Ahead of the curve

بنك الرياض
riyad bank

ANNUAL REPORT
2020

As we continue to seek new horizons we know that one thing is constant – change – and at Riyad Bank, we are ready for it.

King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques

His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al Saud

The Crown Prince, Deputy Prime Minister and Minister of Defense

CONTENTS

RIYAD BANK ANNUAL REPORT 2020

This Report describes the achievements of Riyad Bank and the challenges it faced in the year 2020. The Report comprehensively covers the main business segments that the Bank is engaged in. It also includes the contribution made by the supporting functions such as technology, human resources and governance. With the global trend increasingly giving prominence to ESG factors, the Bank's efforts towards sustainability are also highlighted in this Report.

Report boundary

The Report covers the activities of Riyad Bank unless otherwise stated. The boundary for financial reporting includes Riyad Bank and its subsidiaries.

Reporting period

The report covers the period from January 1 to December 31, 2020 and is consistent with our usual annual reporting cycle for financial reporting. There are no restatements of information provided in previous reports and no significant changes from previous reporting periods in the scope and aspect boundaries.

The most recent previous report covered the 12-month period ended 31 December 2019.

The Report has been issued in both English and Arabic, and in the event of any discrepancy, the Arabic version shall prevail.

Compliance

The consolidated financial statements of the Group have been prepared in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

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The Riyad Bank Integrated Report online

The end-to-end interactive online HTML version of our Report is identical to the PDF version, while it includes features for ease of finding, recording, extracting and sharing information.
https://riyadbank2020.annualreport.plus/en/

THE CORE OF OUR BUSINESS

Riyad Bank mainly carries out all banking and investment business; Whether for his account or for others in the Kingdom of Saudi Arabia and abroad, as it provides an integrated system of banking services for companies and individuals, and finances all commercial and industrial activities and projects, and infrastructure projects; Through its network of 341 branches within the Kingdom, the London branch in the United Kingdom, the Houston agency in the United States of America, and a representative office in Singapore. The Bank, through Riyad Capital, which is wholly owned by the Bank, provides a variety of asset management and investment banking services, and it also works to meet the needs of individuals. Providing brokerage services in the financial markets, in addition to a wide range of investment services and investment funds.

Vision

To be the most innovative and trusted financial solutions partner.

Mission

To help people, organizations and society achieve their aspirations by being their trusted and caring financial solutions partner.

Core values

- We care
- We win
- We are one team

The Bank operates through the following main operating sectors:

Retail Banking — Provides banking services to individuals through its network of branches throughout the Kingdom, as well as private and diamond banking centres.

Corporate Banking — Provides corporate banking services, and mainly provides all credit facilities and cash management services, corporate deposits, accounts receivable, and other credit facilities.

Treasury and investment — Provides money market services, trading services, treasury services, as well as managing the Group's investment portfolio.

Investment and brokerage services — Provides investment management services, and asset management activities related to dealing, administration, arrangement, advising, and securities custody services.

The impact of each key sector of the Bank with regard to business volumes and contribution to 2020 results

Sector	Net income before Zakat (SAR '000)	Contribution
Retail Banking	1,281	23%
Corporate Banking	1,428	26%
Treasury and investment	2,231	41%
Investment and brokerage services*	544	10%
Total**	5,484	100%

** Includes Riyad Capital.*
*** The influence of other subsidiaries on the Bank's results is not material.*

341

2,486 ATM machine

88,542 Points of sale

Branches

over 5,200 employees

94% Saudization rate

FOOTSTEPS ON A JOURNEY

بنك الرياض
riyad bank

1957

Riyad Bank was established with an initial share capital of SAR 50 Mn.

1960

Al-Watani Bank was merged with Riyad Bank.

1992

- Share Capital was increased to SAR 2 Bn. by a share Bonus and issue of new shares.
- Share premium of over SAR 3 Bn. was raised on this issue.

2005

Share capital was raised to SAR 5 Bn.

2006

Share capital increased to SAR 6.25 Bn.

2008

- Share Capital increased to SAR 15 Bn.
- Launch of Riyad Capital.

2013

Became the first Bank to be granted license by SAMA for mortgages and auto leasing.

2016

Share capital increased to SAR 30 Bn.

2018

Launch of 2022 Transformation Programme.

2019

- Launch new office to accomplish 2030 vision.
- Launch the Social Responsibility Strategy "Bukra".

2020

Riyad Bank within
Top Ten
Largest Banks in the Gulf Cooperation Council Region

Riyad Bank named
best bank
for SMEs in the Middle East

Riyad Bank is on the list of the
40 most powerful
Arab companies in the world

Launched the second stage of the
Transformation programme
for 2021-2025

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors of Riyad Bank, I am pleased to present the Bank's Annual Report, which reviews the Bank's performance and financial position for the fiscal year 2020.

You are well aware of the severity of the challenges that the global economy faced during the year 2020, as a result of the COVID-19 pandemic, which cast an unprecedented heavy shadow over health, economic and social conditions throughout the world, and directly affected the business sectors and economic activity globally.

There is no doubt that the Kingdom of Saudi Arabia was not isolated from the consequences of this pandemic. However, the wise management and awareness of the situation coupled with excellent integration and coordination between the various state agencies

resulted in an effective response to confronting the epidemic and containing its impact. Thus, by the grace of God, we were able to reduce risks and avoid a serious crisis, but this does not negate the pandemic's effect on the economy. The slowing of growth rates and the emergence of multiple other challenges required the concerted efforts of all parties from the public and private sectors in order to confront and work to overcome them.

The Saudi banking sector was one of the first sectors to take early precautionary measures, with the aim of preserving business continuity and enabling the national economy to face the pandemic. This was achieved through institutions, led by the Ministry of Finance and the Central Bank of Saudi Arabia, functioning in concert and with the unstinted cooperation of banking institutions that have demonstrated an unwavering commitment.

At Riyad Bank, we have chosen to ensure the safety of our employees and customers, a high priority that has topped our list of concerns during the pandemic. We have also worked to launch a package of preventive and other measures in response to the directives of the supervisory and regulatory authorities, with the aim of limiting the spread of the virus. We have successfully implemented the mechanism of "remote work" for our employees, while continuing to provide uninterrupted services to our customers through a network of branches designated to work during the pandemic and by relying on our advanced digital banking system. For our employees and clients, we have carefully maintained the principle of "social distancing".

On the financial front, Riyad Bank was one of the first banks to implement the package of financial stimulus initiatives prescribed by the Central Bank of Saudi Arabia to support the sustainability of micro, small and medium enterprises during the pandemic. We continued to provide easy financing solutions to these establishments and enabled them to continue their activities and retain their employees. Thereby, we provided support to overcome the consequences of the pandemic and the economic challenges it imposed.

At the same time, conscious of our societal responsibilities, we at Riyad Bank initiated an immediate response to alleviate the consequences of the pandemic. We effected financial contributions to support the Community Fund and the Health Endowment Fund. These funds were launched first to support the blessed efforts in facing the pandemic by increasing the availability of medical equipment, and provide the necessary assistance to the bodies and vulnerable segments of society affected by the pandemic. Secondly, we were able to successfully organize an awareness campaign on financial fraud, "Leave it for you", which was implemented by the team at Riyadh Bank on behalf of Saudi banks, and with the support of the Central Bank of Saudi Arabia.

Riyad Bank played an active role in support of the Autism Center of Excellence which was launched as a joint initiative of the Ministry of Human Resources and Social Development and the Central Bank of Saudi Arabia, together with the collaborative support of Saudi banks. It was officially launched during 2020 to be a leading regional center for the management of autism.

In the year 2020, we continued to work wholeheartedly to reach the goals of our strategy, which included a roadmap for Riyad Bank to be the first choice for customers. The roadmap included a wide range of initiatives through which the Bank was able to enhance its competitiveness and market share, accelerate progress of digital transformation, improve the customer experience, and develop the standards of the business environment through which the Bank succeeded in achieving an exceptional leap in the Work Environment Index.

The result of these relentless efforts was that we were able, praise be to God, to expand our customer base, and to achieve a steady increase in the profits achieved during the year, which amounted to SAR 4,715 Mn., while the Bank recorded an increase in the volume of deposits, which amounted to SAR 203.309 Mn. at the end of the year, compared with SAR 265,789 Mn. at the end of 2019.

Given this context, and aligned with our procedures to periodically review and develop our strategy, the Bank has adopted the goals of its new business strategy aimed at making Riyad Bank the best bank in the Kingdom by 2025. We will focus our priorities on several tracks that, God willing, will enable us to achieve our ambitions.

The financial performance of Riyad Bank during the year 2020, in light of the restrictions imposed by the COVID-19 pandemic, was positive and solid, and reflects the stability and sound financial position of the Bank, its capabilities and superior attributes that give it the determination to overcome obstacles, continue progressing forward, and create opportunities for growth and prosperity.

In conclusion, I extend my sincere thanks and appreciation to the members of the Board of Directors for their support and efforts, and to our shareholders and our esteemed customers for their trust and loyalty, which I have always appreciated and been proud of. Given their efforts and support for the Saudi banking sector and its national institutions, I cannot fail to affirm our commitment to continue our diligence in our banking operations. I am certain that we will exert all our strength, energy and capabilities so that we will achieve success and excellence and Riyad Bank will be recognized as the leading bank in the Kingdom by 2025.

Eng. Abdullah Mohammed Al-Issa
Chairman of the Board

GLOBAL AND LOCAL ECONOMY OVERVIEW

The global pandemic caused a historic crisis, affecting the resources of health care systems around the world and resulting in the loss of more than two million human lives. The unprecedented economic downturn has led to a recession unparalleled since the depression of the 1930s. According to International Monetary Fund (IMF) estimates for 2020, the global economy shrank by 3.5%. Governments around the world have taken unprecedented financial rescue measures and major central banks have cut interest rates to near zero while on the other hand, they injected substantial amounts of liquidity to support their economies. In response to the pandemic, total financial support, according to IMF calculations, has reached about 12% of global GDP. As a result, it is estimated that the global public debt reached 100% GDP in 2020.

According to the latest IMF estimates in 2020, the US economy contracted by 3.4%, which can be explained by the economic downturn through a strong and sustained recovery in the second half of 2020 after a massive contraction in the second quarter of the year. While consumer spending during the third quarter recovered rapidly, additional support came from the housing sector and construction activities as well.

European economies have been hit hard during the year under review. In Europe, the IMF estimates that the economic contraction will be 7.2% and in the UK 10%. As many European countries imposed complete quarantines in the early stages of the pandemic, it had a major impact on economic activity in the second quarter of the year. However, after the gradual relaxation of these measures and a strong recovery in the third quarter, the outbreak of the second and third waves of the pandemic forced many European countries to impose partial quarantine, which led to a reversal of negative growth in the last quarter of the year.

China is expected to be the only country that enjoyed positive economic growth in 2020. After a recession in the first quarter as a result of the pandemic, the economy received a boost in infrastructure and real estate and in exports and domestic demand. The IMF estimates that China's economic growth will be 2.3% in 2020. In contrast, the Indian economy has been severely affected by the pandemic, with economic activity declining by 8% in 2020 according to the IMF. There was a significant contraction in all sectors except agricultural production.

The IMF also forecasts that the global economy will recover to record a growth of 5.5% in 2021. This can be explained by the combination of strong financial and monetary support in major economies and the launch of new vaccines during 2021, which were developed in a remarkably short period of time. Global growth is expected to gradually slow down to 4.2% in 2022.

Economies of the Gulf Cooperation Council countries

GCC countries faced the dual impact of the pandemic and the sharp decline in oil prices at the same time. Governments have implemented a range of measures to mitigate the impact of the pandemic, including fiscal measures, monetary easing and injecting liquidity into the banking system. Because the pandemic was the cause of the decline in oil prices due to the unprecedented collapse in global demand, activities of many of the petroleum industries have been curtailed.

Saudi Economy

The Saudi economy has been affected by lower oil prices and lower production of crude oil in addition to the decrease in non-oil economic activity due to the impact of the COVID-19 pandemic, as is the case with the rest of the Middle East countries. The total quarantine imposed during the second quarter slowed the growth of the non-oil economy in particular. The non-oil economy also contracted by 8.2% in the second quarter compared to the previous year. Of the key sectors, wholesale and retail trade, as well as transportation, warehousing and communications, took a particularly heavy hit in the second quarter, while financial services, insurance and business turned out to only show a marginal slowdown. On the other hand, there was a noticeable recovery during the third quarter, mainly due to the easing of closures and pent-up demand. The GDP growth of the non-oil economy showed a marked improvement to -2.1% year-on-year.

The Saudi government and the Saudi Central Bank have responded swiftly to the outbreak. The financial package to support the private sector in particular included exemptions to the value of SAR 120 Bn. of various administrative fees, the postponement of value-added tax and Zakat tax, as well as paying 60% of the salaries of Saudis in companies affected by the pandemic and reallocating SAR 47 Bn. within the budget to the sector. In addition the health sector would see upgrades to infrastructure pertaining to the pandemic. In order to increase borrowing, the Government debt ceiling was raised from 30% to 50% of GDP while in order to enhance sustainable fiscal financing sources, the value-added tax rate was increased from 5% to 15% by July.

At the same time, the Saudi Central Bank provided support to the financial sector by pumping SAR 50 Bn. in interest-free deposits in addition to about SAR 80 Bn. through dedicated private sector financing support programs that focus specifically on the small and medium-sized enterprises sector. The support measures implemented by the Central Bank included sufficient liquidity in the financial system during the crisis period and during the recovery phase of the Saudi economy.

Oil prices fell sharply in the spring due to the outbreak of the pandemic, with Brent crude reaching USD 19 in mid-April after the year started at USD 0.66. As a result of the gradual improvement in global demand and the historic agreement to cut production by OPEC+, oil prices began to improve during the month of May. Positive news related to the development of new vaccines against the COVID-19 virus in November resulted in this improvement as well as the rise in Brent prices to USD 52 at the end of the year.

The Kingdom of Saudi Arabia also reduced its crude oil production from 9.7 million barrels per day at the beginning of 2020 to 9.0 million barrels per day in December, based on the OPEC + production cut agreement. For the year under review as a whole, oil production fell by 6% compared to the previous year.

This decrease in production has translated into a negative contribution in return, with the growth of the GDP of the oil sector in 2020. The Saudi economic growth is estimated to slow down by 3.9% for the year 2020, according to the Economic Outlook Update, January 2021 of the IMF.

We also expect a significant recovery in 2021, which is likely to continue into 2022. The IMF forecasts a growth rate of 2.6% for the Saudi economy in 2021 followed by 4% the following year. For the global economy in general, recovery depends on the extent of the virus spread and the launch of successful vaccines in 2021.

