	6,926	83,634	4,734,888
Current accounts	150,836	118,901	98,910	499,759	-	6,926	83,634	958,966
Money market placements	1,877,403	921,220	977,299	-	-	-	-	3,775,922
Positive fair value of	376,643	19,417	207,418	5,139	-	-	230	608,847
Investments, net	34,109,319	2,088,402	4,543,109	8,893,244	384,582	1,040,100	2,302,659	53,361,415
FVIS	1,038,918	-	-	-	-	-	-	1,038,918
FVOCI	2,512,765	915,684	4,543,109	8,893,244	384,582	1,040,100	1,891,469	20,180,953
Amortised cost	30,557,636	1,172,718	-	-	-	-	411,190	32,141,544
Investment in associates	502,655	200,227	-	-	-	-	-	702,882
Loans and advances, net	169,354,108	4,289,854	68,841	175,430	-	93,766	-	173,981,999
Overdraft	6,763,295	-	-	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	-	-	760,513
Consumer loans	55,391,981	-	-	-	-	-	-	55,391,981
Commercial loans	105,940,445	4,289,854	68,841	175,430	-	93,766	-	110,568,336
Others	497,874	-	-	-	-	-	-	497,874
Other assets	774,378	-	-	-	-	-	-	774,378
Accounts receivable and others	774,378	-	-	-	-	-	-	774,378
Total	236,334,815	7,638,021	5,895,591	9,573,572	384,582	1,140,792	2,386,523	263,353,896

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION (continued)

2019 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Liabilities								
Due to banks and other financial institutions	24,685	3,271,775	9,016,995	273,405	-	44,882	492,738	13,124,480
Current accounts	23,491	280,932	458,484	39,094	-	7,208	42,582	851,791
Money market deposits	1,194	2,990,843	8,558,511	234,311	-	37,674	450,156	12,272,689
Negative fair value of derivatives	106,063	19,067	446,963	76,923	-	-	210	649,226
Customer deposits	193,530,568	-	987,331	-	-	-	-	194,517,899
Demand	93,389,475	-	318,331	-	-	-	-	93,707,806
Saving	669,226	-	-	-	-	-	-	669,226
Time	79,302,122	-	669,000	-	-	-	-	79,971,122
Other	20,169,745	-	-	-	-	-	-	20,169,745
Debt securities in issue	4,003,029	-	-	-	-	-	-	4,003,029
Other liabilities	12,893,204	-	20,006	9,491	-	81	-	12,922,782
Accounts payable and others	12,893,204	-	20,006	9,491	-	81	-	12,922,782
Total	210,557,549	3,290,842	10,471,295	359,819	-	44,963	492,948	225,217,416
Commitments and contingencies	60,471,836	1,709,305	10,001,675	8,965,345	371	2,048,852	2,300,525	85,497,909
Letters of credit	8,710,575	297,199	61,990	2,104	371	73,122	52,458	9,197,819
Letters of guarantee	41,348,138	652,730	9,938,582	5,449,647	-	1,973,945	2,183,896	61,546,938
Acceptances	2,390,696	16,997	1,039	1,922	-	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	8,022,427	742,379	64	3,511,672	-	-	60,000	12,336,542
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,200,123	215,488	938,293	168,405	-	-	37,732	2,560,041
Held for trading	1,200,123	215,488	768,005	168,405	-	-	37,732	2,389,753
Held as fair value hedges	-	-	170,288	-	-	-	-	170,288
Commitments and contingencies	38,825,666	983,631	6,730,997	5,431,302	194	1,370,278	1,533,330	54,875,398
Letters of credit	4,559,809	155,578	32,451	1,101	194	38,278	27,461	4,814,872
Letters of guarantee	27,863,947	439,866	6,697,475	3,672,443	-	1,330,215	1,471,698	41,475,644
Acceptances	2,390,696	16,997	1,039	1,922	-	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	4,011,214	371,190	32	1,755,836	-	-	30,000	6,168,272

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 GEOGRAPHICAL CONCENTRATION (continued)

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

	Non-performing loans and advances, net		Allowance for credit losses	
	2020	2019	**2020**	2019
	SAR'000	SAR'000	**SAR'000**	SAR'000
Kingdom of Saudi Arabia				
Commercial Loans*	**2,217,328**	1,176,184	**(1,215,317)**	(784,655)
Consumer Loans**	**1,136,231**	377,950	**(633,227)**	(226,413)
Other GCC and Middle East				
Commercial Loans*	**298,377**	-	**(223,826)**	-
Total	**3,651,936**	1,554,134	**(2,072,370)**	(1,011,068)

*Includes overdrafts and other loans

** includes consumer mortgage loans and credit cards

30.3 CREDIT QUALITY ANALYSIS

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low - fair risk: Performing assets of high / good quality.

Watch list: Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk.

