Arab National Bank

(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements
For the period ended 31st March 2019

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Chartered Accountants

Independent Auditors' Review Report on
Interim Condensed Consolidated Financial Statements

To: The Shareholders of Arab National Bank
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Arab National Bank ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2019, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" ("IAS 34") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (16) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (16) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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25 Sha'aban 1440H
(30 April 2019)

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

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HO-Riyadh
Chartered Accountants
Deloitte and Touche & Co.

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(SAR'000)

As at	**Notes**	**March 31, 2019 (Unaudited)**	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
ASSETS				
Cash and balances with SAMA		**10,148,778**	22,980,266	15,384,620
Due from banks and other financial institutions		**1,348,496**	1,134,048	2,196,048
Positive fair value of derivatives	9	**1,305,243**	1,580,334	1,385,459
Investments, net	6	**30,954,653**	27,857,183	31,402,149
Loans and advances, net	7	**120,192,656**	121,038,239	113,061,603
Investments in associates		**875,491**	887,276	616,764
Other real estate		**220,697**	220,697	220,697
Investment property, net		**-**	-	1,620,363
Property and equipment, net		**2,298,507**	1,552,491	1,651,151
Other assets		**1,272,212**	1,039,972	857,280
Total assets		**168,616,733**	178,290,506	168,396,134
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		**1,895,602**	1,536,602	4,237,613
Negative fair value of derivatives	9	**1,438,674**	1,291,384	1,005,846
Customers' deposits	8	**128,045,109**	140,909,422	130,026,929
Other liabilities		**8,717,656**	6,040,188	5,953,313
Sukuk		**2,041,935**	2,020,491	2,033,505
Total liabilities		**142,138,976**	151,798,087	143,257,206
Equity				
Equity attributable to equity holders of the Bank				
Share capital	14	**15,000,000**	10,000,000	10,000,000
Statutory reserve		**7,000,000**	10,000,000	10,000,000
Other reserves		**126,456**	(7,263)	31,164
Retained earnings		**4,315,363**	5,613,196	3,784,359
Proposed dividends		**-**	850,000	650,000
Total equity attributable to equity holders of the Bank		**26,441,819**	26,455,933	24,465,523
Non-controlling interests		**35,938**	36,486	673,405
Total equity		**26,477,757**	26,492,419	25,138,928
Total liabilities and equity		**168,616,733**	178,290,506	168,396,134

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

Latifa Al-Sabhan : Chief Financial Officer

Robert Eid : Managing Director

Hesham AlJabr : Authorized Board Member

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three month period ended
(Unaudited)
(SAR'000)

	Notes	March 31, 2019	March 31, 2018
Special commission income		**1,936,863**	1,530,803
Special commission expense		**572,022**	336,681
Net special commission income		**1,364,841**	1,194,122
Fees and commission income, net		**142,624**	183,646
Exchange income, net		**93,134**	95,987
Unrealized gains / (losses) on FVTPL financial instruments, net		**2,255**	(839)
Trading (losses) / income, net		**(4,554)**	10,087
Dividend income		**17,274**	4,204
Loss on sale of FVOCI debt financial assets, net		**-**	(313)
Other operating income, net		**17,580**	46,265
Total operating income		**1,633,154**	1,533,159
Salaries and employee related expenses		**324,266**	311,249
Rent and premises related expenses		**13,651**	38,289
Depreciation and amortization		**67,936**	51,574
Other general and administrative expenses		**152,331**	141,981
Impairment charges for credit losses and other provisions, net	7	**147,992**	174,860
Impairment charges / (reversal of impairment charges) for other financial assets, net		**13,634**	(9,657)
Total operating expenses		**719,810**	708,296
Net operating income		**913,344**	824,863
Share in earnings / (losses) of associates, net		**6,239**	(6,458)
Net income for the period		**919,583**	818,405
Attributable to:			
Equity holders of the Bank		**920,131**	816,498
Non-controlling interests		**(548)**	1,907
Net income for the period		**919,583**	818,405
Basic and diluted earnings per share (in SAR)	14	**0.61**	0.54

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

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three month period ended
(Unaudited)
(SAR'000)