STRATEGY AND OBJECTIVES

In 2018, Riyad Bank launched a five-year transformation strategy (2018-2022) with a vision to be **the most innovative and most reliable** bank by **helping its partners and the society achieve their aspirations** by being **the most reliable and attentive financial partner**. To achieve this goal, we redefined our values to create the appropriate environment to achieve this vision; the newly defined values are: **we care, win, and work together**. Thus, we became focused on the interests and needs of our customers and worked to meet their financial needs, while increasing our focus on developing the capabilities of our people to exceed customer expectations. In order to excel and meet the challenges head on, we pledge to take responsibility for our actions and to work with enthusiasm, credibility, transparency and clarity.

This strategy is based on four main pillars, namely:

During the past three years, Riyad Bank has made great progress in its endeavour to achieve its strategic objectives, consolidate its position in the Saudi banking sector, increase its market share, raise its value as one of the strongest brands in the Kingdom, and develop its technical infrastructure and digital capabilities. The Bank has also advanced in the Work Environment Index and Organization Health Index (OHI) to become one of the institutions ranked in the top quartile within a short period of time. Accordingly, the Bank's customer base, total annual earnings, and deposit and loan rate have grown by a large margin for the period of 2017 – 2019, compared to its peers.

Cognizant of the significant challenges that have occurred in the economic and business environment in light of the Covid-19 pandemic, and its impact on supply chains, a sharp decline in global and domestic demand for products and services, the drop in oil prices, continuing low interest rates and increased value tax, the Bank has decided that it is appropriate to review the Bank's strategic plan. Accordingly, Riyad Bank launched the second phase of its strategy for the period 2021 – 2025, taking into account several scenarios, that anticipates the effects of COVID-19, the expected economic impact of the Government incentive programmes, and the Bank's continued contribution towards Vision 2030.

The new strategy, which revolves around meeting customers' needs centres on a number of targets designed to ensure that Riyad Bank becomes the best bank in the Kingdom by 2025. These targets include becoming:

The most profitable bank

by achieving the highest ROE relative to its peers.

The most efficient bank

by incurring the lowest cost-to-income relative to its peers.

The bank of choice for both customers and employees

by scoring above 60% on the Customer Recommendation Index and ascending the work environment index (Organization Health Index) to the highest level to be among the top ten organisations in the world.

The most digitally enabled bank

by increasing the share of digitally active customers to more than 60%.

The new strategy also includes three main pillars:

Creating value through innovation

Leadership and exclusivity by creating new markets using technology and embedding advanced analytics in the Bank's business.

Achieving efficiency through digitisation

Raising the degree of efficiency, optimizing utilization of resources (including the branch network), and achieving the best value for cost through integrated digitization processes.

Empowerment through a next generation operating model

Transforming the core technology infrastructure and operating model.

RETAIL BANKING

The Bank offered a range of new and diversified services and products to meet customer needs and expectations. The following are the key highlights for retail banking,

Net income before Zakat
SAR 1.3 Bn.

Total operating income
SAR 3.7 Bn.

Net income before Zakat as a percentage of the Bank's total income
23%

Total assets
SAR 77 Bn.

Net fee and commission income
SAR 0.2 Bn.

Net special commission income
SAR 3.6 Bn.

The Bank launched the commodity tawarruq product by signing cooperation agreements with a group of retailers and service providers. The product enables customers to apply for consumer financing in exchange for a service or commodity. Thereby, the Bank arrives at a discount agreement with the service provider or commodity merchant. In addition, the Bank launches the personal finance service from wherever the customer is located. This gives customers the opportunity of obtaining new financing or refinancing services through electronic channels. Riyad Online – The platform was created in partnership with the Ministry of Justice and gives customers direct access to all services provided by the Bank from the comfort of their homes.

The Bank has taken steps to implement a set of financing initiatives and services to diversify the real estate financing services it provides while catering to new customer segments. Among the key highlights in this regard are:

- The Flexible Instalment Service - A service that allows flexible monthly instalments (flexible instalments) that are commensurate with the income level of clients. Customers are allowed to obtain real estate financing for long periods and also at the post-retirement stage and up to 77 years.
- Reducing the duration of mortgage applications to ten days.
- An agreement has been signed between the Bank and the Real Estate Development Fund to provide assessment services, real estate visits, and building services to customers. The project falls under a larger program called "Sakani" that is done in partnership with many other funding agencies such as the Real Estate Development Fund and the Ministry of Housing .This agreement adds a new link to the existing constructive partnership between the public and private sectors, and is an endeavour to harness all capabilities in order to provide the best services and financing solutions to customers and enable them to obtain adequate housing with flexible payment plans.
- A joint cooperation agreement has been signed between the Bank and the King Abdullah Economic City. This agreement aims to provide financing solutions to customers who wish to invest in housing opportunities in the Economic City. In accordance with the terms and financing standards approved by the Bank, this partnership will contribute to developing the real estate market by providing financing solutions to various segments of customers who wish to own property in a residential environment as well as providing real estate facilities to all sectors approved by the Bank.

The Bank launched several initiatives and products aimed at improving the customer's experience in addition to increasing the Bank's sales and market share. The following are some highlights:

1. The launch of the Cashback Card: A credit card for daily purchases which targets families and provides a cashback value of up to 10% of the total purchases.
2. The launch of the World Elite Card: Targets private banking customers and gives them unique advantages. It is one of the most competitive cards in the market for this customer category.
3. The launch of the Ladies Card: Targets women and has a cashback program for fashion and related purchases.

There are a total of 2,486 devices spread throughout the Kingdom, including 13 especially for foreign currencies. The ATMs allow customers of the Riyad Bank and clients of other banks who are Mada card holders to complete their banking transactions over a period of 24 hours from different locations. The Bank also provides ATMs for events etc. to meet the needs of its customers.

The Bank has also initiated the project of expanding its services by installing self-service machines in 80 branches in addition to those already installed at 20 branches, bringing the total number of self-service machines to 100. These devices will be gradually made operational during the first quarter of 2021 – they provide several services, including the facility to print the ATM card and the account statement.

The Customer Contact Centre proved useful during curfew in 2020. It had a significant impact on customer service and exceeded customers' expectations by maintaining professionalism during the period. The centre also continued to gain attention through the Bank's social media channels, which grew in popularity. The social media channels were also managed effectively and surpassed the expectations of the customers.

The Bank also launched a mobile customer relationship management device (Mobile CRM) which enables the branch employee to move around with a tablet to provide services for customers in waiting areas. The tablet can also be used for external marketing purposes.

Private banking

Private banking has maintained its position as one of the key areas of retail banking. In 2020, the Bank launched a new identity for private banking and has introduced a host of products and services that cater to the needs of its customers.

The effective communication maintained by the relationship managers in retail banking have helped develop its customer base and maintain distinguished relations by providing the best banking and investment solutions.

The Bank was also awarded the "Best Private Bank in the Middle East for the year 2020", by the world famous EMEA Finance.

Priority banking – Diamond and Gold Banking programs

Privilege banking continues to be a success particularly since the introduction of the Diamond and Gold Banking programs. Priority banking also achieved strong growth rates in terms of its products and customer base compared to the same period the previous year.

By the end of 2020, the number of Diamond Banking centers reached 33 with premium banking services and exclusive benefits, and the number of relationship managers increased to 200 to ensure the provision of the highest levels of service to clients of the program. The relationship managers were positioned in all cities and regions of the Kingdom, while electronic services also continued to be developed for these programs.

The service offices and lounges for Gold banking also witnessed rapid expansion and by the end of the year 180 private offices were opened to serve these elite customers.

Digital banking for personal banking

In the year 2020, the Bank continued to pursue its goal of being the most innovative and trustworthy in the digital field. It also positioned itself as a reliable partner for entrepreneurs and innovators in the digital and financial technology field. The key achievements made in this regard are as follows:

- Personal financing/refinancing services are available through the Riyad Online Channel; allowing customers to deposit money without having to visit the Bank. The process of documenting and signing is achieved electronically through the "Nafez platform" which was created in partnership with the Ministry of Justice to establish the conservation and management of implementation bonds electronically.
- The launch of the Riyad Mobile includes improvements to speed and performance to meet the needs of its customers. The Bank has worked to improve and facilitate the user experience which led to the application evaluation rate of 4.6 out of 5 for customer satisfaction.
- The Bank has launched a new system to operate ATMs that is more efficient and improves the customer's experience with a modern, user-friendly design.
- The Bank launched a platform to redeem the points of the Hassad Rewards Program on Riyad Online and Riyad Mobile. At the Hassad Digital Mall, customers of Riyad Bank can use the ATM to obtain vouchers to experience an integrated digital experience. Customers can also exchange their points for digital vouchers at many merchants locally and internationally and directly obtain the voucher via text message and email message. The digital coupon can also be added to the Apple Wallet. Hassad has also provided a digital card for the loyalty program which enables customers to redeem points and use them in a number of stores.

To capture the interest of future generations and to ensure they choose Riyad Bank at every stage of their lives Riyad Bank launched the following programs:

- A token program was launched for children and adolescents which provides a banking experience that is appropriate for each age group. The program is delivered in an educational tone and is conducted under the supervision of parents. The program covers the following aspects:
  - Prepaid card
  - Token bracelet
  - Token application
  - A savings program in collaboration with the Social Development Bank.
  - An educational program that establishes the importance of financial knowledge among children and adolescents is available on the application and Riyad Bank's website.

As part of its digital transformation strategy, Riyad Bank launched a digital assistant service to respond to customer inquiries regarding the services and products offered by the Bank (accounts, credit cards and Mada, financing, investment, digital channels, remittance fees etc.) Assistance can be received through WhatsApp on the number 920002470.

Other digital transformations include:

- Submission and implementation of requests for cards through Riyad Online.
- Introduction and implementing of credit cards (prepaid and digital cards) through Riyad Mobile.

The Bank is also working towards transferring some services provided by phone banking to other electronic channels. Customers who wish to follow-up regarding money transfers and want to raise financial claims could do so through the Bank's digital platforms in the near future.

Islamic banking

Riyad Bank offers a wide range of banking products and solutions that are Sharia-compliant. This year, the bank continued to expand its portfolio of Islamic products, which include financing and investment services and solutions that serve the Banks customers and also those of Riyad Capital.

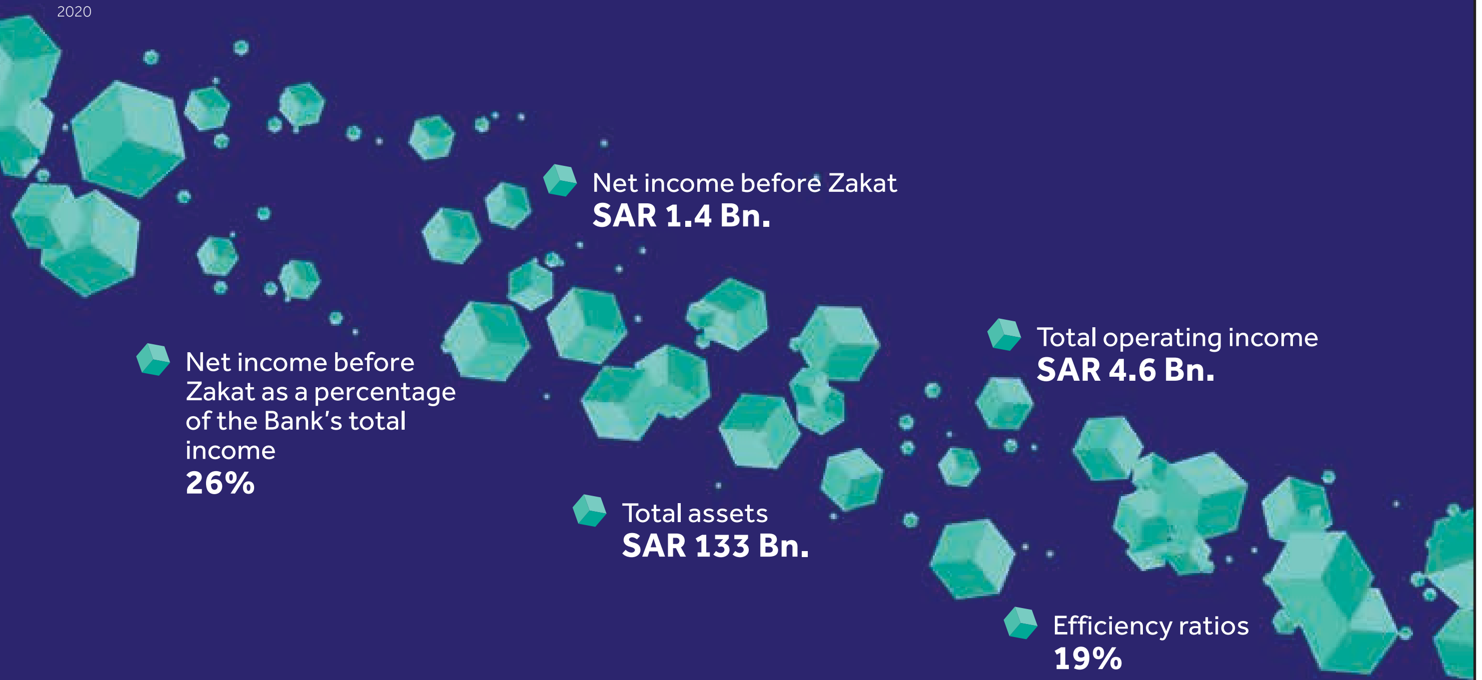
During the year, seven meetings were held between the Islamic Banking Department and the Sharia Committee during which 18 products and financing solutions were approved. In the retail banking sector car leasing, checking accounts and credit cards were approved. The Islamic Banking Department also approved the investment solutions developed by Riyad Capital through the approval of the Sharia Committee to issue Sukuk. The Islamic Banking Department obtained the approval of the Sharia Committee to establish the Riyad Global Fund for Finance and agreed to the terms and conditions of the fund. The Committee also approved a number of Islamic banking solutions offered by the Treasury through the adoption of the product repurchase agreement and the Islamic account of the Islamic product yield. Islamic banking has also adopted legal solutions to buy and save gold bars and issue gold savings certificates.

CORPORATE BANKING

Developments of the year

Providing the highest standard of services to our corporate customers was a prime objective during the year. Through combining automation and upgrading people skills we were able to make our Customer Service Department a shining example of service excellence. Through an internal partnership with the Global Transaction Banking (GTB) division, we strengthened the relationship Management Team's skills, particularly in relation to customer relations and credit. GTB also facilitated complete digital support for all corporate clients.

Corporate banking contributes significantly to all four strategic pillars. The following are the contribution from, corporate banking to the Bank's performance for the year 2020.



Strengthening the customer base

Our strategy is primarily aimed at acquiring clients of small and medium-sized enterprises and government sectors. The Bank has commenced account planning to enable cross-selling for corporate customers, a concept that will be rolled out to other Divisions. Through a process of cross-team discussions, customer needs are identified, and products and services are developed accordingly.

The Account Management Unit (AMU) was formed to cater to the needs of non-borrowing corporate customers. Each customer was assigned a dedicated and experienced relationship manager who can give him the best advice on using his banking opportunities. Customers are guided on how they can select the options that will give them the optimum results. The Bank offers a range of non-lending products which could be bundled together to suit their needs. In the process potential borrowers will also be identified and assisted to move through the borrowing process.

