



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the three month period ended March 31, 2019

(Unaudited)

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in SAR'000

	Notes	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
ASSETS				
Cash and balances with SAMA	5	4,828,587	4,871,932	5,012,236
Due from banks and other financial institutions, net	6,18	1,643,482	2,917,697	1,435,531
Investments	7,18	26,092,515	24,638,113	23,144,327
Positive fair values of derivatives	15,18	970,821	1,245,243	1,013,172
Loans and advances, net	8,18	58,176,110	59,412,529	57,895,602
Investments in associates	9	955,260	1,012,366	1,021,837
Other real estate		683,818	718,724	718,724
Information Technology intangible assets, net	10	221,818	208,207	165,614
Property and equipment, net	10	1,142,668	902,889	922,563
Other assets, net	11	117,226	142,208	201,629
Total assets		94,832,305	96,069,908	91,531,235
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	18	11,142,713	12,620,832	10,445,719
Customer deposits	12,18	63,824,206	63,689,869	61,032,444
Negative fair values of derivatives	15,18	168,615	500,704	348,783
Term loans	13,18	2,012,770	2,030,371	2,006,900
Subordinated debt	14,18	2,028,336	2,005,661	2,020,923
Other liabilities	11	1,741,589	1,783,795	955,391
Total liabilities		80,918,229	82,631,232	76,810,160
Equity				
Share capital	25	7,500,000	7,500,000	7,500,000
Statutory reserve		4,928,000	4,928,000	4,563,000
Treasury shares	26	(787,536)	(787,536)	-
Other reserves	7	22,256	(192,056)	147,502
Retained earnings		466,356	205,268	328,102
Proposed dividends	20	-	-	450,000
Shares held for employee options, net	24	-	-	(52,529)
Shareholders' equity		12,129,076	11,653,676	12,936,075
Tier I Sukuk	23	1,785,000	1,785,000	1,785,000
Total equity		13,914,076	13,438,676	14,721,075
Total liabilities and equity		94,832,305	96,069,908	91,531,235

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
Amounts in SAR'000

	Notes	Three month period ended	
		Mar. 31, 2019	Mar. 31, 2018
Special commission income		995,038	839,837
Special commission expense		408,673	275,676
Net special commission income		586,365	564,161
Fee income from banking services, net		88,729	85,910
Exchange income, net		29,426	31,599
Unrealized fair value through profit and loss		2,179	2,089
Realized fair value through profit and loss		475	2,525
Gains on FVOCI debt securities, net		220	40
Other income		87	-
Total operating income		707,481	686,324
Salaries and employee-related expenses		154,000	148,180
Rent and premises-related expenses		30,835	43,274
Depreciation and amortization		34,776	24,125
Other general and administrative expenses	27	75,317	50,032
Provisions for credit and other losses	27	77,220	88,545
Total operating expenses		372,148	354,156
Operating income		335,333	332,168
Share in earnings of associates	9	24,573	29,065
Net income		359,906	361,233
Basic and diluted earnings per share (expressed in SAR per share)	19	0.50	0.48

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
Amounts in SAR'000

	Notes	Three month period ended	
		Mar. 31, 2019	Mar. 31, 2018
Net income		<u>359,906</u>	<u>361,233</u>
Other comprehensive income (loss)			
Items that cannot be reclassified to the interim consolidated statement of income in subsequent periods:			
Net change in fair value of equity investments held at fair value through other comprehensive income		(5,776)	15,688
Actuarial gains on defined benefit plans		1,951	-
Items that can be reclassified to the interim consolidated statement of income in subsequent periods:			
Net change in fair value of debt instruments held at fair value through other comprehensive income		218,640	(106,178)
Fair value gains transferred to interim consolidated statement of income on disposal of debt securities		(220)	(40)
Share in other comprehensive loss of associates	9	<u>(283)</u>	<u>(568)</u>
Total other comprehensive income (loss)		<u>214,312</u>	<u>(91,098)</u>
Total comprehensive income		<u><u>574,218</u></u>	<u><u>270,135</u></u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

	Three month period ended March 31, 2019 (SAR'000)							
	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Shareholders equity	Tier 1 Sukuk	Total equity
Balances at the beginning of the period	7,500,000	4,928,000	(787,536)	(192,056)	205,268	11,653,676	1,785,000	13,438,676
Net income	-	-	-	-	359,906	359,906	-	359,906
Total other comprehensive income	-	-	-	214,312	-	214,312	-	214,312
Total comprehensive income	-	-	-	214,312	359,906	574,218	-	574,218
Zakat for current period	-	-	-	-	(33,894)	(33,894)	-	(33,894)
Zakat and Income Tax for prior periods	-	-	-	-	(39,914)	(39,914)	-	(39,914)
Income Tax for current period	-	-	-	-	(10,010)	(10,010)	-	(10,010)
Tier I Sukuk Costs	-	-	-	-	(15,000)	(15,000)	-	(15,000)
Balances at the end of the period (Unaudited)	<u>7,500,000</u>	<u>4,928,000</u>	<u>(787,536)</u>	<u>22,256</u>	<u>466,356</u>	<u>12,129,076</u>	<u>1,785,000</u>	<u>13,914,076</u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - Continued (Unaudited)

Three month period ended March 31, 2018 (SAR'000)										
	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Shares held for employee options, net	Shareholders' equity	Tier 1 Sukuk	Total equity
Balances at the beginning of the period		7,500,000	4,563,000	204,478	1,284,858	-	(58,269)	13,494,067	785,000	14,279,067
Effect of the adoption of IFRS 9 on January 1, 2018		-	-	50,603	(873,159)	-	-	(822,556)	-	(822,556)
Balances at the beginning of the period as adjusted		7,500,000	4,563,000	255,081	411,699	-	(58,269)	12,671,511	785,000	13,456,511
Net income		-	-	-	361,233	-	-	361,233	-	361,233
Total other comprehensive loss		-	-	(91,098)	-	-	-	(91,098)	-	(91,098)
Total comprehensive (loss) income		-	-	(91,098)	361,233	-	-	270,135	-	270,135
Gains on sales of FVOCI equity investments	7	-	-	(16,481)	16,481	-	-	-	-	-
Zakat for current period		-	-	-	(6,329)	-	-	(6,329)	-	(6,329)
Income Tax for current period		-	-	-	(8,895)	-	-	(8,895)	-	(8,895)
Foreign shareholder Income Tax Reimbursement		-	-	-	4,063	-	-	4,063	-	4,063
Proposed dividends	20	-	-	-	(450,000)	450,000	-	-	-	-
Net movement in shares held for employee options	24	-	-	-	-	-	5,740	5,740	-	5,740
Tier 1 Sukuk proceeds	23	-	-	-	-	-	-	-	1,000,000	1,000,000
Tier I Sukuk Costs		-	-	-	(150)	-	-	(150)	-	(150)
Balances at the end of the period (Unaudited)		<u>7,500,000</u>	<u>4,563,000</u>	<u>147,502</u>	<u>328,102</u>	<u>450,000</u>	<u>(52,529)</u>	<u>12,936,075</u>	<u>1,785,000</u>	<u>14,721,075</u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
Amounts in SAR'000

