



(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Un-audited)**

**FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2019**



KPMG Al Fozan & Partners
Certified Public Accountants

**Independent Auditors' Review Report on the
Interim Condensed Consolidated Financial Statements**

To the Shareholders of Alawwal bank
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Alawwal bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2019, and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended and explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as modified by 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 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 18 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young & Co.
Certified Public Accountants
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

KPMG Al Fozan & Partners
Certified Public Accountants
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Nasser Ahmed Al Shutairy
Certified Public Accountant
Registration No. 454

2 Ramadan 1440H
(7 May 2019)



Alawwal bank
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	<i>Notes</i>	<i>March 31, 2019 (Un-audited)</i>	<i>December 31, 2018 (Audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Assets				
Cash and balances with SAMA		4,467,057	4,890,038	6,916,903
Due from banks and other financial institutions		1,152,031	1,116,012	2,120,003
Positive fair value of derivatives	10	127,700	110,107	194,935
Investments, net	6	15,623,064	16,068,538	16,648,637
Loans and advances, net	7	55,787,058	57,767,123	60,760,276
Investment in an associate		54,033	53,762	48,840
Property and equipment, net		1,538,684	1,268,639	1,321,713
Other assets, net	8	863,477	753,983	792,120
Total assets		79,613,104	82,028,202	88,803,427
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		1,466,063	1,531,816	391,756
Negative fair value of derivatives	10	67,909	57,093	86,428
Customers' deposits	9	61,847,650	64,572,713	70,501,590
Subordinated debt		-	-	2,527,643
Other liabilities		2,200,811	2,006,183	2,068,527
Total liabilities		65,582,433	68,167,805	75,575,944
Shareholders' equity				
Share capital		11,430,720	11,430,720	11,430,720
Statutory reserve		882,675	882,675	600,062
General reserve		130,000	130,000	130,000
Other reserve		-	37	(32)
Retained earnings		1,619,237	1,443,809	1,105,997
Share based plan reserve		(31,961)	(26,844)	(39,264)
Total shareholders' equity		14,030,671	13,860,397	13,227,483
Total liabilities and shareholders' equity		79,613,104	82,028,202	88,803,427

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


Abdullah Aloraini
Chief Financial Officer


Maha Al-Supairi
Chief Compliance and Governance Officer


Soren Nikolajsen
Managing Director

Alawwal bank
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month period ended March 31, 2019

Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Special commission income		917,886	898,754
Special commission expense		247,735	228,635
Net special commission income		670,151	670,119
Fee and commission income, net		131,729	135,535
Exchange income		31,219	29,716
Trading income, net		59,451	28,158
Gain / (loss) on FVTPL financial instruments, net		7,023	(3,474)
Total operating income		899,573	860,054
Salaries and employee-related expenses		162,723	169,096
Rent and premises-related expenses		15,165	38,969
Depreciation and amortisation		60,282	43,122
General and administrative expenses		85,253	71,640
Impairment charge for credit losses and other losses, net	7(c)	338,091	257,381
Impairment charge / (reversal) for other financial assets, net		18,847	(2,876)
Total operating expenses		680,361	577,332
Operating income		219,212	282,722
Share in earnings of an associate		271	3,333
Net income for the period		219,483	286,055
Basic and diluted earnings per share (Expressed in SAR per share)	15	0.19	0.25







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

 **Abdullah Aloraini**
Chief Financial Officer

 **Maha Al-Sudairi**
Chief Compliance and Governance Officer

 **Soren Nikolajsen**
Managing Director

Alawwal bank
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended March 31, 2019

Amounts in SAR'000 (Un-audited)

	<u>2019</u>	<u>2018</u>
Net income for the period	219,483	286,055
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to interim consolidated income statement in subsequent periods</i>		
Cash flow hedges:		
- Net change in fair values	(37)	(713)
Total other comprehensive income	<u>(37)</u>	<u>(713)</u>
Total comprehensive income for the period	<u><u>219,446</u></u>	<u><u>285,342</u></u>







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

 Abdullah Aloraini Chief Financial Officer	 Maha Al-Sudairi 3 Chief Compliance and Governance Officer
--	--