The main strategic thrusts for the non-borrowing segment are identifying non-lending and cross-sell opportunities for products; increasing product penetration of existing customers; increasing both interest bearing and non-interest bearing deposits; and strengthening the customer relationship and identifying possible future borrowers.

In 2020, we achieved an increase in AMU non-borrowing customers, and cemented our relationships with existing non-borrowing corporate clients.

Digitization

The Bank's digitalization process is not confined to technology alone. It also involves a holistic transformation of processes and people. Workflow, routines and procedures need to be re-engineered. The roles and accountabilities of staff need to be revised and their skills be upgraded to handle new systems. The changes have to be underpinned by infrastructure and applications.

The Bank is leveraging artificial intelligence and machine learning to proactively anticipate trends in the operating environment. Predictive models are created which use data analysis to predict events such as customer defaults, customer dropouts, product purchases, and digital channel optimization.

The existing services were also streamlined by implementing robotics processing methodologies to take the legacy operating model to a new level. A new business model is being developed that will provide external stakeholders with access to some of the Bank's services.

Partnering with the Government

Riyad Bank has had a history of financing Government projects, which it has aggressively pursued during the year under review. As a result, the Bank has also been able to contribute towards the goals of Vision 2030. Several more potential projects are also under discussion.

- Signing cooperation agreements with the Tourism Development Fund to provide financing for the development of tourism in the Kingdom.
- Participated in financing the Jazlah Water Desalination Project (Jubail 3A Independent Water Project, of SWPC) for the Consortium of Sponsors.
- Participation in co-financing of SAR 9 Bn. for the Saudi Electricity Company.
- Participation in the joint refinancing of SAR 8.6 Bn. for Maaden Waad Al-Shamal Phosphate Company.
- Participation in co-financing worth SAR 1.5 Bn. for Advanced Petrochemical Company.
- Participation in the co-financing of SAR 3 Bn. for the Saudi Polymers Company.
- Murabaha financing of SAR 700 Mn. with the International Polymers Company.

Contributions towards Vision 2030

Despite pandemic-related disruptions, during the year under review, the Bank continued to work with government agencies towards achieving Vision 2030 goals such as building a stronger private sector through many initiatives. This work encompassed support for sectors of the economy and society that have been impacted by the pandemic.

More than 31 initiatives were submitted with 19 governmental and private entities

- Ministry of Finance
- Tourism Development Fund
- Ministry of Culture
- General Entertainment Authority
- Ministry of Sports
- Ministry of Housing, Real Estate Development Fund
- Saudi Real Estate Refinance Company
- Ministry of Justice
- The General Authority of Endowments
- Ministry of Municipal and Rural Affairs
- Ministry of Human Resources and Social Development
- Saudi Export-Import Bank
- Social Development Bank
- National Entrepreneurship Program
- Saudi Authority for Industrial Estates and Technology Zones(MODON)
- The National Center for Industrial Development
- The Royal Commission for Jubail and Yanbu
- Jubail and Yanbu Industrial Estates Services Company
- King Salman Energy City (SPARK)

The following memoranda of understanding and cooperation agreements were signed

	Name of the organization	The name of the initiative
1	Ministry of Finance	Joint financing packages for projects within the Project Support Fund initiative
2	Ministry of Finance	Supporting qualitative projects : a land of opportunity, a loan within the initiative of the Projects Support Fund
3	Tourism Development Fund	Guaranteed facilities
4	Tourism Development Fund	Project financing
5	General Entertainment Authority	Initiatives to support business development in the entertainment sector
6	Saudi Real Estate Refinance Company	Partnerships real estate financing programs

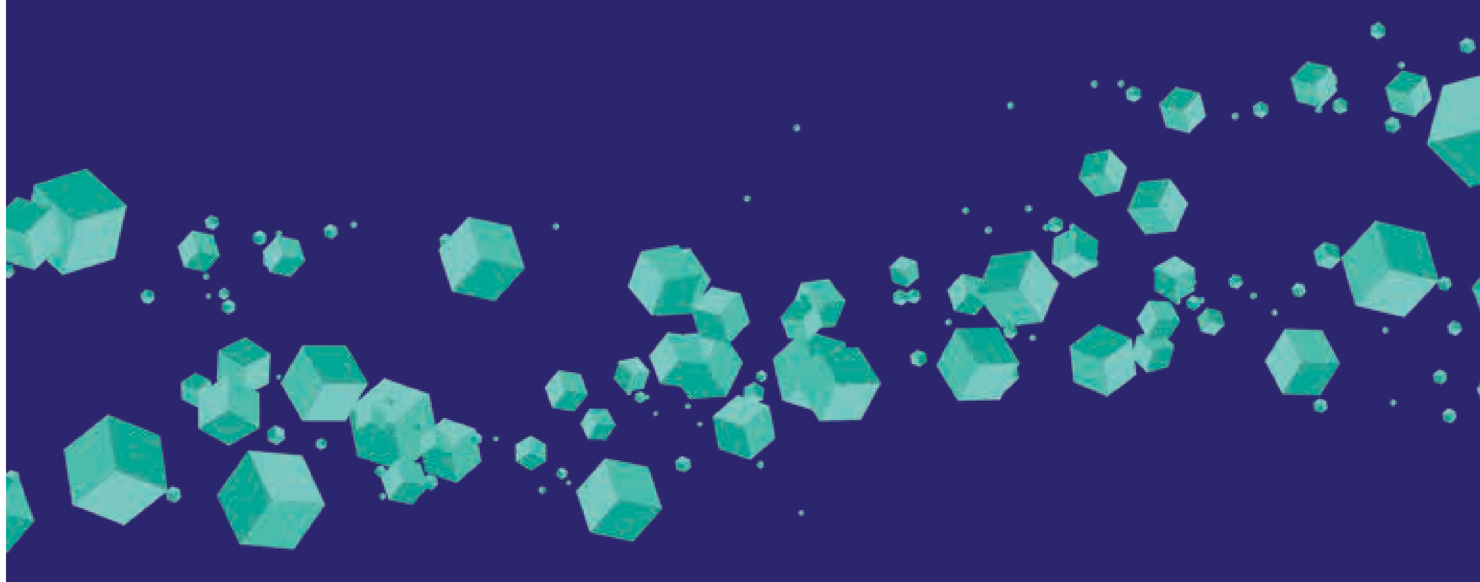
Dealing with the pandemic

The COVID-19 pandemic posed a major challenge to corporate banking. Health and safety became a top priority, relation to the Bank's stakeholders – in particular its employees. Remote working was successfully implemented during the first phase of the pandemic, as well as a smooth return to normal working practices. Except in very few cases, such as for medical reasons, normal work practices were implemented enabling the Bank to maintain employee morale and productivity.

Our relationship managers kept in regular touch with customers, and encouraged them to share with the Bank any business problems caused by the pandemic. The Bank was always willing to go to lengths to render any assistance possible. Corporate Banking launched several new lending schemes to help the private sector surmount the crisis. The Bank also granted customers who were part of the Small, Medium and Micro Enterprises (MSME) Program, a payment delay and an exemption from facility fees for the entire period of the programme.

DIGITAL TRANSFORMATION

Riyad Bank's digital strategy relies on adopting modern technologies and innovative business solutions. But, at the same time, it goes beyond that to harnessing the power of innovation to create a distinct customer experience and added value for all stakeholders. This allows us to contribute actively to improve the overall value of the digital economy and contribute to the achievement of key strategic initiatives in line with the Kingdom's Vision 2030.



Since the launch of the Bank's transformation strategy, and its efforts to align with the Kingdom's Vision 2030 and economic road map, we have adopted - innovation - as one of the four pillars of the digitization strategy and the basis for the Bank's expansion. This pillar aims to develop and automate all transactions and expand the Bank's financial services on both the digital and physical levels. Since 2018, the strategy has achieved remarkable success, as the Bank has made significant progress in the technical and digital infrastructure, as well as many successful experiences in terms of innovation, development and digitization.

Accelerating our digital transformation

Due to the COVID-19 pandemic sweeping the world in 2020, the Bank experienced significant challenges in implementing its business plans in Digital and Business Technology sectors. Implementation priorities during the year were re-arranged to enable continuity of service through remote business enablement. Despite this, work continued on the digital transformation journey. This included modifying and developing many systems and services to match the business market changes in support of the Bank's vision and strategy such as implementing a new IT infrastructure, starting a mission to utilize big data and advanced analytics, digitizing the customer journey, and pursuing collaborations with digital start-ups and entrepreneurs.

Digitizing the Customer Journey

Digitizing the customer's journey has been a key part of the year's initiatives. Developing digital channels and adding more banking services to the Bank's digital platform became vital to empower customers to conduct their transactions in spite of social distancing. The impact of the pandemic was to act as a catalyst to accelerate a process of digitalization already underway. Retail Banking designed end-to-end digital customer journeys for account opening and credit journeys to boost sales as well as client on-boarding, meeting customer demands despite the impact of the pandemic.

To better serve the customer, several other digital banking systems and procedures were updated by the Bank , such as the system for opening corporate accounts, the procedure for opening individual accounts, inquiries about transfers, enabling password resets, and the e-wallet monitoring system.

Digital Channels Performance

The digital channels within the bank were also redesigned and reorganized to keep up the pace with the rapid growth of digital banking while still keeping in mind the overall customer experience. Several key services were added and updated on the channels, including applying for various banking products and services, account opening, various financing applications, credit cards, card management services, issuance and reissuance of payment cards, loading and unloading them, requests to stop credit cards, and the delivery of account statements, etc. In addition, support and maintenance services for user devices were assigned to a company specialized in this field, and Service Level Agreement (SLA) was implemented to manage this service and obtain the best results.

In addition we also communicated with an international specialist in digital solutions in order to benchmark our Mobile Channel against international digital banks and other traditional-turned-digital banks using the "Friction Score" methodology which analyses: Time, Number of fields, Swipes, Wipes, Clicks, Screens, etc. This exercise was carried out in order improve the user experience.

Responding to the Pandemic

In line with the precautions and procedures related to social distancing, the business technology team's main priority was to facilitate remote working for employees. This important step included supporting and updating security and protection systems, activating remote working for the call center and customer service centre, enabling virtual communications and conference services, and enabling more than 4,000 employees to work remotely in all regions. The Remote Action Plan has been successfully implemented as part of the Bank's crisis management process to overcome the challenges of the COVID-19 pandemic.

The Saudi Central Bank's action plan in response to the COVID-19 pandemic has resulted in the easing of restrictions imposed on some regulatory requirements in order to facilitate social distancing. In addition, allowing customers to register their digital signatures and approvals for products helped the Bank to provide better services, which in turn facilitated compliance with the instructions of the concerned authorities regarding maintaining social distancing. These actions also benefitted branch services as they prompted the migration of customers to digital banking.

The Bank has put in place two very important initiatives. The first relates to the application of internal and external cloud computing, private and public clouds, to accelerate systems development processes and support remote work methodology. This initiative marked a step towards improving operational efficiency and reducing costs. This will allow the growing cloud computing services in the Kingdom the opportunity to improve - while forging partnerships with the financial technology community.

The second initiative is data and machine learning, which has become a major focus of the Bank in order to gain insights and analysis particularly in areas such as Risk. During the pandemic, the Business Intelligence team was able to provide an analysis of the entire SME base within a few days to identify vulnerable sectors, determine liquidity requirements, and provide a basis for the Bank to help its customers to transition to a digital platform. We have partnered with major players in e-commerce and fintech to create a solution that enables us to help our customers start generating recurring revenues, and this model is being actively promoted in the market. Moreover, the installation of devices began the huge data warehouse as a first phase of the project will be completed during the year 2021.

New developments

As part of this overall focus on digitization as a channel to create value and a distinct customer experience, the Bank has restructured the digital group to focus on innovation, data and intelligence, which will be the main driver in initiatives such as open banking, cloud service, and banking services. We also aim to develop a unified management platform for digital channels. The management follow-up mechanism has been modernized to enable the Bank to closely and directly follow the progress of banking operations and performance indicators in general.

This year witnessed many other information systems projects , the most important of which are:

- Changes in the direction of manual process automation which increased efficiency, reduced errors and added value to customer service.
- Completion of the first and second stages of the mobile human capital system (My-HC) which contributes to improving the work environment and raising the Organization's Health Index (OHI). In addition, the salary system in the human capital system has been updated.
- Completion of the credit card processing project, which contributes to the speedy provision of electronic payment card services and reduces operating costs.

The Bank has also completed a project to improve the customer service system in preparation for using it through portable tablets. This will provide customers with improved access and services. Several important updates were also made to the London branch's systems.

As part of its drive to achieve digitalization, the Bank is taking advantage of the latest technologies such as artificial intelligence. The Bank has expanded its interactive channels using innovative and advanced technologies. An example of this is the intelligent interactive system developed to respond to customer inquiries.

Business technology

During the year under review, the Bank witnessed a great challenge in implementing the business plans of the IT sector in light of the pandemic. The Bank rearranged implementation priorities to enable remote work for Riyad Bank employees, call centers and customer service, as well as developing electronic channels and adding more electronic banking services for customers. Customer loans were also scheduled and processed according to the instructions and initiatives issued by SAMA to mitigate the damages of the pandemic. Responding to SAMA instructions promptly and effectively, required tremendous effort and collaboration. Likewise, plans to implement cloud computing have been accelerated as they are expected to support the rapid transformation of the information technology sector on the one hand, and contribute to lowering operating costs on the other hand .

The IT Department has effectively contributed to a number of achievements in terms of technically supporting other sectors, and has worked to change and develop many systems and services to match the needs of the market in support of the Bank's vision and strategy towards the forefront. This year witnessed the expansion of automating more processes in all sectors using modern technologies by adding more than 20 robots that completed more than 300,000 transactions. Artificial intelligence systems have also begun to be implemented to enrich customer service, such as the introduction of two machine chat systems (Chatbot). In addition, as part of the direct payment project (Instant Payment System) with the Saudi Payments Company and selected banks, a pilot project was completed with digital currency and with the participation of selected banks from Saudi Arabia and the United Arab Emirates and their respective central banks. The Bank also focused on improving the work environment and raising the Work Environment Index and the Organization Health Index (OHI). The second phase of My-HC was also completed. The implementation of a unified management platform for electronic channels has also begun with the aim of enriching the customer's experience and unifying banking services across various channels. In addition the Bank is also updating, developing and improving the performance of a set of electronic banking systems and procedures and work procedures in the Information Systems Technology Department.

