NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2018
with
INDEPENDENT AUDITORS' AUDIT REPORT

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

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License No. 46/11/323 issued 11/3/1992

Independent auditors' report

To the Shareholders of NCB Capital Company

Opinion

We have audited the consolidated financial statements of NCB Capital Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

Independent auditors' report

To the Shareholders of NCB Capital Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of NCB Capital Company ("the Company") (and its subsidiaries) ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 21 Rajab 1440H
Corresponding to 28 March 2019

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
KPMG
C.R. 46
Certified Public Accountants
KPMG Al Fozan & Partners

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(Expressed in Saudi Riyals '000)

	Notes	**December 31, 2018**	December 31, 2017	January 1, 2017
Assets				
Cash and cash equivalents	4	**126,471**	150,030	113,032
Murabaha financing	5	**250,882**	78,577	--
Financial investments	6	**693,315**	736,939	832,699
Prepayments and other assets	7	**191,600**	133,606	120,019
Investment in associates, net	8	**29,605**	31,825	25,196
Property, equipment and software	9	**188,294**	170,383	172,990
Total assets		**1,480,167**	1,301,360	1,263,936
Liabilities and equity				
Liabilities				
Dividend payable	10	**14,568**	14,635	10,409
Amount due to the National Commercial Bank	24 (a)	**37,185**	8,261	17,336
Accounts payable, accruals and other liabilities	11	**228,002**	207,839	164,048
Employee benefits	12	**51,651**	64,156	52,984
Total liabilities		**331,406**	294,891	244,777
Equity				
Share capital	13	**1,000,000**	1,000,000	1,000,000
Shares held under employees' share based payments scheme	14 (d)	**(222,870)**	(213,698)	(202,904)
Statutory reserve	15	**167,248**	134,248	104,248
Other reserves		**(26,609)**	6,859	15,058
Equity-settled employees' share based payments scheme	14	**51,434**	22,938	19,173
Retained earnings		**169,790**	45,485	73,046
Equity attributable to equity holders of the parent		**1,138,993**	995,832	1,008,621
Non-controlling interest	16	**9,768**	10,637	10,538
Total equity		**1,148,761**	1,006,469	1,019,159
Total liabilities and equity		**1,480,167**	1,301,360	1,263,936

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2018
(Expressed in Saudi Riyals '000)

	Notes	2018	2017
Fees from services, net	17		
- Asset Management		**512,185**	442,728
- Brokerage		**136,769**	149,921
- Investment Banking		**48,709**	32,272
		697,663	624,921
Income from FVTPL / HFT investments, net		**9,570**	13,899
Realized gain on available-for-sale investments		--	5,533
Income from murabaha financing and investments carried at amortized cost		**9,915**	3,739
Other operating (loss) / income		**(179)**	225
Dividend income		**6,626**	--
Total operating income		**723,595**	648,317
Salaries and employee related expenses	18	**229,173**	217,955
Rent and premises related expenses		**7,726**	12,618
Depreciation	9	**15,955**	19,894
Other general and administrative expenses	19	**98,890**	106,208
Total operating expenses		**351,744**	356,675
Net operating income for the year		**371,851**	291,642
Other income		**4,313**	134
Share of results in associates, net	8	**(448)**	11,984
Total non-operating income		**3,865**	12,118
Net profit for the year before zakat		**375,716**	303,760
Zakat for the year	27	**(50,000)**	(34,000)
Net profit for the year after Zakat		**325,716**	269,760
Attributable to:			
- Equity holders of the parent		**325,699**	269,204
- Non-controlling interest		**17**	556
		325,716	269,760
Basic earnings per share (SR) – attributable to equity holders of the parent	20	**3.47**	2.88
Diluted earnings per share (SR) – attributable to equity holders of the parent	20	**3.41**	2.86

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2018
(Expressed in Saudi Riyals '000)

	Notes	2018	2017
Net profit for the year after Zakat		**325,716**	269,760
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
-Net change in fair value of FVOCI equity investments		**(25,044)**	--
Items that will or may be reclassified to profit or loss in subsequent periods:			
- Net unrealized loss on available-for-sale investments		--	(1,984)
- Cumulative change in fair value of available for sale investments transferred to consolidated statement of profit or loss		--	(5,533)
- Movement in foreign exchange retranslation reserve	8	**(418)**	(1,238)
- Re-measurement gain / (loss) on employees end of service benefits	12(a)	**13,475**	(4,762)
- Share of other comprehensive loss of associates	8	**(1,354)**	(126)
Total comprehensive income for the year		**312,375**	256,117
Attributable to:			
			256,243
- Equity holders of the parent		**313,244**	256,243
- Non-controlling interest		**(869)**	(126)
Total comprehensive income for the year		**312,375**	256,117

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(Expressed in Saudi Riyals '000)

	Attributable to equity holders of the parent								
	Share capital	Shares held under employees' share based payments scheme	Statutory reserve	Other reserves	Equity-settled employees' share based payments scheme reserve	Retained earnings	Subtotal	Non-controlling interest	Total
Balance at January 1, 2018 (note 32)	1,000,000	(213,698)	134,248	6,859	22,938	45,485	995,832	10,637	1,006,469
Impact of IFRS 9 adoption (note 33)	--	--	--	(7,538)	--	7,238	(300)	--	(300)
Restated balance at January 1, 2018	1,000,000	(213,698)	134,248	(679)	22,938	52,723	995,532	10,637	1,006,169
Net profit for the year	--	--	--	--	--	325,699	325,699	17	325,716
Other comprehensive (loss) / income for the year	--	--	--	(25,930)	--	13,475	(12,455)	(886)	(13,341)
Total comprehensive (loss) / income for the year	--	--	--	(25,930)	--	339,174	313,244	(869)	312,375
Equity-settled employees' share based payments Scheme charge for the year (note 14)	--	--	--	--	28,496	--	28,496	--	28,496
Transfer to statutory reserve (note 15)	--	--	33,000	--	--	(33,000)	--	--	--
Purchase of shares held under employees' shares based payments scheme by Baco (note 14 (d))	--	(9,172)	--	--	--	--	(9,172)	--	(9,172)
Dividend declared during the year (note 10)	--	--	--	--	--	(200,000)	(200,000)	--	(200,000)
Dividend on forfeited / unallocated shares (note 10)	--	--	--	--	--	10,893	10,893	--	10,893
Balance as at December 31, 2018	**1,000,000**	**(222,870)**	**167,248**	**(26,609)**	**51,434**	**169,790**	**1,138,993**	**9,768**	**1,148,761**

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(Expressed in Saudi Riyals '000)

	Attributable to equity holders of the parent								
	Share capital	**Shares held under employees' share based payments scheme**	**Statutory reserve**	**Other reserves**	**Equity-settled employees' share based payments scheme reserve**	**Retained earnings**	**Subtotal**	**Non-controlling interest**	**Total**
Balance at January 1, 2017	1,000,000	(202,904)	104,248	(3,295)	19,173	91,399	1,008,621	10,538	1,019,159
Impact of transition to IFRS (note 32)	--	--	--	18,353	--	(18,353)	--	--	--
Restated balance at January 1, 2017	1,000,000	(202,904)	104,248	15,058	19,173	73,046	1,008,621	10,538	1,019,159
Net profit for the year	--	--	--	--	--	269,204	269,204	556	269,760
Other comprehensive (loss) for the year	--	--	--	(8,199)	--	(4,762)	(12,961)	(682)	(13,643)
Total comprehensive (loss) / income for the year	--	--	--	(8,199)	--	264,442	256,243	(126)	256,117
Equity-settled employees' share based payments Scheme charge for the year (note 14)	--	--	--	--	21,866	--	21,866	--	21,866
Transfer from equity-settled employees' share based payments scheme reserve to retained earnings	--	--	--	--	(18,101)	18,101	--	--	--
Transfer to statutory reserve (note 15)	--	--	30,000	--	--	(30,000)	--	--	--
Purchase of shares held under employees' shares based payments scheme by Baco (note 14 (d))	--	(10,794)	--	--	--	--	(10,794)	--	(10,794)
Dividend declared during the year (note 10)	--	--	--	--	--	(300,000)	(300,000)	--	(300,000)
Dividend on forfeited / unallocated shares (note 10)	--	--	--	--	--	19,896	19,896	--	19,896
Other movement in non-controlling Interest	--	--	--	--	--	--	--	225	225
Balance as at December 31, 2017	1,000,000	(213,698)	134,248	6,859	22,938	45,485	995,832	10,637	1,006,469