 Soren Nikolajsen Managing Director
--

Alawwal bank
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended March 31, 2019
Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Share based plan reserve</u>	<u>Total shareholders' equity</u>
Balance at beginning of the period		11,430,720	882,675	130,000	37	1,443,809	-	(26,844)	13,860,397
Net income for the period		-	-	-	-	219,483	-	-	219,483
Net change in fair values		-	-	(37)	-	-	-	-	(37)
Total comprehensive income for the period		-	-	(37)	-	219,483	-	-	219,446
Zakat for the current period	14	-	-	-	-	(25,368)	-	-	(25,368)
Tax for the current period	14	-	-	-	-	(18,687)	-	-	(18,687)
Share based plan transactions		-	-	-	-	-	-	(5,117)	(5,117)
Balance at end of the period		11,430,720	882,675	130,000	-	1,619,237	-	(31,961)	14,030,671

2018

Balance at beginning of the period - restated		11,430,720	600,062	130,000	681	848,875	171,461	(43,404)	13,138,395
Net income for the period		-	-	-	-	286,055	-	-	286,055
Net change in fair values		-	-	(713)	-	-	-	-	(713)
Total comprehensive income for the period		-	-	(713)	-	286,055	-	-	285,342
Zakat for the current period	14	-	-	-	-	(4,623)	-	-	(4,623)
Tax for the current period	14	-	-	-	-	(24,310)	-	-	(24,310)
2017 dividend		-	-	-	-	-	(171,461)	-	(171,461)
Share based plan transactions		-	-	-	-	-	-	4,140	4,140
Balance at end of the period		11,430,720	600,062	130,000	(32)	1,105,997	-	(39,264)	13,227,483




Maha Al-Sudairi
Chief Compliance and Governance Officer


Soren Nikolajsen
Managing Director

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

Abdullah Aloraini
Chief Financial Officer

Soren Nikolajsen
Managing Director

Alawwal bank
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended March 31, 2019

Amounts in SAR'000 (Un-audited)

	<i>Notes</i>	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES			
Net income for the period		219,483	286,055
Adjustments to reconcile net income to net cash used in operating activities:			
Amortisation of premium and (accretion of discount) on non-trading investments, net		1,056	1,032
Depreciation and amortisation		60,282	43,122
Derivatives fair value, net		(6,814)	11,319
Subordinated debt		-	22,617
Share based plan transactions		2,350	2,992
Impairment charge for credit and other losses, net	7	338,091	257,381
(Gain) / loss on FVTPL financial instruments, net		(7,023)	3,474
Impairment charge / (reversal) for other financial assets, net		18,847	(2,876)
Share in earnings of an associate		(271)	(3,333)
		<u>626,001</u>	<u>621,783</u>
Net decrease in operating assets:			
Statutory deposit with SAMA		264,293	179,910
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		-	65,000
Loans and advances, net		1,641,974	2,271,535
Other assets		(116,961)	(106,382)
Net decrease in operating liabilities:			
Due to banks and other financial institutions		(65,753)	(2,953,061)
Customers' deposits		(2,725,063)	(7,773,373)
Other liabilities		(140,547)	(269,435)
Net cash used in operating activities		<u>(516,056)</u>	<u>(7,964,023)</u>
INVESTING ACTIVITIES			
Proceeds from sale of non-trading investments		432,594	11,389
Purchase of property and equipment		(39,207)	(17,826)
Net cash from / (used in) investing activities		<u>393,387</u>	<u>(6,437)</u>
Net decrease in cash and cash equivalents		<u>(122,669)</u>	<u>(7,970,460)</u>
Cash and cash equivalents at beginning of the period		<u>2,489,275</u>	<u>13,006,065</u>
Cash and cash equivalents at end of the period	12	<u>2,366,606</u>	<u>5,035,605</u>
Special commission received during the period		<u>814,003</u>	<u>850,630</u>
Special commission paid during the period		<u>277,960</u>	<u>248,379</u>
Supplemental non-cash information			
Right of use asset		291,120	-
Lease liability		284,019	-
Impact of first time adoption of IFRS 9		-	461,301
2017 dividend		-	171,461
Net changes in fair value and net transfers to interim consolidated income statement		(37)	(713)