Business Technology Governance and Information Security

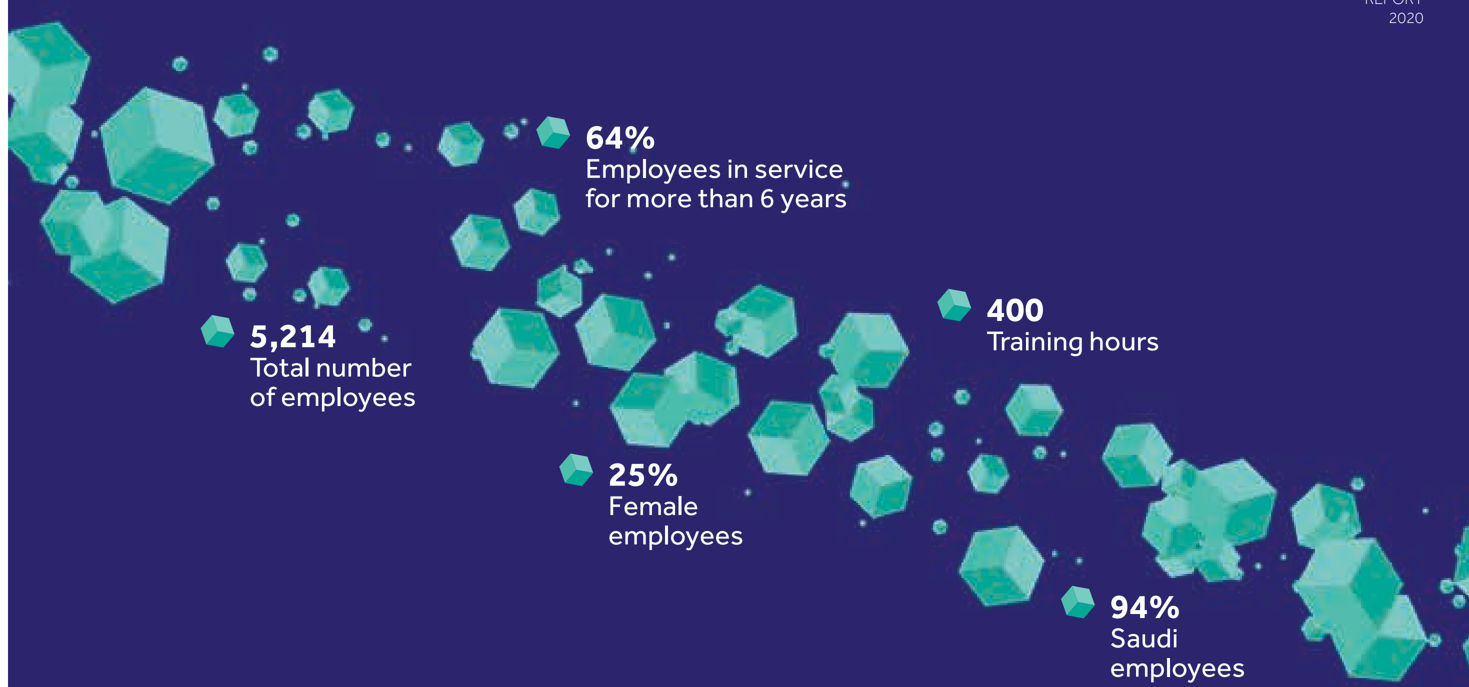
Information technology governance focuses on ensuring the effective and efficient use of information technology to enable the Bank to achieve its objectives. This is achieved by creating synergy between the IT strategy and the business strategy. The concept of business technology governance contributes to reducing risks associated with technology and enhancing technical flexibility to ensure uninterrupted business efficiency.

Among the most important contributions of business technology governance in 2020 are;

- Successful implementation of remote working as part of the Bank's crisis management process for the COVID-19 pandemic.
- A compulsory business continuity education course has been designed and added to the Riyad Bank Knowledge Academy portal.
- The completion of 70 management tests covering all the important departments in the Bank. These tests included operating recovery scenarios from the alternative work site in order to ensure the continuity of work for all departments in the event of any interruption related to any of the Bank's main sites.
- More than 40 technical frameworks between policies and standards for managing and controlling business technology processes were designed and implemented.
- Successful implementation of the Enterprise Architecture Design Tool Project which will link between the Bank's strategy and the development requirements for expansion.
- Upgrade and implementation of the enterprise architecture tool that supports the workflow and integration between the two configuration management database systems.
- Executing a set of activities that manage information technology assets across the Bank for the purpose of raising operational efficiency while reducing technical risks and controlling operating costs for systems and their components.
- Successful completion of all requirements necessary to upgrade the Business Continuity Quality Certificate (ISO 22301) from2012 to the latest version 2019 to ensure that the Bank is in line with global best practices. This certification confirms the Bank's ability to continue business under all circumstances and thus contribute to raising the level of customer confidence in the Bank's operations.

HUMAN CAPITAL

The development of human capital was one of the key pillars of the 2022 transformation strategy. In 2020, human capital development was implemented under the theme of building a performance based culture, and motivating the entire cadre of staff to achieve organisational goals. Despite the challenges we faced during the year, we were able to complete the implementation of the Human Capital (HC) Division strategy. The task of culture transformation cascaded into filling three gaps; improved accountability, better communication and becoming more outcome-focused.



The broad picture in numbers

Workforce analysis (Riyad Bank employees only)

	2020	2019	2018	2017	2016
Total No. of Staff	**5,214**	5,146	5,335	5,567	5,722
% Female employees	**25.5%**	25.0%	25.9%	25.8%	25.6%
% Saudi Employees	**94.2%**	93.7%	93.7%	94.1%	93.6%

Learning and development analysis

In today's banking environment, which is changing with dizzying rapidity, it is essential that staff be equipped with the necessary skills to stay abreast of the changes. Digitalisation is coming to the forefront and creates a need for continuous training, in order to serve customers better.

	2020	2019	2018
Sessions	**400**	380	826
Courses	**146**	184	227
Offerings without online	**12,338**	4,741	8,360
Online attendance	**27,886**	30,332	8,094
Training Days without online	**19,361**	9,754	14,350
Training Days with online	**47,247**	40,086	22,444
Training hours (6 hours per day)	**283,482**	240,516	134,664
Attendance	**9,410**	4,330	8,087

	Total days	Total hours	Total employees	Males	Females
Mandatory	24,811	148,866	5,590	73%	27%
Non-Mandatory	19,361	116,166	4,634	73%	27%
e-Learning	2,823	16,938	2,667	80%	20%

Dealing with the pandemic

However, in the year under review we were faced with an unexpected and unprecedented challenge – that of dealing with the COVID-19 pandemic. A three-phase program was mounted to meet this challenge. In the initial phase of the response a few governance committees were put in place to draw up and implement counter-measures. In this phase both managerial and operational precautions were taken. Business continuity measures were implemented and business recovery plans were tested. All employees performing critical functions were provided with the Citrix application and communication tools. COVID-19 awareness programs were commenced and employees and customers were provided with personal protection equipment (PPE).

In the next phase, new platforms and working procedures were put in place to execute the normal operations without interruption while keeping to safety guidelines. Work at the premises was initially confined to 92 critical employees. The Human Capital Division issued permits for employees to commute to and from their homes to premises. The permits, which numbered 150 initially, gradually increased to 4,297. The Citrix license access was expanded to include all employees within weeks. The new working procedures were made more robust and initiatives were launched to keep employees engaged and prevent deterioration of morale.

In the third phase, a gradual return to normal work was executed within the framework of a workplace safety plan. The execution was staggered in five stages. Through an awareness program, employees were educated regarding mitigating risks and safe work practices. At each stage employee attendance was strictly monitored. Flexibility initiatives were conducted to manage the traffic and conform to the distancing protocol. A contingency plan was also drawn up to cope with a possible second phase.

Maintaining employee morale

The pandemic created an unprecedented situation where almost all business had to be conducted remotely. This posed major challenges particularly in keeping the employees committed, engaged and productive. The following were some of the innovative measures taken to adapt to the new working environment.

EVPs Coffee Breaks – **"Let's meet and catch up"** These were informal meetings hosted for EVPs to catch up with team members and swap stories on coping with the pandemic.

No. of sessions – 73

Employee wellness and leadership communication

- A series of wellness programs for employees was commenced featuring a tip of the day.
- Team leaders were encouraged to have continuous and transparent communication with team members. This included communication of changes and other Bank news.

Virtual Competitions

This is an initiative to entertain employees during quarantine by simple competitions conducted online.

The following were the types of competitions:

- Be the chef
- A day in our life
- Calculate your daily steps
- Best home office set up
- Fifa league

Your home is your gym

Staff were motivated to work out twice a week at home guided by an online trainer.

Oud and guitar nights

This was a weekly musical entertainment event to relieve boredom of employees and their families during quarantine.

Fawazer Ramadan

This was initiated during the Ramadan period and valuable gifts were given weekly.

Working arrangements for the "new normal"

A flexible workplace plan has been developed to be implemented during the post-COVID-19 "new normal". The different job functions are being carefully studied to identify which can be converted to full-time remote work and which employees can work remotely on some days. All employees will be eligible for six remote working days a month, unless the nature of their job functions specifically excludes remote working. Special working arrangements are also made for women immediately after childbirth to ease the return to work. They are allowed one week telecommunicating after maternity leave, followed by three days telecommuting for two weeks, and then two days telecommuting for one week.

Human capital initiatives

Human Capital Roadshow

In 2019, the Human Capital Team conducted a Roadshow for the Bank staff. The Roadshow visited all the Bank's Regional Offices and Branches and introduced the new strategies, plans and services the Human Capital division has. In 2019, the total attendance at these sessions was over 2,000. Due to the COVID-19 pandemic it was planned to conduct the Roadshow virtually in 2020 using the communication technology.

- The participation was over 83%.
- Total registrations – 3,586
- Total participants – 2,979
- Several new HC Applications were launched during the year which leveraged technology to facilitate connectivity and remote working.

MANAGEMENT DISCUSSION AND ANALYSIS > HUMAN CAPITAL

MyHC Application

This application, which was launched on June 11, 2020 facilitated employee engagement and other activities across the Bank. It operated on a mobile platform and facilitated two-way communications and interactions. A total of 2,900 users have accessed the application which has total coverage of all HC services as well as performance and talent services.

Riyadh Knights program

The Riyadh Knights Program is one of the main initiatives to enhance the public perception about the competitive position of Riyad Bank, which was at the forefront of the news that was circulated on social media, specifically the Twitter platform. The training program aims primarily to create job opportunities for recent graduates, and it has succeeded in attracting more than 12,000 applicants. With absolute care, and through the specialized testing centres and the selection and appointment processes of the Bank, 20 male candidates were selected to participate in the program, which extended over a whole year. During this time the focus was on developing the capabilities of the program participants and enriching their knowledge in the behavioural aspects, specialized job skills, project management and other specialized training paths, with the aim of creating a new generation of entrepreneurs in Riyad Bank.

Talent management

The Human Capital Division conducted a number of executive and leadership development programmes in partnership with top-ranked business schools and consulting firms in the U.S., Europe and the Middle East. These programmes included workshops for the executive managers, leadership programmes for senior managers, and strategic programmes for potential managers. We ensure business continuity and manage risks of loss of key talent through a rigorous and well-planned succession management process. We also motivate our employees by keeping them informed of their potential career paths with the support of professional career counsellors. Employees can avail themselves of the training opportunities available through our Riyad Bank Academy.

Riyad Bank Academy

The Riyad Bank Academy pays special attention to training and developing the Bank's employees with the aim of providing qualified human cadres who are trained in all that is new in the banking arena, and have the skills to enable them to provide high quality services in a way that contributes to facing competition in the local and international banking environment.

The Riyad Bank Academy philosophy at the bank is as follows:

- Providing qualified human cadres to face developments in the banking industry and achieve distinction over competitors by providing distinguished quality training, considering that training is an investment and not a spending.
- Providing employees with the skills, knowledge and attitudes needed to cover gaps in performance by comparing desired performance levels with current levels of performance.
- Developing employees' skills in a way that contributes to reducing work procedures and thus reducing operating costs, improving productivity, and raising operational efficiency.
- Contribute to building future leadership for managing the Bank.

The Bank is working to meet the training needs of its employees by holding internal training courses at the headquarters of Riyad Bank Academy bank in addition to holding them during the year 2020 through the virtual remote training technology in line with the exceptional situations that accompanied the Corona pandemic, in addition to nominating a number of Employees to participate in courses organised by local and international training institutes and to participate in conferences and courses organised outside the Kingdom by well-known Arab and foreign advisory and training bodies and bodies that were held for this year by default .

The bank has also adopted a policy of teaching English to its employees with the aim of developing their linguistic abilities in a way that enables them to conduct the communication process with external clients and inform them of the latest developments in the banking industry and thus contribute to improving their language levels in the field of Business English.

In addition to the above, the Bank has pursued a policy of developing the professional qualifications of its employees with the aim of raising the professional and technical level and spreading knowledge of banking, theoretical and applied sciences among employees in addition to providing banking cadres with various scientific and professional specializations that meet the needs of work in different sectors and contribute to the development of work methods and procedures at the Bank.

Managing career path and succession programs

The Human Capital Department has adopted a policy of modernizing and developing the regulatory frameworks that govern the work of career paths and succession work in Riyad Bank. A careful review of the behavioural competencies at all organisational levels of the Bank was completed, aimed at providing an integrated business model that takes into account reducing risks and developing current adopted practices. During this year, a series of initiatives were worked out, the most prominent of which was the expansion of the role of the line manager to include guidance and development for employees, which were designed and implemented in cooperation between all sectors of the Bank and talent management. In a related development, the organisational framework for the personal development of employees was launched in order to assess gaps and put together personal development plans for each employee at the Bank. These steps were conducted in a manner that ensures integration between talent management and performance management, which is considered one of the main axes of the human capital sector.

Motivational programs for employees in 2020:

Statement	Investment (SAR '000)		
	The employee's share	The Bank's share	Total
Balance as at the beginning of the year	42,291	15,365	57,656
Added during the year 2020	15,002	5,087	20,089
Excluded during the year 2020	(7,064)	(2,121)	(9,185)
Balance at the end of the year	50,229	18,331	68,560

MANAGEMENT DISCUSSION AND ANALYSIS > HUMAN CAPITAL

SUSTAINABILITY

Social responsibility
In 2020, the Bank conducted a range of initiatives under its comprehensive and long-term corporate social responsibility strategy "Bukra". Launched in 2019, Bukra was developed after extensive analysis and consultation with many stakeholders to identify the crucial elements of an appropriate and effective roadmap. Bukra is aligned with the best practices of the most important local, regional and global frameworks, including Vision 2030, the UN Sustainable Development Goals, the Ten Principles of the UN Global Compact, and the UN Convention on the Rights of Persons with Disabilities.

Bukra has four main pillars: Environment, Society, Economy and Knowledge. It aims to create initiatives and programs to address the requirements of sustainable development in a multifaceted, holistic sense. The CSR Committee, which is headed by the Chairman and includes the CEO, representatives of the Bank's divisions and the CSR Management team in the Communication and Customer Experience Department, guides the strategy and its implementation, sets standards and targets, determines new initiatives, and reviews and assesses ongoing programs and projects.