	Notes	Three month period ended	
		March 31, 2019	March 31, 2018
OPERATING ACTIVITIES			
Net income		359,906	361,233
Adjustments to reconcile net income to net cash from (used in) operating activities			
Net accretion of discounts and net amortization of premiums on investments, net		10,996	12,803
Net change in accrued special commission income		(3,846)	(47,154)
Net change in accrued special commission expense		14,404	(13,720)
Net change in deferred loan fees		(7,786)	(14,147)
Gains on investments, net		(220)	(40)
Fair value through profit and loss unrealized gains		(2,179)	(2,089)
Fair value through profit and loss realized gains		(475)	(2,525)
Depreciation and amortization	17	34,776	24,125
Gains on sales of property, equipment, and intangibles		(87)	-
Provisions for credit and other losses	27	77,220	88,545
Share in earnings of associates	9	(24,573)	(29,065)
Share based provisions	24	-	1,800
		<u>458,136</u>	<u>379,766</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(59,490)	132,638
Due from banks and other financial institutions maturing after ninety days from acquisition date		(25,793)	(244,671)
Loans and advances		1,225,644	1,046,218
Positive fair values of derivatives		266,143	(340,727)
Other assets		(234,189)	11,734
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,463,116)	2,857,935
Customer deposits		109,646	(5,891,091)
Negative fair values of derivatives		(331,731)	214,793
Other liabilities		<u>23,629</u>	<u>(74,911)</u>
Net cash used in operating activities		<u>(31,121)</u>	<u>(1,908,316)</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments		220,599	322,383
Purchases of investments		(1,451,797)	(1,835,451)
Dividends received from associates		68,908	-
Acquisitions of property, equipment, and intangibles	17	(29,180)	(16,638)
Proceeds from sales of property, equipment, and intangibles		350	-
Net cash used in investing activities		<u>(1,191,120)</u>	<u>(1,529,706)</u>
FINANCING ACTIVITIES			
Zakat and Income Tax payments, net		(161,272)	4,063
Vesting of share options, net	24	-	3,940
Proceeds from Tier I Sukuk	23	-	1,000,000
Tier 1 Sukuk costs		<u>(15,000)</u>	<u>(150)</u>
Net cash (used in) provided from financing activities		<u>(176,272)</u>	<u>1,007,853</u>
Net decrease in cash and cash equivalents		<u>(1,398,513)</u>	<u>(2,430,169)</u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS - Continued (Unaudited)
Amounts in SAR'000

	Notes	Three month period ended	
		March 31, 2019	March 31, 2018
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		4,503,172	5,444,306
Net decrease in cash and cash equivalents		<u>(1,398,513)</u>	<u>(2,430,169)</u>
Cash and cash equivalents at the end of the period	5	<u><u>3,104,659</u></u>	<u><u>3,014,137</u></u>
Supplemental special commission information			
Special commission received		<u>991,192</u>	<u>842,376</u>
Special commission paid		<u>391,345</u>	<u>377,248</u>
Supplemental non-cash information			
Total other comprehensive income (loss)		<u>214,312</u>	<u>(91,098)</u>
Adoption of IFRS 9 on January 1, 2018		<u>-</u>	<u>822,556</u>
Adoption of IFRS 16 on January 1, 2019	4	<u>246,601</u>	<u>-</u>

The accompanying notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three-month periods ended March 31, 2019 and 2018

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 52 branches (December 31, 2018: 52 branches; and March 31, 2018: 50 branches) in the Kingdom of Saudi Arabia. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank
Head Office
P.O. Box 3533
Riyadh 11481, Kingdom of Saudi Arabia

The Bank offers a full range of commercial and retail banking services. The Bank also offers Shariah compliant (non-interest based) banking products and services, which are approved and supervised by an independent Shariah Board established by the Bank.

2. Basis of preparation

These interim condensed consolidated financial statements as of and for the three month period ended March 31, 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as modified by SAMA for the Accounting of Zakat and Income Tax. These interim condensed consolidated financial statements therefore do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2018. The Group has adopted IFRS 16 "Leases" on January 1, 2019 and the accounting policies for this new standard are disclosed in note 4.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand, except where indicated herein.

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the annual consolidated financial statements as of and for the year ended December 31, 2018.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on April 29, 2019.

3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of the following subsidiaries (collectively referred to as the "Group" in these interim condensed consolidated financial statements):

- a) "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a Saudi closed joint stock company, which is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory, and custody services relating to financial securities;
- b) "Saudi Investment Real Estate Company", a limited liability company, which is registered in the Kingdom of Saudi Arabia under commercial registration No.1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions;

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three-month periods ended March 31, 2019 and 2018

3. Basis of consolidation – (continued)

- c) "Saudi Investment First Company", a limited liability company, which is registered in the Kingdom of Saudi Arabia under commercial registration No. 1010427836 issued on 16 Muharram 1436H (corresponding to November 9, 2014), and is owned 100% by the Bank. The Company has not commenced any significant operations; and
- d) "SAIB Markets Limited Company", a Cayman Islands limited liability company, registered in the Cayman Islands on July 18, 2017, and is 100% owned by the Bank. The objective of the Company is to conduct derivatives and repurchase activities on behalf of the Bank.

References to the Bank hereafter in these interim condensed consolidated financial statements refer to disclosures that are relevant only to the Bank and not collectively to the Group.

These interim condensed consolidated financial statements are comprised of the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Changes are made to the accounting policies of the subsidiaries when necessary to align with the accounting policies of the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed, 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 the subsidiaries are included in the interim condensed consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee. The financial statements of any such structured entities are consolidated from the date the Group obtains control and until the date when the Group ceases to control the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000
For the three-month periods ended March 31, 2019 and 2018

3. Basis of consolidation – (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

All Intra-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements.

4. Summary of significant accounting policies

The accounting policies and 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 December 31, 2018 except for the policies explained below.

IFRS 16 "Leases"

The Group adopted IFRS 16 'Leases', the standard replacing the previous 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 January 1, 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the statement of financial position, unless the term is 12 months or less or the lease is for a low value asset item. 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 of Use 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 of the leased asset.

The Group has opted for the modified retrospective application (Option 2B) permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16, the leased assets were measured at the amount of the lease liability, using an applicable commission rate at the time of first time application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000
For the three-month periods ended March 31, 2019 and 2018

4. Summary of significant accounting policies – (continued)

The following is a reconciliation of the off-balance sheet lease obligations as of December 31, 2018 to the recognized lease liabilities as of January 1, 2019.

Off-balance sheet lease obligations as of December 31, 2018	216,250
Less amounts for those leases with a lease term of 12 months or less and/or low-value leases	(20,696)
Add amounts for reasonably certain extension options	<u>196,834</u>
Net lease obligations as of January 1, 2019	<u>392,388</u>
Discounted lease liabilities due to initial application of IFRS 16 as of January 1, 2019	<u>246,601</u>

On initial recognition, at inception of the contract, 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 leased assets

The Group applies a cost model and therefore measures Right of Use leased assets at cost, less any accumulated depreciation and accumulated impairment losses adjusted for any re-measurement of the lease liabilities for lease modifications.

Under Option 2B, Right of Use leased assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, or other expenses, such amounts are added to the Right of Use leased asset value.