Doubtful: These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss: Impaired assets which are generally fully provided and have low expectations of further recovery.

a) The following table sets out information about the credit quality of financial assets as at December 31, 2020 and 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

i) Balances with SAMA and due from bank and other financial institutions

2020 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Investment grade	**49,117,980**	-	-	**49,117,980**
Non-investment grade	**1,329,169**	-	-	**1,329,169**
Carrying amount	**50,447,149**	-	-	**50,447,149**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Investment grade	28,498,974	-	-	28,498,974
Non-investment grade	509,501	-	-	509,501
Carrying amount	29,008,475	-	-	29,008,475

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

ii) Loans and advances, gross at amortized cost

2020 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**176,593,045**	**7,428,631**	**63,318**	**184,084,994**
Watch list	**-**	**7,487,524**	**656,194**	**8,143,718**
Substandard	**-**	**-**	**2,227,056**	**2,227,056**
Doubtful	**-**	**-**	**743,445**	**743,445**
Loss	**-**	**-**	**681,435**	**681,435**
Carrying amount	**176,593,045**	**14,916,155**	**4,371,448**	**195,880,648**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	168,355,686	3,065,353	665,573	172,086,612
Watch list	114,590	1,913,529	291,497	2,319,616
Substandard	-	-	1,357,736	1,357,736
Doubtful	-	-	427,437	427,437
Loss	-	-	546,464	546,464
Carrying amount	168,470,276	4,978,882	3,288,707	176,737,865

ii) (a) Credit cards, gross

2020 SAR'000	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**626,115**	**36,441**	**-**	**662,556**
Watch list	**-**	**17,078**	**-**	**17,078**
Substandard	**-**	**-**	**28,215**	**28,215**
Doubtful	**-**	**-**	**724**	**724**
Loss	**-**	**-**	**1,543**	**1,543**
Carrying amount	**626,115**	**53,519**	**30,482**	**710,116**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	714,841	32,487	-	747,328
Watch list	-	18,728	-	18,728
Substandard	-	-	32,428	32,428
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	714,841	51,215	32,428	798,484

30. FINANCIAL RISK MANAGEMENT (continued)
30.3 CREDIT QUALITY ANALYSIS (continued)

ii) (b) Consumer loans, gross*

2020 **SAR'000**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**61,917,840**	**1,109,908**	**-**	**63,027,748**
Watch list	**-**	**399,099**	**-**	**399,099**
Substandard	**-**	**-**	**701,616**	**701,616**
Doubtful	**-**	**-**	**72,686**	**72,686**
Loss	**-**	**-**	**331,447**	**331,447**
Carrying amount	**61,917,840**	**1,509,007**	**1,105,749**	**64,532,596**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	53,660,065	814,201	-	54,474,266
Watch list	-	732,214	-	732,214
Substandard	-	-	745,075	745,075
Doubtful	-	-	198,189	198,189
Loss	-	-	179,761	179,761
Carrying amount	53,660,065	1,546,415	1,123,025	56,329,505

ii) (c) Commercial loans, gross**

2020 **SAR'000**	**12 month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Low – fair risk	**114,049,090**	**6,282,282**	**63,318**	**120,394,690**
Watch list	**-**	**7,071,347**	**656,194**	**7,727,541**
Substandard	**-**	**-**	**1,497,225**	**1,497,225**
Doubtful	**-**	**-**	**670,035**	**670,035**
Loss	**-**	**-**	**348,445**	**348,445**
Carrying amount	**114,049,090**	**13,353,629**	**3,235,217**	**130,637,936**

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	113,980,780	2,218,665	665,573	116,865,018
Watch list	114,590	1,162,587	291,497	1,568,674
Substandard	-	-	580,233	580,233
Doubtful	-	-	229,248	229,248
Loss	-	-	366,703	366,703
Carrying amount	114,095,370	3,381,252	2,133,254	119,609,876

* Includes consumer mortgage loans

* *Includes overdrafts and other loans

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

iii) Investments (FVOCI and amortised cost- debt instruments)

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	51,555,489	164,278	51,625	51,771,392
Watch list	-	73,625	-	73,625
Substandard	-	-	861	861
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	51,555,489	237,903	52,486	51,845,878

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	48,646,065	577,601	-	49,223,666
Watch list	18,070	45,106	31	63,207
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Carrying amount	48,664,135	622,707	31	49,286,873

The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2020 and 2019.

2020 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	67,599,950	2,232,924	155	69,833,029
Watch list	-	3,700,226	39,747	3,739,973
Substandard	-	-	253,338	253,338
Doubtful	-	-	26,774	26,774
Loss	-	-	240,033	240,033
Carrying amount	67,599,950	5,933,150	560,047	74,093,147

2019 SAR'000	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Low – fair risk	71,543,608	791,185	128,052	72,462,845
Watch list	6,266	357,718	4,459	368,443
Substandard	-	-	81,862	81,862
Doubtful	-	-	1,143	1,143
Loss	-	-	247,074	247,074
Carrying amount	71,549,874	1,148,903	462,590	73,161,367

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

b) Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining 12 month probability of default (PD) as at the reporting date; with
- the remaining 12 month PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group, groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:
Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
Stage 2: When a loan has shown a significant increase in credit risk since origination but is not credit impaired, the Group records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Loans considered credit-impaired. The Group records an allowance for the Lifetime ECL.
POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower and his business activities.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

Corporate exposures	Retail exposures	All 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 management and senior management changes.	Internally collected data and customer behavior – e.g. utilization of credit card facilities	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Customer payment behavior based on internally collected data – e.g. Delinquency cycles	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available	Types and number of products held at customer level	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

i) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

ii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Disclosure of relevant qualitative indicators, including different criteria used for different portfolios- e.g. retail mortgages, credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iii) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer or being undergone into financially stressed conditions. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

iii) Modified financial assets (continued)

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

iv) Definition of 'Default'

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The Group considers indicators that are:
- qualitative- e.g. breaches of covenant ;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

v) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macro econometric models, in order to estimate default rates for the Wholesale, Investments and Retail.