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
Expressed in Saudi Riyals '000

	Notes	2018	2017
Cash flows from operating activities:			
Net profit for the year after zakat		**325,716**	269,760
Adjustments to reconcile net income to net cash from operating activities:			
Income from FVTPL / HFT investments, net		**(9,570)**	(13,899)
Share of results in associates	8	**448**	(11,984)
Equity-settled employees' share based payments scheme	14	**28,496**	21,866
Depreciation	9	**15,955**	19,894
Income from Murabaha financing and financial investments at amortised cost		**(1,974)**	(1,282)
Realized gain on available-for-sale investments transferred to consolidated statement of profit or loss		--	(5,533)
Zakat expense for the year	27	**50,000**	34,000
Operating income before change in operating assets and		**409,071**	312,822
Changes in operating assets and liabilities			
Prepayments and other assets		**(57,990)**	(8,312)
Held at FVTPL / HFT investments		**157,315**	71,810
Employees benefits, net		**3,308**	8,748
Murabaha financing		**(172,305)**	(78,577)
Amounts due to The National Commercial Bank, net		**28,924**	(9,075)
Account payable, accruals and other liabilities		**(7,156)**	32,455
Cash from operating activities		**361,167**	329,871
Zakat paid	27	**(25,017)**	(25,200)
Net cash from operating activities		336,150	304,671
Cash flows from investing activities:			
Purchase of property, equipment and software	9	**(33,866)**	(17,291)
Purchase of investments carried at FVOCI		**(108,150)**	--
Purchase of investments carried at amortized cost		**(19,347)**	--
Purchase of available-for-sale investments		--	(12,728)
Purchase of held-to-maturity investments		--	(13,750)
Sale of available-for-sale investments		--	12,160
Maturity of murabaha placement		--	50,383
Purchase of Sukuk and Murabaha placements made			--
Net cash (used in) / generated from investing activities		(161,363)	18,774
Cash flows from financing activities:			
Dividend paid	10	**(189,174)**	(275,878)
Movement in non-controlling interest		--	225
Purchase of shares held under employees' share based payments scheme by Baco	14 (d)	(9,172)	(10,794)
Net cash used in financing activities		(198,346)	(286,447)
Net change in cash and cash equivalents		**(23,559)**	36,998
Cash and cash equivalents at beginning of the year		**150,030**	113,032
Cash and cash equivalents at end of the year	4	**126,471**	150,030

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
Expressed in Saudi Riyals '000

	Notes	2018	2017
NON-CASH SUPPLEMENTARY INFORMATION			
Net unrealized loss on available-for-sale investments		--	(1,984)
Dividend declared during the year	10	**200,000**	300,000
Dividend on forfeited / unallocated shares	10	**10,983**	19,896
Re-measurement gain / (loss) on employees' end of service benefits	12 (a)	**13,475**	(4,762)
Movement in foreign exchange retranslation reserve	8	**(418)**	(1,238)

1. GENERAL

These consolidated financial statements comprise the financial statements of NCB Capital Company ("the Company" or "NCBC") and its subsidiaries (hereinafter collectively referred to as "the Group"). NCB Capital, a Saudi Joint Stock Company, was formed in accordance with Capital Market Authority's Resolution No. 2-83-2005 dated Jumad Awal 21, 1426H (June 28, 2005), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231474 dated 29 Rabi Awal 1428H (April 17, 2007). The ownership structure of the Company is detailed in note 13.

The Company has operations in Kingdom of Saudi Arabia and its Head Office is located at the following address:

NCB Capital Head Office
NCB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Saudi Arabia

The objective of the Company is to conduct the following Securities Activities, as defined in the Securities Business Regulations (Regulation No 2-83-2005 dated Jumad Awal 21, 1426H issued by the Board of the Capital Market Authority):

a) Dealing;
b) Arranging;
c) Managing;
d) Advising; and
e) Custody

These consolidated financial statements of the Group include the financial statements of the Company and following subsidiaries up to December 31, 2018:

Oryx Regional Private Equity Fund

The Company has a 50% (December 31, 2017: 50%, January 1, 2017: 50%) ownership interest in Oryx Regional Private Equity Fund (the "Fund"), which was formed on February 12, 2007 as a closed-ended investment fund. The Group acquired control over the Fund as at April 17, 2007. The Fund's objective is to invest in companies which have a strong competitive advantage and good growth potential. The Fund's primary geographic focus for investment is the Middle East and North Africa (MENA) region. On January 29, 2019, in lieu of the anticipated timelines corresponding to the completion of the liquidation of the Fund, the Fund Board resolved to further extend the life of the Fund till March 20, 2021.

1. GENERAL (continued)

NCB Capital Dubai Inc.

Effective January 1, 2008, the Company acquired control over NCB Capital Dubai Inc.("NCBC Dubai") [exempt company with limited liability incorporated in the Cayman Islands] and its subsidiaries from the Bank at book value which approximated to its fair value. The takeover of the business was facilitated by the incorporation of NCB Capital (DIFC) Limited.

The objective of NCB Capital Dubai Inc. is to source, structure and invest in attractive private equity and real estate development opportunities across emerging markets.

The Company has a 100% (December 31, 2017: 100%, January 1, 2017: 100%) ownership interest in NCB Capital Dubai Inc.

The Capital Partnership (Cayman) Holdings Limited

The Capital Partnership (Cayman) Holdings Limited ("TCPCHL"), registered in the Cayman Islands was formed as a special purpose entity with the principal objective of acquisition of The Capital Partnership Group Limited ("TCPG").

The Company will start the process of liquidating TCPCHL subject to the lapse of certain provisions of share buy-back agreement signed with respect to the disposal of the ownership interest in TCPG. The legal formalities in respect of disposal of ownership interest in TCPG were completed during November 2012.

Baco W.L.L. ("Baco")

The Company has 100% (December 31, 2017: 100% ; January 1, 2017: 100%) ownership in Baco,a limited liability company incorporated in the Kingdom of Bahrain on January 16, 2007. It is a structured entity formed for the sole purpose of executing NCB Capital Company's employee share ownership plans and is fully owned by the Company.

NCBC Investment Management Umbrella Company Plc

The Company had 100% (December 31, 2017: 100%, January 1, 2017: 100%) ownership in NCBC Investment Management Umbrella Company Plc ("Umbrella Company"), a company incorporated in Ireland under the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities "UCITS") Regulation 2011.

On August 29, 2016, the Company resolved to voluntary liquidate the operations of Umbrella Company with immediate effect. During the year, the legal proceedings in respect of the liquidation are completed and Company stands liquidated.

NCB Capital Real Estate Investment Company

NCB Capital has 100% (December 31, 2017: 100%, January 1, 2017: 100%) ownership in NCB Capital Real Estate Investment Company (REIC).The Company, on September 8, 2013, formed a special purpose entity called NCB Capital Real Estate Investment Company (REIC), registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by NCB Capital Company.

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

For all periods upto and including the year ended December 31, 2017, the Group has prepared and presented statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA), the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements.

In preparing these financial statements, the Group's opening statement of consolidated financial position was prepared as at January 1, 2017, which is the Group's date of transition to IFRS (the "transition"). The consolidated financial statements include certain disclosures in relation to the explanation of the effects of the transition , including the exceptions / exemptions applied as stipulated under IFRS 1 "First-time Adoption of International Financial Reporting Standards". The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRSs has affected the reported financial position of the Group is provided in note 32, which includes reconciliation of consolidated equity at the date of transition, between the pre-convergence GAAP financial numbers (as previously reported) and those reported under IFRS.

Certain comparative figures have been reclassified to confirm to the presentation in the current year.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments, carried at fair value through Profit or loss ("FVTPL") and held as Available for sale / Fair value through other comprehensive income ("FVOCI").

c) Functional and presentation currency

These consolidated financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Company. Financial information presented in Saudi Riyals, has been rounded off to the nearest thousand, except as otherwise indicated.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2018 (note 1). Control is achieved when the Group 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. 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 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
- The Group's voting rights and potential voting rights

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 of 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income 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.

e) Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

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

(i) Impairment of available-for-sale equity investments(until financial periods ended December 31, 2017)

The Group exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below cost.

(ii) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows based on earnings are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are identified, it is based on discounted future cash flow calculations of future distributable dividends.

(iii) Useful lives of Property, equipment and software

The management determines the estimated useful lives of property, equipment and software for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. Effective April 1, 2017, the Group revised the estimated useful life of software, from 4 years to 10 years, based on an operational efficiency review of these software. The change has been accounted for prospectively resulting in a reduction in monthly depreciation expense by SR 1.6 million.