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

Abdullah Aloraini
Chief Financial Officer

Maha Al-Sudairi
Chief Compliance and Governance Officer

Soren Nikolajsen
Managing Director

Alawwal bank

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

1. GENERAL

Alawwal bank (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and was formed pursuant to Royal Decree No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to December 21, 1976). The Bank commenced business on 17 Shaaban 1397H (corresponding to August 2, 1977) when it took over the operations of Algemene Bank Nederland N.V. in the Kingdom of Saudi Arabia. The Bank operates under commercial registration No. 1010064925 dated 6 Jumada II 1407H (corresponding to February 5, 1987) through its 67 branches as at March 31, 2019 (2018: 67 branches) in the Kingdom of Saudi Arabia. The registered address of the Bank's head office is:

Alawwal bank
Head Office
Al - Dhabab Street
P O Box 1467, Riyadh 11431
Kingdom of Saudi Arabia

The objective of the Bank and its subsidiaries (collectively referred to as the "Group") is to provide a full range of banking and investment services. The Group also provides to its customers Islamic (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 include the financial statements of the Bank and its subsidiaries. The details of the Bank's subsidiaries are set out below:

Alawwal Invest (AI)

Alawwal Invest, is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank, was formed in accordance with the Capital Market Authority's (CMA) Resolution number 1-39-2007 under commercial registration number 1010242378 dated 30 Dhul Hijjah 1428H (corresponding to January 9, 2008) to take over and manage the Group's Investment Services and Asset Management activities regulated by CMA related to dealing, managing, arranging, advising and taking custody of securities. Alawwal Invest commenced its operations effective on 2 Rabi'II 1429H (corresponding to April 8, 2008).

Alawwal Real Estate Company (AREC)

AREC, a limited liability company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank through direct ownership was established under commercial registration number 1010250772 dated 21 Jumada I 1429H (corresponding to May 26, 2008) with the approval of the Saudi Arabian Monetary Authority (SAMA). The Company was formed to register real estate assets under its name which are received by the Bank from its borrowers as collaterals.

Alawwal Insurance Agency Company (AIAC)

AIAC, a limited liability company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank through direct ownership was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to January 4, 2011) with the approval of SAMA. The Company was formed to act as an agent for Wataniya Insurance Company (WIC), an associate, for selling its insurance products.

Alawwal Financial Markets Limited (SPV)

The Bank has established a wholly owned SPV subsidiary, formed with the approval of SAMA solely to facilitate trading of certain derivative financial instruments. The SPV is consolidated in these interim condensed consolidated financial statements as the Bank controls it.

On 24/1/1440H (corresponding to 4th October 2018G) the Boards of the Bank and the Saudi British Bank (SABB) announced to their respective shareholders (the "Transaction Announcements") that they had entered into a binding merger agreement with SABB on October 3, 2018 (corresponding to Muharram 23, 1440H) under which the two banks agreed to take the necessary steps to implement the merger by way of a statutory merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulations (the "MARs") (the "Transaction"). The merger is conditional upon the approval of SAMA, the Capital Market Authority, the General Authority for Competition, the Saudi Stock Exchange, Shareholder of both the banks and certain other agreed contractual conditions.

On 04/07/1440H, (corresponding to 11 March 2019G) SABB made an announcement pursuant to Article 17(e) of the MARs confirming its firm intention to proceed with the Transaction in accordance with the terms and steps included in the Transaction Announcements. As at the date of approval of these interim condensed consolidated financial statements, approvals have been received from all the required regulatory authorities and Alawwal bank's board has issued a circular addressed to its shareholders setting out the views of its board of directors on the Transaction. SABB has also published an offer document addressed to the shareholders of Alawwal bank, which sets out the relevant details about the Transaction, and a circular addressed to its shareholders in respect of the Transaction and the associated capital increase.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

1. GENERAL (Continued)

Both banks have called for their respective extraordinary general assemblies to vote on the Transaction on May 15, 2019 subject to fulfilment of remaining conditions referred in the Transaction Announcement, the Bank expects that the transaction will complete within first half of 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the period ended March 31, 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting Standards" as modified by SAMA for the 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 Group has adopted IFRS 16 "Leases" from January 1, 2019 and accounting policies for this new standard are disclosed in notes 4 and 5 to these interim condensed consolidated financial statements.

The preparation of interim condensed consolidated financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies are the same as those applied to the annual consolidated financial statements for the year ended 31 December 2018, except those relating to IFRS 16, as mentioned above. Impact of change in accounting policies followed in the current and comparative period is explained in note 4.

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets held at Fair Value through Profit and Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI). In addition, financial assets or liabilities that are carried at cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and all amounts have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

3. BASIS OF CONSOLIDATION

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank and changes have been made to their accounting policies where necessary to align them with the accounting policies of the Bank.