The factor forecasts were computed across four non-baseline scenarios, including the three stress scenarios mentioned below in the table. However, there is also an optimistic scenario namely 'Mild upturn' which is the inverse of the mild (downturn) scenario. Following probability of scenario occurrences have been used to arrive at the ECL estimates:

-Base - 40%
-Mild up - 15%
-Mild - 15%
-Moderate - 15%
-Severe - 15%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated from International Monetary Fund (IMF) and other reputable external sources, like Saudi Central Bank (SAMA). Initially, the Group started from 40 macro-economic variables for the development of macroeconomic models, and using the most robust statistical techniques like linear relationships, multi-collinearity, auto-correlation, homoscedasticity, normality and stationarity, Group finally selected only the best suitable combination of variables. The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure:

- Crude oil prices (in USD)
- Gross savings (% of GDP)
- World's GDP (%)
- Inflation (% change of Consumer Price Index)
- Government Expenditure (% of GDP)
- GDP per capita (SAR '000)
- GDP growth (annual % change)

Consideration due to COVID-19:

1. Types of forward looking:

The Group has updated its forward-looking macroeconomic forecast, incorporating stress related to COVID19.

2. Scenario assumptions:

As at 31 December 2020, the scenario assumptions are updated to reflect the current situation of COVID-19. This included an assessment of the support of the Government's actions, the response of business and customers (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn.

3. Probability weightings:

The Group considered the probability weightings to provide the best estimate of the possible loss outcomes. Probability weighting of each scenario is determined by considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19. In addition to the base case forecast which reflects the negative economic impact as compared to last year as a consequence of COVID-19, greater weighting has been applied to the downside scenario given the Group's assessment of downside risks and lesser weighting has been applied to upside scenario.

Predicted relationships between the macroeconomic variables, default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 years. To account for the impact of COVID-19, forecasts of macroeconomic variables were taken from the IMF (post interpolation) and standard deviation based shocks were provided, as the available forecasts at the time of modelling did not incorporate COVID-19 related stress, to arrive at the Baseline forecasts.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

v) Incorporation of forward looking information (continued)

Group has used below baseline forecast related to the macroeconomic variables, for comparison purposes, severe stress forecast are also presented below:

	Forecast calendar years used in 2020 ECL model (Baseline)			Forecast calendar years used in 2020 ECL model (Severe)		
Economic Indicators	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Crude Oil prices (in USD)	45.3	50.4	55.3	31.2	39.9	50.6
Gross savings (% of GDP)	25.9	29.7	31.6	20.0	23.0	24.5
World's GDP (%)	3.6	3.6	3.6	2.8	2.9	2.9
Inflation (% change of Consumer Price Index)	2.0	1.7	1.5	3.1	3.3	3.6
GDP per capita ('000 SAR)	78.4	82.1	86.0	72.1	77.3	83.9
Government Expenditure (% of GDP)	36.4	37.9	38.2	28.2	29.4	29.6
GDP growth (annual % change)	0.0	2.9	3.7	-0.6	1.7	2.2

COVID-19 overlays

Although macroeconomic forecast does incorporate the impact of the current stress, the prevailing economic conditions do require the Group to monitor and update certain inputs and assumptions used for the determination of ECL. As the economic situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes industry sector-based analysis, and impact on MSME segment customers falling under the SAMA deferral program. The Group has therefore recognized overlays of SAR 328 million as at 31 December 2020. The Group will continue to reassess economic conditions, as more reliable data becomes available and accordingly determine if any further adjustment in the ECL is required in subsequent reporting periods.

Sensitivity of ECL allowance

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates. However, the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

The Bank has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. As explained earlier, Banks uses different economic models for different portfolios (Corporate & Retail Loans and Investments) and therefore the sensitivity analysis reflects changes in the value of given variable(s) and the resulting ECL impact on the respective portfolio(s). The standalone ECL impact of aforesaid sensitivity analysis is provided in the table below:

Assumptions sensitized (SAR' 000)	**ECL impact 2020**
Macro-economic factors:	
5% Dip in oil prices	**64,774**
10% Dip in oil prices	**130,616**
1% Contraction in Saudi GDP	**10,554**
2% Contraction in Saudi GDP	**21,058**
1% Contraction in Govt. Expenditure	**10,424**
2% Contraction in Govt. Expenditure	**20,823**
*1% Contraction in World GDP	**24,531**
*2% Contraction in World GDP	**55,311**
Scenario weightages	
Base scenario sensitized by +/- 5% with corresponding change in downside	**5,058**
Base scenario sensitized by +/- 5% with corresponding change in upside	**3,417**

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 CREDIT QUALITY ANALYSIS (continued)

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

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 compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, financial guarantees and Retail credit cards, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include:

- Product / instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower.