(ii) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for equity-settled employees' share-based payment scheme transactions are disclosed in note 14.

(iii) End of service benefits

The cost of the defined benefit plan (end of service benefits) and the present value of the end of service benefits obligation are determined using external actuarial valuations. An external actuarial valuation involves making various assumptions that may differ from actual developments in the future.

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgements, estimates and assumptions (continued)

(iv) End of service benefits (continued)

These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(v) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the implementation (the "Implementation") of IFRS 9 and IFRS 15 by the Group for financial periods commencing January 1, 2018. The Implementation details are as follows:

IFRS 9 – Financial instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from pre-convergence GAAP Financial Instruments: Recognition and Measurement (the previous accounting standard for recognition and measurement of financial instruments applied in drawing up the financial numbers upto December 31, 2017). The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Key impact on the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing pre-convergence GAAP categories of held for trading, held to maturity and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, please refer note 3 g.

Expressed in Saudi Riyals '000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***IFRS 9 – Financial instruments* (continued)**

IFRS 9 largely retains the existing requirements in pre-convergence GAAP for the classification of financial liabilities. However, under IFRS 9 fair value changes of liabilities designated at fair value through profit or loss are generally presented as follows:

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

For an explanation of how the Group classifies financial liabilities under IFRS 9, please refer note 3 g.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in pre-convergence GAAP with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Group to record an allowance for ECL for all financial assets exposed to credit risk that are not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

For an explanation of how the Group applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

In lieu of the exemption available under the IFRS, comparative periods have not been restated for the impact of IFRS 9 adoption. Hence, any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and / or reserves (as appropriate) as at 1 January 2018. Accordingly, the information presented for the financial year ended December 31, 2017 does not reflect the requirements of IFRS 9.

Changes to measurement categories

The measurement category for cash and balances is same in IFRS 9 and pre-convergence GAAP. The following table shows the original measurement categories in accordance with pre-convergence GAAP and the new measurement categories under IFRS 9 for the Group's investments as at January 1, 2018.

Classification under pre-convergence GAAP	Classification under IFRS 9	Carrying value under pre-convergence GAAP	Carrying value under IFRS 9
Held for trading (HFT)	FVTPL	634,217	634,217
Held for trading (HFT)	FVOCI	17,850	17,850
Held to Maturity (HTM)	Amortized Cost	33,861	33,861
Available for sale (AFS)	FVTPL	51,011	51,011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***IFRS 9 – Financial instruments* (continued)**

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

i) The determination of the business model within which a financial asset is held.

ii) The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.

iii) The designation of certain investments in equity instruments not held for trading as FVOCI.

iv) For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in consolidated statement of profit or loss.

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

IFRS 15 – Revenue from customer contracts

IFRS 15 replaces IAS 18 and introduces a new model for revenue recognition that is based on the transfer of control. This may impact the timing and amount of revenue that will be recognized compared to the previous revenue guidance. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Group's adoption of IFRS 15 did not have any material impact on its consolidated financial numbers, except for the addition of certain additional disclosures.

a) Foreign currencies

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries and associates is represented by US Dollars and Egyptian Pounds.

Foreign currency transactions of individual Group companies are translated into functional currency at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are retranslated into functional currency at the rates ruling at the statement of financial position dates. Any differences are taken to the consolidated statement of profit or loss.

On consolidation, the results of overseas operations are translated into Saudi Riyals at rates approximating to those ruling when the transactions took place. All assets and liabilities of the foreign subsidiaries and associated undertakings are translated into Saudi Riyals at the rates of exchange ruling on the statement of financial position date. Exchange differences arising on translation are recognised as other comprehensive income / (loss) in the foreign exchange retranslation reserve..

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to the consolidated statement of comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

Expressed in Saudi Riyals '000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

c) Property, equipment and software

Property, equipment and software are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work in progress is not depreciated. The cost of other property, equipment and software is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Leasehold improvements	5 years	5 years	5 years
Furniture and fixtures	10 years	10 years	10 years
Equipment	6 to 7 years	6 to 7 years	6 to 7 years
Software	10 years	10 years	4 years
Motor vehicles	5 years	5 years	5 years
Buildings and structures	40 years	40 years	40 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

Property, equipment and software are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Goodwill and Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Goodwill and Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of consolidated equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

i. *Subsidiaries*

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

i) the Group has power over the entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of profit or loss from the date of the acquisition or up to the date of disposal, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Business combinations (continued)

ii. Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the NCB Capital in its subsidiaries and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from Shareholders equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

iii. Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount. Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognized impairment loss in respect of investment in associate can be reversed through the consolidated statement of profit or loss, such that the carrying amount of investment in the consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

iv. Transactions eliminated on consolidation

Inter-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from inter-group transactions are eliminated in full in preparing the consolidated financial statements.

f) Investment in associates

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss. The recoverable amount of the investment in the associate is considered to be the higher of fair value less costs to sell and its value in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Investment in associates (continued)

Gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

g) Financial assets and liabilities

i) Initial recognition and derecognition

The accounting guidance in respect of the initial recognition and derecognition of financial assets / liabilities is consistent between pre-convergence GAAP and IFRS 9. This is as follows:

Initial recognition

A financial asset or financial liability (unless it's a trade receivable / other receivable without a significant financing component) is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Derecognition

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

ii) Classification under IFRS 9

Financial Asset at amortised cost

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

ii) Classification under IFRS 9 (continued)

Financial Asset at amortised cost (continued)

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

Financial Asset at FVOCI

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

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

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

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

Business model assessment (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

Classification of financial liabilities

The Group classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

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

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

Financial liabilities that are required to be measured at fair value through profit or loss will have all their fair value movements, including those related to changes in the credit risk of the liability, recognized in profit or loss.

iii) Impairment in financial assets under IFRS 9

The Group recognizes loss allowances for ECL on financial assets that are debt instruments and are not carried at FVTPL, at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

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

Loss allowances for trade and other related receivables are always measured at an amount equal to lifetime ECL. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

iii) Impairment in financial assets under IFRS 9

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Group categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Performing assets: Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Underperforming assets: Financial assets that has significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.
- Stage 3 – Impaired assets: For Financial assets that are impaired, the Group is recognize the impairment allowance based on life time PD.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECL The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

iv) Classification under pre-convergence GAAP

For financial periods ended December 31, 2017, the Group classified financial assets as follows:

Held for trading

Investments classified as held for trading, are acquired principally for the purpose of selling or repurchasing in the short term. Securities which are held for trading are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the consolidated statement of profit or loss in the period in which it arises.

Available for sale investments

Available for sale investments (AFS) are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments which are classified as AFS are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized through the consolidated statement of comprehensive income in "other reserves" under consolidated equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in consolidated equity are reclassified to consolidated statement of profit or loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

Held to Maturity Investments

Investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the consolidated statement of profit or loss.

On impairment, the difference between carrying value and the present value of estimated future cash flows is included in the consolidated statement of profit or loss as impairment loss on held to maturity investments. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through consolidated statement of profit or loss.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Group's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the intention to hold them to maturity.

***v) Impairment of financial assets under* pre-convergence GAAP**

Accounting policy in respect of impairment of financial assets for financial periods ended December 31, 2017 is as follows:

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss. For Available for sale investments carried at fair value, impairment loss, which is the difference between cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is transferred from the consolidated statement of changes in equity to the consolidated statement of profit or loss. Reversals in respect of equity instruments classified as Available for sale are not recognised in the consolidated statement of profit or loss.

Impairment is determined as follows:

a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the profit and loss;
b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial assets are written off only in circumstances where all possible means of recovery have been exhausted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and liabilities (continued)

vi) Offsetting

The offsetting requirements/guidance is consistent between IFRS 9 and pre-convergence GAAP . Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

vii) Interest and dividend income on financial asset carried at amortized cost

Interest income

Interest income is recognized in the consolidated statement of profit or loss on the effective yield basis.

Dividend income

Dividend income is recognized when the right to receive payment is established. Dividend income is recognized in statement of profit or loss irrespective of the classification of the corresponding financial instrument.

h) Equity-settled employees' share based payments scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. This fair value is measured using discounted cash flow methodology. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The consolidated statement of profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Employees' benefits

Post-employment benefits

The Group's net obligations in respect of defined unfunded post-employment benefit plan ("the plan") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Group's present value of the obligation. As at the statement of financial position date, the Group's post-employment defined benefit plan is represented by employees' end of service benefit plan.