	March 31, 2019	March 31, 2018
Net income for the period	**919,583**	818,405
Other comprehensive income:		
Items that cannot be reclassified to interim consolidated statement of income in subsequent periods		
Equity instruments at fair value through other comprehensive income:		
- Net changes in fair value	**106,071**	83,865
Items that can be reclassified to interim consolidated statement of income in subsequent periods		
Debt instruments at fair value through other comprehensive income:		
- Net changes in fair value	**25,984**	(8,306)
- Net amounts transferred to interim consolidated statement of income	**1,664**	313
Total other comprehensive income for the period	**133,719**	75,872
Total comprehensive income for the period	**1,053,302**	894,277
Attributable to:		
Equity holders of the Bank	**1,053,850**	892,370
Non-controlling interests	**(548)**	1,907
Total comprehensive income for the period	**1,053,302**	894,277

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

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three month period ended March 31, 2019 and 2018
(Unaudited)
(SAR'000)

2019	Notes	Share capital	Statutory reserve	FVOCI (Other Reserves)	Acturial losses on defined benefit plan (Other Reserves)	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Bank								
Balance at the beginning of the period (as previously reported)		**10,000,000**	**10,000,000**	**73,216**	**(80,479)**	**5,613,196**	**850,000**	**26,455,933**	**36,486**	**26,492,419**
Impact of adopting IFRS 16 at January 1, 2019	4	**-**	**-**	**-**	**-**	**(76,804)**	**-**	**(76,804)**	**-**	**(76,804)**
Restated balance at January 1, 2019		**10,000,000**	**10,000,000**	**73,216**	**(80,479)**	**5,536,392**	**850,000**	**26,379,129**	**36,486**	**26,415,615**
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments				**106,071**	**-**	**-**	**-**	**106,071**	**-**	**106,071**
Net changes in fair values of FVOCI debt instruments				**25,984**	**-**	**-**	**-**	**25,984**	**-**	**25,984**
Net transfers to interim consolidated statement of income				**1,664**	**-**	**-**	**-**	**1,664**	**-**	**1,664**
Net income for the period				**-**	**-**	**920,131**	**-**	**920,131**	**(548)**	**919,583**
Total comprehensive income for the period				**133,719**	**-**	**920,131**	**-**	**1,053,850**	**(548)**	**1,053,302**
Bonus shares	14	**5,000,000**	**(3,000,000)**	**-**	**-**	**(2,000,000)**	**-**	**-**	**-**	**-**
2018 final dividends		**-**	**-**	**-**	**-**	**-**	**(850,000)**	**(850,000)**	**-**	**(850,000)**
Zakat for the current period	12	**-**	**-**	**-**	**-**	**(68,920)**	**-**	**(68,920)**	**-**	**(68,920)**
Income tax for the current period	12	**-**	**-**	**-**	**-**	**(72,240)**	**-**	**(72,240)**	**-**	**(72,240)**
Balance at the end of the period		**15,000,000**	**7,000,000**	**206,935**	**(80,479)**	**4,315,363**	**-**	**26,441,819**	**35,938**	**26,477,757**

2018	Notes	Share capital	Statutory reserve	FVOCI (Other Reserves)	Acturial losses on defined benefit plan (Other Reserves)	Retained earnings	Proposed dividends	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Bank								
Balance at the beginning of the period (as previously reported)		10,000,000	10,000,000	(15,990)	(59,817)	3,795,494	650,000	24,369,687	696,278	25,065,965
Impact of adopting IFRS 9 and other adjustments at January 1, 2018		-	-	4,793	-	(634,327)	-	(629,534)	-	(629,534)
Restated balance at January 1, 2018		10,000,000	10,000,000	(11,197)	(59,817)	3,161,167	650,000	23,740,153	696,278	24,436,431
Changes in equity for the period:										
Net changes in fair values of FVOCI equity investments				83,865	-	-	-	83,865	-	83,865
Net changes in fair values of FVOCI debt instruments				(8,306)	-	-	-	(8,306)	-	(8,306)
Net transfers to interim consolidated statement of income				313	-	-	-	313	-	313
Net income for the period				-	-	816,498	-	816,498	1,907	818,405
Total comprehensive income for the period				75,872	-	816,498	-	892,370	1,907	894,277
Net loss on derecognition of FVOCI equity	6			26,306	-	(26,306)	-	-	-	-
Distribution from a subsidiary				-	-	-	-	-	(24,780)	(24,780)
Zakat for the current period	12			-	-	(100,200)	-	(100,200)	-	(100,200)
Income tax for the current period	12			-	-	(66,800)	-	(66,800)	-	(66,800)
Balance at the end of the period		10,000,000	10,000,000	90,981	(59,817)	3,784,359	650,000	24,465,523	673,405	25,138,928