The Group is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.
For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 CREDIT QUALITY OF LOANS AND ADVANCES

a) Ageing of loans and advances (Excluding non-performing loans)

2020 **SAR'000**	**Credit cards**	**Consumer loans***	**Commercial loans****	**Total**
Upto 30 days	**36,368**	**1,550,452**	**287,746**	**1,874,566**
From 31 - 90 days	**20,643**	**516,539**	**180,118**	**717,300**
From 91 - 180 days	**-**	**-**	**810**	**810**
More than 180 days	**-**	**-**	**-**	**-**
Total	**57,011**	**2,066,991**	**468,674**	**2,592,676**

2019 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	48,544	2,168,986	1,267,010	3,484,540
From 31 - 90 days	22,737	769,237	462,993	1,254,967
From 91 - 180 days	16,934	290,882	190,919	498,735
More than 180 days	-	-	522,903	522,903
Total	88,215	3,229,105	2,443,825	5,761,145

* Includes consumer mortgage loans
** Includes overdrafts and other loans

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 CREDIT QUALITY OF LOANS AND ADVANCES (continued)

b) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

SAR' 000	2020 Performing	2020 Non performing	2020 Allowance for impairment	2020 Loans and advances, net	2019 Performing	2019 Non performing	2019 Allowance for impairment	2019 Loans and advances, net
Government and quasi Government	**474,379**	**-**	**(882)**	**473,497**	61,521	-	(719)	60,802
Banks and other financial institutions	**8,811,870**	**-**	**(35,808)**	**8,776,062**	8,363,041	-	(4,782)	8,358,259
Agriculture and fishing	**2,399,974**	**-**	**(4,238)**	**2,395,736**	2,169,818	-	(2,961)	2,166,857
Manufacturing	**23,147,533**	**444,542**	**(751,484)**	**22,840,591**	24,506,104	19,929	(337,249)	24,188,784
Mining and quarrying	**10,630,575**	**-**	**(9,479)**	**10,621,096**	7,896,825	-	(3,652)	7,893,173
Electricity, water, gas and health services	**5,078,019**	**7,842**	**(11,710)**	**5,074,151**	3,188,051	500	(818)	3,187,733
Building and construction	**15,868,270**	**546,974**	**(305,553)**	**16,109,691**	14,721,715	234,096	(163,465)	14,792,346
Commerce	**47,413,639**	**1,338,779**	**(2,302,426)**	**46,449,992**	43,386,698	860,464	(1,242,568)	43,004,594
Transportation and communication	**5,045,075**	**581**	**(6,960)**	**5,038,696**	4,748,303	-	(1,967)	4,746,336
Services	**9,236,766**	**176,987**	**(75,126)**	**9,338,627**	9,389,690	61,195	(22,189)	9,428,696
Consumer loans and credit cards	**64,106,481**	**1,136,231**	**(1,028,398)**	**64,214,314**	56,750,039	377,950	(975,495)	56,152,494
Others	**16,131**	**-**	**(1,949)**	**14,182**	1,926	-	(1)	1,925
Total	**192,228,712**	**3,651,936**	**(4,534,013)**	**191,346,635**	175,183,731	1,554,134	(2,755,866)	173,981,999

c) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2020 SAR'000	2019 SAR'000
Good loans	**71,774,596**	52,148,593
Past due but performing loans	**1,825,921**	2,586,024
Non performing loans	**1,627,891**	867,516
Total	**75,228,408**	55,602,133

31. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

31.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

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

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2020 and 2019 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

	2020			
	Foreign exchange rate risk	**Special commission rate risk**	**Equity price risk**	**Overall risk**
VaR as at December 31, 2020	**1.20**	**2.24**	**4.65**	**7.21**
Average VaR for 2020	**2.71**	**4.95**	**3.83**	**9.73**
Maximum VaR for 2020	**22.89**	**13.58**	**5.00**	**30.69**
Minimum VaR for 2020	**0.67**	**2.01**	**2.26**	**4.69**

	2019			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2019	2.24	5.20	2.55	8.10
Average VaR for 2019	6.90	8.78	1.58	13.63
Maximum VaR for 2019	28.78	24.35	2.63	34.39
Minimum VaR for 2019	1.11	1.62	0.19	4.98

31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2020 and 2019, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2020 and 2019 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2020

Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	611.43	-	-	-	-	-
USD	+ 100	(44.44)	(3.62)	0.08	(126.15)	(533.97)	(663.66)
EUR	+ 100	0.61	-	-	-	-	-
GBP	+ 100	(8.41)	-	-	-	-	-
JPY	+ 100	-	-	-	-	-	-
Others	+ 100	(0.58)	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(621.28)	-	-	-	-	-
USD	- 100	4.33	3.62	(0.08)	126.15	533.97	663.66
EUR	- 100	(0.61)	-	-	-	-	-
GBP	- 100	0.32	-	-	-	-	-
JPY	- 100	-	-	-	-	-	-
Others	- 100	0.58	-	-	-	-	-

31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2019

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	309.65	-	-	-	-	-
USD	+ 100	(43.08)	(4.59)	(2.25)	(265.61)	(330.53)	(602.98)
EUR	+ 100	0.13	(0.26)	(2.03)	(4.38)	(3.73)	(10.40)
GBP	+ 100	(8.24)	-	-	-	-	-
JPY	+ 100	1.01	-	-	-	-	-
Others	+ 100	(0.60)	-	-	-	-	-