The Company operates a contribution benefit plan ('the plan') for all the employees wherein all the employees are encouraged to contribute 5% of the basic salary before any benefits or deductions, and the Company contributes a certain percentage according to specified rules of the plan, based on the number of years of an employee's enrollment in the plan. Obligations for contributions to the plan are recognized as employee benefit expense in consolidated statement of profit or loss in the period during which related services are rendered by employees.

Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits

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

j) Deferred income

Deferred income represents the subscription fee income received by securities division from its customers relating to the future periods. The subscription fee income is recognized over the period of subscription in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Accounts payable, accruals and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

l) Provisions, contingencies and commitments

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management's estimate of the actual amount payable. The provision has been included in 'accounts payable, accruals and other liabilities'.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and is included in 'other income' in the consolidated statement of profit or loss.

Contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties. For details of Group's contingencies and commitments at the reporting date, please refer note 21.

m) Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of General Authority of Zakat and Income Tax ("GAZT"). Zakat and income tax expense is charged to the consolidated statement of profit or loss. Additional Zakat and income tax liability, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized and recognized in profit or loss.

n) Revenue recognition

Under IFRS 15, w.e.f. January 1, 2018

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognize revenue when it transfers control over a product or service to a customer. The specific recognition criteria described below must also be met before the revenue is recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenue recognition (continued)

The Company has following streams of revenues:

Fee from asset management

Fees charged for managing investment funds and private portfolios are recognized as revenue rateably as the services are provided, based on the applicable service contracts. Subscription fee is recognized at the time of subscription. Any performance fee is recognized in the period in which the corresponding fund or portfolio results meet (or are expected to meet) the annual pre-set targets.

Fee from brokerage

Fee from brokerage services are recognized upon execution of related deals and stated in profit or loss net of discounts.

Fee from advisory services

Fee from advisory services are recognised based on services rendered under the applicable service contracts.

Income from Murabaha financing and murabaha placements
Income from Murabaha financing and murabaha placements is recognized on a time proportionate basis over the period of the contract based on the principal outstanding and the profit rate agreed with the customers.

Under pre-convergence GAAP until December 31, 2017

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before the revenue is recognized.

Fees and commissions are recognized on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on other services that are provided over an extended period of time, are recognized rateably over the period when the service is being provided, if material.

Income from Murabaha financing and murabaha placements is recognized on a time proportionate basis over the period of the contract based on the principal outstanding and the profit rate agreed with the customers.

o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with banks, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

Expressed in Saudi Riyals '000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Murabaha financing

Murabaha financing represents receivable arising in connection with the purchase of shares by the Company at the request of customers and their subsequent sale / transfer to such customers at a price representing the purchase price plus profit agreed thereon. These receivables are initially recorded at the purchase price including related transaction costs, if any. Expected credit losses are recognized in respect of murabaha financing in accordance with note 3 g(iii).

q) Operating segment

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on Group's management and internal reporting structure.

r) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

s) Shares held under employees' shares scheme

The Company's own equity instruments which are reacquired through Baco (i.e. shares held under employees' shares scheme) are recognised at acquisition prise and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

t) Transactions with NCI

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	December 31, 2018	December 31, 2017	January 1, 2017
Balances with banks	**126,386**	149,960	112,914
Cash in hand	**85**	70	118
	126,471	150,030	113,032

The cash and cash equivalents are held with investment grade rated financial institution counterparties.

Expressed in Saudi Riyals '000

5. MURABAHA FINANCING

At December 31, 2018, the Company has outstanding murabaha financing amounting to SR 250.9 million (December 31, 2017: SR 78.6 million; January 1, 2017: Nil), secured against public equities in Saudi Stock Exchange to a total value of SR 534 million (December 31, 2017: SR 190 million; January 1, 2017: Nil).

6. FINANCIAL INVESTMENTS

Financial investments are classified as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
FVTPL / HFT :			
- Investment funds managed by the Group	**488,686**	646,516	708,201
- Investment funds managed by other companies	**48,797**	5,551	1,777
	537,483	652,067	709,978
Amortised Cost (see note "a" below)			
-Investment grade	**34,841**	--	--
-Investment unrated	**20,024**	--	--
	54,865	--	--
FVOCI (see note "b" below)			
-REITs managed by the Group	**13,615**	--	--
-REITs managed by other companies	**87,352**	--	--
	100,967	--	--
HTM	--	33,861	70,294
AFS	--	51,011	52,427
	693,315	736,939	832,699

a) This represents Company's investments in local Sukuks carrying profit at commercial rates and maturities upto 2027.

b) This represents investments in REIT funds managed by NCB Capital and other fund managers.

7. PREPAYMENTS AND OTHER ASSETS

	December 31, 2018	December 31, 2017	January 1, 2017
Accrued income:			
-Asset management	**158,242**	102,413	64,583
-Investment banking	**10,321**	7,574	8,778
-Securities and corporate savings	**11,485**	9,246	4,610
	180,048	119,233	77,971
Staff loans and other advances	**10,219**	10,248	11,193
Advance against purchase of investment	--	--	20,000
Prepayments and other current assets	**1,333**	4,125	10,855
	191,600	133,606	120,019

Expressed in Saudi Riyals '000

8. INVESTMENT IN ASSOCIATES, NET

	Country of incorporation	Effective ownership interest	December 31, 2018	December 31, 2017	January 1, 2017
H.C Securities and Investment S.A.E	Arab Republic of Egypt	30%	**15,984**	17,315	21,151
Eastgate Global Carrying Vehicle L.P.	Cayman Islands	100%	**13,621**	14,510	4,045
			29,605	31,825	25,196

The below table illustrates the movements in the investment in associates:

	December 31, 2018	December 31, 2017	January 1, 2017
Opening balance at January 1,	**31,825**	25,196	25,221
Share of operating results	**(448)**	11,984	18,141
Share of other reserves	**(1,354)**	(126)	2,659
Dividends (Note 24 (d))	--	(3,991)	--
Exchange translation for the year	**(418)**	(1,238)	(20,825)
Closing balance at December 31,	**29,605**	31,825	25,196

Latest available twelve months financial information of the associates are as follows:

H.C Securities and Investment S.A.E	Assets	Liabilities	Revenue	Profit / (loss)
2018 (unaudited)	**105,980**	**52,252**	**972**	**1,425**
2017 (audited)	114,724	63,615	13,657	(4,349)

Eastgate Global Carrying Vehicle L.P.	Assets	Liabilities	Revenue	Profit / (loss)
2018 (unaudited)	**13,658**	**37**	--	**(890)**
2017 (audited)	14,554	42	17,318	11,050

Expressed in Saudi Riyals '000

9. PROPERTY, EQUIPMENT AND SOFTWARE

	Land, building and leasehold improvements	Furniture, Equipment, software and vehicles	Capital work in progress	Total
Cost				
Balance at January 1, 2017	119,165	201,735	11,313	332,213
Additions	118	1,037	16,136	17,291
Transfers	582	19,400	(19,982)	--
Disposals and retirements	(392)	(1,007)	--	(1,399)
Balance at December 31, 2017	119,473	221,165	7,467	348,105
Balance at January 1, 2018	119,473	221,165	7,467	348,105
Additions	5	3	33,858	33,866
Transfers	--	23,409	(23,409)	--
Balance at December 31, 2018	119,478	244,577	17,916	381,971
Accumulated depreciation				
Balance at January 1, 2017	38,243	120,980	--	159,223
Depreciation charge	1,515	18,379	--	19,894
Disposals and retirements	(392)	(1,003)	--	(1,395)
Balance at December 31, 2017	39,366	138,356	--	177,722
Balance at January 1, 2018	39,366	138,356	--	177,722
Depreciation charge	1,593	14,362	--	15,955
Balance at December 31, 2018	40,959	152,718	--	193,677
Net book value as of January 1, 2017	80,922	80,755	11,313	172,990
Net book value as of December 31, 2017	80,107	82,809	7,467	170,383
Net book value as of December 31, 2018	**78,519**	**91,859**	**17,916**	**188,294**

Expressed in Saudi Riyals '000

10. DIVIDEND PAYABLE

The following table illustrates the movement in dividend payable:

Description	**December 31, 2018**	December 31, 2017	January 1, 2017
Balance at the beginning of the year	**14,635**	10,409	372,405
Dividend declared during the year (note 'a' below)	**200,000**	300,000	300,000
Dividend paid to The National Commercial Bank	**(181,424)**	(272,136)	(634,985)
Dividend paid to employees with vested shares	**(7,750)**	(3,742)	(5,453)
Dividends paid during the year	**(189,174)**	(275,878)	(640,438)
Dividends on forfeited / unallocated shares	**(10,893)**	(19,896)	(21,558)
Balance at the end of the year	**14,568**	14,635	10,409

a) The shareholders of the Company in their General Assembly Meeting held on December 30, 2018, approved a cash dividend SR 2 per share (2017: SR 3 per share) equivalent to of SR 200 million.

