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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2019, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2019, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended and other explanatory notes (the "interim condensed consolidated financial statements").

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

Scope of review

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

Conclusion

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

Other regulatory matters

As required by Saudi Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note (18) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (18) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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28 Safar 1441H
(27 October 2019)

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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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محاسبون قانونيون
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PRICEWATERHOUSECOOPERS
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LICENSE NO. 25
C.R.1010371622

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	30 September 2018 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		**15,928,989**	16,323,172	17,620,571
Due from banks and other financial institutions		**10,873,561**	11,029,176	11,317,958
Positive fair value of derivatives	6	**650,512**	286,625	345,785
Investments, net	7	**51,313,939**	47,992,772	47,726,001
Loans and advances, net	8	**166,275,279**	151,024,830	145,760,722
Investment in associates	17	**695,670**	595,493	583,131
Other real estate		**245,797**	227,405	226,119
Property and equipment, net	4	**2,227,634**	1,699,462	1,706,350
Other assets		**2,361,579**	720,641	679,550
Total assets		**250,572,960**	229,899,576	225,966,187
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		**16,375,756**	8,580,514	7,199,106
Negative fair value of derivatives	6	**801,005**	274,270	243,332
Customer deposits	9	**177,672,013**	169,822,156	159,244,917
Debt securities in issue		**4,042,947**	4,003,783	8,060,696
Other liabilities		**12,439,287**	10,444,637	14,467,598
Total liabilities		**211,331,008**	193,125,360	189,215,649
Shareholders' equity				
Share capital		**30,000,000**	30,000,000	30,000,000
Statutory reserve		**5,101,613**	5,101,613	3,922,592
Other reserves		**782,249**	58,047	368,569
Retained earnings		**3,358,090**	414,556	2,459,377
Proposed dividends		**-**	1,200,000	-
Total shareholders' equity		**39,241,952**	36,774,216	36,750,538
Total liabilities and shareholders' equity		**250,572,960**	229,899,576	225,966,187

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three month period ended 30 September 2019 SAR'000	(Restated) 2018 SAR'000	For the nine month period ended 30 September 2019 SAR'000	(Restated) 2018 SAR'000
Special commission income		**2,668,034**	2,161,127	**7,704,866**	6,051,733
Special commission expense		**633,807**	443,716	**1,898,970**	1,181,571
Net special commission income		**2,034,227**	1,717,411	**5,805,896**	4,870,162
Fee and commission income		**705,145**	591,047	**2,151,020**	1,762,470
Fee and commission expense		**191,729**	164,063	**610,550**	512,999
Fee and commission income, net		**513,416**	426,984	**1,540,470**	1,249,471
Exchange income, net		**93,420**	73,171	**252,582**	203,087
Trading income, net		**29,775**	28,371	**121,660**	72,557
Dividend income		**36,225**	20,830	**84,470**	48,083
Gains on disposal of non-trading investments, net		**52,643**	10,607	**199,498**	118,042
Other operating income		**2,987**	3,514	**7,827**	22,561
Total operating income, net		**2,762,693**	2,280,888	**8,012,403**	6,583,963
Salaries and employee-related expenses		**462,139**	436,817	**1,362,098**	1,296,299
Rent and premises-related expenses		**45,181**	76,716	**142,310**	240,475
Depreciation of property and equipment		**113,251**	74,246	**327,925**	219,836
Other general and administrative expenses		**260,018**	215,081	**701,813**	667,980
Other operating expenses		**21,975**	5,274	**33,406**	18,976
Total operating expenses before impairment charge		**902,564**	808,134	**2,567,552**	2,443,566
Impairment charge for credit losses and other financial assets, net	8.4	**201,495**	308,266	**641,392**	785,918
Impairment (reversal) charge for investments, net		**(3,541)**	10,405	**(41,166)**	28,566
Total operating expenses, net		**1,100,518**	1,126,805	**3,167,778**	3,258,050
Net operating income		**1,662,175**	1,154,083	**4,844,625**	3,325,913
Share in earnings of associates, net	17	**14,171**	10,928	**146,260**	38,418
Income for the period before zakat		**1,676,346**	1,165,011	**4,990,885**	3,364,331
Zakat for the period	15	**170,000**	220,000	**500,000**	660,000
Net income for the period after zakat		**1,506,346**	945,011	**4,490,885**	2,704,331
Basic and diluted earnings per share (in SAR)	16	**0.50**	0.32	**1.50**	0.90