Through Bukra, the Bank aims to achieve sustainable development goals set by the United Nations:

COVID-19 Initiatives

Many of the projects executed during 2020 were aimed at addressing the impact of the COVID-19 pandemic, while still broadly following the four pillars of the strategy. Since the first confirmed case of COVID-19 in Saudi Arabia at the beginning of March, the Bank aimed at ensuring the wellbeing of its employees and curbing the progress of the virus within the organization. Initially awareness messages were shared through email and text messages; this was followed by distributing 7,000 safety boxes containing masks, gloves, and sanitizers to all Bank employees. Externally, the Bank participated in the "We are Responsible and I'm the First One" Campaign, which sought to encourage the community to be responsible during the COVID-19 quarantine, by donating SAR 17 Mn to the Health Fund launched by Ministry of Health for purchase of medical equipment (including 250 ventilators) and materials.

As the year went on, the Bank turned its focus towards relief efforts to those affected by the pandemic across the Kingdom. The Bank supported the Society Fund initiative launched by Ministry of Human Resource and Social Development and the General Authority for Awqaf with a contribution of SAR 10.73 Mn, which accounted for 17,000 meals and 6,000 food baskets. During Ramadan, the Bank partnered with Saudi Food Bank and various charities to distribute 10,000 food boxes to the families in need.

In the educational sphere, the Bank collaborated with the Ministry of Communications and Information Technology to distribute 677 tablets to students across the Kingdom to facilitate their study-from-home efforts.

Contribution to the society

Contributing SAR 10.73 Mn. to Society Fund for meals and food baskets

Donating SAR 17 Mn. to Health Fund for purchase of medical equipment

Distributing 7,000 safety boxes to all staff

Distributed 677 tablets to students to promote home study

Partnering with charities to distribute 10,000 food baskets

Community Health, Wellness, and Inclusivity Efforts

- Support for Autism Centre of Excellence
- Participation in research project on effects of COVID-19 on disabled persons and their families
- Carried out health awareness programs to mark many important health events
- Sponsored programs on economic and financial awareness and entrepreneurship
- Assisting the disabled by recruitment as well as technology and awareness programs
- Hired 134 students within Internship and Coop Training Programs

Beyond these COVID-19 related activities, the Bank also conducted a range of projects in line with the four pillars of Bukra. In terms of its wider contributions to the health sector, a highlight of the Bank's efforts was its partnership with the Autism Centre of Excellence. In 2018, Riyad Bank signed an agreement with the Ministry of Human resources and Social Development to fund the Centre for five years. This funding supports the Centre's operations, research, and development. In 2020, the Centre was able to pursue a rigorous program, including some very timely initiatives like participating in an international research project studying the effects of COVID-19 on people with disabilities and their families.

In addition, Riyad Bank signed an agreement with King Faisal Specialist Hospital in 2018 to fund the Centre for Autism Research for three years. This fund supports the Centre's Operations, Research, and Development. The Bank also supported several blood donation campaigns in which collected a total of 168,970 ml from 382 donors participated.

The Bank carried out many educational awareness programs through email broadcasts and social media including programs for World Cancer Day, Alzheimer's Awareness Month, Breast Cancer Awareness Month, and World Diabetes Day. It also promoted a fitness program which incentivized employees to exercise at home during the pandemic.

In 2020, the Bank placed a special emphasis on the topic of disability, making a commitment to build internal awareness and invest in training, make accessibility a priority, make use of assistive technology (such as Text to Speech) and promote Sign Language induction and training. This year, the Bank hired qualified employees with disabilities in both the Head Office and the Olaya Building, bringing its total number of employees with disabilities to ten. The Bank also undertook a physical analysis of the Head Office and the Olaya Building and committed to implementing accommodations for people with disabilities. To create a disability-friendly culture, the Bank conducted workshops to educate Bank employees on the best practices for inclusion (eight workshops were held and 200 employees trained). A video about the experiences of the Bank's employees with disabilities was disseminated. About 50 employees also participated in an empathy enhancing activity where they simulate the life of a disabled person for one day.

MANAGEMENT DISCUSSION AND ANALYSIS > SUSTAINABILITY

Environmental Efforts

Recycled 3,480 kgs of waste	Reduced paper usage by 7,520 kgs and reduced toner cost by 73%	Electricity savings program to reduce electricity consumption by 15% in 2021

The centerpiece of the Bank's internal environment initiatives was its multi-pronged Recycling Project. As part of the "Saving the Environment Movement" and "Be a Responsible Employee" initiatives, the Bank encouraged, two recycling bins were placed in each division (one for paper, one for plastic). Emails were sent to all employees encouraging them to participate and take an internal Pledge of Recycling. The Bank also promoted the idea of the "Recycling Ecosystem" to the Head Office, Regional Offices, and 12 Branches of the Bank around Riyadh. The recycling program, overall, had the following impact:

- By recycling 3,480 kg of waste, the Bank saved 80 cubic meters of landfill, almost 14 tons of CO_2 (Data from EPA), and 59 trees.
- Along with the recycling initiative, the Bank made an effort to reduce the volume of material printed, saving 7,520 kg of paper over the previous year and reducing toner costs by 73% (from SAR 1,392,997 in 2019 to SAR 371,669 in 2020.

In 2020, the Procurement Department at Riyad Bank worked on sustainable methods and systems that allowed the Bank to select and purchase from vendors and manage purchases in line with more responsible, environmentally-friendly ways. The Bank conducted training sessions and certification courses for SME suppliers to inculcate best sustainability practices. In 2020, the Bank engaged 262 vendors, which was an increase of more than 70% over 2019.

FINANCIAL RESULTS

Riyad Bank achieved SAR 4,715 Mn. in net profits for the twelve-month period ended on 31 December 2020, with a decrease of 15.8% from the previous year, which amounted to SAR 5,602 Mn. In the light of the current economic changes and challenges, Riyad Bank continued to focus on the main banking activities and maintain its financial position, with investments amounting to SAR 56,450 Mn. compared to SAR 53,361 Mn., an increase of 5.8%. On the other hand, net loans and advances recorded an increase of 10% reaching SAR 191,347 Mn., compared to SAR 173,982 Mn. in the previous year, and reached customer deposits of SAR 203,039 Mn. compared to SAR 194,518 Mn. in the previous year, an increase of 4.4%. While assets amounted to SAR 310,088 Mn. compared to SAR 789,265 Mn. for the previous year, an increase of 16.7%. Total operating income reached SAR 11,205 Mn. during the year 2020 compared SAR 10,717 Mn. in 2019, an increase of 4.6%.

Reflecting the strength of Riyad Bank's assets and the diversity of its financing and investment products, it was able to achieve an increase in net special commission income, which amounted SAR 8,214 Mn. during the twelve months ended 31 December 2020, compared SAR 7,837 Mn. from the previous year, an increase of 4.8%. As the earnings per share during the same period was SAR 1.57, compared to SAR 1.87 for the previous year. The decrease in Riyad Bank's net profit for the twelve months ended 31 December 2020 is attributed to the increase in total operating expenses by 23.8%, which was partially offset by the increase in total operating income by 4.6%.

The increase in total operating expenses is due to the increase in the net provision for impairment for credit losses and other financial assets and the provision for impairment in the value of investments. The increase in total operating income is mainly due to the increase in net special commission income, net trading income, net foreign exchange income, net income from other operations and net gains from investments acquired for non-trading purposes, partly offset by a decrease in net fees and commissions.

The material differences in the operating results compared to the results of the previous year

Performance Indicator (SAR Mn.)	2020	2019	Change	Change %
Net income after Zakat	4,715	5,602	(887)	%-15.8
Total operating income	11,205	10,717	488	%4.6
Net special commission income	8,214	7,837	377	%4.8
Earnings per share (SAR)	1.57	1.87	(0.30)	%-16.0
Total assets	310,088	265,789	44,299	%16.7
Net investments	56,450	53,361	3,089	%5.8
Net loans and advances	191,347	173,982	17,365	%10.0
Customer deposits	203,039	194,518	8,521	%4.4

A summary of Riyad Bank's financial results over the past five years

A . The following is an analysis of the most important items of the consolidated balance sheet*:

Statement (SAR Mn.)	2020	2019	2018	2017	2016
Assets					
Cash and balances with banks and the Saudi Central Bank	55,579	33,924	27,352	27,876	25,829
Loans and Advances, Net	191,347	173,982	151,025	138,838	142,909
Investments, net	56,450	53,361	47,993	46,370	45,157
Other property, equipment and real estate	2,752	2,435	1,927	1,987	2,107
Other assets	3,961	2,086	1,603	1,211	1,617
Total assets	310,088	265,789	229,900	216,282	217,619
Liabilities					
Balances with banks and other financial institutions	41,789	13,124	8,581	7,056	8,837
Customers' deposits	203,039	194,518	169,822	154,366	156,684
Other liabilities	20,905	17,575	14,723	16,237	15,126
Shareholders' equity	44,355	40,571	36,774	38,623	36,973

Certain comparative figures have been reclassified to conform to the current period classifications.

B . The following is an analysis of the most important items of the consolidated income statement*:

Statement (SAR Mn.)	2020	2019	2018	2017	2016
Total operating income and Riyad Bank's net share in the profits of associates	11,224	10,870	9,018	8,148	7,738
Total operating expenses	5,740	4,638	4,302	4,202	4,395
Net income after zakat	4,715	5,602	3,092	3,446	2,542
Earnings per share (SAR)	1.57	1.87	1.03	1.15	0.85

** Certain comparative figures have been reclassified to conform to the current period classifications.*

*** Includes the impact of zakat settlement of claims for previous financial periods.*

Geographical analysis of revenues of Riyad Bank and its subsidiaries

Total revenue for the year ended 31 December 2020 from operations inside the Kingdom and from outside the Kingdom amounted to SAR 15,041 Mn. and SAR 2,072 Mn. respectively.

Geographical analysis of the total revenues of Riyad Bank and its subsidiaries from within the Kingdom :

Year	Within the Kingdom of Saudi Arabia			Total revenue from within the Kingdom (SAR Mn.)
	Western region	Central region *	Eastern region	
2020	2,034	11,072	1,935	15,041

** The amount specified for the Central region includes revenues from central investments pertaining to the investment and treasury sector amounted to SAR 6.396 Mn and are not linked to a specific geographical sector within the Kingdom, and it also includes revenues related to other regions that cannot be separated.*

Geographical analysis of the total revenues of Riyad Bank and its subsidiaries from outside the Kingdom:

One million riyals per year	Outside the Kingdom of Saudi Arabia					Total revenue from outside the Kingdom (SAR Mn.)
	GCC countries and the Middle East region	Europe	North and Latin America	South East Asia	Other areas	
2020	954	249	642	94	131	2,072

Dividend

Riyad Bank is bound by the relevant applicable regulations, and it follows the following policies when distributing profits to shareholders:

A. 25% of the net profits shall be deducted to form the statutory reserve. The deduction may be stopped when the total reserve reaches the amount of the paid-up capital.

B. Based on the recommendations of the Board of Directors and the approval of the General Assembly, the determined profits shall be distributed to the shareholders out of the net profits, each according to the number of his shares.

The Bank's credit rating

Rating Agency	Long Term	Short Term	Future Outlook
Fitch	+BBB	F2	Negative
Capital Intelligence	+A	A1	Negative
Standard & Poor's	+BBB	A-2	Stable

Finance and debt securities issued

The Bank through its regular dealings exchange financing and borrowing money with banks and the Saudi Central Bank, according to the commission rate is recognized in the market and are recognized appropriately in the consolidated financial statements of the Bank.

During the month of February 2020, the Bank established a program to issue primary and secondary bonds and sukuk in one or several parts and in several stages through a series of issuances, and they were offered inside or outside the Kingdom of Saudi Arabia in Saudi riyals, US dollars or any other currency.

This program aims to diversify the sources of financing, their maturity periods, and strengthen the capital base of the Bank, thus supporting the expansion of its credit business and supporting the conduct of its banking activities, as the program was established and the issuance started after completing all legal procedures, according to the needs of Riyad Bank and market conditions at the time.

On 25 February 2020 the Bank issued instruments from the second tranche at a fixed price in US dollars' worth of US $ 1.5 billion (SAR 5.63 Bn.), under the program for issuance of bonds and $ 3 Bn. US dollars maturing in 2030. These instruments are listed on the London Stock Exchange and carry a special commission of 3.174% per annum.

Debt instruments recovered during 2020:

In the year 2020, the Bank redeemed its sukuk issued in the amount of SAR 4 Bn. on 24 June 2020 and due in 2025, at their nominal value 100% of the issue price by the end of the fifth year of their issuance on 24 June 2020.

Riyad Bank also confirms the following :

- There are no debt instruments issued by the subsidiaries.
- There are no term loans owed by the subsidiaries.
- The Bank did not issue or grant any convertible debt instruments, contractual securities, subscription rights memoranda, or similar rights during 2020.
- The Bank did not issue or grant any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or any similar rights during 2020.
- The Bank or any of its subsidiaries have not made any redemption, purchase, or cancellation of any redeemable debt instruments.

Disclosure of treasury shares held by the Bank and details of their use

The Bank does not maintain any treasury shares.

Accounting standards used by the Bank

The Riyad Bank prepares its financial statements which are audited by the auditors of the Bank, according to the International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board and approved in the Kingdom of Saudi Arabia, and publications accredited by the Saudi Organisation for Certified Public Accountants (collectively referred to as "the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia"). In line with the Banking Control Law, the provisions of the Kingdom's corporate Law and the Bank's Bylaws, there are no fundamental differences from the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Systemic payments

There are no final statutory payments due on Riyad Bank for the year 2020 except for what is mentioned in the statement below:

Statement	2020	
	Repaid	Due (SAR Mn.)
Islamic Zakat – General Authority for Zakat and Income (regarding the fiscal year 2020)*	–	**769,000**
Taxes charged by Riyad Bank on behalf of some non-resident parties (according to the terms of the contract)	**19,701**	**1,166 (Estimated)**
Taxes owed on the overseas branches of Riyad Bank in favour of the official authorities outside the Kingdom	**21,692**	–
The Public Institution for Social Security	**95,151**	–
Costs of visas and passports	**3,430**	–
Any other regular payments**	**9,642**	–

** Zakat will be paid for one year 2020 up to 30 April 2020.*

*** Government fees.*

Riyad Bank is obligated in the agreement concluded with the General Authority for Zakat and Income on 20 December 2018 to settle zakat claims for the previous fiscal years until the end of the fiscal year 2017 in exchange for payment of an amount of SAR 2,969,722,864 and an advance payment of this settlement was made during 2018 with the obligation to pay the rest on Five equal instalments over five years, beginning on 1 December 2019 and ending on 1 December 2023. The first instalment was paid in 2019 and the second in 2020.

Statutory penalties and sanctions

Riyad Bank, during the conduct of its daily business, applies all banking regulations and regulatory rules issued by the supervisory authorities and Riyad Bank is keen to reduce the occurrence of any violations and to take the necessary corrective measures, if they occur.