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. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim consolidated income statement from the date of the acquisition or up to the date of disposal, as appropriate. The financial statements of the subsidiaries have been prepared using uniform accounting policies and valuation methods as the Group for like transactions and other events in similar circumstances. 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,

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

3. BASIS OF CONSOLIDATION (Continued)

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. 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. The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these interim condensed consolidated financial statements except when the Group controls the entity.

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD IFRS 16 – LEASES

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

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. It 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 is for a 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 and accordingly the comparative information for the prior periods are not restated. During the first time application of IFRS 16 to operating leases, the right to use leased assets was generally measured at the amount of lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of Financial Position as at 31 December 2018, using the interest rate at the time of first time application.

Reconciliation of lease liabilities

	SAR '000
Operating lease commitments as at 31 December 2018	79,212
Short term and low value leases recognised on a straight-line basis as expense	(5,813)
Impact of extension options or termination options not to be exercised	304,962
Lease liability as at 1 January 2019 (Gross, without discounting)	378,361
Lease liability as at 1 January 2019 (Net, discounted)	280,656

5 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are applicable effective from 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in annual consolidated financial statements for the year ended December 31, 2018.

Right of use asset / lease liabilities

At inception of the contract, the Group assess whether the contract contains lease. A contract 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right of use asset / lease liabilities (Continued)

if the economic benefits are flowing to the Group and can be directed to the usage of such assets. The Group recognizes a right of use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate, a change in estimate of the amount expected to be payable or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

6. INVESTMENTS, NET

Investment securities are classified as follows:

	<i>March 31, 2019 (Un-audited)</i>	<i>December 31, 2018 (Audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Investments at amortized cost	15,324,138	15,755,580	16,158,164
Investment at FVTPL	318,065	313,263	318,101
Investments at FVOCI – Equity investments	4,330	4,330	172,372
Less: Impairment allowance for credit losses	(23,469)	(4,635)	-
Total investments, net	15,623,064	16,068,538	16,648,637

7. LOANS AND ADVANCES, NET

a) Loans and advances held at amortized cost:

	<i>March 31, 2019 (Un-audited)</i>	<i>December 31, 2018 (Audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Held at amortized cost:			
Commercial loans and overdrafts	40,968,177	42,349,952	43,624,645
Consumer loans	16,012,048	16,468,409	17,769,116
Credit cards	354,736	363,485	363,285
Performing loans and advances	57,334,961	59,181,846	61,757,046
Non-performing loans and advances	2,658,255	2,479,782	2,353,991
Gross loans and advances	59,993,216	61,661,628	64,111,037
Impairment allowance for credit losses	(4,206,158)	(3,894,505)	(3,350,761)
Total loans and advances, net	55,787,058	57,767,123	60,760,276

b) The movement in impairment charge for credit and other losses is as follows:

	<i>March 31, 2019 (Un-audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Impairment allowance as at January 1,	3,894,505	3,119,217
Provided during the period	369,210	286,944
Recoveries of amounts previously provided	(3,036)	(3,811)
Impairment allowance against indirect exposure transferred from / (to) other liabilities	11,936	(4,103)
Bad debts written off	378,110	279,030
Balance at end of the period	4,206,158	3,350,761

c) Impairment charge for credit and other losses, net

Impairment charge for credit and other losses, net	369,210	286,944
Less: Recoveries of amounts previously provided	(3,036)	(3,811)
Recoveries of amounts previously written off	(28,083)	(25,752)
Total impairment charge for credit and other losses, net	338,091	257,381

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

8. OTHER ASSETS, NET

As at March 31, 2019, other assets include an amount of US dollar 116.9 million equivalent to SAR 438 million (March 31, 2018: US Dollar 116.9 million equivalent to SAR 438 million) plus accrued interest, which was disbursed to a third party who defaulted on repayment. The management expects to recover this balance from its related parties under settlement agreements. The conditional settlement agreements also include an additional claim amounting to SAR 656.25 million along with accrued interest, which is currently not being recognised in these interim condensed consolidated financial statements.