Lease Liabilities

On initial recognition, the Group recognizes a discounted lease liability equal to the present value of all remaining payments to the lessor. After initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect special commission on the lease liability, reducing the carrying amount to reflect the lease payments made including prepayments, and re-measuring the carrying amount to reflect any re-assessment or lease modification if applicable.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement and other Standards, amendments, or interpretations

The amendments to IAS 19 applicable from January 1, 2019 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The effect of the amendments to IAS 19 did not have a significant impact on net income for the three month period ended March 31, 2019.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 applicable from January 1, 2019 address the accounting for prepayment features with negative compensations. The effect of the amendments to IFRS 9 did not have a significant impact on net income for the three month period ended March 31, 2019.

Other Standards, amendments or interpretations

Other Standards, amendments or interpretations effective for annual periods beginning on or after January 1, 2019, did not have a significant impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000
For the three-month periods ended March 31, 2019 and 2018

5. Cash and balances with SAMA and cash and cash equivalents

Cash and balances with SAMA as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Cash on hand	719,340	736,763	731,164
Reverse repurchase agreements with SAMA	940,000	977,000	1,157,000
Other balances with SAMA, net	<u>(107,473)</u>	<u>(59,061)</u>	<u>(75,495)</u>
Cash and balances with SAMA before statutory deposit	1,551,867	1,654,702	1,812,669
Statutory deposit with SAMA	<u>3,276,720</u>	<u>3,217,230</u>	<u>3,199,567</u>
Cash and balances with SAMA	<u>4,828,587</u>	<u>4,871,932</u>	<u>5,012,236</u>

In accordance with the Banking Control Law and regulations issued by The Saudi Arabian Monetary Authority (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 deposits with SAMA are not available to finance the Bank's day to day operations and therefore do not form a part of cash and cash equivalents.

Cash and cash equivalents as of March 31, 2019 and 2018 and as of December 31, 2018 are comprised of the following:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,551,867	1,654,702	1,812,669
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	<u>1,552,792</u>	<u>2,848,470</u>	<u>1,201,468</u>
Cash and cash equivalents	<u>3,104,659</u>	<u>4,503,172</u>	<u>3,014,137</u>

6. Due from banks and other financial institutions, net

Due from banks and other financial institutions, net as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Current accounts	286,049	797,185	362,119
Money market placements	<u>1,359,594</u>	<u>2,123,215</u>	<u>1,085,140</u>
Total due from banks and other financial institutions	1,645,643	2,920,400	1,447,259
Allowance for credit losses	<u>(2,161)</u>	<u>(2,703)</u>	<u>(11,728)</u>
Due from banks and other financial institutions, net	<u>1,643,482</u>	<u>2,917,697</u>	<u>1,435,531</u>

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6. Due from banks and other financial institutions, net – (continued)

The credit quality of due from banks and other financial institutions measured at amortized cost as of March 31, 2019 and 2018 and as of December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Investment grade	1,643,046	2,917,319	1,429,228
Non-investment grade	2,597	3,081	1,242
Unrated	-	-	16,789
Total due from banks and other financial institutions	<u>1,645,643</u>	<u>2,920,400</u>	<u>1,447,259</u>

The movement of the allowance for credit losses for the three month periods ended March 31, 2019 and 2018 and the year ended December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balances at the beginning of the year/period	2,703	13,564	13,564
Provision for credit losses	(542)	(10,861)	(1,836)
Balances at the end of the year/period	<u>2,161</u>	<u>2,703</u>	<u>11,728</u>

A reconciliation from the opening to the closing balances of the allowance for credit losses for due from banks and other financial institutions for the three month periods ended March 31, 2019 and 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	2,336	367	-	2,703
Changes in exposures, re-measurement, and transfers	(485)	(57)	-	(542)
Balances at the end of the period	<u>1,851</u>	<u>310</u>	<u>-</u>	<u>2,161</u>

	Mar. 31, 2018 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	12,667	897	-	13,564
Changes in exposures, re-measurement, and transfers	(2,181)	345	-	(1,836)
Balances at the end of the period	<u>10,486</u>	<u>1,242</u>	<u>-</u>	<u>11,728</u>

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7. Investments

Investments as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Fixed rate debt securities	22,185,318	20,732,211	18,036,188
Floating rate debt securities	3,475,761	3,470,253	4,455,619
Total debt securities	25,661,079	24,202,464	22,491,807
Equities	255,977	261,381	401,235
Mutual funds	133,806	131,626	205,975
Other securities	41,653	42,642	45,310
Investments	<u>26,092,515</u>	<u>24,638,113</u>	<u>23,144,327</u>

Debt securities and equities are classified at FVOCI, and mutual funds and other securities are classified at FVTPL.

As of March 31, 2019, investments include SAR 7.8 billion (December 31, 2018: SAR 7.7 billion, and March 31, 2018: SAR 4.8 billion) which have been pledged under repurchase agreements with other financial institutions.

The Group's investments in equities include SAR 8.6 million as of March 31, 2019 (December 31, 2018: SAR 8.6 million, and March 31, 2018: SAR 201.3 million) which the Bank acquired in prior years in connection with the settlement of loans and advances. During the three month period ended March 31, 2018, the Bank sold a portion of these holdings. The fair value of the shares sold totalled SAR 76.9 million, resulting in a realized gain of approximately SAR 16.5 million. The SAR 16.5 million realized gain was subsequently transferred from other reserves to retained earnings during the three month period ended March 31, 2018.

The Bank also holds additional strategic investments in equities totaling SAR 244.8 million as of March 31, 2019 (December 31, 2018: 250.6 million, and March 31, 2018: SAR 199.9 million) including the Mediterranean and Gulf Cooperative Insurance and Reinsurance Co., SIMAH (Saudi Credit Bureau), and the Saudi Company for Registration of Finance Lease Contracts.

The credit quality of debt securities at FVOCI as of March 31, 2019 and 2018 and as of December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Grades 1-6	25,657,394	24,198,778	22,488,124
Grades 7-9	3,685	3,686	3,683
Total debt securities	<u>25,661,079</u>	<u>24,202,464</u>	<u>22,491,807</u>

The movement of the allowance for credit losses for the three month periods ended March 31, 2019 and 2018 and for the year ended December 31, 2018 included in other reserves is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balances at the beginning of the year/period	75,480	64,977	64,977
Provision for credit losses	(2,893)	10,503	17,162
Balances at the end of the year/period	<u>72,587</u>	<u>75,480</u>	<u>82,139</u>

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7. Investments – (continued)

A reconciliation from the opening to the closing balances of the allowance for credit losses for debt investments for the three month periods ended March 31, 2019 and 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	71,794	3,686	-	75,480
Changes in exposures, re-measurement, and transfers	(2,892)	(1)	-	(2,893)
Balances at the end of the period	68,902	3,685	-	72,587

	Mar. 31, 2018 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	64,977	-	-	64,977
Changes in exposures, re-measurement, and transfers	13,479	3,683	-	17,162
Balances at the end of the period	78,456	3,683	-	82,139

Other reserves classified in shareholders' equity as of March 31, 2019 and 2018 and as of December 31, 2018 are comprised of the following:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Unrealized (losses) gains on revaluation of debt securities at FVOCI before allowance for credit losses	(7,662)	(228,599)	38,019
Allowance for credit losses on debt securities at FVOCI	72,587	75,480	82,139
Unrealized gains (losses) on revaluation of debt securities at FVOCI after allowance for credit losses	64,925	(153,119)	120,158
Unrealized (losses) gains on revaluation of equities held at FVOCI	(44,592)	(39,192)	26,937
Actuarial gains on defined benefit plans	1,951	-	-
Share of other comprehensive (loss) income of associates	(28)	255	407
Other reserves	22,256	(192,056)	147,502