Saudi Central Bank criminal decisions:

Subject of the violation	2020		2019	
	Number of penal decisions	The total amount of fines in SAR	Number of penal decisions	The total amount of fines in SAR
Central Bank Supervisory Instructions	**22**	**4,604,000**	15	3,496,000
Violating the Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing	**2**	**300,000**	1	200,000
Violation of the Central Bank's instructions for protecting customers	**6**	**1,732,500**	4	25,000
Violation of the Central Bank's instructions for due diligence	**–**	**–**	1	5,000

The statutory penalties and penalties imposed by the supervisory, regulatory or other judicial authorities:

Authority	Classification of the violation	Number Fines	The total amount of fines finance in SAR
Municipalities and other Government agencies	Fines imposed on signs, ATM locations licenses and other fines	146	2,514,000

Transactions with related parties

The following statement clarifies the balances resulting from related party transactions as at 31 December 2020 that took place during the regular business cycle of Riyad Bank, according to the definition of related parties in Article 1 of the Corporate Governance Regulations:

Statement	Total (SAR '000)
Loans and advances	4,070,780
Customer deposits	33,595,695
Derivatives (at fair value)	172,374
Contingent commitments and obligations (irrevocable)	6,735,342
Special commission income	131,412
Special commission expense	362,682
Fee and commission income, net	348,925
Miscellaneous operating expenses	164,203

Transactions with related parties include a set of business and contracts that are made for the account of Riyad Bank in which the members of the board of directors have a direct or indirect interest and are as follows:

The nature of the contract	Related party	Owner	End date of the contract	Annual contract value (SAR)
Rent of the headquarters of the branch of 60th Street 286 for exhibitions No. (1,2,3,5) – Riyadh	■ Member of the Board of Directors, Mr. Nader Ibrahim Al-Wehibi works for the Public Institution for Social Security. ■ Board Member Mr Mohammed Talal Al-Nahas is a member of the Board of Directors of the General Organization for Social Security .	The Public Institution for Social Security	2021. 09.10	700,000
An agreement to supply data between the General Organization for Social Insurance and Riyad Bank for a useful service for inquiring about the number of employees of the establishments	■ Member of the Board of Directors, Mr. Nader Ibrahim Al-Wehibi works for the Public Institution for Social Security . ■ Board Member Mr. Mohammed Talal Al-Nahas is a member of the Board of Directors of the General Organization for Social Security .	The Public Institution for Social Security	2021. 02.12	250,000
Rent of the Public Administration Building (Granada Oasis A1)	■ Member of the Board of Directors Mr. Nader Ibrahim Al-Wehibi works for the Public Institution for Social Security . ■ Board Member Mr. Mohammed Talal Al-Nahas is a member of the Board of Directors of the General Organization for Social Security.	Granada Investment Centre (Owned by the General Organization for Social Insurance)	2022. 08.14	28,244,040

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The nature of the contract	Related party	Owner	End date of the contract	Annual contract value (SAR)
Rent of 20 parking lots in Granada Business for relationship managers in the corporate banking sector	■ Member of the Board of Directors Mr. Nader Ibrahim Al-Wehibi works for the Public Institution for Social Security. ■ Board member Mr. Mohammed Talal Al-Nahas is a member of the Board of Directors of the General Organization for Social Security.	Granada Investment Centre (Owned by the General Organization for Social Insurance)	2020 12.31	112,000
Rent two ATM automated in the Olaya towers - Riyadh.	■ Member of the Board of Directors Mr. Nader Ibrahim Al-Wehibi works for the Public Institution for Social Security. ■ Board member Mr. Mohammed Talal Al-Nahas is a member of the Board of Directors of the General Organization for Social Security.	Granada Investment Centre (Owned by the General Organization for Social Insurance)	2020. 12.24	50,000
Rent two ATM automated building Saudi Telecom Company - Riyadh.	■ Board Member Mr. Mohammed Talal Al-Nahas is a member of the Company's Board of Directors.	Saudi Telecom Company	2022 05.31	80,000
Services linking branches and buildings network for data services IPVPN	■ Board Member Mr. Muhammad Talal Al-Nahhas is a member of the Company's Board of Directors.	Saudi Telecom Company	2022 08.31	42,000,000
Renting an ATM location at Umm Al-Qura Hotel, Makarim - Makkah.	■ Board Member Mr. Muhammad Talal Al-Nahhas is a member of the Company's Board of Directors.	Mohammed Ibrahim Al-Issa and Sons Company	2022 12.31	23,710,892
Protection programs to provide technology (DWDM)	■ Mr. Muhammed Ibrahim Al-Issa, father of the Chairman, Eng. Abdullah Muhammad Al-Issa.	Etihad Etisalat Company - Mobily	2021 02.20	18,000
A contract to provide the second service provider's connection service for a network SJN.	■ Chairman of the Board of Directors, Engineer Abdul-lah Mohammed Al-Issa. ■ Vice Chairman Eng. Mutaz Kusai AlAzzawi, members of the company's board of directors.	Etihad Etisalat Company - Mobily	2021 05.31	1,098,000
A contract to provide the second service provider's connection service for a network SJN.	■ Chairman of the Board of Directors Eng. Abdullah Mohammed Al-Issa. ■ Vice Chairman of the Board of Directors Eng. Mutaz Kusai AlAzzawi is a member of the Company's Board of Directors.	Etihad Etisalat Company - Mobily	2022 07.24	26,676
A contract to provide 300 express SIM cards SIM	■ Chairman of the Board of Directors Eng. Abdullah Mohammed Al-Issa and Vice Chairman of the Board of Directors Eng. Mutaz Kusai AlAzzawi Members of the Company's Board of Directors.	Etihad Etisalat Company - Mobily	2021 03.31	489,600
Submission contract Connectivity Services for the General Administration building - Granada.	■ Chairman of the Eng. Abdullah Mohammed Al-Issa and Vice Chairman of the Board of Directors Eng. Mutaz Kusai AlAzzawi.	Etihad Etisalat Company - Mobily	2022 02.17	480,000
Rent an ATM location in the Marriott Hotel - Riyadh.	■ Chairman of the Board of Directors Eng. Abdullah Mohammed Al-Issa.	Dur Hospitality Company	2025 11.22	30,000

Disclosure of the micro, small and medium enterprises data

Qualitative disclosure

The approved definition of MSMEs :

The micro, small and medium enterprises were classified according to the definitions of the Central Bank of Saudi Arabia.

Initiatives taken by Riyad Bank to support these facilities in addition to the number of employees, training initiatives and workshops provided to customers and employees for the year that 2020:

2020	ultrafine	Small	Medium
Sector	Personal banking	Corporate banking	Corporate banking
Department	Branch network	Emerging business	Commercial banking
The number of employees serving the segment	19	97	69
The number of employees who have been given training courses	19	97	69
The number of training days provided to employees	50	620	481
Number of clients who have been given training courses	11,372	1,050	188
Number of workshops offered to clients	10,152	670	148
The number of training days provided to clients	1,615	392	116
The number of centers or branches in which the segment provides services to clients	All Riyad Bank branches in all regions of the Kingdom serve a very small segment.	25 centers dedicated to serving small enterprises around the Kingdom, in addition to all Riyad Bank branches and electronic channels.	– 5 centers, in each of: Riyadh, Makkah, Sharqia, Qassim, and Medina. – 21 branches of companies in a number of regions of the Kingdom and 3 customer service centers. – Electronic channels. – All Riyad Bank branches serve the medium enterprises segment .

Awards obtained by the Bank in the micro – enterprise sector micro, small and medium during the year 2020

- Award for Best Bank in the financing of small and medium – sized enterprises in the Middle East – Euromoney.
- Award for Best Bank in the financing of small and medium – sized enterprises in the Middle East – AsiaMoney.
- Award for Best Bank in the financing of small and medium enterprises in the Kingdom of Saudi Arabia – AsiaMoney.
- The first supporter for small and medium enterprises through the Monsha'at financing portal.
- The first in financing small and medium enterprises for three consecutive years with a guarantee program.

Initiatives taken by Riyad Bank to support these facilities

Product offering and development :

- Launching salary financing programs for small and medium enterprises, amounting to SAR 10 Mn.
- Launch your credit card product financing incidental expenses for small and medium enterprises with a credit of up to SAR 250,000.
- The initiative to postpone payments on small and medium enterprises that are not included in the Saudi Central Bank initiative (Payments Deferment Program).
- Continuing to provide all financing services and products through centres dedicated to serving the small and medium-sized enterprises sector without interruption while adhering to all health standards and cancelling the requirement for a field visit for activity during the pandemic period, with a only a virtual visit.
- Initiated the implementation of the Saudi Central Bank initiative with all its supportive programs for the sector, related to mitigating the negative financial and economic impact on the small and medium enterprises sector.
- Launching the initiative of the Guaranteed Financing Program for People Affected by the Coronavirus Pandemic, from the Central Bank of Saudi Arabia, in cooperation with the 95% Guarantee Program.
- The financing product was launched against the proceeds of the point of sale for the micro-enterprises.

Programs and agreements

Micro-enterprises:

- An agreement with Qoyod Accounting Company to provide micro, small and medium enterprises with an accounting program to facilitate accounting operations for Riyad Bank customers with an exclusive discount of 50% on all monthly and annual packages.

Small and Medium Enterprises:

- An agreement to launch 5 financing programs with the General Authority for Small and Medium Enterprises.
- Financial Awareness Agreement with the General Authority for Small and Medium Enterprises.

Participation in seminars and conferences

Small establishments:

- Five awareness seminars in cooperation with the General Authority for Small and Medium Enterprises and Chambers of Commerce.

Medium establishments:

- An awareness seminar in cooperation with the General Authority for Small and Medium Enterprises.
- Holding meetings with customers to educate them about how to mitigate the effects of the Corona pandemic on business.
- Holding workshops with clients to learn about the problems they faced during the Corona pandemic.
- Holding educational seminars with customers to explain the Saudi Central Bank's initiative to mitigate the effects of the Corona pandemic on facilities.

Quantitative disclosure

2020 (SAR Mn.)	Micro	Small	Medium	Total
Loans to MSMEs – onbalance sheet items (B/S)	1,633,439	6,509,912	17,443,342	25,586,693
Loans to MSMEs – off-balance sheet items (nominal value)	912,900	3,355,352	8,480,346	12,748,597
On B/S MSMEs loans as a % of total on B/S loans	0.8%	3.3%	8.9%	13.1%
Off B/S MSMEs loans as a % of total off B/S loans	1.1%	3.9%	9.8%	14.7%
Number of loans (on and off B/S)	4,109	13,518	15,390	33,017
Number of loan customers (on and off B/S)	2,884	3,082	1,151	7,117
Number of loans secured from Kafalah Program (on & off B/S)	151	6,895	3,151	10,197
Total amount of loans secured from Kafalah Program (on & off B/S)	33,806	2,418,472	3,412,385	5,864,663

2019 (SAR Mn.)	Micro	Small	Medium	Total
Loans to MSMEs – onbalance sheet items (B/S)	640,422	1,947,213	9,122,526	11,710,161
Loans to MSMEs – off-balance sheet items (nominal value)	741,316	1,795,588	6,754,409	9,291,313
On B/S MSMEs loans as a % of total on B/S loans	0.36%	1.10%	5.16%	6.62%
Off B/S MSMEs loans as a % of total off B/S loans	0.87%	2.10%	7.90%	10.87%
Number of loans (on and off B/S)	4,059	11,001	13,093	28,153
Number of loan customers (on and off B/S)	2,663	2,439	1,065	6,167
Number of loans secured from Kafalah Program (on & off B/S)	21	4,993	1,079	6,093
Total amount of loans secured from Kafalah Program (on & off B/S)	1,809	1,373,124	783,128	2,158,061

TREASURY AND INVESTMENT SECTOR

The year 2020 presented unprecedented challenges, especially those that arose from the COVID-19 pandemic and had an impact on all sectors, businesses and aspects of life. Nevertheless, the Treasury and Investment sector managed to record good performance and achieve profit growth due to the adoption of innovative solutions and the insistence on transforming crises into opportunities.

The sector manages the Bank's liquidity needs by attracting customer deposits at a competitive cost and maintaining high levels of them, with a focus on medium and long-term deposits. The Bank maintained a combination of deposits and murabahah to diversify liquidity sources.

In 2020, this Division contributed to the Bank's increased profits by achieving growth in investment income, and in-creasing the treasury sector's market share. The Bank hopes to record a robust performance in the future thanks to ambitious initiatives and its commitment to keep up with the latest global technologies and practices, in addition to applying the lessons learned from this challenging year.

Background

The year under review was indeed an unprecedented one. We had to deal with the pandemic and the resulting lockdown and travel restrictions. This also caused extreme turbulence in the markets, liquidity stress and widening of the credit spread. Interest rates also reached a historic low and oil prices plummeted. However, the hardships were alleviated to a great extent by the SAMA Private Sector Financing Support Programme which enabled the financial sector to support the growth of the private sector, and the SME sector in particular. Riyad Bank received a sum of SAR 26 Bn. under this programme.

Treasury and investment sector performance

The Treasury and Investment Division performed extremely well in 2020. The Division's profits grew in both commission income and investment income. The Fee Income, aided by Derivatives, recorded its best ever performance. The Bank was also able to make significant gains in fees and market share from foreign exchange transactions. Investment income too recorded substantial growth as a result of certain adjustments made to the investment portfolio prior to the outbreak of the pandemic.

The Division also received the benefit of lower funding cost while SAMA support funding stabilized the cost during the year. Further, the Bank has a robust funds transfer pricing methodology, enabling it to determine the profitability at the business unit and product levels.

Countering the adverse effects

The major challenge during the year was of course the COVID-19 pandemic, and the impacts incidental thereto. The pandemic caused market turbulence and disruption, pressure on liquidity, and credit spread widening.

Interest rates hit historically low levels. However, the Treasury and Investment Division was able to benefit from some of the developments and by being innovative and proactive, we were able to turn adversity into opportunity. Treasury was also able to grow market share by adopting innovative solutions, which gave high returns. The early adoption of digital means of communicating with customers also gave the Bank an edge while it also allowed the Bank to liaise with the international partners in develop solutions that will benefit our customers.

Through its investment strategy, the treasury and investment sector was able to capitalize on the opportunity presented by the market stress caused by the pandemic and invest in valuable assets built on solid credit foundations. The Bank has benefited from the investment strategy this year, and will continue to benefit from it in the coming years.

Developments and initiatives

Despite the crisis caused by the pandemic, the Bank was able to maintain strong liquidity rates, partly due to the support it received from the SAMA, which pumped SAR 50 Bn. to the banking system in mid-2020 to support liquidity. The pressure on the liquidity of the US dollar has been relieved by issuing second-level international Sukuk in US dollars' worth USD 1.5 Bn. within the framework of the Sukuk issuance, Euro Medium Term Note Program (EMTN).

The economic uncertainties caused by the pandemic resulted in widening of bond spreads. This gave the treasury and investment division an opportunity to invest in high-quality assets with very attractive yields - and thus extract opportunity from an adverse situation. The benefits derived from this will continue into the years to come.