9. CUSTOMERS' DEPOSITS

Customers' deposits are comprised of the following:

	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2018 (Un-audited)
Time	30,659,909	35,048,023	38,837,410
Demand	29,709,089	28,063,408	30,071,811
Saving	383,230	357,082	417,500
Others	1,095,422	1,104,200	1,174,869
Total	61,847,650	64,572,713	70,501,590

10. DERIVATIVES

The table below sets out the positive and negative fair values and notional amounts of derivative financial instruments. 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 market risk.

Derivative financial instruments;

<i>March 31, 2019 (Un-audited)</i>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
Held for trading:			
Special commission rate swaps	114,524	60,253	26,625,085
Foreign exchange and commodity forward contracts	5,173	2,164	1,760,896
Currency and commodity options	2,067	1,842	4,727,187
Special commission rate options	5,936	3,649	1,737,965
Held as fair value hedges:			
Special commission rate swaps	-	1	37,503
Total	127,700	67,909	34,888,636
Fair values of derivatives subject to netting arrangements	<u>541,855</u>	<u>541,855</u>	
Fair values of derivatives on gross basis	<u>669,555</u>	<u>609,764</u>	
<i>December 31, 2018 (Audited)</i>			
Held for trading:			
Special commission rate swaps	93,561	44,504	22,554,743
Foreign exchange and commodity forward contracts	5,421	4,216	2,797,987
Currency and commodity options	6,619	6,394	5,767,393
Special commission rate options	4,506	1,972	1,807,893
Held as fair value hedges:			
Special commission rate swaps	-	4	37,515
Held as cash flow hedges:			
Special commission rate swaps	-	3	1,095,000
Total	110,107	57,093	34,060,531
Fair values of derivatives subject to netting arrangements	<u>623,715</u>	<u>623,715</u>	
Fair values of derivatives on gross basis	<u>733,822</u>	<u>680,808</u>	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

10. DERIVATIVES (Continued)

<i>March 31, 2018 (Un-audited)</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
Held for trading:			
Special commission rate swaps	123,854	53,267	35,377,622
Foreign exchange and commodity forward contracts	44,655	22,503	7,961,578
Currency and commodity options	20,109	7,622	5,906,634
Special commission rate options	6,194	2,929	2,004,759
Held as fair value hedges:			
Special commission rate swaps	-	107	37,500
Held as cash flow hedges:			
Special commission rate swaps	123	-	2,549,250
Total	<u>194,935</u>	<u>86,428</u>	<u>53,837,343</u>
Fair values of derivatives subject to netting arrangements	781,938	781,938	
Fair values of derivatives on gross basis	<u>976,873</u>	<u>868,366</u>	

11. COMMITMENTS AND CONTINGENCIES

The Group's credit related commitments and contingencies are as follow:

	<i>March 31, 2019 (Un-audited)</i>	<i>December 31, 2018 (Audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Letters of guarantee	15,928,766	16,263,293	16,155,976
Letters of credit	3,857,403	4,159,328	4,457,600
Acceptances	1,170,452	1,130,905	1,614,657
Irrevocable commitments to extend credit	1,961,523	1,099,129	2,184,923
Total	<u>22,918,144</u>	<u>22,652,655</u>	<u>24,413,156</u>

12. CASH AND CASH EQUIVALENTS

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

	<i>March 31, 2019 (Un-audited)</i>	<i>December 31, 2018 (Audited)</i>	<i>March 31, 2018 (Un-audited)</i>
Cash and balances with SAMA	4,467,057	4,890,038	6,916,903
Statutory deposit	(3,227,482)	(3,491,775)	(3,926,301)
	1,239,575	1,398,263	2,990,602
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	1,127,031	1,091,012	2,045,003
Total	<u>2,366,606</u>	<u>2,489,275</u>	<u>5,035,605</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

13. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the senior management responsible for operational decision making in the Bank in order to allocate resources to the segments and to assess performance. Transactions between operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers. Commission is charged to operating segments based on a pool rate, which approximates the marginal cost of funds. The revenue from external parties reported to the senior management, is measured in a manner consistent with that in the interim consolidated income statement. There have been no changes in measurement basis for the segment profit or loss since December 31, 2018. Following are the reportable operating segments of the Group:

Corporate banking

The corporate banking segment offers a range of products and services to corporate and institutional customers. It accepts customer deposits and provides financing, including term loans, overdrafts, syndicated loans and trade finance services. Services provided to customers include internet banking, global transaction services and a centralised service that manages all customer transfers, electronic or otherwise.