11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	December 31, 2018	December 31, 2017	January 1, 2017
Accrued expenses and other payables (note "a" below)	**137,336**	147,404	118,639
Provision for Zakat and withholding tax (note 27)	**67,991**	43,008	34,208
Accrued customer rebates and other current liabilities	**22,675**	17,427	11,201
	228,002	207,839	164,048

a) Accrued expenses and other payables include staff payables amounting to SR 70 million (December 31, 2017: SR 62.1 million; January 1, 2017 : SR 52.8 million)

12. EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017	January 1, 2017
Employees' end-of-service benefits (note 'a' below)	**41,867**	54,670	45,472
Saving plan and other employee benefits	**9,784**	9,486	7,512
	51,651	64,156	52,984

Expressed in Saudi Riyals '000

12. EMPLOYEE BENEFITS (continued)

a) The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB during theyear ended December 31, is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Opening balance	**54,670**	45,472	53,875
Included in profit or loss			
- Current service cost	**6,924**	5,542	6,550
- Interest cost	**1,832**	2,275	1,849
Actuarial (gain) / loss included in Other Comprehensive Income	**(13,475)**	4,762	(7,890)
Benefits paid	**(8,084)**	(3,381)	(8,912)
Closing balance	**41,867**	**54,670**	45,472

Actuarial assumptions:

The following were the principal actuarial assumptions applied at the reporting date:

	December 31, 2018	December 31, 2017	January 1, 2017
Discount rate	**4.1%**	3.8%	5.2%
Expected rate of salary growth	**3%**	5%	5%
Retirement age	60 years	60 years	60 years

At December 31, 2018, the weighted-average duration of the defined benefit obligation was 7 years.

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31 2018		December 31 2017		January 1, 2017	
	Increase	**Decrease**	Increase	Decrease	Increase	Decrease
Discount rate (+ / - 0.5%)	(1,592)	1,711	(2,339)	2,523	(1,858)	1,988
Future salary growth (+ / - 0.5%)	1,721	(1,616)	2,481	(2,324)	1,982	(1,870)

13. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of one hundred million (100,000,000) shares of SR 10 each. The ownership structure of the Company is given below:

	No. of shares held		**Percentage ownership held**	
Description	**2018**	2017	**2018**	2017
Shares held by The National Commercial Bank	**90,712,060**	90,712,060	**90.71**	90.71
Shares held under 'Employees' Share Scheme' by Baco as at the year end (note 14):				
- Unallocated	**6,132,475**	6,632,635	**6.13**	6.63
- Allocated to the employees (unvested)	**2,325,701**	1,548,768	**2.33**	1.55
- Allocated to the employees (vested)	**829,764**	1,106,537	**0.83**	1.11
	100,000,000	100,000,000	**100**	100

Expressed in Saudi Riyals '000

14. EQUITY-SETTLED EMPLOYEES' SHARE BASED PAYMENTS SCHEME

The Company offers Long Term Incentive Plan (LTIP) as equity-settled share based payment plan to certain eligible executives. The plan aims at rewarding them for the achievement of long term corporate success, which is measured based on adjusted Return on Equity (ROE). The plan vests over a period of three years. The Company's actual performance is assessed at the end of each year during the vesting period and is linked to risk variables later. The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, recognized for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit of loss represents the movement in cumulative expense recognized as at the beginning and end of that year.

The NRCOM of the Group has carried out a detailed review of the existing LTIP framework subsequent to the yearend with an objective of enhancing the linkage between the Group's performance and benefits granted under the plan while endeavouring that the respective beneficiary interest is not adversely impacted.

The changes proposed by the management (which include among other matters the modus operandi of settlement) are subject to review and approval by the Board of Directors and the Trustee. The management expects to enact the changes upon acceptance by the beneficiaries and completion of due legal formalities.

The Key terms and conditions related to grant date are as follows:

Grant Date	Number of shares outstanding	Key Terms and Conditions
		Vesting conditions
On January 1, 2017	808,854	Service condition of 3 years from the grant date and performance condition of 3 years average return on equity targets.
On January 1, 2018	818,191	Service condition of 3 years from the grant date and performance condition of 3 years average return on equity targets.

The total expense recognised for employees' services received during the year ended December 31, 2018, under the LTIP amounted to SR 28.5 million (December 31, 2017: SR 21.9 million) and is included in 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity, under the equity settled share based payment scheme reserve.

14. EQUITY-SETTLED EMPLOYEES' SHARE BASED PAYMENTS SCHEME (continued)

a) Following is the movement in the allocated shares, unallocated shares and vested shares during the year ended December 31:

	2018		
Description	**Unallocated**	**Allocated to the employees (unvested)**	**Vested Shares**
Opening number of shares	6,632,635	1,548,768	1,106,537
Shares granted under Long Term Incentive	(818,191)	818,191	--
Shares forfeited during the year	41,258	(41,258)	--
Buy back of vested shares transfer to unallocated shares (note "d" below)	276,773	--	(276,773)
Closing number of shares	6,132,475	2,325,701	829,764

	2017		
Description	Unallocated	Allocated to the employees (unvested)	Vested Shares
Opening number of shares	7,136,450	1,308,967	842,523
Shares granted under Long Term Incentive	(808,854)	808,854	--
Shares vested / forfeited during the year	(63,290)	(569,053)	632,343
Buy back of vested shares transfer to unallocated shares (note "d" below)	368,329	--	(368,329)
Closing number of shares	6,632,635	1,548,768	1,106,537

b) As at December 31, 2018, certain employees have successfully completed their vesting period and are therefore in process of being granted respective share entitlements upon completion of the legal formalities and internal approvals that are integral to the award process.

c) Until such time as the beneficial ownership of the underlying shares in the Company passes to the employees, the unallocated / non-vested shares (held by Baco under fiduciary capacity) are treated as 'Shares held under Employees' Share Scheme'.

d) Shares held under 'Employees Share Scheme' include the shares which were acquired by Baco from The National Commercial Bank ("the Bank" or "NCB") and certain employees whose rights to receive shares have vested since the inception of plan until December 31, 2018. The movement of 'Shares held under Employees' Share Scheme' for the year are detailed below:

Description	**No. of shares**	**SR '000**
Opening balance of 'Shares held under Employee's Share Scheme'	8,098,508	213,698
Shares purchased from employees during 2018 (note "e" below)	276,773	9,172
Total	**8,375,281**	**222,870**

Expressed in Saudi Riyals '000

14. EQUITY-SETTLED EMPLOYEES' SHARE BASED PAYMENTS SCHEME (continued)

e) During the year ended December 31, 2018, Baco has purchased 276,773 shares for a consideration of SR 9.2 million at an average exercise price of SR 33 per share, from some of the employees whose rights to receive shares have vested (2017: 368,329 shares for a consideration of SR 10.8 million at an average share price of SR 29.3 per share).

f) NCBC's employee share ownership plans are held through Baco and are managed by Inter Trust Group ("Trustee").

15. STATUTORY RESERVE

In accordance with the Company's Bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers minimum 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the consolidated financial statements is the statutory reserve of the Group. This reserve currently is not available for distribution to the shareholders of the Group.