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

	For the three month period ended 30 September		For the nine month period ended 30 September	
		(Restated)		(Restated)
	2019	2018	**2019**	2018
	SAR'000	SAR'000	**SAR'000**	SAR'000
Net income for the period after zakat	**1,506,346**	945,011	**4,490,885**	2,704,331
Other comprehensive income (OCI):				
a) Items that may be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Fair value through other comprehensive income (FVOCI- debt instruments)				
- Net change in fair value	**92,653**	(16,580)	**840,527**	(368,146)
- Net amounts transferred to interim condensed consolidated statement of income	**(47,859)**	(1,902)	**(181,561)**	(100,789)
- Net changes in allowance for expected credit losses of debt instruments	**(1,742)**	6,216	**(18,553)**	22,904
b) Items that cannot be reclassified to interim condensed consolidated statement of income in subsequent periods				
- Net change in fair value of equity instruments at fair value through other comprehensive income- (FVOCI- equity instruments)	**(175,489)**	(7,153)	**96,438**	244,213
Other comprehensive income for the period	**(132,437)**	(19,419)	**736,851**	(201,818)
Total comprehensive income for the period	**1,373,909**	925,592	**5,227,736**	2,502,513

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

For the nine month period ended 30 September 2019 & 2018

SAR'000	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Total
30 September 2019						
Balance at the beginning of the period	**30,000,000**	**5,101,613**	**58,047**	**414,556**	**1,200,000**	**36,774,216**
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	**-**	**-**	**96,438**	**-**	**-**	**96,438**
- FVOCI debt instruments	**-**	**-**	**840,527**	**-**	**-**	**840,527**
Net amount reclassified to the interim				**-**	**-**	**-**
condensed consolidated statement of income for FVOCI -debt instruments	**-**	**-**	**(181,561)**	**-**	**-**	**(181,561)**
Net changes in allowance for expected credit losses on FVOCI -debt instruments	**-**	**-**	**(18,553)**	**-**	**-**	**(18,553)**
Net income for the period	**-**	**-**	**-**	**4,490,885**	**-**	**4,490,885**
Total comprehensive income	**-**	**-**	**736,851**	**4,490,885**	**-**	**5,227,736**
Disposal of FVOCI -equity instruments	**-**	**-**	**(12,649)**	**12,649**	**-**	**-**
Final dividends - 2018 (note 15)	**-**	**-**	**-**	**-**	**(1,200,000)**	**(1,200,000)**
Interim dividend - 2019 (note 15)	**-**	**-**	**-**	**(1,560,000)**	**-**	**(1,560,000)**
Balance at the end of the period	**30,000,000**	**5,101,613**	**782,249**	**3,358,090**	**-**	**39,241,952**
30 September 2018 (Restated)						
Balance at the beginning of the period	30,000,000	3,922,592	686,865	2,873,536	1,140,000	38,622,993
Impact of adopting IFRS 9 at 1 January 2018	-	-	(116,478)	(2,008,490)	-	(2,124,968)
Restated balance at the beginning of the period	30,000,000	3,922,592	570,387	865,046	1,140,000	36,498,025
Total comprehensive income						
Net changes in fair values of						
- FVOCI equity instruments	-	-	244,213	-	-	244,213
- FVOCI debt instruments	-	-	(368,146)	-	-	(368,146)
Net amount reclassified to the interim condensed consolidated statement of income for FVOCI -debt instruments	-	-	(100,789)	-	-	(100,789)
Net changes in allowance for expected credit losses on FVOCI -debt instruments	-	-	22,904	-	-	22,904
Net income for the period	-	-	-	2,704,331	-	2,704,331
Total comprehensive income	-	-	(201,818)	2,704,331	-	2,502,513
Final dividends - 2017	-	-	-	-	(1,140,000)	(1,140,000)
Interim dividends - 2018 (note 15)	-	-	-	(1,110,000)	-	(1,110,000)
Balance at the end of the period	30,000,000	3,922,592	368,569	2,459,377	-	36,750,538