Personal banking

The personal banking group operates through a national network of branches and ATMs supported by a 24-hour phone banking centre. This segment accepts customers' deposits in various savings and deposit accounts and provides retail banking products and services, including consumer loans, overdrafts and credit cards to individuals and small-to-medium-sized enterprises.

Investment banking and investment services

The investment banking and investment services segment offers security dealing, managing, arranging, advising and maintaining custody services in relation to securities.

Central treasury and ALCO

Treasury transacts mainly in money market, foreign exchange, commission rate and other derivatives for corporate and institutional customers as well as for the Group's own benefit. It is also responsible for managing the Group's funding and centralized risk management and investment portfolio. ALCO include the group-wide assets and liabilities other than the business and treasury's core activities maintaining Group-wide liquidity and managing its consolidated financial position. It also includes the net interdepartmental revenues / charges on Funds Transfer Pricing as approved by ALCO and unallocated income and expenses relating to Head Office and other departments. The following is an analysis of the Group's assets, revenue and results by operating segments for the periods ended March 31, 2019.

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Investment banking and investment services</i>	<i>Central treasury and ALCO</i>	<i>Total</i>
March 31, 2019 (Un-audited)					
External revenue, net:					
Net special commission income	495,704	204,971	2,501	(33,025)	670,151
Fee and commission income, net	89,328	41,879	4,722	(4,200)	131,729
Trading income, net	41,904	158	890	16,499	59,451
Other revenue	16,600	14,619	-	7,023	38,242
Inter-segment (expense) / revenue	(217,598)	98,680	2,696	116,222	-
Total segment revenue, net	425,938	360,307	10,809	102,519	899,573
Total operating expenses excluding impairment charges	(101,877)	(198,636)	(10,870)	(12,040)	(323,423)
Other material non-cash items:					
Impairment charges for credit and other losses, net	(288,880)	(49,211)	-	-	(338,091)
Impairment charge for other financial assets, net	-	-	-	(18,847)	(18,847)
Non-operating income	-	-	-	271	271
Segment profit / (loss)	35,181	112,460	(61)	71,903	219,483

Alawwal bank
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

13. OPERATING SEGMENTS (Continued)

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Investment banking and investment services</i>	<i>Central treasury and ALCO</i>	<i>Total</i>
March 31, 2018 (Un-audited)					
External revenue, net:					
Net special commission income	456,071	250,058	2,094	(38,104)	670,119
Fee and commission income, net	99,971	36,027	6,707	(7,170)	135,535
Trading income, net	11,298	388	781	15,691	28,158
Other revenue	18,631	11,085	-	(3,474)	26,242
Inter-segment (expense) / revenue	(187,898)	55,669	2,123	130,106	-
Total segment revenue, net	398,073	353,227	11,705	97,049	860,054
Total operating expenses excluding impairment charges	(95,427)	(198,581)	(11,534)	(17,285)	(322,827)
Other material non-cash items:					
Impairment charges for credit and other losses, net	(222,941)	(34,064)	(376)	-	(257,381)
Impairment reversal for other financial assets, net	-	-	-	2,876	2,876
Non-operating income	-	-	-	3,333	3,333
Segment profit / (loss)	79,705	120,582	(205)	85,973	286,055

	<i>Corporate banking</i>	<i>Personal banking</i>	<i>Investment banking and investment services</i>	<i>Central treasury and ALCO</i>	<i>Total</i>
March 31, 2019 (Un-audited)					
Segment assets	38,319,201	17,467,857	777,629	23,048,417	79,613,104
Segment liabilities	16,491,018	28,436,159	242,638	20,412,618	65,582,433
December 31, 2018 (Audited)					
Segment assets	39,719,589	18,047,534	810,629	23,450,450	82,028,202
Segment liabilities	16,116,244	27,588,970	268,549	24,194,042	68,167,805
March 31, 2018 (Un-audited)					
Segment assets	41,420,638	19,339,638	813,094	27,230,057	88,803,427
Segment liabilities	16,899,692	27,838,046	282,187	30,556,019	75,575,944

14. ZAKAT AND INCOME TAX

The Bank has filed its Zakat and income tax returns for the financial years up-to and including the year 2017 with the General Authority of Zakat and Tax ("GAZT"). The Bank has received Zakat and income tax assessments for the year 2005 to 2013.