16. NON-CONTROLLING INTEREST

The summarized financial information of the Oryx Regional Private Equity Fund, before inter-company eliminations, is provided below:

Description	December 31, 2018	December 31, 2017	January 1, 2017
Current assets	**3,713**	4,115	37
Non-current assets	**15,979**	17,315	21,151
Current liabilities	**156**	156	112
Total Equity	**19,536**	21,274	21,076
Attributable to:			
Equity holders of Parent	**9,768**	10,637	10,538
Non-controlling Interest	**9,768**	10,637	10,538
	19,536	21,274	21,076
Summarised statement of profit or loss			
Revenue	**439**	1,519	14,095
Expenses	**405**	406	356
Income for the year	**34**	1,113	13,739
Other comprehensive loss	**(1,772)**	(1,364)	(18,166)
Total comprehensive loss	**(1,738)**	(251)	(4,427)
Attributable to:			
Equity holders of Parent	**(869)**	(125)	(2,214)
Non-controlling interest	**(869)**	(126)	(2,213)
	(1,738)	(251)	(4,427)
Summarised statement of cash flows			
Cash flow from operating activities and net increase in cash and cash equivalents	3,753	115	(677)

Expressed in Saudi Riyals '000

17. REVENUE

Following is a disaggregation of total revenue by major services provided by the Group and timing of recognition for the period ended December 31:

	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	Asset Management		**Brokerage**		**Investment Banking**		**Total**	
Primary geographical markets:								
Kingdom of Saudi Arabia	581,070	535,852	292,872	318,911	50,836	34,037	924,778	888,800
Others	49,093	14,463	--	--	--	--	49,093	14,463
	630,163	550,315	292,872	318,911	50,836	34,037	973,871	903,263
Less: directly attributable expenses	(117,978)	(107,587)	(156,103)	(168,990)	(2,127)	(1,765)	(276,208)	(278,342)
Fee from services, net	**512,185**	**442,728**	**136,769**	**149,921**	**48,709**	**32,272**	**697,663**	**624,921**
Timing of revenue recognition:								
Point-in-time	630,163	550,315	291,311	316,162	45,696	25,662	967,170	892,139
Over time	--	--	1,561	2,749	5,140	8,375	6,701	11,124
	630,163	550,315	292,872	318,911	50,836	34,037	973,871	903,263
Less: directly attributable Expenses	(117,978)	(107,587)	(156,103)	(168,990)	(2,127)	(1,765)	(276,208)	(278,342)
Fee from services, net	**512,185**	**442,728**	**136,769**	**149,921**	**48,709**	**32,272**	**697,663**	**624,921**

18. SALARIES AND EMPLOYEE RELATED EXPENSES

	2018	*2017*
Salaries and benefits	**186,853**	181,096
Equity-settled share based payments charge	**28,495**	21,866
Others	**13,825**	14,993
	229,173	217,955

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2018	*2017*
IT and communication expenses	**35,420**	42,417
Legal, professional, consultancy and outsourced	**26,908**	28,000
Travel, marketing and training expenses	**15,538**	11,998
Sales incentive (note 24 (a))	**7,166**	6,136
Directors remuneration (note 24 (b))	**3,120**	2,806
Withholding tax and others	**10,738**	14,851
	98,890	106,208

Expressed in Saudi Riyals '000

20. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Details of Basic and diluted earnings per share are as follows:

	Basic EPS		Diluted EPS	
	2018	2017	**2018**	2017
Net income for the year attributable to Equity holders of the Parent Company	**325,699**	269,204	**325,699**	269,204
Weighted-average number of shares outstanding	**93,867,525**	93,367,365	**95,583,153**	94,120,074
Earnings per share	**3.47**	2.88	**3.41**	2.86

Weighted average number of ordinary shares are as follows:

	2018	2017
Issued ordinary shares	**100,000,000**	100,000,000
Effect of treasury shares	**(6,132,475)**	(6,632,635)
Weighted average number of ordinary shares at December 31	**93,867,525**	93,367,365

21. CONTINGENCIES AND COMMITMENTS

Following are the details of the Group's commitments and contingencies as at December 31, 2018:

Contingencies

a) The Group has received certain operational error claims from its customers subsisting at December 31, 2018, against which management has made provision of SR 11.7 million (2017: SR 11.7 million) based on management's best estimate to settle the obligation at the reporting date.

Commitments

a) Commitments in respect of private equity investments future capital calls total SR 41.6 million (2017: SR 1.6 million).

b) Commitments amounting to SR 1.3 million (2017: SR 2.4 million) for the acquisition of IT software.

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22. FIDUCIARY ASSETS

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated statement of financial position. Following is the detail of assets held in a fiduciary capacity:

	December 31, 2018	December 31, 2017	January 1, 2017
Assets under management			
- Asset management division	**147,468,530**	123,329,106	114,632,213
- Securities division	**540,450**	610,000	506,828
Cash balances held under brokerage accounts	**6,684,997**	5,390,565	8,523,180
Total fiduciary assets	**154,693,977**	129,329,671	123,662,221

23. OPERATING LEASES

The total future minimum lease payments under non-cancelable operating leases are due as follows:

	2018	2017
Within 12 months	**3,387**	8,379
1-5 years	**5,748**	22,914
	9,135	31,293

During the year, the Group has recognized SR 3.2 million (2017: SR 7.1 million) as operating lease payments in the consolidated statement of profit or loss.

24. RELATED PARTY TRANSACTIONS

a) Transactions with The National Commercial Bank (the Bank – Parent Company)

	2018	2017
Transactions		
Management and performance fee charged to the Bank	**7,086**	7,774
Investment banking fees charged to the Bank	**310**	2,310
Incentive expense charged by the Bank	**7,166**	6,136
IT related expenses charged by the Bank	**27,138**	30,889
Rent related expenses charged by the Bank	**1,236**	4,771
Consolidated Statement of Financial Position		
Balances with the Bank	**39,720**	55,435
Amount due to the Bank	**37,185**	8,261
Assets held in a fiduciary capacity		
Bank's assets under management	**3,080,544**	4,393,397

Expressed in Saudi Riyals '000

24. RELATED PARTY TRANSACTIONS (continued)

b) Transactions with key management personnel

Key management personnel of the Company comprise senior executive management and the Board of Directors. Details of the remuneration charged to the Group's consolidated statement of profit or loss and relevant balances outstanding at the year-end are as follows:

	2018	2017
Consolidated Statement of Profit or loss:		
Short term benefits	**33,269**	39,406
Directors remuneration	**3,120**	2,806
Consolidated Statement of Financial Position:		
End-of-service benefits	**6,005**	9,224
Loans and advances	**634**	1,811

c) Transactions with funds managed by the Group

	2018	2017
Consolidated Statement of Profit or loss:		
Management fee earned on funds managed by the Group	**310,867**	273,154
Performance and transaction fee earned on funds managed by the Group	**34,266**	4,453
Consolidated Statement of Financial Position:		
Investment in funds managed by the Group (note 6)	**502,174**	654,988
Management and performance fee receivable from funds managed by the Group	**9,607**	10,068

d) Transactions with Group's associates:

Consolidated Statement of Financial Position:		
Dividend Receivable from H.C Securities and Investment S.A.E	**--**	3,991
Due to Eastgate Global Carry Vehicle L.P.	**11,553**	11,595

25. SEGMENT INFORMATION

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

25. SEGMENT INFORMATION (continued)

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

Securities	The Securities Division consists of the International Securities and E-Business Unit which provides facilities and services in trading International Equities, Options, Bonds, Indices, Islamic Certificates and GCC and Arabic Equities to international clients. It also manages the accounts / portfolios of local clients by providing facilities and services in trading Local Equities.
Investment Banking	The Investment Banking Division is involved in the following activities: Merger and Acquisition Advisory Services, Initial Public Offering Advisory Services, Real Estate Advisory Services and Privatization and Private Placements.
Asset & Wealth Management	The Asset & Wealth Management Division is engaged in the management of clients' assets and in the development and sales of asset management products and services.
NCB Capital Dubai Inc.	NCB Capital Dubai Inc. is an overseas subsidiary and its principal activity is to source, structure and invest in attractive private equity and real estate development opportunities across emerging markets, with a particular focus on the MENA region.

Expressed in Saudi Riyals '000

25. SEGMENT INFORMATION (continued)

	2018				
Description	**Securities**	**Investment Banking**	**Asset & wealth Management**	**NCB Capital Dubai Inc.**	**Total**
Total operating income	136,769	48,709	490,544	47,573	723,595
Total operating expenses	127,298	24,783	184,159	15,504	351,744
Net operating income	9,471	23,926	306,385	32,069	371,851
Non-operating income	--	--	3,865	--	3,865
Net income (before zakat and non-controlling interest)	9,471	23,926	310,250	32,069	375,716
Reportable segment assets and liabilities					
Total assets	353,327	36,485	1,040,268	50,035	1,480,167
Total liabilities	123,220	24,094	164,011	20,081	331,406

Expressed in Saudi Riyals '000

25. SEGMENT INFORMATION (continued)

	2017				
Description	Securities	Investment Banking	Asset & wealth Management	NCB Capital Dubai Inc.	Total
Total operating income	149,921	32,272	451,661	14,463	648,317
Total operating expenses	136,541	24,272	180,482	15,380	356,675
Net operating income	13,380	8,000	271,179	(917)	291,642
Non-operating income	--	--	1,653	10,465	12,118
Net income (before zakat and non-controlling interest)	13,380	8,000	272,832	9,548	303,760
Reportable segment assets and liabilities					
Total assets	185,963	23,116	1,026,048	66,233	1,301,360
Total liabilities	112,788	20,329	135,315	26,459	294,891