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(309.65)	-	-	-	-	-
USD	- 100	45.89	4.59	2.25	265.61	330.53	602.98
EUR	- 100	(0.13)	0.26	2.03	4.38	3.73	10.40
GBP	- 100	7.93	-	-	-	-	-
JPY	- 100	(0.95)	-	-	-	-	-
Others	- 100	0.59	-	-	-	-	-

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	26,323,268	-	-	-	15,630,856	41,954,124
Cash in hand	-	-	-	-	5,136,666	5,136,666
Balances with SAMA	26,323,268	-	-	-	10,494,190	36,817,458
Due from banks and other financial institutions	12,182,397	-	-	-	1,442,079	13,624,476
Current accounts	4,808,081	-	-	-	1,442,079	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	14,072,590	2,213,910	12,996,519	22,546,786	4,620,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	14,020,806	2,143,824	6,598,286	10,527,159	-	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	77,974,355	57,921,076	33,848,423	21,602,781	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	4,054,252	12,785,348	25,434,402	21,260,026	-	63,534,028
Commercial loans	66,307,496	45,135,728	8,414,021	342,755	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	131,045,119	60,175,177	47,542,298	44,905,572	26,419,741	310,087,907
Liabilities and shareholders' equity						
Due to banks and other financial institutions	6,458,517	15,052,007	18,672,548	636,579	969,252	41,788,903
Current accounts	-	-	-	-	969,252	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	73,131,671	5,716,050	3,808,334	595,413	119,787,868	203,039,336
Demand	15,121,449	-	-	-	101,639,485	116,760,934
Saving	1,054,476	-	-	-	-	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	-	-	-	-	18,148,383	18,148,383
Debt securities in issue	-	-	-	5,684,008	-	5,684,008
Other liabilities	-	-	-	-	13,579,628	13,579,628
Accounts payable and others	-	-	-	-	13,579,628	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	79,655,744	20,793,934	23,257,759	7,688,624	178,691,846	310,087,907
Special commission rate sensitivity -On statement of financial position gap	51,389,375	39,381,243	24,284,539	37,216,948	(152,272,105)	-
Special commission rate sensitivity -Off statement of financial position gap	2,308,591	(11,250)	(1,283,772)	(1,013,569)	-	
Total special commission rate sensitivity gap	53,697,966	39,369,993	23,000,767	36,203,379	(152,272,105)	
Cumulative special commission rate sensitivity	53,697,966	93,067,959	116,068,726	152,272,105	-	

31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

ii) Special commission rate risk (continued)

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	14,628,798	-	-	-	14,560,689	29,189,487
Cash in hand	-	-	-	-	4,916,642	4,916,642
Balances with SAMA	14,628,798	-	-	-	9,644,047	24,272,845
Due from banks and other financial institutions	3,625,622	724,843	-	-	384,423	4,734,888
Current accounts	574,543	-	-	-	384,423	958,966
Money market placements	3,051,079	724,843	-	-	-	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406	172,642	-	608,847
Investments, net	7,276,051	10,437,818	15,759,844	15,799,800	4,087,902	53,361,415
FVIS	-	-	-	-	1,038,918	1,038,918
FVOCI	627,141	398,823	5,469,978	10,636,027	3,048,984	20,180,953
Amortised cost	6,648,910	10,038,995	10,289,866	5,163,773	-	32,141,544
Investment in associates	-	-	-	-	702,882	702,882
Loans and advances, net	74,544,810	52,393,664	30,897,620	16,145,905	-	173,981,999
Overdraft	6,763,295	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	760,513
Consumer loans	4,414,493	11,369,452	24,428,101	15,179,935	-	55,391,981
Commercial loans	62,108,635	41,024,212	6,469,519	965,970	-	110,568,336
Others	497,874	-	-	-	-	497,874
Other real estate	-	-	-	-	233,057	233,057
Property and equipment, net	-	-	-	-	2,201,925	2,201,925
Other assets	430,429	-	-	-	343,949	774,378
Accounts receivable and others	430,429	-	-	-	343,949	774,378
Total assets	100,559,317	63,572,517	47,023,870	32,118,347	22,514,827	265,788,878
Liabilities and shareholders' equity						
Due to banks and other financial institutions	3,786,561	7,853,898	-	632,230	851,791	13,124,480
Current accounts	-	-	-	-	851,791	851,791
Money market deposits	3,786,561	7,853,898	-	632,230	-	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518	290,332	-	649,226
Customer deposits	59,917,083	19,349,365	7,407,767	48,200	107,795,484	194,517,899
Demand	6,082,067	-	-	-	87,625,739	93,707,806
Saving	669,226	-	-	-	-	669,226
Time	53,165,790	19,349,365	7,407,767	48,200	-	79,971,122
Other	-	-	-	-	20,169,745	20,169,745
Debt securities in issue	-	4,003,029	-	-	-	4,003,029
Other liabilities	-	-	-	-	12,922,782	12,922,782
Accounts payable and others	-	-	-	-	12,922,782	12,922,782
Shareholders' equity	-	-	-	-	40,571,462	40,571,462
Total liabilities and shareholders' equity	63,710,368	31,217,944	7,748,285	970,762	162,141,519	265,788,878
Special commission rate sensitivity -On statement of financial position gap	36,848,949	32,354,573	39,275,585	31,147,585	(139,626,692)	-
Special commission rate sensitivity -Off statement of financial position gap	2,437,935	731,504	(1,116,556)	(2,052,883)	-	
Total special commission rate sensitivity gap	39,286,884	33,086,077	38,159,029	29,094,702	(139,626,692)	
Cumulative special commission rate sensitivity gap	39,286,884	72,372,961	110,531,990	139,626,692	-	