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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8. Loans and advances, net

Loans and advances, net classified as held at amortized cost as of March 31, 2019 and 2018 and as of December 31, 2018 and are summarized as follows:

	Mar. 31, 2019 (Unaudited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1, 12 month ECL	30,426,801	3,443,689	14,393,251	48,263,741
Stage 2, Life time ECL not credit impaired	6,767,767	1,836,555	265,699	8,870,021
Stage 3, Life time ECL credit impaired	1,225,462	1,348,386	276,925	2,850,773
Total loans and advances	38,420,030	6,628,630	14,935,875	59,984,535
Allowance for credit losses	(650,282)	(730,913)	(427,230)	(1,808,425)
Loans and advances, net	37,769,748	5,897,717	14,508,645	58,176,110
	Dec. 31, 2018 (Audited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1, 12 month ECL	34,434,670	3,547,689	14,267,187	52,249,546
Stage 2, Life time ECL not credit impaired	5,171,573	906,743	189,619	6,267,935
Stage 3, Life time ECL credit impaired	1,316,849	1,083,091	290,684	2,690,624
Total loans and advances	40,923,092	5,537,523	14,747,490	61,208,105
Allowance for credit losses	(871,262)	(459,161)	(465,153)	(1,795,576)
Loans and advances, net	40,051,830	5,078,362	14,282,337	59,412,529
	Mar. 31, 2018 (Unaudited)			
	Commercial and other	Overdrafts	Consumer	Total
Stage 1, 12 month ECL	31,337,893	2,601,379	16,047,747	49,987,019
Stage 2, Life time ECL not credit impaired	6,307,932	250,603	70,365	6,628,900
Stage 3, Life time ECL credit impaired	126,214	2,719,517	166,226	3,011,957
Total loans and advances	37,772,039	5,571,499	16,284,338	59,627,876
Allowance for credit losses	(1,129,301)	(292,564)	(310,409)	(1,732,274)
Loans and advances, net	36,642,738	5,278,935	15,973,929	57,895,602

The movement of the allowance for credit losses for loans and advances for the three month periods ended March 31, 2019 and 2018 and for the year ended December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balances at the beginning of the year/period	1,795,576	1,718,082	1,718,082
Provision for credit losses	21,720	220,514	26,944
Write-offs, net	(8,871)	(143,020)	(12,752)
Balances at the end of the year/period	1,808,425	1,795,576	1,732,274

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8. Loans and advances, net – (continued)

A reconciliation from the opening to the closing balance of the allowance for credit losses for the loans and advances for the three month periods ended March 31, 2019 and 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	339,621	135,456	1,320,499	1,795,576
Changes in exposures, re-measurement, and transfers	(29,688)	69,415	(18,007)	21,720
Write-offs	-	-	(8,871)	(8,871)
Balances at the end of the period	309,933	204,871	1,293,621	1,808,425

	Mar. 31, 2018 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	294,950	124,378	1,298,754	1,718,082
Changes in exposures, re-measurement, and transfers	(25,719)	11,332	41,331	26,944
Write-offs	-	-	(12,752)	(12,752)
Balances at the end of the period	269,231	135,710	1,327,333	1,732,274

9. Investments in associates

Investments in associates include the Bank's ownership interest in American Express Saudi Arabia (AMEX) of 50%, in Saudi Orix Leasing Company (ORIX) of 38%, and in Amlak International for Finance and Real Estate Development Co. (AMLAK) of 32%. The movement of investments in associates for the three month periods ended March 31, 2019 and 2018, and for the year ended December 31, 2018, is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balance at the beginning of the year / period	1,012,366	993,340	993,340
Share in earnings	24,573	126,145	29,065
Dividends	(68,908)	(108,273)	-
Share of other comprehensive loss	(283)	(722)	(568)
Prior period Zakat and Income Tax	(12,488)	-	-
Investments	-	1,876	-
Balance at the end of the year / period	955,260	1,012,366	1,021,837

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9. Investments in associates – (continued)

The Bank's share in the associates' assets, liabilities, and equity as of March 31, 2019 and 2018, and the income and expense for the three month periods then ended, is summarized as follows:

	Mar. 31, 2019 (Unaudited)			Mar. 31, 2018 (Unaudited)		
	AMEX	ORIX	AMLAK	AMEX	ORIX	AMLAK
Total assets	422,293	471,188	1,029,261	393,436	484,643	1,030,728
Total liabilities	258,563	141,772	665,966	167,598	166,713	658,815
Equity	163,730	329,416	363,295	225,838	317,930	371,913
Total income	47,297	10,813	14,423	46,844	11,598	15,060
Total expenses	31,184	5,601	6,667	29,373	7,411	7,061

The head office of each associate company is located in Riyadh in the Kingdom of Saudi Arabia, with all operations conducted entirely in the Kingdom of Saudi Arabia.

One of the associate companies above has a potential additional Zakat liability as of December 31, 2018. If the method of the Zakat assessment by the General Authority for Zakat and Tax is upheld through all levels of the appeal process, the Group has agreed with the associate company that it is unconditionally liable for its share amounting to approximately SAR 108.2 million.

10. Property and equipment, net and Information Technology intangible assets, net

Property and equipment, net as of March 31, 2019 and 2018 and as of December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
<u>Property and equipment, net</u>			
Land and buildings	1,072,952	1,072,952	1,018,961
Leasehold improvements	162,827	159,745	148,430
Furniture, equipment and vehicles	492,662	489,581	478,143
Right of Use leased assets	259,260	-	-
Total cost	1,987,701	1,722,278	1,645,534
Less accumulated depreciation and amortization	(849,971)	(824,600)	(767,481)
Subtotal	1,137,730	897,678	878,053
Projects pending completion	4,938	5,211	44,510
Property and equipment, net	<u>1,142,668</u>	<u>902,889</u>	<u>922,563</u>

Information Technology intangible assets, net as of March 31, 2019 and 2018 and as of December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
<u>Information Technology intangible assets, net</u>			
Software and software development costs	328,095	315,901	284,251
Less accumulated amortization	(160,089)	(152,388)	(131,616)
Subtotal	168,006	163,513	152,635
Projects pending completion	53,812	44,694	12,979
Information Technology intangible assets, net	<u>221,818</u>	<u>208,207</u>	<u>165,614</u>

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11. Other assets, net and other liabilities

Other assets, net as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Customer and other receivables	40,452	40,849	83,599
Prepaid expenses	52,400	69,542	80,044
All other assets	24,860	32,382	38,552
Total other assets	117,712	142,773	202,195
Less allowance for credit losses	(486)	(565)	(566)
Other assets, net	<u>117,226</u>	<u>142,208</u>	<u>201,629</u>

The movement of the allowance for credit losses for the three month periods ended March 31, 2019 and 2018 and for the year ended December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balances at the beginning of the year/period	565	276	276
Provision for credit losses	(79)	289	290
Balances at the end of the year/period	<u>486</u>	<u>565</u>	<u>566</u>