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

ARAB NATIONAL BANK – Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three month period ended
(Unaudited)
(SAR'000)

	Notes	March 31, 2019	March 31, 2018
OPERATING ACTIVITIES	17		
Net income for the period		**919,583**	818,405
Adjustments to reconcile net income to net cash used in operating activities for the period:			
Amortization of premium on investments not held as FVTPL, net		**698**	70
Special commission expense on Sukuk		**21,444**	17,231
Losses on investments not held as FVTPL, net		**-**	313
Unrealized (gains) / losses on revaluation of investments as FVTPL, net		**(2,255)**	839
Dividend income		**(17,274)**	(4,204)
Depreciation of investment property		**-**	6,200
Depreciation and amortization of property and equipment		**67,936**	51,574
Losses on disposal of property and equipment, net		**1,104**	788
Impairment charges for credit losses and other provisions, net		**147,992**	174,860
Impairment charges / (reversal of impairment charges) for other financial assets, net		**13,634**	(9,657)
Share in (earnings) / losses of associates, net		**(6,239)**	6,458
		1,146,623	1,062,877
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(290,535)**	227,451
Investments held at FVTPL		**(418)**	(449,823)
Positive fair value of derivatives		**275,091**	(441,699)
Loans and advances		**814,962**	936,683
Other assets		**(275,826)**	(103,379)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**359,000**	1,546,064
Negative fair value of derivatives		**147,290**	149,944
Customers' deposits		**(12,864,313)**	(6,021,160)
Other liabilities		**602,189**	758,516
Net cash used in operating activities		**(10,085,937)**	(2,334,526)
INVESTING ACTIVITIES	17		
Proceeds from sale and maturities of investments not held as FVTPL		**254,414**	2,636,147
Purchase of investments not held as FVTPL		**(2,925,785)**	(1,424,532)
Purchase of property and equipment		**(18,239)**	(9,920)
Dividends received from an associate		**7,864**	-
Proceeds from sale of property and equipment		**2**	998
Dividends received		**17,274**	4,204
Net cash (used in) / from investing activities		**(2,664,470)**	1,206,897
FINANCING ACTIVITIES	17		
Dividends paid		**(25,513)**	(551)
Zakat paid		**(130,059)**	-
Non-controlling interest from distributions from a subsidiary		**-**	(24,780)
Net cash used in financing activities		**(155,572)**	(25,331)
Net decrease in cash and cash equivalents		**(12,905,979)**	(1,152,960)
Cash and cash equivalents at the beginning of the period		**17,094,956**	11,772,360
Cash and cash equivalents at the end of the period	11	**4,188,977**	10,619,400
Special commission received during the period		**1,742,694**	1,498,407
Special commission paid during the period		**(398,976)**	(206,708)
Supplemental non-cash information			
Net changes in fair value of investments held at fair value through other comprehensive income		**132,055**	75,559

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

1. General

Arab National Bank (a Saudi Joint Stock Company, the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18,1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 138 branches (2018: 141 branches) in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The address of the Bank's head office is as follows:

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom of Saudi Arabia

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

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its following subsidiaries (collectively referred to as the Group):

Arab National Investment Company (ANB Invest)

In accordance with the Capital Market Authority (CMA) directives, the Bank has established ANB Invest, a wholly owned subsidiary (directly and indirectly), a Saudi closed joint stock company, registered in the Kingdom under Commercial Registration No. 1010239908 issued on Shawwal 26, 1428H (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiary commenced its operations effective Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above mentioned subsidiary effective January 12, 2008. On Muharram 19, 1436H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The objective of the subsidiary was amended and approved by CMA Board of Commissioners on Muharram 28, 1437 H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. The objective of the subsidiary was further amended on Sha'ban 26, 1437H (corresponding to June 2, 2016) to provide loans to the subsidiary's customers to trade in financial papers as per the Saudi Arabian Monetary Authority's circular No. 371000014867 dated 5/2/1437H, and the CMA's circular No. S/6/16287/15 dated 10/3/1437H.