31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2020 and 2019 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency Exposures As at December 31, 2020 (SAR million)	**Change in currency rate in %**	**Effect on net income**
USD	**± 1**	**±7.14**
EUR	**± 1**	**±0.05**
GBP	**± 1**	**±0.09**
JPY	**± 1**	**± 0.00**
Others	**± 1**	**±(0.02)**

Currency Exposures As at December 31, 2019 (SAR million)	Change in currency rate in %	Effect on net income
USD	± 1	±6.68
EUR	± 1	±0.34
GBP	± 1	±(0.07)
JPY	± 1	± 0.06
Others	± 1	±(0.02)

iv) Foreign currency risk

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

	2020 Long (short) SAR'000	2019 Long (short) SAR'000
US Dollar	**444,276**	749,299
Japanese Yen	**325**	351
Euro	**683**	79
Pound Sterling	**13**	(1,466)
Others	**49,513**	55,995

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short positions.

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31. MARKET RISK (continued)

31.2 Market Risk - Non-trading or Banking Book (continued)

v) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's domestic equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

Market Index	**December 31, 2020**		December 31, 2019	
	Change in equity index %	**Effect in SAR millions**	Change in equity index %	Effect in SAR millions
Tadawul	**+5**	**107.53**	+5	94.70
	+10	**215.05**	+10	189.41
	-5	**(107.53)**	-5	(94.70)
	-10	**(215.05)**	-10	(189.41)

32. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2019: 7%) of total demand deposits and 4% (2019: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

32. LIQUIDITY RISK (continued)

a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2020 and 2019 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2020 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial liabilities					
Due to banks and other financial institutions	**7,453,042**	**15,079,629**	**18,739,018**	**674,430**	**41,946,119**
Current accounts	**969,252**	**-**	**-**	**-**	**969,252**
Money market deposits	**6,483,790**	**15,079,629**	**18,739,018**	**674,430**	**40,976,867**
Customer deposits	**191,158,771**	**6,674,319**	**4,777,927**	**686,385**	**203,297,402**
Demand	**116,761,065**	**-**	**-**	**-**	**116,761,065**
Saving	**1,054,480**	**-**	**-**	**-**	**1,054,480**
Time	**57,022,611**	**5,766,317**	**3,906,536**	**638,010**	**67,333,474**
Other	**16,320,615**	**908,002**	**871,391**	**48,375**	**18,148,383**
Debt securities in issue	**100,650**	**132,125**	**704,668**	**6,382,471**	**7,319,914**
Derivative financial instruments (gross contractual amounts payable)	**16,552**	**17,659**	**171,210**	**85,114**	**290,535**
Total undiscounted financial liabilities	**198,729,015**	**21,903,732**	**24,392,823**	**7,828,400**	**252,853,970**

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	4,697,862	7,938,807	66,464	688,355	13,391,488
Current accounts	851,791	-	-	-	851,791
Money market deposits	3,846,071	7,938,807	66,464	688,355	12,539,697
Customer deposits	165,744,777	20,959,856	8,346,040	102,404	195,153,077
Demand	93,707,806	-	-	-	93,707,806
Saving	669,227	-	-	-	669,227
Time	53,451,980	19,630,105	7,475,614	48,600	80,606,299
Other	17,915,764	1,329,751	870,426	53,804	20,169,745
Debt securities in issue	43,058	122,310	638,237	4,089,842	4,893,447
Derivative financial instruments (gross contractual amounts payable)	11,952	7,573	138,209	67,275	225,009
Total undiscounted financial liabilities	170,497,649	29,028,546	9,188,950	4,947,876	213,663,021

32. LIQUIDITY RISK (continued)

b) The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2020 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	31,459,934	-	-	-	10,494,190	41,954,124
Cash in hand	5,136,666	-	-	-	-	5,136,666
Balances with SAMA	26,323,268	-	-	-	10,494,190	36,817,458
Due from banks and other financial institutions	13,624,476	-	-	-	-	13,624,476
Current accounts	6,250,160	-	-	-	-	6,250,160
Money market placements	7,374,316	-	-	-	-	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	-	1,558,957
Investments, net	8,392,076	1,040,850	14,145,197	28,249,682	4,622,001	56,449,806
FVIS	-	-	-	-	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	8,340,292	970,764	7,746,964	16,230,055	2,000	33,290,075
Investment in associates	-	-	-	-	699,151	699,151
Loans and advances, net	55,798,483	38,421,700	45,201,742	51,924,710	-	191,346,635
Overdraft	6,542,077	-	-	-	-	6,542,077
Credit cards	680,286	-	-	-	-	680,286
Consumer loans	105,845	370,973	24,495,701	38,561,509	-	63,534,028
Commercial loans	48,080,031	38,050,727	20,706,041	13,363,201	-	120,200,000
Others	390,244	-	-	-	-	390,244
Other real estate	-	-	-	-	324,054	324,054
Property and equipment, net	-	-	-	-	2,427,811	2,427,811
Other assets	427,104	-	-	-	1,275,789	1,702,893
Accounts receivable and others	427,104	-	-	-	1,275,789	1,702,893
Total assets	109,767,478	39,502,741	60,044,295	80,930,397	19,842,996	310,087,907
Liabilities and shareholders' equity						
Due to banks and other financial institutions	7,427,769	15,052,007	18,672,548	636,579	-	41,788,903
Current accounts	969,252	-	-	-	-	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	-	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	-	1,640,934
Customer deposits	191,091,771	6,624,052	4,679,725	643,788	-	203,039,336
Demand	116,760,934	-	-	-	-	116,760,934
Saving	1,054,476	-	-	-	-	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	-	67,075,543
Other	16,320,615	908,002	871,391	48,375	-	18,148,383
Debt securities in issue	56,608			5,627,400	-	5,684,008
Other liabilities	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Accounts payable and others	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Shareholders' equity	-	-	-	-	44,355,098	44,355,098
Total liabilities and shareholders' equity	198,729,398	22,696,653	24,825,366	8,417,456	55,419,034	310,087,907