Other liabilities as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Accrued Zakat and Income Tax, net	784,287	874,563	95,323
Accrued salaries and employee related benefits	163,824	356,807	292,425
Lease liabilities	229,186	-	-
Allowance for credit losses for financial guarantee Contracts (note 16)	189,428	165,320	184,779
Accrued expenses and other reserves	167,803	158,412	140,310
Customer related liabilities	173,529	174,435	182,432
Deferred fee income	11,739	13,422	21,191
All other liabilities	21,793	40,836	38,931
Other liabilities	<u>1,741,589</u>	<u>1,783,795</u>	<u>955,391</u>

12. Customer deposits

Customer deposits as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Time deposits	32,176,553	37,037,991	34,234,862
Savings deposits	1,796,456	1,529,185	749,033
Total special commission bearing deposits	33,973,009	38,567,176	34,983,895
Demand deposits	28,797,621	24,113,708	25,130,876
Other deposits	1,053,576	1,008,985	917,673
Customer deposits	<u>63,824,206</u>	<u>63,689,869</u>	<u>61,032,444</u>

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13. Term loans

On June 19, 2016, the Bank entered into a five year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility has been fully utilized and is repayable on June 19, 2021. On September 26, 2017, the Bank entered into another five year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility was fully utilized on October 4, 2017 and is repayable on September 26, 2022.

The term loans bear commission at market based variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related facility agreements. The facility agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance. The Bank also has not had any defaults of principal or commission on the term loans.

14. Subordinated debt

On June 5, 2014 the Bank concluded the issuance of a SAR 2.0 billion subordinated debt issue through a private placement of a Shariah compliant Tier II Sukuk in the Kingdom of Saudi Arabia.

The Sukuk carries a half yearly profit equal to six month SIBOR plus 1.45%. The Sukuk has a tenor of ten years with the Bank retaining the right to call the Sukuk at the end of the first five year period, subject to certain regulatory approvals. The Bank has not had any defaults of principal or commission on the subordinated debt.

15. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts as of March 31, 2019 and 2018 and as of December 31, 2018. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period/year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives.

	Mar. 31, 2019 (Unaudited)			Dec. 31, 2018 (Audited)			Mar. 31, 2018 (Unaudited)		
	Fair value		Notional amount	Fair value		Notional amount	Fair value		Notional amount
	Positive	Negative		Positive	Negative		Positive	Negative	
Held for trading:									
Forward foreign exchange contracts	1,503	2,744	4,825,314	9,781	6,802	2,919,605	44,096	28,085	4,693,673
Foreign exchange options	1,224	1,224	750,000	4,408	4,408	848,020	1,324	1,324	1,247,640
Commission rate swaps	172,788	175,159	9,723,660	198,425	199,306	9,152,106	166,109	165,552	13,597,857
Commission rate options	256,126	256,126	9,096,140	187,979	187,979	6,896,619	120,541	120,541	3,406,032
Held as fair value hedges:									
Commission rate swaps	115,203	255,568	13,402,196	242,456	102,209	12,252,404	306,427	34,613	9,266,497
Associated company put option	417,991	-	-	417,991	-	-	435,421	-	-
CSA / EMIR cash margins	5,986	(522,206)	-	184,203	-	-	(60,746)	(1,332)	-
Totals	970,821	168,615	37,797,310	1,245,243	500,704	32,068,754	1,013,172	348,783	32,211,699

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivatives Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Bank are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Bank 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 counterparty.

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15. Derivatives – (continued)

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.

As of March 31, 2019, the CSA and EMIR net cash collateral amounts held by counterparties totaled SAR 516.2 million (March 31, 2018: SAR 62.1 million held by the Bank). As of December 31, 2018, the CSA and EMIR net cash collateral held by counterparties totaled SAR 184.2 million.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the assets and settle the liability simultaneously.

The associated company put option included in the table above represents the estimated fair value of an option arising from an existing master agreement entered into by the Bank relating to an associated company. The terms of the agreement give the Bank a put option that is exercisable for the remaining term of the agreement. The put option grants the Bank the right to receive a payment in exchange for its shares one year after the option is exercised, based on pre-determined formulas included in the agreement.

16. Commitments, contingencies, and financial guarantee contracts

The Group's credit-related commitments and contingencies as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 <u>(Unaudited)</u>	Dec. 31, 2018 <u>(Audited)</u>	Mar. 31, 2018 <u>(Unaudited)</u>
Letters of credit	1,892,781	2,190,347	2,177,046
Letters of guarantee	8,503,270	8,948,406	8,479,133
Acceptances	<u>652,790</u>	<u>657,927</u>	<u>782,963</u>
Total financial guarantee contracts	11,048,841	11,796,680	11,439,142
Irrevocable commitments to extend credit	<u>536,812</u>	<u>558,942</u>	<u>322,906</u>
Credit-related commitments and contingencies	<u><u>11,585,653</u></u>	<u><u>12,355,622</u></u>	<u><u>11,762,048</u></u>

The credit quality of financial guarantee contracts as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 <u>(Unaudited)</u>	Dec. 31, 2018 <u>(Audited)</u>	Mar. 31, 2018 <u>(Unaudited)</u>
Stage 1, 12 month ECL	10,071,758	10,838,500	10,592,252
Stage 2, Life time ECL not credit impaired	646,808	622,477	492,095
Stage 3, Life time ECL credit impaired	<u>330,275</u>	<u>335,703</u>	<u>354,795</u>
Total	<u><u>11,048,841</u></u>	<u><u>11,796,680</u></u>	<u><u>11,439,142</u></u>

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16. Commitments, contingencies, and financial guarantee contracts – (continued)

The movement of the allowance for credit losses for financial guarantee contracts for the three month periods ended March 31, 2019 and 2018 and for the year ended December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Balances at the beginning of the year/period	165,320	138,794	138,794
Provision for credit losses	24,108	26,526	45,985
Balances at the end of the year/period	<u>189,428</u>	<u>165,320</u>	<u>184,779</u>

A reconciliation from the opening to the closing balance of the allowance for credit losses for financial guarantee contracts for the three month periods ended March 31, 2019 and 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	104,039	31,138	30,143	165,320
Changes in exposures, re-measurement, and transfers	20,221	6,759	(2,872)	24,108
Balances at the end of the period	<u>124,260</u>	<u>37,897</u>	<u>27,271</u>	<u>189,428</u>

	Mar. 31, 2018 (Unaudited)			Total
	Stage 1 12 month credit loss allowance	Stage 2 Life time credit loss allowance not impaired	Stage 3 Life time credit loss allowance impaired	
Balances at the beginning of the period	98,681	14,676	25,437	138,794
Changes in exposures, re-measurement, and transfers	28,134	3,943	13,908	45,985
Balances at the end of the period	<u>126,815</u>	<u>18,619</u>	<u>39,345</u>	<u>184,779</u>

The Group is subject to legal proceedings in the ordinary course of business. No provision has been made in cases where professional legal advice indicates that it is not probable that any significant loss will arise. However, provisions are made for legal cases where management foresees the probability of an adverse outcome based on professional advice.

17. Operating segments

Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Bank's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. Performance is measured based on segment profit, as management believes that this indicator is the most relevant in evaluating the results of certain segments relative to other entities that operate within these sectors.

Transactions between the operating segments are on normal commercial terms and conditions as approved by management. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim consolidated statement of income. Segment assets and liabilities are comprised of operating assets and liabilities. The Group's primary business is conducted in the Kingdom of Saudi Arabia.