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

riyad bank

	Notes	For the nine month period ended 30 September 2019 SAR'000	2018 SAR'000
OPERATING ACTIVITIES			(Restated)
Income for the period before zakat		**4,990,885**	3,364,331
Adjustments to reconcile income for the period before zakat to net cash from(used in) operating activities:			
Accretion of discounts and amortisation of premium, net on non-FVIS instruments, net		**(46,066)**	9,275
Gains on disposals of non-trading investments, net		**(199,498)**	(118,042)
Gains on trading investments, net		**(18,332)**	(1,659)
Dividend income		**(84,470)**	(48,083)
Depreciation of property and equipment		**327,925**	219,836
Share in earnings of associates, net		**(146,260)**	(38,418)
Impairment (reversal) charge for investments, net		**(41,166)**	28,566
Impairment charge for credit losses and other financial assets, net	8.4	**641,392**	785,918
		5,424,410	4,201,724
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**(633,018)**	(298,249)
Due from banks and other financial institutions maturing after three months from date of acquisition		**(2,057,584)**	45,012
Positive fair value of derivatives		**(363,887)**	(229,895)
Fair value through income statement (FVIS)		**(336,711)**	312,671
Loans and advances, net		**(15,885,716)**	(9,117,106)
Other real estate		**(18,392)**	9,000
Other assets		**(1,689,499)**	(149,945)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**7,795,242**	142,938
Negative fair value of derivatives		**526,735**	165,409
Customer deposits		**7,849,857**	4,879,368
Other liabilities		**1,343,612**	5,049,523
Zakat paid		**(430,249)**	(67,598)
Net cash from operating activities		**1,524,800**	4,942,852
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments not held as FVIS instruments		**51,415,235**	19,627,095
Purchase of investments not held as FVIS instruments		**(53,188,061)**	(21,336,434)
Purchase of property and equipment, net		**(239,381)**	(173,778)
Net cash used in investing activities		**(2,012,207)**	(1,883,117)
FINANCING ACTIVITIES			
Dividend paid		**(2,756,837)**	(2,243,878)
Cash used in financing activities		**(2,756,837)**	(2,243,878)
Net (decrease) increase in cash and cash equivalents		**(3,244,244)**	815,857
Cash and cash equivalents at the beginning of the period		**17,443,752**	16,151,643
Cash and cash equivalents at end of the period	11	**14,199,508**	16,967,500
Special commission received during the period		**7,681,472**	5,876,316
Special commission paid during the period		**1,721,404**	1,212,857
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated statement of income		**755,404**	(224,722)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

Riyad Bank (the "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to 23 November 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to 18 November 1957G) through its 341 licensed branches (30 September 2018 : 341) in the Kingdom of Saudi Arabia, a branch in London, United Kingdom, an agency in Houston, United States, and a representative office in Singapore. The registered address of the Bank's Head Office is as follows:

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") endorsed in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

The consolidated financial statements of the Group as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in accordance with IAS 34, as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax (SAMA circular no 381000074519 dated 11 April 2017); International Financial Reporting Standards ("IFRS") as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax; the Banking Control Law; and the Regulations for Companies in the Kingdom of Saudi Arabia.

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

Accordingly, the Group changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" and the effects of this change are disclosed in note 15 to the interim condensed consolidated financial statements.

3. BASIS OF CONSOLIDATION

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

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

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

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

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

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

IFRS 16- Leases

Effective 1 January 2019, the Group adopted IFRS 16 ‘Leases’. The standard replaces the existing guidance on leases, including IAS 17 ‘Leases”, IFRIC 4 ‘Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

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

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

Before 1 January, 2019, the Group followed accounting for leases as per IAS 17- ‘Leases with the payments made under operating leases charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Transition to IFRS 16

The Group elected to apply the standard to contracts that were previously identified as lease applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

On adoption of IFRS 16, the Group has recognised lease liabilities recorded under other liabilities, net amounting to SAR 454.9 million and associated right-of-use assets, net amounting to SAR 456.5 million recorded under property and equipment in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities have been measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 January 2019. The associated rights-of-use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes explained below. Based on the adoption of new standards explained in note 4, the accounting policies are applicable effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 annual consolidated financial statements.

As mentioned in note 2, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in shareholders' equity as per SAMA's circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA, the zakat and income tax shall be recognized in the statement of income. The Group has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 15 to the interim condensed consolidated financial statements. .

Zakat

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

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Group shall assess 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

The Group shall apply the cost model, and measure the right of use asset at cost;
a) less any accumulated depreciation and any accumulated impairment losses; and
b) 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.
After the commencement date, Group 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.