Arabian Heavy Equipment Leasing Company (AHEL)

An 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration no 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to reach 87.5%.

ANB Insurance Agency

A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration no. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Authority (SAMA) to start its activities in insurance agency and related business on Jumada I 5, 1435H (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.

A wholly owned Saudi limited liability company, registered in the Kingdom under the commercial registration no. 1010199647 issued in Riyadh dated Jumada I 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase of lands and real estates and invest them through sale or rent in favor of the company, maintenance and management of owners and others' assets as guarantee, sale and purchase of real estates for financing purposes as per SAMA approval No. 361000109161 dated 10/8/1436H.

1. General (continued)

ANB Global Markets Limited

The Bank established on January 31, 2017 ANB Global Markets Limited, as a limited liability company registered in the Cayman Islands. The Bank has 100% ownership. The objective of ANB Global Markets Limited is trading in derivatives and Repo activities on behalf of the Bank.

Change in status of a subsidiary

The Bank owns indirectly 25.47% of ANBI Business Gate Fund (the Fund), which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14//411 dated Shawwal 9, 1435H (corresponding to August 5, 2014). The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term.

The Fund was consolidated as a subsidiary until September 2018. Thereafter, the Group has reassessed its control over the Fund and after considering the Fund Board composition and other factors concluded that the Group does not control the relevant activities of the Fund, effective October 2018, though, significant influence over the Fund is still retained by the Group. Accordingly, the Group has discontinued consolidation of the Fund in its interim condensed consolidated financial statements and has accounted for the Fund as an associate.

2. Basis of preparation

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

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

3. Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries where necessary to align them with the Bank's interim condensed consolidated financial statements.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

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

3. Basis of consolidation (continued)

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 period are included in the interim consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised 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.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated statement of financial position, separately from the equity holders of the Bank. 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. Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognized as goodwill.

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.

Non-controlling interests are subsequently adjusted for their share of changes in equity of the consolidated subsidiary after the date of acquisition.

All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

4. Impact of changes in accounting policies due to adoption of new standard

Effective January 1, 2019 the Group has adopted a new accounting standard, the impact of the adoption of this standard is explained below:

IFRS 16 Leases

Before January 1, 2019, the Group follow Accounting for leases:

i) Where the Group is a lessee

Leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the interim consolidated statement of income on a straight-line basis over the period of the lease.

Penalties paid to a lessor when an operating lease is terminated before the lease period has expired, is recognized as an expense in the period in which termination takes place.

ii) Where the Group is a lessor

When assets are sold under a finance lease, including Shari'ah compliant leases, the present value of the lease payments is recognized as a receivable and disclosed under loans and advances. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the effective yield basis, which reflects a constant periodic rate of return.

(SAR'000)

4. Impact of changes in accounting policies due to adoption of new standard (continued)

IFRS 16 Leases (continued)

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

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

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation the off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized the lease liabilities as of January 1, 2019.

RECONCILIATION OF LEASE LIABILITIES

	2019
Off-balance sheet lease obligations as of December 31, 2018	415,843
Operating lease obligations as of January 1, 2019 (Gross without discounting)	415,843
Operating lease obligations as of January 1, 2019 (net, discounted)	328,716
Reasonably certain extension or termination option	500,298
Lease liabilities due to initial application of IFRS 16 as January 1, 2019	829,014

5. Significant Accounting policies

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

Right of Use (RoU) Assets / Lease Liabilities

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

(SAR'000)

5. Significant Accounting policies (continued)

Right of Use Assets

Group apply cost model, and measure right of use asset at cost;
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, Group measures the lease liability by:

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

6. Investments, net

Investment securities are classified as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
Investments at amortized cost	26,135,651	23,539,433	22,646,612
Investments at FVOCI - equity	1,094,203	988,140	875,258
Investments at FVOCI - debt	3,228,012	2,824,286	7,390,799
Investments at FVTPL	518,500	516,663	498,144
Less: Impairment	(21,713)	(11,339)	(8,664)
Total	30,954,653	27,857,183	31,402,149

Equity investment securities designated as at FVOCI

None of the equity investment securities designated as at FVOCI was disposed off during the three-month period ended March 31, 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments (March 31, 2018: loss of SAR 26,306 thousands). Dividend income recognized in the interim consolidated statement of income amounted to SAR 9,015 thousands for the three months period ended March 31, 2019 (March 31, 2018: SAR 4,204 thousands).