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17. Operating segments – (continued)

There has been no change to the measurement basis for the segment profit or loss. The segment assets, liabilities, and income and expense for March 31, 2018 have been reclassified to conform to changes in the basis of segmentation made during 2019. The Group's reportable segments are as follows:

Retail banking. Loans, deposits, and other credit products for individuals and small to medium-sized businesses.

Corporate banking. Loans, deposits and other credit products for corporate and institutional customers.

Treasury and Investments. Money market, investments and treasury services, and investments in associates and related activities.

Asset management and brokerage. Dealing, managing, advising and custody of securities services.

Other. Support functions, special credit, and other management and control units.

Commission is charged to operating segments based on Funds Transfer Price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits (FTP net transfers). All other segment income is from external customers.

The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of March 31, 2019 and 2018, and its total operating income, expenses, and net income for the three month periods then ended, are as follows:

	Mar. 31, 2019 (Unaudited)					Total
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	
Total assets	23,404,699	35,117,559	33,821,956	390,320	2,097,771	94,832,305
Total liabilities	22,706,908	8,088,207	48,877,174	27,840	1,218,100	80,918,229
Net special commission income	198,562	463,261	(83,523)	5,594	2,471	586,365
FTP net transfers	(26,706)	(185,155)	213,867	-	(2,006)	-
Net FTP contribution	171,856	278,106	130,344	5,594	465	586,365
Fee income (loss) from banking services, net	15,692	40,371	40,129	11,319	(18,782)	88,729
Other operating income (loss)	15,332	9,810	31,098	727	(24,580)	32,387
Total operating income	202,880	328,287	201,571	17,640	(42,897)	707,481
Direct operating expenses	63,002	14,366	7,543	16,299	193,718	294,928
Indirect operating expenses	77,759	36,167	66,909	-	(180,835)	-
Provisions for credit and other losses	2,829	43,754	(4,190)	(78)	34,905	77,220
Total operating expenses	143,590	94,287	70,262	16,221	47,788	372,148
Operating income	59,290	234,000	131,309	1,419	(90,685)	335,333
Share in earnings of associates	-	-	24,573	-	-	24,573
Net income for the period	59,290	234,000	155,882	1,419	(90,685)	359,906
Property, equipment, and intangibles additions	1,789	-	-	776	26,615	29,180
Depreciation and amortization	11,909	172	39	1,352	21,304	34,776

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17. Operating segments – (continued)

	Mar. 31, 2018 (Unaudited)					Total
	Retail Banking	Corporate Banking	Treasury and Investments	Asset Management and Brokerage	Other	
Total assets	26,661,602	34,620,443	28,741,886	423,328	1,083,976	91,531,235
Total liabilities	25,748,408	8,889,912	41,200,238	54,288	917,314	76,810,160
Net special commission income	206,793	389,130	(44,406)	5,119	7,525	564,161
FTP net transfers	15,571	(166,673)	154,850	-	(3,748)	-
Net FTP contribution	222,364	222,457	110,444	5,119	3,777	564,161
Fee income (loss) from banking services, net	19,837	52,322	27,472	19,331	(33,052)	85,910
Other operating income (loss)	13,968	11,564	34,661	1,592	(25,532)	36,253
Total operating income	256,169	286,343	172,577	26,042	(54,807)	686,324
Direct operating expenses	95,642	17,650	9,071	16,372	-	138,735
Indirect operating expenses	50,611	27,709	48,556	-	-	126,876
Provisions for credit and other losses	(20,207)	93,137	15,326	289	-	88,545
Total operating expenses	126,046	138,496	72,953	16,661	-	354,156
Operating income	130,123	147,847	99,624	9,381	(54,807)	332,168
Share in earnings of associates	-	-	29,065	-	-	29,065
Net income for the period	130,123	147,847	128,689	9,381	(54,807)	361,233
Property, equipment, and intangibles additions	11,843	17	35	7	4,736	16,638
Depreciation and amortization	11,586	257	42	662	11,578	24,125

18. Fair values of financial instruments

The Group measures certain financial instruments at fair value at each interim consolidated statement of financial position date.

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 to 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 is available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within a 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 prices in active markets for the same or identical instrument that an entity can access at the measurement date (i.e., without modification or proxy);

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18. Fair values of financial instruments – (continued)

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.

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

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets, and for any non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved from time to time in the valuation of certain assets. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

At each financial reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics, and the related risks of the asset or liability, and the level of the fair value hierarchy as explained above.

The following table summarizes the fair values of financial assets and financial liabilities by level of fair value hierarchy for financial instruments carried at fair value as of March 31, 2019 and 2018 and as of December 31, 2018. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Mar. 31, 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	552,830	417,991	970,821
Investments at FVOCI	18,285,246	7,159,184	472,626	25,917,056
investments at FVTPL	133,806	-	41,653	175,459
Total	<u>18,419,052</u>	<u>7,712,014</u>	<u>932,270</u>	<u>27,063,336</u>
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	168,615	-	168,615
Total	<u>-</u>	<u>168,615</u>	<u>-</u>	<u>168,615</u>

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18. Fair values of financial instruments – (continued)

	Dec. 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	827,252	417,991	1,245,243
Investments at FVOCI	16,824,303	7,166,960	472,582	24,463,845
investments at FVTPL	131,625	-	42,643	174,268
Total	16,955,928	7,994,212	933,216	25,883,356
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	500,704	-	500,704
Total	-	500,704	-	500,704
	Mar. 31, 2018 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Derivative financial instruments at FVTPL	-	577,751	435,421	1,013,172
Investments at FVOCI	14,807,424	7,613,268	472,350	22,893,042
Investments at FVTPL	205,975	-	45,310	251,285
Total	15,013,399	8,191,019	953,081	24,157,499
Financial liabilities carried at fair value:				
Derivative financial instruments at FVTPL	-	348,783	-	348,783
Total	-	348,783	-	348,783

The value obtained from any relevant valuation model may differ with a transaction price of a financial instrument. The difference between the transaction price and the value derived by the model is commonly referred to as 'day one profit and loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the consolidated statement of income without reversal of deferred day one profits and losses.

The total amount of the changes in fair value recognized in the March 31, 2019 interim consolidated statement of income, which was estimated using valuation models, is Nil (2018: SAR 0.07 million gain).

Level 2 investments include debt securities which are comprised of Saudi corporate and bank securities, and Saudi Arabian Government securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, foreign exchange options, currency swaps, commission rate options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

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18. Fair values of financial instruments – (continued)

Level 3 investments include Gulf Cooperation Council Government securities, and also investments in hedge funds, private equity funds, and asset backed securities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counterparty or valued at cost in the absence of any such alternative reliable indicative estimate.

Level 3 derivative financial instruments include the embedded derivative put option arising from an existing master agreement entered into by the Bank relating to its investment in an associated company (see note 15). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

Should the net effect of significant estimations of inputs vary by plus or minus ten percent, the fair value could increase or decrease by approximately SAR 121.3 million as of March 31, 2019 (March 31, 2018: SAR 106.6 million and December 31, 2018: SAR 97.7 million) due to estimating operating results of the associated company, could increase or decrease by approximately SAR 39.6 million as of March 31, 2019 (March 31, 2018: SAR 54.6 million and December 31, 2018: SAR 44.6 million) due to estimating the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and could increase or decrease by approximately SAR 26.0 million as of March 31, 2019 (March 31, 2018: SAR 30.5 million and December 31, 2018: SAR 27.5 million) due to estimating the fair value of the underlying investment.