6. DERIVATIVES

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

	30 September 2019 (Unaudited)			31 December 2018 (Audited)			30 September 2018 (Unaudited)		
	Positive fair value SAR'000	**Negative fair value SAR'000**	**Notional amount SAR'000**	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000	Positive fair value SAR'000	Negative fair value SAR'000	Notional amount SAR'000
Held for trading:									
Special commission rate swaps	**594,671**	**(507,044)**	**39,162,023**	239,364	(167,805)	31,853,110	271,459	(207,745)	25,077,178
Forward foreign exchange contracts	**55,841**	**(45,897)**	**36,345,711**	46,053	(51,631)	27,248,377	45,732	(30,567)	15,048,193
Currency options	**-**	**-**	**-**	1,184	(1,184)	476,362	4,949	(4,949)	997,428
Held as fair value hedges:									
Special commission rate swaps	**-**	**(248,064)**	**3,169,354**	24	(53,650)	3,428,279	23,645	(71)	1,461,625
Total	**650,512**	**(801,005)**	**78,677,088**	286,625	(274,270)	63,006,128	345,785	(243,332)	42,584,424

7 INVESTMENTS, NET

	30 September 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	30 September 2018 (Unaudited) SAR'000
Investments at amortized cost	**32,028,787**	32,917,341	32,470,695
Investments at FVOCI			
- Equity	**2,389,810**	2,035,385	1,962,775
- Debt	**16,157,990**	12,730,942	12,434,798
Total investments at FVOCI	**18,547,800**	14,766,327	14,397,573
Investment at FVIS	**798,762**	393,272	940,523
Less: impairment	**(61,410)**	(84,168)	(82,790)
Total	**51,313,939**	47,992,772	47,726,001

8. LOANS AND ADVANCES, NET

8.1 Loans and advances held at amortised cost

These comprise the following:

30 September 2019 **SAR'000**	**Overdraft**	**Credit Cards**	**Consumer Loans**	**Commercial Loans**	**Others**	**Total**
Performing loans and advances-gross	**6,093,883**	**813,382**	**52,432,251**	**107,457,533**	**400,483**	**167,197,532**
Non-performing loans and advances	**78,587**	**-**	**332,081**	**1,022,486**	**480**	**1,433,634**
Total loans and advances	**6,172,470**	**813,382**	**52,764,332**	**108,480,019**	**400,963**	**168,631,166**
Allowance for impairment	**(68,175)**	**(38,579)**	**(857,786)**	**(1,390,601)**	**(746)**	**(2,355,887)**
Loans and advances, net	**6,104,295**	**774,803**	**51,906,546**	**107,089,418**	**400,217**	**166,275,279**

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

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

SAR'000	**For the nine month period ended 30 September 2019 (Unaudited)**	For the year-ended 31 December 2018 (Audited)
Balance at the beginning of the period/ year	**2,358,529**	3,510,988
Provided during the period/ year	**771,182**	981,558
Bad debts written off against provision during the period/ year	**(773,824)**	(2,134,017)
	2,355,887	2,358,529

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

SAR'000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Balance at 30 September 2019	**364,825**	**473,672**	**1,517,390**	**2,355,887**
Balance at 31 December 2018	301,461	667,541	1,389,527	2,358,529

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

	For the three month period ended 30 September		**For the nine month period ended 30 September**	
SAR'000	**2019 (Unaudited)**	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Impairment charge for credit losses, net	**189,840**	243,088	**635,267**	768,338
Impairment charge (reversal) for other financial assets, net	**11,655**	65,178	**6,125**	17,580
Total	**201,495**	308,266	**641,392**	785,918

9. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	30 September 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	30 September 2018 (Unaudited) SAR'000
Demand	**91,856,333**	86,842,195	85,410,559
Saving	**507,485**	459,724	429,943
Time	**66,299,252**	66,304,252	58,893,125
Others	**19,008,943**	16,215,985	14,511,290
Total	**177,672,013**	169,822,156	159,244,917

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES AND OTHERS

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

	30 September 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	30 September 2018 (Unaudited) SAR'000
Letters of credit	**8,365,774**	8,118,981	7,362,817
Letters of guarantee	**63,207,144**	64,400,982	65,063,124
Acceptances	**2,364,823**	1,828,797	1,548,956
Irrevocable commitments to extend credit	**11,674,200**	11,625,946	9,293,268
Total	**85,611,941**	85,974,706	83,268,165

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

SAR'000	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance at 30 September 2019	**55,549**	**14,680**	**83,657**	**153,886**
Balance at 31 December 2018	32,821	34,827	93,381	161,029

Other liabilities as at 30 September 2019, include ECL relating to off balance sheet facilities and loan commitments amounting to SAR 606 million.