7. Loans and advances, net

Loans and advances (all held at amortized cost) comprise the following:

March 31, 2019 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,835,707	476,300	25,126,824	92,053,172	121,492,003
Non-performing loans and advances, net	5,096	9,816	75,048	1,384,229	1,474,189
Total loans and advances	3,840,803	486,116	25,201,872	93,437,401	122,966,192
Impairment allowance	(29,088)	(33,209)	(400,097)	(2,311,142)	(2,773,536)
Loans and advances, net	3,811,715	452,907	24,801,775	91,126,259	120,192,656

(SAR'000)

7. Loans and advances, net (continued)

December 31, 2018 (Audited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,694,867	496,547	24,387,163	93,641,280	122,219,857
Non-performing loans and advances, net	5,364	11,727	93,141	1,385,454	1,495,686
Total loans and advances	3,700,231	508,274	24,480,304	95,026,734	123,715,543
Impairment allowance	(22,066)	(35,953)	(432,806)	(2,186,479)	(2,677,304)
Loans and advances, net	3,678,165	472,321	24,047,498	92,840,255	121,038,239

March 31, 2018 (Unaudited)	Overdrafts	Credit cards	Consumer loans	Commercial loans and others	Total
Performing loans and advances, gross	3,640,701	471,093	24,016,025	86,041,259	114,169,078
Non-performing loans and advances, net	6,694	14,545	96,488	1,478,780	1,596,507
Total loans and advances	3,647,395	485,638	24,112,513	87,520,039	115,765,585
Impairment allowance	(102,412)	(44,362)	(458,338)	(2,098,870)	(2,703,982)
Loans and advances, net	3,544,983	441,276	23,654,175	85,421,169	113,061,603

The movement in the allowance for impairment of loans and advances to customers for the three month period ended March 31 are as follows:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Impairment allowance balance as reported at the beginning of the period	2,677,304	2,253,542
Amounts restated through opening retained earnings	-	386,180
Adjusted impairment allowance balance at the beginning of the period	2,677,304	2,639,722
Charge for the period, net	174,920	132,210
Bad debts written off against impairment allowance	(78,688)	(67,950)
Balance at the end of the period	2,773,536	2,703,982

Impairment charge for credit losses, net for the period ended March 31, 2019 amounted to SAR 153,692 thousand (March 31, 2018: SAR 104,448 thousand), including bad debts directly written-off to interim consolidated statement of income amounting to SAR 13,728 thousand (March 31, 2018: SAR 19,899 thousand) and net of recoveries amounting to SAR 34,956 thousand (March 31, 2018: SAR 47,661 thousand)

An analysis of charges in impairment allowance of loans and advances is as follows:

March 31, 2019 (Unaudited)	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and advances to customers at amortized				
Balance at January 1, 2019	431,022	1,122,906	1,123,376	2,677,304
Transfer to 12-month ECL	28,582	(24,270)	(4,312)	-
Transfer to lifetime ECL not credit - impaired	(16,296)	27,637	(11,341)	-
Transfer to lifetime ECL credit impaired	-	(3,356)	3,356	-
Net charge for the period	97,387	31,666	45,867	174,920
Write-offs	-	-	(78,688)	(78,688)
Balance at March 31, 2019	540,695	1,154,583	1,078,258	2,773,536

For "Life time ECL credit impaired (Stage 3)", it includes loss allowance for non-performing loans portfolio along with the impact of other factors to IFRS 9.