32. LIQUIDITY RISK (continued)

b) Analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (continued).

2019 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	19,545,440	-	-	-	9,644,047	29,189,487
Cash in hand	4,916,642	-	-	-	-	4,916,642
Balances with SAMA	14,628,798	-	-	-	9,644,047	24,272,845
Due from banks and other financial institutions	4,010,045	724,843	-	-	-	4,734,888
Current accounts	958,966	-	-	-	-	958,966
Money market placements	3,051,079	724,843	-	-	-	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406	172,642	-	608,847
Investments, net	1,452,805	7,753,664	17,611,814	22,455,230	4,087,902	53,361,415
FVIS	-	-	-	-	1,038,918	1,038,918
FVOCI	145,069	301,562	5,689,132	10,996,206	3,048,984	20,180,953
Amortised cost	1,307,736	7,452,102	11,922,682	11,459,024	-	32,141,544
Investment in associates	-	-	-	-	702,882	702,882
Loans and advances, net	50,970,560	30,184,094	43,660,866	49,166,479	-	173,981,999
Overdraft	6,763,295	-	-	-	-	6,763,295
Credit cards	760,513	-	-	-	-	760,513
Consumer loans	175,973	338,192	24,143,453	30,734,363	-	55,391,981
Commercial loans	42,772,905	29,845,902	19,517,413	18,432,116	-	110,568,336
Others	497,874	-	-	-	-	497,874
Other real estate	-	-	-	-	233,057	233,057
Property and equipment, net	-	-	-	-	2,201,925	2,201,925
Other assets	430,429	-	-	-	343,949	774,378
Accounts receivable and others	430,429	-	-	-	343,949	774,378
Total assets	76,462,886	38,678,793	61,639,086	71,794,351	17,213,762	265,788,878
Liabilities and shareholders' equity						
Due to banks and other financial institutions	4,638,352	7,853,898	-	632,230	-	13,124,480
Current accounts	851,791	-	-	-	-	851,791
Money market deposits	3,786,561	7,853,898	-	632,230	-	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518	290,332	-	649,226
Customer deposits	165,458,586	20,679,116	8,278,193	102,004	-	194,517,899
Demand	93,707,806	-	-	-	-	93,707,806
Saving	669,226	-	-	-	-	669,226
Time	53,165,790	19,349,365	7,407,767	48,200	-	79,971,122
Other	17,915,764	1,329,751	870,426	53,804	-	20,169,745
Debt securities in issue	3,029	4,000,000	-	-	-	4,003,029
Other liabilities	12,352	667,058	212,083	646,565	11,384,724	12,922,782
Accounts payable and others	12,352	667,058	212,083	646,565	11,384,724	12,922,782
Shareholders' equity	-	-	-	-	40,571,462	40,571,462
Total liabilities and shareholders' equity	170,119,043	33,211,724	8,830,794	1,671,131	51,956,186	265,788,878

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in note 19 c) .

33. FAIR VALUE 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

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

Fair value and fair value hierarchy

2020 **SAR'000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Investments Held as FVIS	**1,101,133**	**-**	**-**	**1,101,133**
- Others	**1,101,133**	**-**	**-**	**1,101,133**
Investments Held as FVOCI	**21,603,888**	**-**	**454,710**	**22,058,598**
- Fixed rate securities	**18,539,730**	**-**	**-**	**18,539,730**
- Floating rate securities	**-**	**-**	**-**	**-**
- Equities	**3,064,158**	**-**	**454,710**	**3,518,868**
Positive fair value derivatives	**-**	**1,558,957**	**-**	**1,558,957**
Financial liabilities measured at fair value				
Negative fair value derivatives	**-**	**1,640,934**	**-**	**1,640,934**

2019 SAR'000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments Held as FVIS	1,038,918	-	-	1,038,918
- Others	1,038,918	-	-	1,038,918
Investments Held as FVOCI	19,788,231	-	392,722	20,180,953
- Fixed rate securities	16,551,046			16,551,046
- Floating rate securities	580,923			580,923
- Equities	2,656,262		392,722	3,048,984
Positive fair value derivatives	-	608,847	-	608,847
Financial liabilities measured at fair value				
Negative fair value derivatives	-	649,226	-	649,226

The fair value of loans and advances are worked out using level 2 valuation technique which amounted to SAR 201,464 million (2019: SAR 178,286 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 33,290 million (2019: SAR 32,750 million)