11. CASH AND CASH EQUIVALENTS

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

	30 September 2019 (Unaudited) SAR'000	31 December 2018 (Audited) SAR'000	30 September 2018 (Unaudited) SAR'000
Cash and balances with SAMA excluding statutory deposit	**6,707,560**	7,734,761	9,382,510
Due from banks and other financial institutions maturing within three months from date of acquisition	**7,491,948**	9,708,991	7,584,990
Total	**14,199,508**	17,443,752	16,967,500

12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Fair value and fair value hierarchy

30 September 2019 SAR'000 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
- Positive fair value of derivatives	**-**	**650,512**	**-**	**650,512**
- Investments held at FVIS	**798,762**	**-**	**-**	**798,762**
- Investments held at FVOCI	**18,198,932**	**-**	**308,940**	**18,507,872**
Financial liabilities measured at fair value				
- Negative fair value of derivatives	**-**	**801,005**	**-**	**801,005**

31 December 2018 SAR'000 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
- Positive fair value of derivatives	-	286,625	-	286,625
- Investments held at FVIS	392,484	788	-	393,272
- Investments held at FVOCI	14,437,395	-	288,876	14,726,271
Financial liabilities measured at fair value				
- Negative fair value of derivatives	-	274,270	-	274,270

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

	For the nine month period ended 30 September 2019 (Unaudited)	For the year-ended 31 December 2018 (Audited)
Reconciliation of movement in Level 3	**SAR'000**	SAR'000
Opening balance	**288,876**	315,912
Total gains or losses		
- recognised in interim condensed consolidated statement of income	**22,708**	18,536
- recognised in other comprehensive income	**(2,644)**	(45,572)
Closing balance	**308,940**	288,876

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

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

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. The estimated fair values of loans and advances was SAR 170.4 billion at 30 September 2019 (31 December 2018: SAR 155.5 billion).

The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. The estimated fair values of these investments was SAR 32.7 billion at 30 September 2019 (31 December 2018: SAR 32.8 billion).

13. OPERATING SEGMENTS

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

13. OPERATING SEGMENTS (continued)

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

Retail banking

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

Investment banking and brokerage

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

Corporate banking

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

Treasury and investment

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

The Group's total assets and liabilities at 30 September 2019 and 2018 and its total operating income, total operating expenses and net income for the nine months periods then ended, by operating segments, are as follows:

30 September 2019

SAR'000 (Unaudited)	**Retail banking**	**Investment banking and brokerage**	**Corporate banking**	**Treasury and investment**	**Total**
Total assets	**65,385,072**	**1,400,032**	**118,730,212**	**65,057,644**	**250,572,960**
Total liabilities	**85,607,654**	**356,419**	**94,991,791**	**30,375,144**	**211,331,008**
Total operating income, net of which	**2,595,872**	**380,616**	**3,038,044**	**1,997,871**	**8,012,403**
- Net special commission income	**2,273,342**	**99,333**	**2,080,581**	**1,352,640**	**5,805,896**
- Fee and commission income, net	**329,587**	**253,081**	**952,221**	**5,581**	**1,540,470**
Inter segment revenues	**369,657**	**99,026**	**(834,483)**	**365,800**	**-**
Total operating expenses, net of which	**1,587,012**	**142,934**	**1,404,300**	**33,532**	**3,167,778**
- Depreciation of property and equipment	**258,400**	**12,168**	**50,105**	**7,252**	**327,925**
- Impairment (reversal) charge for credit losses and other financial assets, net	**(122,069)**	**-**	**767,304**	**(3,843)**	**641,392**
- Impairment (reversal) for investments, net	**-**	**-**	**-**	**(41,166)**	**(41,166)**
Share in earnings of associates, net	**-**	**-**	**-**	**146,260**	**146,260**
Net income for the period before zakat	**1,008,860**	**237,682**	**1,633,744**	**2,110,599**	**4,990,885**