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

	For the three-month period ended March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Impairment charges for credit losses, net	153,692	104,448
(Reversal of provisions) / provisions for credit-related commitments and contingencies	(5,700)	70,412
	147,992	174,860

(SAR'000)

8. **Customers' deposits**

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
Demand	64,467,275	65,759,753	66,220,242
Time	59,426,205	67,888,136	59,875,490
Saving	122,457	112,263	102,049
Others	4,029,172	7,149,270	3,829,148
Total	128,045,109	140,909,422	130,026,929

9. Derivatives

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

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)			March 31, 2018 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate and cross currency swaps	651,224	609,712	20,927,780	671,122	630,828	20,242,545	529,720	497,618	20,237,027
Commission rate futures and options	572,649	571,444	16,859,714	619,698	617,373	13,189,978	474,061	471,442	12,865,429
Forward foreign exchange and commodity contracts	33,184	8,968	1,634,852	31,059	7,489	4,898,307	41,320	12,815	2,877,396
Currency and commodity options	1,198	1,114	97,694	2,383	1,691	134,026	4,577	4,740	545,925
Held as fair value hedges:									
Commission rate swaps	46,988	247,436	20,447,385	256,072	34,003	17,150,089	335,781	19,231	18,916,331
Total	1,305,243	1,438,674	59,967,425	1,580,334	1,291,384	55,614,945	1,385,459	1,005,846	55,442,108

Derivatives have been disclosed at gross amounts as at the date of the interim consolidated statement of financial position, and have not been netted off by cash margins placed and received against derivatives, amounting to SAR 642,386 thousands placed (December 31, 2018: SAR 45,647 thousands received, and March 31, 2018: SAR 192,885 thousands placed).

10. Credit related commitments and contingencies

a) The Group is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at December 31, 2018.

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
Letters of credit	5,373,588	5,090,864	5,580,384
Letters of guarantee	22,287,605	22,693,597	23,765,707
Acceptances	1,244,042	1,230,059	1,405,933
Irrevocable commitments to extend credit	3,539,135	2,654,459	3,468,750
Other	84,363	86,030	93,521
Total	32,528,733	31,755,009	34,314,295

The unutilized portion of non-firm commitments as at March 31, 2019 which can be revoked unilaterally at any time by the Bank, amounts SAR 16,926 million (December 31, 2018: SAR 13,536 million and March 31, 2018: SAR 14,799 million).

(SAR'000)

11. Cash and cash equivalents

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

	March 31, 2019 (Unaudited)	December 31,2018 (Audited)	March 31, 2018 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,836,434	15,958,457	8,423,352
Due from banks and other financial institutions maturing within 90 days from the acquisition date	1,352,543	1,136,499	2,196,048
Total	4,188,977	17,094,956	10,619,400

12. Zakat and Income Tax

On March 14, 2019, the General Authority of Zakat and Tax (the "GAZT") has issued new zakat rules through Ministerial Decree No. 2215 which provides the basis for the calculation of Zakat for companies engaged in financing activities and licensed by SAMA. The new Zakat regulations are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods from January 1, 2019. Despite providing a new basis for calculating the Zakat base, Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base.

Zakat for the period ended March 31, 2019 attributable to Saudi Shareholders amounted to approximately SAR 68.9 million (March 31, 2018: SAR 100.2 million). Income tax payable by the non-Saudi Shareholder on the current period's share of net income is SAR 72.2 million (March 31, 2018: SAR 66.8 million). The provision of Zakat and income tax liability is estimated based on the results of operations of the Bank for the period ended and the financial position at March 31, 2019.

13. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer in order to allocate resources to segments and to assess its performance.

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

Retail banking

Deposit, credit and investment products for individuals.

Corporate banking

Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses, and the Bank's London Branch.

Treasury

Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission rate risks.

Investment and brokerage services

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

Other

Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. The basis for determining intersegment operating income/(expense) for the current period are consistent with the basis used for March 31, 2018. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in London. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall interim condensed consolidated financial statements.

(SAR'000)

13. Operating segments (continued)

The Group's total interim consolidated assets and liabilities as at March 31, 2019 and 2018, its total operating income, expenses and net income for the three month period then ended, by operating segments, are as follows:

March 31, 2019 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	39,392,303	84,067,424	42,570,355	99,579	2,487,072	168,616,733
Investments in associates	-	-	-	-	875,491	875,491
Total liabilities	67,830,407	65,477,345	5,159,598	46,353	3,625,273	142,138,976
Operating income/(expense) from external customers	512,764	1,116,522	(15,181)	22,093	(3,044)	1,633,154
Intersegment operating income/(expense)	105,862	(486,733)	288,075	-	92,796	-
Total operating income	618,626	629,789	272,894	22,093	89,752	1,633,154
Of which:						
Net special commission income	554,836	515,748	194,175	10,656	89,426	1,364,841
Fees and commission income, net	30,934	110,895	1,632	14,749	(15,586)	142,624
Impairment charges for credit losses and other provisions, net	22,357	125,635	-	-	-	147,992
Impairment charges for other financial assets, net	-	-	13,634	-	-	13,634
Depreciation and amortization	21,454	1,888	300	467	43,827	67,936
Total operating expenses	353,361	312,826	35,665	12,194	5,764	719,810
Share in earnings of associates, net	-	-	-	-	6,239	6,239
Net income attributed to equity holders of the Bank	265,265	316,963	237,229	9,899	90,775	920,131
Net income attributed to non-controlling interest	-	-	-	-	(548)	(548)

March 31, 2018 (Unaudited)	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	34,787,453	82,756,660	46,193,871	2,777,075	1,881,075	168,396,134
Investments in associates	-	-	-	-	616,764	616,764
Total liabilities	65,828,302	67,207,134	6,557,429	133,392	3,530,949	143,257,206
Operating income from external customers	497,174	956,524	8,980	44,334	26,147	1,533,159
Intersegment operating income/(expense)	70,163	(339,264)	216,539	-	52,562	-
Total operating income	567,337	617,260	225,519	44,334	78,709	1,533,159
Of which:						
Net special commission income	502,505	511,829	122,467	8,578	48,743	1,194,122
Fees and commission income, net	44,879	115,472	2,987	14,844	5,464	183,646
Impairment charges for credit losses and other provisions, net	47,478	127,382	-	-	-	174,860
Reversal of impairment charges for other financial assets, net	-	-	(9,657)	-	-	(9,657)
Depreciation and amortization	26,271	1,632	421	477	22,773	51,574
Total operating expenses	408,896	258,371	12,574	21,145	7,310	708,296
Share in losses of associates, net	-	-	-	-	(6,458)	(6,458)
Net income attributed to equity holders of the Bank	158,441	358,889	212,945	23,189	63,034	816,498
Net income attributed to non-controlling interest	-	-	-	-	1,907	1,907

(SAR’000)

14. Share capital, bonus shares and earnings per share

As at March 31, 2019, the authorized, issued and fully paid share capital of the Bank consists of 1,500 million shares of SAR 10 each (December 31, 2018 and March 31, 2018: 1,000 million shares of SAR 10 each).

The Board of Directors has proposed a bonus issue of 500 million shares of SAR 10 each, through transfer of SAR 3 billion and SAR 2 billion from statutory reserves and retained earnings respectively, which was approved in the shareholders’ extraordinary general assembly meeting, held on March 27, 2019.

Basic and diluted earnings per share for the period ended March 31, 2019 and 2018 is calculated by dividing the net income for the period attributable to the equity holders of the Bank by 1,500 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue. The diluted earnings per share is the same as the basic earnings per share.

15. Fair values of financial assets and liabilities

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets

March 31, 2019 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments at FVTPL	518,500	-	37,222	481,278	518,500
Investments at FVOCI	4,322,215	1,091,909	3,228,413	1,893	4,322,215
Positive fair value of derivatives	1,305,243	-	1,305,243	-	1,305,243
Financial assets not measured at fair value					
Due from banks and other financial institutions	1,348,496	-	-	-	1,348,496
Investments at amortised cost	26,113,938	-	26,467,618	-	26,467,618
Loans and advances	120,192,656	-	-	123,023,545	123,023,545

(SAR'000)

15. Fair values of financial assets and liabilities (continued)

a. Carrying amounts and fair value (continued)

Financial assets (continued)

December 31, 2018 (Audited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments at FVTPL	516,663	-	40,480	476,183	516,663
Investments at FVOCI	3,812,426	985,839	2,824,694	1,893	3,812,426
Positive fair value of derivatives	1,580,334	-	1,580,334	-	1,580,334
Financial assets not measured at fair value					
Due from banks and other financial institutions	1,134,048	-	-	-	1,134,048
Investments at amortised cost	23,528,094	-	23,341,740	-	23,341,740
Loans and advances	121,038,239	-	-	122,887,396	122,887,396

Financial Liabilities

March 31, 2019 (Unaudited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,438,674	-	1,438,674	-	1,438,674
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	1,895,602	-	-	-	1,895,602
Customer deposits	128,045,109	-	-	-	128,045,109
Sukuk	2,041,935	-	-	2,006,937	2,006,937