SUBSIDIARIES

Affiliate company	Capital in riyals	Total number of shares *	Ownership percentage	The main activity	State of incorporation	The country of activity
Riyad Capital Company	500,000,000	50,000,000	100%	Carrying out trading activities as principal and agent, underwriting, establishing and managing of investment funds and portfolios, in addition to arranging and providing advice, custody services for securities, portfolio management and trading.	Saudi Arabia	Saudi Arabia
Ithraa Riyadh Real Estate Company	10,000,000	1,000,000	100%	Keeping and managing assets provided by clients as guarantees, selling and buying real estate, for the financing purposes for which the company was established.	Saudi Arabia	Saudi Arabia
Riyadh Insurance Agency	500,000	50,000	100%	Acts as selling agent for insurance products, owned and managed by another major insurance company.	Saudi Arabia	Saudi Arabia
Curzon Street Properties Limited	10,248	2,000	100%	A company established for the special purpose of owning real estate.	Isle of Man	United kingdom
Riyadh Financial Markets Company	187,500	50,000	100%	Carrying out derivative transactions and repurchase agreements with international parties on behalf of Riyad Bank.	Cayman Islands	Saudi Arabia
Riyadh Assnad Company for Human Resources	500,000	One cash share	100%	Providing operational human resources services exclusively for Riyad Bank and its subsidiaries.	Saudi Arabia	Saudi Arabia

** Represents the total number of shares issued; Except for the Riyadh Financial Markets Company; One share was issued and the Bank is holding it.*

The following is a breakdown of the subsidiaries:

1. Riyad Capital Company

Riyad Capital is a closed joint stock company with a capital of SAR 500 Mn., wholly owned by Riyad Bank and licensed by the Capital Market Authority to provide dealing services as principal and agent, underwriter, arrangement, management, advice and custody of securities. It is headquartered in Riyadh.

Among its most important goals is innovation and the development of investment products that meet the needs of different segments of its clients. The most important achievements in 2020 were the following:

- High volume of assets managed to reach SAR 67 Bn. approximately 34% higher than in 2019.
- High volume of assets under conservation to reach nearly SAR 42 Bn., an increase of almost 292% over 2019.
- High volume of local stock trading with an increase of almost 138% over 2019.
- High volume of international equities trading up approximately 305% over 2019.
- Continuing to offer global real estate investment products in distinctive locations that meet the needs of Riyad Capital's clients.
- The Riyad Global Equity Fund was recently awarded the Lipper Award as the best global equity fund in the MENA region, performing for over 10 years.
- Serving as a co-financial advisor, co-underwriter, and underwriting manager for institutions participating in the offering of shares of Dr. Sulaiman Al-Habib Medical Services Group Company.

Riyad Capital is an integrated investment platform that provides multiple investment solutions and products through its various activities. These include investment banking solutions and products for companies that provide specialized financial for all investment banking activities, including managing the issuance of Sukuk, bonds, and companies' shares. In addition, it provides consulting services in the field of mergers and acquisitions, and structured financing operations.

The brokerage and distribution services department has provided the necessary tools for analyzing the data, which helps investors make their decisions. The administration has also recently made it possible to attract new customers directly through the digital platform without the need to visit the bank's branches or company centers, which contributed to providing better customer service, and at the same time increased operational efficiency.

In terms of international brokerage services, the outstanding performance of international stock trading services continued. Riyad Capital is the first licensed brokerage firm in the Kingdom to provide a service for dealing in currency contracts (Forex) through online channels or the Riyadh Forex application. Riyad Capital added many services such as research and graphical analysis, as the number of clients doubled and the net profit achieved from this service was double, in addition to innovation in investment products that are offered to customers and meet their needs.

As for local brokerage services, the margin trading product attracted a lot of clients, which led to an increase in the number of investors benefiting from this product. The securitization of local stocks continued to be enhanced in cooperation with Riyad Bank, which contributed significantly to enhancing the profitability of local trading services. Riyad Capital also provides local and international custodian services for all securities.

During the year, Wealth Management continued to strengthen the investment culture of its customers through"Investment consulting" services provided to major customers privately and professionally across three centers in Riyadh, Khobar, and Jeddah. Our services help them identify investment choices accurately and carefully, which had a significant impact on the growth of the company's activity in the areas of asset management and brokerage services.

Riyad Capital provides its services through six investment centers in addition to free phone services, as well as through electronic channels, which include "Riyad Capital Online"and mobile applications for domestic and international trading services, forex, and Riyad Capital interactive phone. Riyad Capital customers are also served through Riyad Bank branches.

2. Ithraa Riyadh Real Estate Company

Ithraa Riyadh is a limited liability company, wholly owned by Riyad Bank, registered in the KSA and headquartered in Riyadh, with a paid-up capital of SAR 10,000,000, comprised of 1,000,000 shares with a nominal value of SAR 10 per share. The company provides services for holding and managing the discharged assets of the owner and others, such as guarantees, sale and purchase of real estate, for the financing purposes for which it was established.

3. Riyadh Insurance Agency

Riyadh Insurance Agency, is a limited liability company, wholly owned by Riyad Bank, with a paid- up capital of SAR 500,000. The Company is registered in the Kingdom, and its headquarters is in Riyadh. The company presently markets and sells insurance products that are provided by the International Cooperative Insurance Company to Riyad Bank, and for its individual and corporate clients. In the future the Company may expand its activities to include customers of the Saudi insurance market. The Riyadh Insurance Agency has signed a bank insurance agreement with the International Company for Cooperative Insurance, and an agreement on distributing insurance products with Riyad Bank. The Company has obtained the necessary approvals from the Saudi Arabian Monetary Agency to carry out these activities.

4. Curzon Street Properties Limited

Curzon Street Properties Limited is a wholly owned subsidiary of Riyad Bank and incorporated in the Isle of Man for the specific purpose of owning real estate in the United Kingdom.

5. Riyadh Financial Markets Company

Riyadh Financial Markets Company is licensed in the Cayman Islands, and it specializes in implementing derivative transactions and repurchase agreements with international parties on behalf of Riyad Bank.

6. Riyadh Assnad Company for Human Resources

Riyadh Assnad Company for Human Resources is a limited liability company established in 2020 wholly owned by Riyadh Bank and its paid-up capital is SAR 500,000, comprised of one share. It is registered in KSA, and is headquartered in Riyadh. The company provides operational human resource services exclusively for Riyad Bank and its subsidiaries, with the aim of reducing costs and risks to the Bank that would result from reliance on external operating companies.

Foreign branches and representative offices

The Bank, through its overseas branches in London and Houston, and the representative office in Singapore, is keen to provide banking solutions to its customers and meet their needs in the regions of its presence.

These branches provide advice; on creating investment opportunities and commercial businesses inside the Kingdom, and it plays a positive role in promoting trade in the Kingdom, as well as taking care of the interests of the Bank's investment clients abroad.

The London branch provides its clients in the Kingdom of Saudi Arabia and their overseas branches with banking services specifically designed to support European investments in industry and private investment sectors. Riyad Bank is unique in providing its banking services at the level of Saudi banks in the Americas through the Houston agency.

As for the representative office in Singapore, it assists clients in exploiting investment opportunities in the Asian continent, and developing relations with correspondent banks and Asian companies that carry out commercial activities in the Kingdom of Saudi Arabia.

INVESTOR RELATIONS

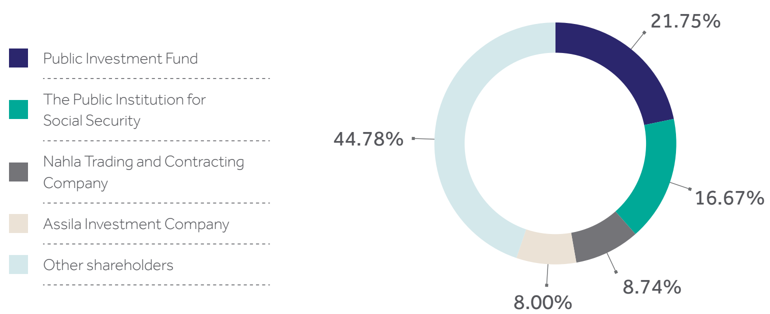
The global pandemic caused much uncertainty across multiple industries, leaving stakeholders in the dark about the status and future plans of organizations. Realizing the importance of being transparent with customers, partners and shareholders, Riyad Bank stayed connected with the market through its investor relations team.

The primary objective of the Investor Relations Department at Riyad Bank is to effectively communicate to current and potential investors its determination to optimize returns on their investment through sustained and prudent growth and provide them with a full awareness of the Bank's activities, strategy and future aspirations. This provides them with the ability to make informed investment decisions, enhancing their confidence in the Bank and its Board of Directors. Through sound investor relations, the Bank improves the financial and non-financial disclosure of the Bank and enables current investors to exercise their rights related to communication with the company and its Board of Directors.

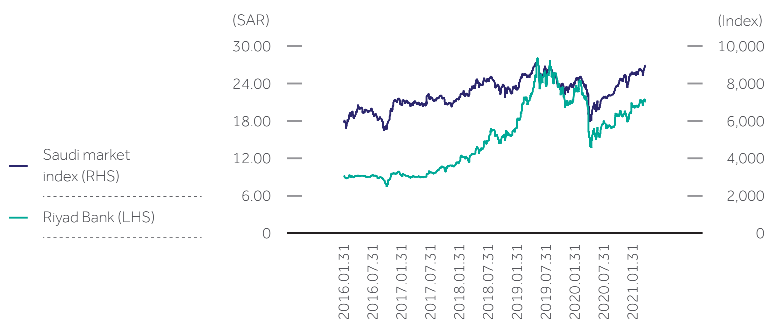
The Bank remains committed to providing a balanced view of the fundamentals of its operating results, financial condition and future aspirations. This report gives investors a comprehensive and integrated view of our operations and our achievements in this challenging year.

The Banks shareholder structure, including the major shareholders are as shown below:

Shareholder mix



Relative performance of stock price compared to the general index of the Saudi market (TASI)



Throughout the past five years the Riyad Bank share price fluctuation was upward trending. The Bank follows a multi-faceted approach to engage with its shareholders, following the Bank's new strategy and activating different communication channels with current and potential investors. In addition to providing information through the Bank's website, the Investor Relations Department also uses the application "Riyad Bank IR".

Download the Investor Relations application of Riyad Bank

https://apps.apple.com/sa/app/riyad-bank-investor-relations/id1356928791

The Bank organized several meetings in 2020, which included the presence of the Board of Directors and the Executive Management, to discuss the Bank's performance during the pandemic and answer investor inquiries, including:

- Shareholders General Assembly Meeting.
- Four earnings calls with detailed information on quarterly financial results of 2020.
- Five investor interviews via the means of modern communication technology.

In addition, the Bank participated in 18 international and local conferences during the year under review, including:

- JP Morgan CEEMA Opportunities Conference
- Bank of America conference
- Goldman Sachs European Financial Conference
- EFG Hermes Virtual Investor Conference
- JP Morgan 2020 MENA Opportunities in Investment Forum
- Arqaam Capital Investors Conference in the Middle East and North Africa
- Morgan Stanley 11th conference in the Kingdom of Saudi Arabia
- Bank of America Middle East and North Africa Conference

Due to the investor relations activities done during the year under review, the Bank received exposure in the local and international markets, recording a year-on-year increase of foreign investors from 7.82% to 8.94% at 31 December 2020.

BOARD OF DIRECTORS

Eng. Abdullah Mohammed Al-Issa

Memberships in committees

- Chairman of the Board of Directors
- Chairman of the Strategic Planning Group

Memberships in listed joint stock companies

- Chairman of the Board of Directors – Dur Hospitality Company
- Chairman of the Board of Directors – Assila Investment Company
- Chairman of the Board of Directors – Abdullah Muhammad Al-Issa Engineering Consultants Office
- Chairman of the Board of Directors – Amias Holding Company
- Chairman of the Board of Directors – Amias Real Estate Company
- Chairman of the Board of Directors – Shipping and Travel Services Company Ltd.
- Vice Chairman of the Board of Directors – Etihad Telecom Company (Mobily)
- Board Member – Saudi Basic Industries Corporation (SABIC)

Previous positions

- Chief Executive Officer – Assila Investment Company
- Chairman of the Board of Directors – Saudi Company for Construction Contracting
- Chairman of the Board of Directors – Arabian Cement Company
- Chairman of the Board of Directors – The National Medical Care Company
- Chairman of the Board of Directors – Cement Products Industries Company
- Board Member – Saudi Arabian Mining Company (Maaden)
- Board Member – Jadwa Investment Company
- Board Member – Saudi Company for Hotels and Tourist Areas
- Board Member – Gulf Tourist Areas Company
- Board Member – King Faisal Schools
- Board Member – National Chemical Carriers Company
- Board Member – Tabuk Hotels Company
- Board Member – Riyadh Hotels and Entertainment Company Ltd.
- Board Member – The Saudi National Company of Saudi Arabia

Qualifications

- MSc in Engineering Project Management – Southern Methodist University, USA
- Bachelor of Industrial Engineering – Southern Methodist University, USA

Mutaz Kusai AlAzzawi

Memberships in committees

- Vice Chairman of the Board of Directors
- Chairman of the Nomination and Remuneration Committee
- Member of the Executive Committee

Memberships in listed joint stock companies

- Chairman of the Board of Directors – Al-Qatrana Cement Company – Jordan
- Board Member and Executive Director – Saudi Industrial Construction and Engineering Projects Company
- Board Member and Executive Director – Saudi Technology and Trade Company Ltd.
- Board Member and Executive Director – Al Wusataa Development Company
- Board Member – Savola Group
- Board Member – Arabian Cement Company
- Board Member – Herfy Food Services Company
- Board Member – Etihad Telecom Company (Mobily)
- Board Member – Savola Food Company
- Member of the Board of Directors – Aafia International Company
- Member of the Board of Directors – United Sugar Company – a subsidiary of the Savola Group
- Member of the Board of Directors – Ready Mix Concrete and Construction Services Company – Jordan
- Board Member – United Sugar Company – Egypt
- Board Member – Aafia International Company – Egypt
- Board Member – Alexandria Sugar Company – Egypt
- Board Member – The Queen Company for Food Industries – Egypt
- Board Member – El-Farasha Food Industries Company – Egypt

Previous positions

- Board Member – Merle Lynch – Kingdom of Saudi Arabia
- Board Member – Al-Azzawi Group

Qualifications

- Bachelor of Computer Engineering – King Saud University

Ibrahim Hassan Sharbatly

Memberships in committees

- Member of the Board of Directors
- Member of the Strategic Planning Group

Memberships in listed joint stock companies

- Chairman of the Board of Directors – First International Business Group
- Vice Chairman of the Board of Directors – Al Nahla Group
- Vice Chairman of the Board of Directors – Al Nahla Trading and Contracting Company
- Vice Chairman of the Board of Directors – Saudi Arabian Marketing and Agencies Company Ltd. (SAMA-CO)
- Vice Chairman of the Board of Directors – Al Nahla Urban Development Company
- Vice Chairman of the Board of Directors – Al Amin Al Mumayzah for Urban Development
- Vice Chairman of the Board of Directors – Al Amin Al Mumayazah Real Estate Investment Company
- Vice Chairman of the Board of Directors – Fast Auto Technology Company Limited (FAST)
- Vice Chairman of the Board of Directors – Saudi Arabian Marketing, Agencies and Contracting Company
- Vice Chairman of the Board of Directors – Jeddah Holding Company for Development
- Board Member – Smile Communications – Africa
- Board Member – Golden Coast – Egypt