In all respects, the Bank's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are conservative to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Bank's estimates of fair value.

The movement of the Level 3 fair values for the three month periods ended March 31, 2019 and 2018, and for the year ended December 31, 2018 is summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Fair values at the beginning of the year/period	933,216	948,687	948,687
Net change in fair value	30	(11,811)	5,370
Investments sold	(976)	(3,660)	(976)
Fair values at the end of the year/period	<u>932,270</u>	<u>933,216</u>	<u>953,081</u>

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18. Fair values of financial instruments – (continued)

The estimated fair values of financial assets and financial liabilities as of March 31, 2019, and 2018 and as of December 31, 2018 that are not carried at fair value in the interim condensed consolidated financial statements, along with the comparative carrying amounts for each are summarized as follows:

	Mar. 31, 2019 (Unaudited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions, net	1,643,482	1,643,482
Loans and advances, net	58,176,110	60,042,602
Total	59,819,592	61,686,084
Financial liabilities:		
Due to banks and other financial institutions	11,142,713	11,142,713
Customer deposits	63,824,206	62,378,395
Term loans	2,012,770	2,012,770
Subordinated debt	2,028,336	2,028,336
Total	79,008,025	77,562,214
	Dec. 31, 2018 (Audited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions	2,917,697	2,917,697
Loans and advances, net	59,412,529	60,622,336
Total	62,330,226	63,540,033
Financial liabilities:		
Due to banks and other financial institutions	12,620,832	12,620,832
Customer deposits	63,689,869	62,332,038
Term loans	2,030,371	2,030,371
Subordinated debt	2,005,661	2,005,661
Total	80,346,733	78,988,902
	Mar. 31, 2018 (Unaudited)	
	Carrying values	Estimated fair values
Financial assets:		
Due from banks and other financial institutions	1,435,531	1,435,531
Loans and advances, net	57,895,602	59,188,780
Total	59,331,133	60,624,311
Financial liabilities:		
Due to banks and other financial institutions	10,445,719	10,445,719
Customer deposits	61,032,444	59,858,268
Term loans	2,006,900	2,006,900
Subordinated debt	2,020,923	2,020,923
Total	75,505,986	74,331,810

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18. Fair values of financial instruments – (continued)

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customer deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class. These fair value estimates are considered as level 3 in the fair value hierarchy.

The fair values of other financial instruments that are not carried in the interim condensed consolidated financial statements at fair value are not significantly different from the carrying values. The fair values of term loans, subordinated debt, due from banks and other financial institutions and due to banks and other financial institutions which are carried at amortized 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 contractual rates, and because of the short duration of due from banks and other financial institutions, and due to banks and other financial institutions.

19. Basic and diluted earnings per share

Basic and diluted earnings per share for the three month period ended March 31, 2019 is calculated by dividing net income adjusted for Tier 1 Sukuk costs by 693.8 million shares representing the weighted average of the issued and outstanding shares after giving effect to the purchase of 56.2 million Treasury shares on September 27, 2018.

Basic and diluted earnings per share for the three month period ended March 31, 2018 is calculated by dividing net income adjusted for Tier 1 Sukuk costs by 750.0 million shares.

20. Dividends

In 2018, the Board of Directors proposed a cash dividend of SAR 450 million equal to SAR 0.60 per share, net of Zakat to be withheld from the Saudi shareholders. The proposed cash dividend was approved by the Bank's shareholders in an extraordinary general assembly meeting held on 8 Shaban, 1439H (corresponding to April 24, 2018). The net dividends were paid to the Bank's shareholders thereafter.

21. Capital adequacy

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

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

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21. Capital adequacy – (continued)

The Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and corresponding Capital Adequacy Ratio percentages as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Credit Risk RWA	76,808,886	79,561,316	76,783,786
Operational Risk RWA	4,794,695	4,794,695	4,605,141
Market Risk RWA	2,095,625	2,062,510	152,833
Total Pillar- I RWA	<u>83,699,206</u>	<u>86,418,521</u>	<u>81,541,760</u>
Tier I Capital	14,389,315	14,078,426	15,360,825
Tier II Capital	<u>2,645,896</u>	<u>2,649,509</u>	<u>2,495,289</u>
Total Tier I plus Tier II Capital	<u>17,035,211</u>	<u>16,727,935</u>	<u>17,856,114</u>
Capital Adequacy Ratios:			
Tier I Ratio	<u>17.19%</u>	<u>16.29%</u>	<u>18.84%</u>
Tier I plus Tier II Ratio	<u>20.35%</u>	<u>19.36%</u>	<u>21.90%</u>

The Tier I and Tier II Capital as of March 31, 2019 and 2018 and as of December 31, 2018 is comprised of the following:

	Mar. 31, 2019 (Unaudited)	Dec. 31, 2018 (Audited)	Mar. 31, 2018 (Unaudited)
Total Equity	13,914,076	13,438,676	14,721,075
IFRS 9 transitional adjustment	493,534	658,045	658,045
Goodwill adjustment	<u>(18,295)</u>	<u>(18,295)</u>	<u>(18,295)</u>
Tier I Capital	<u>14,389,315</u>	<u>14,078,426</u>	<u>15,360,825</u>
Tier II Subordinated debt	2,000,000	2,000,000	2,000,000
Qualifying general provisions, net	<u>645,896</u>	<u>649,509</u>	<u>495,289</u>
Tier II Capital	<u>2,645,896</u>	<u>2,649,509</u>	<u>2,495,289</u>
Tier I and Tier II Capital	<u>17,035,211</u>	<u>16,727,935</u>	<u>17,856,114</u>

Capital adequacy and the use of Regulatory Capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of Regulatory Capital and maintain a ratio of total Regulatory Capital to Risk Weighted Assets at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

As of March 31, 2019 and 2018, and as of December 31, 2018, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III.

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21. Capital adequacy – (continued)

The following additional disclosures are required under the Basel III framework.

- Pillar III, Qualitative disclosures (Annually);
- Pillar III, Quantitative disclosures (Semi-annually);
- Pillar III, Other Quantitative disclosures (Quarterly).

These disclosures are made available to the public on the Bank's website within the prescribed time frames as required by SAMA.

22. Related party disclosures

In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2014, SAMA issued an update to its Principles of Corporate Governance for Banks operating in Saudi Arabia. This update specifies the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's related party identification and disclosure of transactions policy complies with the guidelines issued by SAMA, and has been approved by the Bank's Board of Directors. These guidelines include the following definitions of related parties:

- Management of the Bank and/or members of their immediate family;
- Principal shareholders of the Bank and/or members of their immediate family;
- Affiliates of the Bank and entities for which the investment is accounted for using the equity method of accounting;
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank; and
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, and members of the Bank management that require a no objection approval from SAMA.

Immediate family members include parents, spouses, and offspring and whom either a principal shareholder or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship.

Principal shareholders include those owners of record of more than five percent of the Bank's voting ownership and/or voting interest of the Bank.