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25. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities), are presented as below:

	2018					
	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	North America	Other regions	Total
Cash and cash equivalents	43,238	24,399	-	2	58,832	126,471
Murabaha financing	250,882	-	-	-	-	250,882
Investments	594,365	18,908	-	80,042	-	693,315
Prepayments and other assets	177,553	14,047	-	-	-	191,600
Investment in associates	-	-	15,984		13,621	29,605
Property, equipment and software	187,512	782				188,294
Total Assets	**1,253,550**	**58,136**	**15,984**	**80,044**	**72,453**	**1,480,167**
Dividend payable	14,568	-	-	-	-	14,568
Amount due to The National Commercial Bank	37,185	-	-	-	-	37,185
Accounts payable, accruals and other liabilities	201,348	26,458	-	-	196	228,002
Employee benefits	49,467	2,184	-	-	-	51,651
Total Liabilities	**302,568**	**28,642**	**-**	**-**	**196**	**331,406**

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25. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities), are presented as below:

	2017					
	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	North America	Other regions	Total
Cash and cash equivalents	55,690	38,815	-	2,082	53,443	150,030
Murabaha financing	78,577	--	--	--	--	78,577
Investments	680,359	--	--	56,580	--	736,939
Prepayments and other assets	115,089	18,517	--	--	--	133,606
Investment in associates	--	14,510	17,315	--	--	31,825
Property, equipment and software	170,383	--	--	--	--	170,383
Total Assets	1,100,098	71,842	17,315	58,662	53,443	1,301,360
Dividend payable	14,635	--	--	--	--	14,635
Amount due to The National Commercial Bank	8,261	--	--	--	--	8,261
Accounts payable, accruals and other liabilities	183,528	24,120	--	--	191	207,839
Employee benefits	61,818	2,338	--	--	--	64,156
Total Liabilities	268,242	26,458	--	--	191	294,891

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26. RISK MANAGEMENT

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposure relating to his or her responsibilities. The Group is exposed to credit risk, market risk and liquidity risk. The independent risk control process does not include business risks such as changes in environment, technology and industry. They are monitored through the Group's strategic planning process.

Credit risk

It is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in positive fair value of derivatives.

The Group attempts to control credit risk by monitoring 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.

a) Maximum exposure to credit risk at the reporting date:

Assets	**December 31, 2018**	December 31, 2017	January 1, 2017
Balances with banks (note 4)	**126,386**	149,960	112,914
Investments (note 6)	**54,865**	33,861	70,294
Murabaha financing (note 5)	**250,882**	78,577	--
Other assets	**188,243**	132,543	97,725
	620,376	394,941	280,933

b) Analysis of financial assets

At December 31, 2018, the ageing of financial assets is as follows:

	2018				
Financial Assets	**Neither past due nor impaired**	**Past due 1–30 days**	**Past due 31–90 days**	**Past due over 90 days**	**Total**
Balances with banks (note 4)	126,386	--	--	--	126,386
Investments (note 6 (iii))	54,865	--	--	--	54,865
Murabaha financing(note 5)	250,882	--	--	--	250,882
Other assets	153,251	2,451	504	32,037	188,243
Total financial assets	**585,384**	**2,451**	**504**	**32,037**	**620,376**
Less: impairment in ECL	--	--	--	**(300)**	**(300)**
Net financial assets	585,384	**2,451**	504	**31,737**	**620,076**

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26. RISK MANAGEMENT (continued)

Credit risk (continued)

At December 31, 2017, the ageing of financial assets that were not impaired is as follows:

	2017				
Financial Assets	Neither past due nor impaired	Past due 1–30 days	Past due 31–90 days	Past due over 90 days	Total
Balances with banks (note 4)	149,960	--	--	--	149,960
Investments (note 6 (iii))	33,861	--	--	--	33,861
Murabaha financing(note 5)	78,577	--	--	--	78,577
Other assets	102,174	1,719	1,694	26,956	132,543
Total financial assets	364,572	1,719	1,694	26,956	394,941

c) Credit quality of financial assets:

The financial assets of the Group represent credit worthy counter parties with a rigorous mechanism of initial and ongoing credit enhancement enforced by the management.

d) Collateral and offsetting:

At the reporting date, except for Murabaha financing, the Group has not placed / received any significant collaterals or credit enhancements in respect of its financial assets / liabilities. At the reporting date, there were no significant netting arrangements or financial assets / liabilities eligible for offsetting.

e) Expected credit loss:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Impairment on cash and cash equivalents, financial investments and other financial assets has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group's main exposure which is affected by adoption of ECL model is the Group's investments at amortised cost and the Group has determined that the application of IFRS 9's impairment requirements at January 1, 2018 results in an additional impairment allowance of SAR 0.3 million on its investments at amortised cost.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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26. RISK MANAGEMENT (continued)

Market risk (continued)

i) Market price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and the value of individual stocks.

a) FVTPL investments

At the reporting date, FVTPL investments are represented by external hedge funds, private equity funds, private real estate funds and mutual funds respectively. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 10% (December 31, 2017: 10%) change in the net asset values of the underlying investments would have increased or decreased the net income by SR 53.7 million (December 31, 2017: SR 70.1 million).

b) FVOCI investments

At the reporting date, FVOCI investments are represented by REITS managed by NCB Capital and other companies respectively. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 10% change in the net asset values of the underlying investments would have increased or decreased the net income by SR 10.1 million.

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. At the reporting date, the Group is not exposed to any significant interest rate risk.

iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. It has set limits on positions by currency. Positions are monitored regularly to ensure these are maintained within established limits. At the reporting date, the Group had the following significant net exposures denominated in foreign currencies:

	2018	2017
	Long / (short)	Long / (short)
US Dollars (USD)	**242,198**	167,466
Egyptian Pounds (EGP)	**15,983**	17,315
Pound Sterling (GBP)	**1,364**	861
Euro (EUR)	**1,291**	1,265
Bahrain Dinar (BHD)	**(5,937)**	(5,884)
GCC (AED)	**(9,943)**	(38)

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

26. RISK MANAGEMENT (continued)

Market risk (continued)

The table below indicates the extent to which the Group was exposed to currency risk at December 31, 2018 on its foreign currency positions. The analysis is performed for reasonably possible movement of the currency rate against the SR with all other variables held constant. As the Saudi Riyal is pegged against the USD, AED and Bahrain Dinar (BHD), there is unlikely to be an impact on the consolidated statement of profit or loss in respect of the USD, AED and BHD exposure.

	2018					
	Decrease in currency rate in %	**Effect on net profit SR '000**	**Effect on Other Reserve SR '000**	**Increase in currency rate in %**	**Effect on net profit SR '000**	**Effect on Other Reserve SR '000**
Pound Sterling (GBP)	15%	(205)	--	15%	205	--
Euro (EUR)	15%	(194)	--	15%	194	--
Egyptian Pounds (EGP)	15%	--	(2,397)	15%	--	2,397

	2017					
	Decrease in currency rate in %	Effect on net profit SR '000	Effect on Other Reserve SR '000	Increase in currency rate in %	Effect on net profit SR '000	Effect on Other Reserve SR '000
Pound Sterling (GBP)	15%	(129)	--	15%	129	--
Euro (EUR)	15%	(190)	--	15%	190	--
Egyptian Pounds (EGP)	15%	--	(2,597)	15%	--	2,597

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on regular basis.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2018 and December 31, 2017 based on contractual undiscounted repayment obligations. As the Group does not have any interest bearing liabilities, totals in the table match with the figures appearing on the consolidated statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Repayments which are subject to notice are treated as if notice were to be given immediately.