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued at 31 December 2020 and 2019 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

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

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

	2020	2019
Reconciliation of movement in Level 3	**SAR'000**	SAR'000
Opening balance	**392,722**	288,876
Total gains or losses		
- recognised in consolidated statement of income	**16,399**	3
- recognised in other comprehensive income	**(1,218)**	5,178
Purchases	**46,807**	98,665
Closing balance	**454,710**	392,722

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

a) In the principal market for the asset or liability, or

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

34. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2020	2019
	SAR'000	SAR'000
a) Major Shareholders		
Loans and advances	**105,538**	252,677
Customer deposits	**23,620,021**	23,493,585
Derivatives asset (at fair value)	**5,291**	8,707
Commitments and contingencies (irrevocable)	**894,462**	1,447,323
b) Bank's Board of Directors and Senior Executives:		
Loans and advances	**1,471,841**	4,489,463
Customer deposits	**488,865**	5,587,516
Derivatives asset (at fair value)	**148,597**	163,667
Commitments and contingencies (irrevocable)	**2,186,884**	2,527,443
Executive end of service	**27,618**	31,997
c) Subsidiaries & Associates		
Loans and advances	**390,921**	110,061
Customer deposits	**6,154,886**	226,653
Commitments and contingencies (irrevocable)	**2,727,754**	553,406

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

b) Bank's mutual funds:		
Customer deposits	**937,000**	908,000

34. RELATED PARTY TRANSACTIONS (continued)

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2020	2019
	SAR'000	SAR'000
Special commission income	**76,774**	210,739
Special commission expense	**341,896**	469,019
Fees from banking services, net	**343,860**	338,202
Directors and committees remuneration and expenses	**6,757**	5,912
Executive remuneration and bonus	**87,333**	80,775
Executive end of service	**5,189**	6,784
Other expenses	**164,203**	88,075

35. CAPITAL ADEQUACY

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

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

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers the Group's business plans along with economic conditions which directly and indirectly affect its business environment. SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

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

	2020		2019	
	Capital	**Ratio**	Capital	Ratio
	SAR'000	**%**	SAR'000	%
Top consolidated level				
Tier 1 capital	**44,351,697**	**16.5%**	40,571,462	16.3%
Tier 2 capital	**6,779,023**		4,513,360	
Total regulatory capital (Tier 1 + Tier 2)	**51,130,720**	**19.1%**	45,084,822	18.1%

	2020	2019
Risk weighted assets	**SAR '000**	SAR '000
Credit risk weighted assets	**245,886,873**	229,293,237
Operational risk weighted assets	**18,367,191**	16,561,830
Market risk weighted assets	**3,879,905**	3,701,400
Total Pillar 1 Risk Weighted Assets	**268,133,969**	249,556,467

36. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

37. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 67.2 billion (2019: SAR 50 billion).

The Bank's assets under management, include Shariah-approved portfolios amounting to SAR 43.9 billion (2019: SAR 27.9 billion).

38. SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program ("PSFSP")

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 launched by SAMA, the Bank was required to defer payments for a total of nine months (initial deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income.

Further to the above, SAMA on 8 December 2020 extended the deferred payment program until March 31, 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure for three and half months. 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 recognizing an additional modification loss of SAR 191.3 million.

As a result of the above program and related extensions, the Bank deferred the payments of upto SAR 12.4 billion on MSMEs portfolio and accordingly, has recognised total modification losses of SAR 631.8 million during the year. The total exposures against the deferred loans amounted to SAR 12.8 billion as at the year end.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Bank continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves, however, the management has taken SAR 328 million of overlays to reflect potential further credit deterioration, of which SAR 253 million has been taken as incremental total ECL for the deferred MSME portfolio having total exposure of SAR 12.8 billion.

If the balance of COVID-19 support packages in stage (1) move to stage (2), an additional ECL provisions would be provided during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

38. SAMA SUPPORT PROGRAMS AND INITIATIVES (continued)

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SAR 19.9 billion of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits 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. By the end of 31 December 2020, total day 1 fair valuation gain of SAR 631.8 million has been recognised in the statement of income to offset the impact of modification losses and remaining SAR 688.2 million is deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2020, SAR 99.5 million, net, has been charged to the statement of income relating to unwinding of the day 1 income.

As at 31 December 2020, the Bank has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the year is immaterial.

Furthermore, during the year ended 31 December 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 77 million.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty 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 the year ended December 31, 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 day 1 fair valuation gain of SAR 97 million of which SAR 22 million has been recognised in the statement of income as at December 31, 2020 and with the remaining amount deferred.

Bank's initiative - 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 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.

39. IFRS ISSUED BUT NOT EFFECTIVE

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting years beginning on or after 1 January 2020 and is currently assessing their impact.
Following is a brief on the new IFRS and amendments to IFRS

Amendments to IFRS 16: Leases for COVID-19 rent related concessions.

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2023.

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

Effective for annual periods beginning on or after 1 January 2022. Proceeds before Intended Use amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3): effective for annual periods beginning on or after 1 January 2022.

40. EVENTS AFTER THE REPORTING DATE

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible sukuk amounting to SAR 3 billion. The sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

41. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

42. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Rajab 5, 1442 (corresponding to February 16, 2021).