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22. Related party disclosures – (continued)

The balances as of March 31, 2019 and 2018 and as of December 31, 2018, resulting from such transactions included in the interim condensed consolidated financial statements are as follows:

	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
Management of the Bank and/or members of their immediate family:			
Loans and advances	31,264	97,154	82,771
Customer deposits	273,352	401,349	177,141
Tier 1 Sukuk	-	2,000	2,000
Commitments and contingencies	100	6,067	2,254
Principal shareholders of the Bank and/or members of their immediate family:			
Due from banks and other financial institutions	-	-	38,128
Loans and advances	13	-	126,214
Customer deposits	4,895,164	5,965,847	6,003,571
Subordinated debt	700,000	700,000	700,000
Commitments and contingencies	-	-	372,991
Treasury shares	787,536	787,536	-
Affiliates of the Bank and entities for which the investment is accounted for by the equity method of accounting:			
Loans and advances	577,855	654,756	638,078
Customer deposits	1,829,043	1,485,375	41,278
Commitments and contingencies	207,059	101,458	104,608
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:			
Customer deposits and other liabilities	2,507	62,093	148,740

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22. Related party disclosures – (continued)

Income and expense for the three-month periods ended March 31, 2019 and 2018, pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	Mar. 31, 2019	Mar. 31, 2018
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Management of the Bank and/or members of their immediate family:		
Special commission income	80	743
Special commission expense	379	18
Fee income from banking services	11	5
Principal shareholders of the Bank and/or members of their immediate family:		
Special commission expense	7,936	5,473
Rent and premises-related expenses (Building rental)	1,913	1,913
Affiliates of the Bank and entities for which the investment is accounted for by the equity method of accounting:		
Special commission income	7,080	4,019
Special commission expense	1,481	-
Fee income from banking services	549	1,460
Board of Directors and other Board Committee member remuneration	1,464	1,527

23. Tier I Sukuk

The Bank completed the establishment of a Shari'a compliant Tier 1 Sukuk Program (the Program) in 2016. The Program was approved by the Bank's regulatory authorities and shareholders. The Bank has issued the following Tier 1 Sukuk securities under the Program as of March 31, 2019 and 2018 and as of December 31, 2018:

	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
November 16, 2016	500,000	500,000	500,000
June 6, 2017	285,000	285,000	285,000
March 21, 2018	1,000,000	1,000,000	1,000,000
Total	<u>1,785,000</u>	<u>1,785,000</u>	<u>1,785,000</u>

On April 15, 2019, the Bank issued an additional SAR 215 million in Tier I Sukuk securities under the Program.

The Tier 1 Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier 1 Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

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Amounts in SAR'000
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23. Tier I Sukuk – (continued)

The applicable profit rate on the Tier 1 Sukuk is payable in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such a non-payment event or non-payment election are not considered to be an event of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

24. Shares held for employee options, net

The movement in shares held for employee options, net for the three-month period ended March 31, 2018, and for the year ended December 31, 2018 is summarized as follows:

	Dec. 31, 2018 <u>(Audited)</u>	Mar. 31, 2018 <u>(Unaudited)</u>
Balances at the beginning of the year / period	(58,269)	(58,269)
Shares sold	16,651	-
Share based provisions	5,400	1,800
Share based vesting / granting movement, net	<u>36,218</u>	<u>3,940</u>
Balances at the end of the year / period	<u>-</u>	<u>(52,529)</u>

25. Zakat and Income Tax

The Bank's share capital and percentages of ownership as of March 31, 2019 and 2018 and as of December 31, 2018 are summarized as follows in SAR millions:

	Mar. 31, 2019 (Unaudited)		Dec. 31, 2018 (Audited)		Mar. 31, 2018 (Unaudited)	
	Amount	%	Amount	%	Amount	%
Saudi shareholders	6,750.0	90.0	6,750.0	90.0	6,750.0	90.0
Foreign shareholders:						
J.P. Morgan International Finance Limited	-	-	-	-	562.5	7.5
Mizuho Corporate Bank Limited	187.5	2.5	187.5	2.5	187.5	2.5
Treasury shares (note 26)	<u>562.5</u>	<u>7.5</u>	<u>562.5</u>	<u>7.5</u>	-	-
Total	<u>7,500.0</u>	<u>100.0</u>	<u>7,500.0</u>	<u>100.0</u>	<u>7,500.0</u>	<u>100.0</u>

The Bank's Zakat and Income Tax calculations and corresponding accruals and payments of Zakat and Income Tax are based on the above ownership percentages in accordance with the relevant provisions of the Saudi Arabian Zakat and Income Tax regulations.

The GAZT rules and regulations for calculating Zakat for Banks have changed for the year ending December 31, 2019. The Bank has provided for Zakat for the three month period ended March 31, 2019 on the basis of the Bank's preliminary understanding of these changes.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

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25. Zakat and Income Tax – (continued)

During 2018, the Bank agreed to settle prior year Zakat assessments with the GAZT through 2018 except for the year 2005. The settlement totalled SAR 775 million and was charged to retained earnings in 2018 with the corresponding liability included in other liabilities. The Bank paid approximately SAR 155 million during the three month period ended March 31, 2019. The remaining balance of approximately SAR 620 million is payable in equal annual instalments on December 1, 2019 and on December 1 of each year thereafter through the year 2023. The Bank has also provided approximately SAR 39 million for the potential additional Zakat liability for 2005 which is also included in other liabilities. Also refer to note 9 for pending Zakat assessments related to an associate company.

Certain Income Tax and Withholding Tax assessments are outstanding for the years 2003 to 2009. The Bank has provided approximately SAR 28 million in other liabilities for this potential Income Tax or Withholding Tax liability that may arise in the event of an unfavourable outcome of these issues through the appeal processes available to the Bank with the GAZT.

26. Treasury Shares

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (J.P. Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million.

The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury Shares include transaction costs and estimated income tax for a total cost of SAR 787.5 million. The share capital of the Bank has not been reduced as a result of the transaction with the cost of the shares purchased presented as a reduction of shareholders' equity.

On November 29, 2018 the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd. (Mizuho), to purchase 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated Income Tax. The share capital of the Bank will not be reduced as a result of this Agreement. The Agreement is conditional on the finalization of certain conditions included in the Agreement particularly ensuring all regulatory requirements are satisfied. The Agreement provides that the closing of the transaction shall take place by a date which the Bank and Mizuho will agree after receiving all required regulatory approvals.

The Bank has received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab, 1440H, corresponding to March 28, 2019. The Bank intends to complete the purchase after all formalities precedent to the closing are finalized.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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27. Operating expenses

Provisions for credit and other losses for the three month periods ended March 31, 2019 and 2018 is summarized as follows:

	Mar. 31, 2019 <u>(Unaudited)</u>	Mar. 31, 2018 <u>(Unaudited)</u>
Provisions for credit losses:		
Due from bank and other financial institutions (Note 6)	(542)	(1,836)
Investments (Note 7)	(2,893)	17,162
Loans and advances (Note 8)	21,720	26,944
Financial guarantee contracts (Note 16)	24,108	45,985
Other assets (Note 11)	<u>(79)</u>	<u>290</u>
Provisions for credit losses	42,314	88,545
Provisions for real estate losses	<u>34,906</u>	<u>-</u>
Provisions for credit and other losses	<u><u>77,220</u></u>	<u><u>88,545</u></u>

Other general and administrative expenses totalling SAR 75.3 million for the three month period ended March 31, 2019 include non-recurring expenses totalling approximately SAR 16.6 million.

28. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation. These reclassifications did not affect the Group's net income nor shareholders' equity.