Zakat assessments

During 2018, the Bank reached a Settlement Agreement (the "Agreement") with the GAZT in order to settle Zakat claims for the years from 2006 to 2017 against a full and final payment of SAR 374.48 million, payable in 6 instalment over a period ending on December 1, 2023. The Bank has settled the first instalment of SAR 74.90 million during the month of December 2018. Under the Agreement, the Bank and the GAZT have also agreed to settle Zakat for the year 2018 in accordance with the basis agreed in the Agreement. The Bank has recorded appropriate provisions against aforementioned settlements.

Income tax assessments

The Bank will continue to contest its appeals before the Appellate Committee for Resolution of tax disputes for the years from 2006 to 2013 and expects a favourable outcome of the aforementioned appeals.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

15. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share for the three months periods ended March 31, 2019 and 2018 are calculated by dividing the net income for the periods attributable to the shareholders by 1,143.07 million shares / weighted average number of shares outstanding during the period.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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

Level 1 - Quoted (unadjusted) market prices in active primary markets.

Level 2 - Adjusted market prices in active markets for identical assets or liabilities using valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 measured at fair value. It does not include fair value for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
March 31, 2019 (Un-audited)					
<u>Financial assets measured at fair value</u>					
Derivative financial instruments	127,700	-	127,700	-	127,700
Investments held as FVTPL	318,065	149,990	168,075	-	318,065
Investments held as FVOCI	4,330	-	-	4,330	4,330
Total financial assets measured at fair value	450,095	149,990	295,775	4,330	450,095
<u>Financial assets not measured at fair value</u>					
Due from banks and other financial institutions	1,152,031	-	1,152,031	-	1,152,031
Investments at Amortized cost	15,324,138	243,952	15,032,328	-	15,276,280
Loans and advances, net	55,787,058	-	-	55,514,804	55,514,804
Total financial assets not measured at fair value	72,263,227	243,952	16,184,359	55,514,804	71,943,115

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities measured at fair value</u>					
Derivative financial instruments	67,909	-	67,909	-	67,909
<u>Financial liabilities not measured at fair value</u>					
Due to banks and other financial institutions	1,466,063	-	1,466,063	-	1,466,063
Customers' deposits	61,847,650	-	61,847,650	-	61,847,650
Total financial liabilities not measured at fair value	63,313,713	-	63,313,713	-	63,313,713

Alawwal bank
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

December 31, 2018 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value:</u>					
Derivative financial instruments	110,107	-	110,107	-	110,107
Held as FVTPL	313,263	146,389	166,874	-	313,263
Held as FVOCI	4,330	-	-	4,330	4,330
Total financial assets measured at fair value	427,700	146,389	276,981	4,330	427,700
<u>Financial assets not measured at fair value:</u>					
Due from banks and other financial institutions	1,116,012	-	1,116,012	-	1,116,012
Investments at Amortized cost	15,755,580	238,095	15,410,601	-	15,648,696
Loans and advances, net	57,767,123	-	-	57,514,331	57,514,331
Total financial assets not measured at fair value	74,638,715	238,095	16,526,613	57,514,331	74,279,039
<u>Financial liabilities measured at fair value:</u>					
Derivative financial instruments	57,093	-	57,093	-	57,093
<u>Financial liabilities not measured at fair value:</u>					
Due to banks and other financial institutions	1,531,816	-	1,531,816	-	1,531,816
Customers' deposits	64,572,713	-	64,572,713	-	64,572,713
Total financial liabilities not measured at fair value	66,104,529	-	66,104,529	-	66,104,529

The fair values of financial instruments included in the interim condensed consolidated statement of financial position, except for investments held at amortised cost and loans and advances, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The estimated fair values of investments held at amortised cost are based on quoted market prices, when available, or pricing models in the case of certain fixed rate bonds. The fair value of special commission-bearing customers' deposits are not significantly different from their book values since the current market special commission rates for similar financial liabilities are not significantly different from the contracted rates.