December 31, 2018 (Audited)	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	1,291,384	-	1,291,384	-	1,291,384
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	1,536,602	-	-	-	1,536,602
Customer deposits	140,909,422	-	-	-	140,909,422
Sukuk	2,020,491	-	-	1,962,503	1,962,503

(SAR'000)

15. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values

i. Transfer between levels of the fair value hierarchy

There have been no transfers within levels of the fair value hierarchy during the three months period ended March 31, 2019 and 2018.

ii. Level 3 fair values

Reconciliation of Level 3 fair values

The following tables show a reconciliation from the opening balances for Level 3 fair values.

Investments at FVTPL	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Balance at the beginning of the period	476,183	-
Transferred from available for sale financial assets at initial application of IFRS 9	-	8,823
Total unrealized gain / (loss) in interim consolidated statement of income	5,517	(839)
Settlements	(422)	(176)
Purchases	-	450,000
Balance at the end of the period	481,278	457,808

Investments at FVOCI:	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Balance at the beginning of the period	1,893	-
Transferred from available for sale financial assets at initial application of IFRS 9	-	1,893
Balance at the end of the period	1,893	1,893

15. Fair values of financial assets and liabilities (continued)

b. Measurement of fair values (continued)

iii. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and Level 3 fair values at March 31, 2019 and December 31, 2018 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
FVTPL investments	Fair value is determined based on the investee fund's most recent reported net assets value of the funds.	None	Not applicable
FVOCI investments classified as Level 2 include plain vanilla bonds for which market quotes are not available.	Fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	None	Not applicable
FVOCI investments classified as Level 3 include Private Equity Funds	Fair value is determined based on the fund's most recent reported net assets value of the funds.	None	Not applicable
Derivatives classified as Level 2 are comprised of over the counter special commission rate swaps, currency swaps, special commission rate futures and options, spot and forward foreign exchange contracts, currency and commodity options and other derivative financial instruments	These instruments are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs on these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.	None	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 2 include investments held at amortized cost.	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to account for any potential model discrepancy or any stressed market conditions.	Not applicable
Financial assets and liabilities that are disclosed at fair value and classified as Level 3 include loans and advances and debt issuances.	These instruments are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.	Additional buffer is added to the credit spreads to account for any potential model discrepancy or any stressed market conditions.	The higher the credit spread, the lower is the valuation; vice versa.

(SAR'000)

16. Capital Adequacy

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base. During the period, the Group has fully complied with regular capital requirements.

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective starting January 1, 2013. Accordingly, the Group's pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios are as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
Credit Risk RWA	146,555,893	143,485,274	143,734,512
Operational Risk RWA	13,606,915	13,565,927	13,276,575
Market Risk RWA	1,960,557	1,174,055	1,749,713
Total Pillar-I RWA	162,123,365	158,225,256	158,760,800
Tier I Capital	26,772,592	26,046,963	24,256,553
Tier II Capital	2,719,103	2,519,304	2,487,762
Total Tier I & II Capital	29,491,695	28,566,267	26,744,315
Capital Adequacy Ratio %			
Tier I ratio	16.51%	16.46%	15.28%
Tier I + Tier II ratio	18.19%	18.05%	16.85%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the SAMA in supervising the Bank.

17. Non-cash transactions to interim consolidated statement of cash flows

The non-cash transactions to the accompanying interim consolidated statement of cash flows resulting from the adoption of IFRS 16 "Leases" (refer to note 4) and the Bank's share of the Zakat settlement of an associate are summarized as follows:

	March 31, 2019 (unaudited)
Operating activities	
Depreciation expense	19,782
Other assets	43,588
Other liabilities	800,093
Net cash from operating activities	863,463
Investing activities	
Investments in associates	10,160
Property and equipment	(796,819)
Net cash used in investing activities	(786,659)
Financing Activities	
Equity – Retained earnings	(76,804)
Net cash used in financing activities	(76,804)
Cash and cash equivalents	-

18. Comparative figures

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

19. **Board of Directors'** approval

The interim condensed consolidated financial statements were approved by the Board on Shaában 18, 1440 (corresponding to April 23, 2019).