	December 31,2018					
Financial liabilities	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Amount due to The National Commercial Bank	--	37,185	--	--	--	**37,185**
Dividend payable	--	--	14,568	--	--	**14,568**
Accounts payable, accruals and other liabilities	14,711	106,798	--	--	--	**121,509**
Total undiscounted financial Liabilities	**14,711**	**143,983**	**14,568**	--	--	**173,262**

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26. RISK MANAGEMENT (continued)

Liquidity risk (continued)

	December 31, 2017					
Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Amount due to The National Commercial Bank	--	8,261	--	--	--	8,261
Dividend payable	--	--	14,635	--	--	14,635
Accounts payable, accruals and other liabilities	14,712	117,727		--	--	132,439
Total undiscounted financial Liabilities	14,712	125,988	14,635	--	--	155,335

	January 1, 2017					
Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Amount due to The National Commercial Bank	--	17,336	--	--	--	17,336
Dividend payable	--	--	10,409	--	--	10,409
Accounts payable, accruals and other liabilities	11,454	93,565	--	--	--	105,019
Total undiscounted financial Liabilities	11,454	110,901	10,409	--	--	132,764

27. ZAKAT

The movement in Zakat during the year ended December 31 is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Balance as at January 1	**43,008**	34,208	41,649
Charge for the year	**50,000**	34,000	27,330
Payments during the year	**(25,017)**	(25,200)	(34,771)
Balance as at December 31	**67,991**	43,008	34,208

The Company has filed all Zakat returns upto and including the financial year ended December 31, 2017 and obtained restricted Zakat certificate. The Company has filed an objection with the General Authority of Zakat and Income Tax GAZT regarding deduction of investments from the Zakat base for the year ended December 31, 2014 and 2015 which are under review by the GAZT.

GAZT has also finalized and issued assessment for the years 2007 to 2013 and raised an additional demand of SR 50.2 million, including additional liability for withholding tax of SR 7 million. The Company has filed an objection on the same before GAZT which is currently under review by the authority.

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28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base. During the year ended December 31, 2013, new Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

	2018	2017
Capital base:		
Tier I capital	**1,036,759**	917,506
Tier II capital	--	--
Total	**1,036,759**	917,506
Minimum capital requirement:		
Credit Risks	**352,814**	200,167
Market Risks	**80,184**	133,720
Operational Risks	**97,702**	95,501
Total	**530,700**	429,388
Surplus in Capital	**506,059**	488,118
Total capital ratio	**1.95**	2.14

29. FAIR VALUES

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. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

The fair values of the Group's financial instruments are not materially different from their carrying values.

a. Fair value information for financial instruments at fair value

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised in the 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 reporting period.

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29. FAIR VALUES (continued)

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
FVTPL Investments	**453,929**	**35,333**	**48,221**	**537,483**
FVOCI Investments	**100,967**	**--**	**--**	**100,967**
	554,896	**35,333**	**48,221**	**638,450**

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held for trading	646,516	--	--	646,516
Fair value through statement of income (FVSI)	--	3,777	1,774	5,551
Available for sale	--	--	51,011	51,011
	646,516	3,777	52,785	703,078

	January 1, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held for trading	708,201	--	--	708,201
Fair value through statement of income (FVSI)	--	--	1,777	1,777
Available for sale	--	--	52,427	52,427
	708,201	--	54,204	762,405

During the year ended December 31, 2018, there were no transfers between level 1 and level 2 fair value measurements.

Movements of level 3 are as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Opening balance	**52,785**	54,204	68,245
Net movement in fair value	**1,758**	(1,987)	1,057
Purchases	**8,758**	12,728	48,548
Sales / distributions	**(15,080)**	(12,160)	(63,646)
Closing balance	**48,221**	52,785	54,204

b. Fair value information for financial instruments not measured at fair value

The fair values of cash and cash equivalents, held-to-maturity investments, murahabha financing and other receivables at December 31, 2018 and December 31, 2017 approximate their carrying values.

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29. FAIR VALUES (continued)

c. Valuation technique and significant unobservable inputs for financial instruments at fair value

The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analyzed below. The Group utilizes fund manager reports (and appropriate discounts or hair-cuts where required) for the determination of fair values of private equity funds, hedge funds and real estate funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

30. CURRENT AND NON CURRENT ASSETS AND LIABILITIES

The classification of assets and liabilities into current and non-current is as follows:

	December 31, 2018	December 31, 2017	January 1, 2018
Current assets			
Cash and cash equivalents	**126,471**	150,030	113,032
Murabaha financing	**250,882**	78,577	--
Investments	**554,895**	652,067	760,228
Prepayments and other assets	**191,600**	118,387	110,703
Total current assets	**1,123,848**	999,061	983,963
Non-current assets			
Investments	**138,420**	84,872	72,471
Prepayments and other assets	**--**	15,219	9,316
Investment in associates, net	**29,605**	31,825	25,196
Property, equipment and software	**188,294**	170,383	172,990
Total non-current assets	**356,319**	302,299	279,973
Total assets	**1,480,167**	1,301,360	1,263,936
Liabilities			
Current liabilities			
Dividend payable	**14,568**	14,635	10,409
Account payable, accruals and other liabilities	**228,002**	207,839	164,048
Amount due to The National Commercial Bank	**37,185**	8,261	17,336
Total current liabilities	**279,755**	230,735	191,793
Non-current liabilities			
Employee benefits	**51,651**	64,156	52,984
Total liabilities	**331,406**	294,891	244,777

31. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

AMENDMENTS TO EXISTING STANDARDS

The adoption of the following amendments to the existing standards had no significant financial impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have no significant effect in future periods:

a) Amendments to IFRS 2 – "Share based payments", applicable for the annual periods beginning on or after 1 January 2018. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in consolidated statement of profit or loss.

b) IFRIC 22 – "Foreign Currency Transactions and Advance Consideration", the interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration.

c) Amendments to IAS 28 - "Investments in Associates and Joint Ventures", applicable for the period beginning on or after 1 January 2018, Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

Furthermore, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

a) IFRS 16 - "Leases", is applicable for financial periods beginning on or after 1 January 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Group is in the process of evaluating how the new lease accounting model will impact its leasing arrangements.

31. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

b) *Annual Improvements to IFRSs 2015–2017 Cycle*

- IFRS 3 Business Combinations – A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements – A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

c) *Other Amendments*

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

32. IMPACT OF TRANSITION TO IFRSs

As stated in note 2 (a), this is the Group's first consolidated financial statements prepared in accordance with the requirements of IFRS 1.

In preparing its opening IFRS statement of financial position at the transition date, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the pre-convergence GAAP. An explanation of how the transition from pre-convergence GAAP to IFRS has affected the Group's financial position, for the respective periods, is set out in the following tables and the notes that accompany the tables:

Assets:

The Groups' transition to IFRS did not result in any material adjustments in the balances of assets reported as at January 1, 2017, under the pre-convergence GAAP.

Liabilities:

The Groups' transition to IFRS did not result in any material adjustments to the balances of liabilities reported as at January 1, 2017, under the pre-convergence GAAP.

Expressed in Saudi Riyals '000

32. IMPACT OF TRANSITION TO IFRSs (continued)

Equity:	*Pre – convergence GAAP*	*Effect of transition to IFRS* December 31, 2017	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS* January 1, 2017	*IFRS*
Share capital	1,000,000	--	1,000,000	1,000,000	--	1,000,000
Shares held under employees' share based payments scheme	(213,698)	--	(213,698)	(202,904)	--	(202,904)
Statutory reserve	134,248	--	134,248	104,248	--	104,248
Other reserves	(11,494)	18,353	6,859	(3,295)	18,353	15,058
Equity-settled employees' share based payments scheme	22,938	--	22,938	19,173	--	19,173
Retained earnings (note 32.1)	63,838	(18,353)	45,485	91,399	(18,353)	73,046
Equity attributable to equity holders of the parent	995,832	--	995,832	1,008,621	--	1,008,621
Non-controlling interest	10,637	--	10,637	10,538	--	10,538
Total equity	1,006,469	--	1,006,469	1,019,159	--	1,019,159

Expressed in Saudi Riyals '000

32. IMPACT OF TRANSITION TO IFRSs (continued)

32.1 In accordance with IFRS 1, the Group has elected to deem all the foreign currency translation differences that arose prior to the date of transition (in respect of foreign operations) as nil as of that date. Resultantly as at the date of transition, the Group's retained earning has reduced by SR 18.4 million with a corresponding reduction in cumulative foreign exchange losses.

Details of (decrease) in the retained earnings resulting from transition to IFRS are as follows:

	December 31, 2017	January 1, 2017
Retained earnings under SOCPA as at	**63,838**	91,399
Impact of zeroisation of exchange translation reserve	**(18,353)**	(18,353)
Retained earnings under IFRS as at	**45,485**	73,046

33. IMPACT OF ADOPTION OF IFRS 9

The Group's adoption of IFRS 9, resulted in the following changes to components of equity as at January 1, 2018:

Reclassification of AFS reserve to retained earnings for financial assets classified as FVTPL from AFS	7,538
Recognition of ECL	(300)
Net impact on retained earnings as at January 1, 2018	**7,238**

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on 21 Rajab 1440H, corresponding to 28 March 2019.