The fair values of cash and balances with SAMA, due from / to banks and other financial institutions, other assets and other liabilities are not significantly different from their carrying values since the underlying amounts for these categories are for shorter durations which indicates that their booking rates are not significantly different from the current market rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Group uses widely recognized valuation models for determining the fair value of common and simpler financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The following table shows the valuation techniques used in measuring fair values at March 31, 2019, as well as the significant unobservable inputs used.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Type	Valuation technique	Significant unobservable inputs	Inter- relationship between significant unobservable inputs and fair value measurement
FVOCI	Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices and foreign currency exchange rates.	None	Not applicable
Loans and advances, net	Fair valued using discounted cash flow techniques that use observable market data inputs for yield curves and credit spread	Credit spreads	The wider the movement in credit spread, the higher the difference between the carrying values and fair values

17. FINANCIAL RISK MANAGEMENT

i) Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also a credit risk on credit related commitments, contingencies and derivatives. The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases management may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk on derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, management assesses counterparties using the same techniques as for its lending activities. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Management seeks to manage concentration of credit risk within Board approved Risk Appetite and in line with SAMA guidelines, through a system of limits and strategies designed to ensure appropriate diversification of lending activities and to prevent undue concentration of risks with individuals or groups of customers in specific locations or businesses. The Group also takes security when appropriate. Management monitors on a regular basis the market value of collateral and requests additional collateral in accordance with the underlying agreement, if required. In addition it also specifically monitors the market value of collateral during its review of the adequacy of the allowances for impairment losses. Management regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

17. FINANCIAL RISK MANAGEMENT (continued)

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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including an assessment of the change in probability of default (PD) as at the reporting date with the PD at the time of initial recognition of the exposure. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- i) the remaining lifetime probability of default (PD) as at the reporting date; with
- ii) the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Groups categories its loans into Stage 1, Stage 2, Stage 3 and purchased or originated credit impaired (POCI), as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the lifetime ECL.

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective commission rate (EIR). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

iii) Loss allowance

The following table shows reconciliation from the opening to the closing balances of impairment charge for credit losses, net:

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 1, 2019	198,986	1,644,731	2,050,788	3,894,505
Transfer to 12 month ECL	4,190	(4,190)	-	-
Transfer to lifetime ECL not credit-impaired	(3,126)	3,126	-	-
Transfer to lifetime ECL credit-impaired	-	(23,090)	23,090	-
Net change for the period	(4,394)	188,939	193,565	378,110
Write-offs	-	-	(66,457)	(66,457)
Balance as at March 31, 2019	195,656	1,809,516	2,200,986	4,206,158

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2019

Amounts in SAR'000s

17. FINANCIAL RISK MANAGEMENT (continued)

iii) Loss allowance (continued)

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance as at January 1, 2018	220,014	1,155,890	1,743,313	3,119,217
Transfer to 12 month ECL	1,978	(1,978)	-	-
Transfer to lifetime ECL not credit-impaired	(13,293)	13,293	-	-
Transfer to lifetime ECL credit-impaired	-	(32,556)	32,556	-
Net change for the period	3,949	(17,711)	292,792	279,030
Write-offs	-	-	(47,486)	(47,486)
Balance as at March 31, 2018	212,648	1,116,938	2,021,175	3,350,761

Movement in retail ECL has been presented on a net basis.

18. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA and to safeguard the Group's ability to continue as a going concern by maintaining a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the management. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the Risk-Weighted Assets (RWA) at or above the agreed minimum of 8%. Management monitors the adequacy of its capital using ratios established by SAMA. These ratios expressed as a percentage, measure capital adequacy by comparing the Group's eligible capital with its interim consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at amounts weighted to reflect their relative risk. SAMA through its circular number 391000029731, dated 15/03/1439AH, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS shall be transitioned over five years. The following table summarises the Bank's Pillar-I RWA, Tier I and Tier II capital and capital adequacy ratios.

	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)	March 31, 2018 (Un-audited)
Credit Risk RWA	65,566,712	67,881,975	71,518,578
Operational Risk RWA	6,385,026	6,403,504	6,324,570
Market Risk RWA	485,127	423,902	326,452
Total Pillar-I RWA	<u>72,436,865</u>	<u>74,709,381</u>	<u>78,169,600</u>
Tier I Capital	14,705,103	14,547,619	13,596,524
Tier II Capital	710,831	848,525	3,389,977
Total Tier I & II Capital	<u>15,415,934</u>	<u>15,396,144</u>	<u>16,986,501</u>
Capital Adequacy Ratio %			
Tier I ratio	20.30	19.47	17.39
Tier I + Tier II ratio	21.28	20.61	21.73

19. BOARD OF DIRECTORS' APPROVAL

These interim condensed consolidated financial statements were approved by the Board of Directors on May 04, 2019 (corresponding to Shaban 29, 1440H).