30 September 2018

SAR'000 (Unaudited)	Retail banking	Investment banking and brokerage	Corporate banking	Treasury and investment	Total
Total assets	54,821,662	1,084,745	105,328,463	64,731,317	225,966,187
Total liabilities	75,774,697	244,740	96,523,278	16,672,934	189,215,649
Total operating income, net of which	2,176,505	268,331	2,539,070	1,600,057	6,583,963
- Net special commission income	1,904,335	70,241	1,734,328	1,161,258	4,870,162
- Fee and commission income, net	278,402	182,345	785,872	2,852	1,249,471
Inter segment revenues	316,145	70,180	(837,335)	451,010	-
Total operating expenses, net of which	1,734,018	112,410	1,206,677	204,945	3,258,050
- Depreciation of property and equipment	158,201	6,274	39,719	15,642	219,836
- Impairment charge (reversal) for credit losses and other financial assets, net	167,213	-	623,992	(5,287)	785,918
- Impairment charge for investments, net	-	-	-	28,566	28,566
Share in earnings of associates, net	-	-	-	38,418	38,418
Net income for the period before zakat	442,487	155,921	1,332,393	1,433,530	3,364,331

14. FINANCIAL RISK MANAGEMENT

Credit risk

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

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

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

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

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

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

15. DIVIDENDS AND ZAKAT

On 19 March 2019, the shareholders in the Ordinary General Assembly meeting approved the distribution of dividends to shareholders for the second half of 2018. The amount of such dividend amounted to SAR 1,200 million (SAR 0.40 per share) and the distribution date for the dividend was 2 April 2019.

The Board of Directors approved interim dividend of SAR 1,560 million (2018: SAR 1,110 million), which was ratified and announced on 7 July 2019, resulting in dividends of SAR 0.52 per share (2018: SAR 0.37 per share) to the shareholders.

On 14 March 2019, Saudi Arabia's General Authority of Zakat and Tax (the "GAZT") has 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 9 month period ended 30 September 2019 at SAR 500 million (30 September 2018: SAR 660 million) The provision of Zakat liabilities is estimated based on the results of operations of the Group for the period ended and the financial position at 30 September 2019. The zakat provisions would be re-assessed during the year.

The change in the accounting treatment for zakat (as explained in note 5) has the following impacts on the line items of statements of income, statement of financial position and changes in shareholders' equity as at and for the nine-month period ended 30 September 2018:

Amount in SAR 000s	Financial statement impacted	As previously reported for the nine-month period ended 30 September 2018	Effect of restatement	As restated for the nine-month period ended 30 September 2018
Provision for zakat and income (retained earnings)	Statement of changes in equity	660,000	(660,000)	-
Zakat	Statement of income	-	660,000	660,000
Earnings per share (SAR)	Statement of income	1.12	(0.22)	0.90

	Financial statement impacted	As previously reported for the three-month period ended 30 September 2018	Effect of restatement	As restated for the three-month period ended 30 September 2018
Provision for zakat and income (retained earnings)	Statement of changes in equity	220,000	(220,000)	-
Zakat	Statement of income	-	220,000	220,000
Earnings per share (SAR)	Statement of income	0.39	(0.07)	0.32

16. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 30 September 2019 and 2018 are calculated by dividing the net income after zakat for the period by 3,000 million outstanding shares.

17. SHARE IN EARNINGS OF ASSOCIATES, NET

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

18. CAPITAL ADEQUACY

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

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

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

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

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

	30 September 2019	31 December 2018	30 September 2018
	(Unaudited)	(Audited)	(Unaudited)
Risk weighted assets	**SAR Millions**	SAR Millions	SAR Millions
Credit	**224,919**	210,880	204,594
Operational	**16,072**	14,705	14,392
Market	**3,083**	2,330	4,202
Total Pillar-I Risk Weighted Assets	**244,074**	227,915	223,188
Eligible capital			
Tier I Capital	**39,242**	36,774	36,751
Tier II Capital	**4,443**	4,384	4,406
Total Tier I and II Capital	**43,685**	41,158	41,157
Tier I Capital Adequacy Ratio %	16.1%	16.1%	16.5%
Total Capital Adequacy Ratio %	17.9%	18.1%	18.4%

19. COMPARATIVE FIGURES

In additon to the restatement set out in note 15, certain comparative figures have been reclassified to conform with the current period presentation.