Previous positions

- Board Member – Commercial Union for Cooperative Insurance

Qualifications

- Bachelor of Business Administration – College of Commerce and Business Administration – Bristol – Britain

Jamal Abdul Karim Al-Rammah

Memberships in committees

- Member of the Board of Directors
- Chairman of the Audit Committee
- Member of the Risk Management Committee

Memberships in listed joint stock companies

- –

Previous positions

- Chairman of the Board of Directors – Saudi Aramco Insurance Company (Stellar)
- Board Member – Saudi Aramco Investment Management Company (SIAMCO)
- Board Member – Fujian Refining & Petrochemical Company, S - Oil
- Board Member – Gard Company
- Board Member – Bandlewood Corporation NV
- Board Member – Motor Oil Hellas Company
- Board Member – Jeddah Oil Refining Company
- Treasurer – Saudi Arabian Oil Company (Aramco)
- Chairing compensation and documentation committees for a number of subsidiaries and joint companies for the Saudi Arabian Oil Company (Aramco)
- Member and Chairman of committees in Aramco and in several companies affiliated with Saudi Aramco and joint companies inside and outside the Kingdom

Qualifications

- Management Executive Program – Harvard University – USA
- Bachelor of Management and Economics
- A number of management and finance programs in many international and domestic universities and institutions

Talal Ibrahim Al-Qudaibi

Memberships in committees

- Member of the Board of Directors
- Chairman of the Executive Committee
- Member of the Strategic Planning Group
- Member of the Nomination and Remuneration Committee

Memberships in listed joint stock companies

- Member of the Sharia Council

Previous positions

- Chief Executive Officer – Riyad Bank and prior to that , held several functional positions in the bank since joining it in 1983
- Chairman – Royal & Sun Alliance Insurance (Middle East) – Bahrain
- Board Member – Riyad Capital Company
- Board Member – National Industrialization Company
- Board Member – Saudi Spanish Bank
- Board Member – Gulf Bank – Riyadh
- Board Member – Yopaf – Hong Kong
- Board Member – Riyad Bank Europe

Qualifications

- MA in Economics – University of Southern California – USA
- Bachelor of Business Administration – Portland State University – USA

Abdul-Rahman Amin Jawa

Memberships in committees

- Member of the Board of Directors
- Member of the Strategic Planning Group
- Member of the Executive Committee

Memberships in listed joint stock companies

- Saudi Hardware and Tools Company (SACO) – Chairman of the Board of Directors

Previous positions

- Business Development Consultant – Riyad Bank
- Chairman of the Board of Directors – Saudi Travel Check Company
- Chairman of the Board of Directors – Banque Bemo Saudi Fransi
- Vice Chairman – Saudi Fransi Capital
- Board Member – Allianz Saudi Fransi Cooperative Insurance Company
- Board Member – Cam Saudi Fransi Company
- Board Member – Fransi Tadawul Company
- Board Member – Sofinco Company
- Board Member – Saudi Insurance Company
- Board Member – Al- Amthal Owning Company
- Board Member – Banque Saudi Fransi
- Deputy Managing Director – Banque Saudi Fransi
- Regional Director for the Central Region – Banque Saudi Fransi
- Deputy Director of the Main Branch in Riyadh – Banque Saudi Fransi
- General Manager – Hisham Trading Corporation
- Assistant Manager – The Saudi Investment Bank
- Assistant Manager – First National City Bank – Riyadh

Qualifications

- Advanced Management Program, Business Administration – Harvard University – USA (Training Program)
- Bachelor of International Business Administration – Ohio University – USA

Mohammed Talal Al-Nahas

Memberships in committees

- Member of the Board of Directors
- Member of the Strategic Planning Group

Memberships in listed joint stock companies

- Chairman of the Board of Directors – Saudi Company for Pharmaceutical Industries and Medical Appliances
- Chairman of the Board of Directors – Leading Investment Company
- Chairman of the Board of Directors – The Cooperative Real Estate Investment Company
- Chairman of the Board of Directors – Asma Capital
- Chairman of the Board of Directors – Raza Company
- Chairman of the Board of Directors – Dammam Pharma
- Governor and Board Member – The Public Pension Agency
- Board Member – General Organization for Social Insurance
- Board Member – Saudi Basic Industries Corporation (SABIC)
- Board Member – Saudi Telecom Company
- Board Member – International Water and Energy Business Company (ACWA Power)

Previous positions

- Board Member – National Center for Privatization
- Board Member – Taiba Holding Company
- Board Member – Saudi Travel Check Company
- General Manager, Branch Banking – Al Inma Bank
- Regional Director of Central Region Branches – Samba Financial Group
- Head of Banking Transactions and Express Transfer Branches – Samba Financial Group
- Deputy General Manager of Human Resources – Samba Financial Group
- Senior Product Manager – Samba Financial Group
- Product Officer/Director – Samba Financial Group

Qualifications

- Executive Management Program – University of Michigan – USA
- Bachelor of Accounting – King Saud University

Mohammed Abdulaziz Al-Afaleq

Memberships in committees

- Member of the Board of Directors
- Chairman of the Risk Management Committee
- Member of the Executive Committee

Memberships in listed joint stock companies

- Chairman of the Executive Committee – Al-Hussein and Al-Afaliq Group
- Director – Ahdaf Holding Company
- Chief Executive Officer – Al-Ahsa Cooling Company – a subsidiary of Ahdaf Holding Company
- Chief Executive Officer - Catering Complex Company – a subsidiary of Ahdaf Holding Company
- Chief Executive Officer – Company Lee Lee Sweet Furnished Residential Branch of Catering Complex Company – a subsidiary of Ahdaf Holding Company
- Chairman of the Board of Directors – An-Najah Trading Company
- Board Member – Al-Ahsa Health Cluster Company

Previous positions

- Chairman of the Board of Directors – Al-Hussein and Al-Afaliq Group
- Board Member – Al-Ahsa Food Industries Company
- General Manager of Industrial Projects – Al-Hussein and Al-Afaliq Group of Companies
- Administrative Director – Al-Ahsa Automatic Bakeries Company

Qualifications

- Master of Business Administration, St. Edward University, Austin – USA
- Bachelor of Science in Industrial Management – King Fahd University of Petroleum and Minerals

Mohammed Omair Al- Otaibi

Memberships in committees

- Member of the Board of Directors
- Member of the Risk Management Committee
- Member of the Audit Committee

Memberships in listed joint stock companies

- Chairman of the Board of Directors – Zameen E-Marketing Company
- Board Member – Saudi Reinsurance Company
- Member of the Audit Committee – Al Mojil Trading and Contracting Company

Previous positions

- Chairman of the Board of Directors – National Gas and Industrial Company
- Board Member – Al Yamamah Steel Industries Company
- Board Member – Middle East Ship Management Company – Dubai
- Board Member – NSCSA - Baltimore – USA
- Board Member – Bahri Bulk Cargo Company
- Board Member – United Arab Company for Flat Glass
- Board Member – National Chemical Carriers Company
- Board Member – Abdullah Saad Abu Moati Company for Libraries
- Board Member – Petradec Company for Gas Trade and Transportation
- Board Member – ISRE Insurance Company – Luxembourg
- Board Member – West of England Insurance – Luxembourg
- Executive Vice President of Finance – The National Shipping Company of Saudi Arabia

Qualifications

- Master of Business Administration – Western Michigan University – USA
- Advanced Management Program – Harvard University – USA
- Executive Management Program – University of Michigan – USA
- Strategic Banking Management Program – Ireland
- BA in English Language – Imam Muhammad Ibn Saud Islamic University

Nader Ibrahim Al-Wehibi

Memberships in committees

- Member of the Board of Directors
- Member of the Executive Committee
- Member of the Nomination and Remuneration Committee

Memberships in listed joint stock companies

- Board Member – Saudi Basic Industries Corporation (SABIC)
- Assistant Governor for Insurance Affairs – General Organization for Social Insurance
- Board Member – Madad Business Company

Previous positions

- Board Member – Jarir Marketing Company
- Board Member – The National Medical Care Company
- General Director of Planning and Development – General Organization for Social Insurance
- Secretary General – Board of Directors of the General Organization for Social Insurance
- Consultant – Pensions Administration – General Organization for Social Insurance

Qualifications

- MA in Social Protection Policies – Maastricht University – Netherlands
- Bachelor of Insurance – Indiana State University – USA

MANAGEMENT TEAM

Tareq A. Al Sadhan

Chief Executive Officer

Chief Executive Officer of Riyad Bank since 2019, Tareq has previously served as Senior Executive Vice President – Chief Financial Officer of the Bank. His prior external experience includes an Advisor to the Chairman of the Board of Directors of the Saudi Fund for Development, the General Director in charge of the General Authority for Zakat and Income (GAZT), and the Deputy Governor for Supervision at the Central Bank of Saudi Arabia (SAMA).

He holds a Master's degree in Business Management from the Ecole Nationale des Ponts et Chaussés in France, and a Bachelor's Degree in Accounting from King Saud University.

Abdullah Ali Al-Oraini

Finance

Chief Financial Officer of Riyad Bank since 2019, his prior external experience includes Chief Financial Officer at Alawwal Bank; Head of Accounting, Asset and Liability Management and Investor Relations at Saudi British Bank and Head of Capital and Liquidity Management as well as Senior Financial Analyst at National Commercial Bank.

He holds a Bachelor's degree in Electrical Engineering from the King Fahd University of Petroleum and Minerals (KFUPM), and a Master's degree in Management Science from the University of Waterloo.

Mohammed Abdullah Al Yahya

Operations, Business Technology and Support Services

Chief Operating Officer of Riyad Bank since 2018, Mr Alyahya has over 16 years of experience in banking and financial services, including his experience at SAMA and as a Board member of Saudi British Bank.

He holds a Bachelor's degree in Computer Science from the University of Eastern Michigan, USA.

Mohammed Abdulaziz Abo Al-Naja

Corporate Banking

Chief Corporate Banking Officer (CCBO) of Riyad Bank since 2018, he has previously served as EVP – Corporate Services, Head of Multi-National Corporate Banking and Corporate Banking Regional Manager – Central Region at the Bank.

He holds a Bachelor's degree in Administration Science from King Saud University.

Riyadh O. Al-Zahrani

Retail Banking

Chief Retail Banking Officer of Riyad Bank since 2016. He has previously served several positions, such as the Executive Vice President (EVP) – Operations and Business Technology, EVP – Operations, Head of Retail Banking and Head of Electronic Banking at the Bank.

He holds a Bachelor's degree in Accounting from King Saud University.

Nadir S Al-Koraya

Treasury and Investments

Chief Treasury and Investment Officer of Riyad Bank since 2019, he has previously served as Head of Treasury. Prior external experience includes the role of Assistant Director General of the Treasury Group at the Samba Financial Group.

He holds a Bachelor's degree in Civil Engineering and a Master's Degree in Business Administration from California State University.

Mazen Mohamed Khalefah

Human Capital

Chief Human Capital Officer of Riyad Bank since 2018, his prior external experience includes General Manager Human Resources at SAMA, Head of Learning and Talent and Senior Talent Acquisition at the Saudi British Bank (SABB), as well as Head of Talent Acquisition and People at Bank Albilad.

He holds a Bachelor's degree in Industrial Engineering from King Abdulaziz University.

Khalid Waleed Alkhudair

Communication and Customer Experience

Chief Customer Officer of Riyad Bank since 2019, he was previously the Acting Head of Marketing and Communication.

He holds a Bachelor's degree in Commerce from Saint Mary's University (Canada).

Grant Eric Lowen

Risk

He took up the role of Chief Risk Officer of Riyad Bank in 2020.

He holds a Bachelor's degree in Accounting from Christchurch Technical College and is a member of the Association of Chartered Accountants in New Zealand.

Mazen Ghassan Pharaoh

Digital Banking

He took up the role of Chief Digital Officer of Riyad Bank in 2020.

He is a Partner and Director of the Deloitte Digital Center for the Middle East and Director of the CTO Technology Group.

He holds a degree in BSC in Computer Engineering from King Saud University.

GOVERNANCE

Riyad Bank would not have achieved all the achievements it witnessed in the year 2020, despite all the unprecedented challenges it presented this year, had it not been for the perseverance and experience of the members of its committees and the wisdom of its leadership and foresight. The Bank's Board of Directors and the various committees emanating from it, from the Executive Committee to the Audit Committee, the Risk Management Committee, the Nominations and Remuneration Committee and the Strategic Planning Group, worked to follow up all global and local events and their impact on the Bank, its customers and its partners to ensure the protection of the assets and interests of all stakeholders. The committees recorded an ideal attendance in all their meetings, with attendance rates ranging between 97% and 100%. Riyad Bank's governance bodies will continue to devote their efforts in the coming years to achieve sustainable and responsible growth for the various sectors of the bank and its beneficiaries.

Members of the Board of Directors and its committees

The Bank's Board of Directors

The Bank is managed by a board of directors consisting of ten members, elected by the general assembly every three years. The Board of Directors in its current term includes five independent members and five non-executive members, according to the definitions contained in Article 1 of the Corporate Governance Regulations issued by the Capital Market Authority. The Board of Directors conducted seven meetings during the year 2020, and the attendance rate of the meetings, was (in person) 98.57% but reached 100%, taking into account those who attended by proxy.

Composition of the Board of Directors and classification of its members

Member's name	Position Representation	Membership rating	Representation
1. Eng. Abdullah Mohammed Al-Issa	Chairman of Board of Directors	Non-executive	–
2. Eng. Mutaz Kusai AlAzzawi	Deputy Chairman of the Board	Independent	–
3. Ibrahim Hassan Sharbatly	Member of the Board of Directors	Independent	–
4. Jamal Abdul-Karim Al-Rammah	Member of the Board of Directors	Independent	–
5. Talal Ibrahim Al-Qudaibi	Member of the Board of Directors	Independent	–
6. Abdul-Rahman Amin Jawa	Member of the Board of Directors	Non-executive	Public Investment Fund
7. Mohammed Talal Al-Nahas	Member of the Board of Directors	Independent	Public Pension Agency
8. Mohammed Abdulaziz Al-Afaleq	Member of the Board of Directors	Non-executive	–
9. Mohammed Omair Al-Otaibi	Member of the Board of Directors	Non-executive	Public Investment Fund
10. Nader Ibrahim Al-Wehibi	Member of the Board of Directors	Non-executive	Hassana Investment Company

Board meetings in the year 2020

Attendance record of the Board Members, in person and by proxy, for the board meetings in 2020

Member name	2020.01.22	2020.03.25	2020.04.22	2020.06.17	2020.09.08	2020.11.01	2020.12.06
1. Eng. Abdullah Mohammed Al-Issa	✓	✓	✓	✓	✓	✓	✓
2. Eng. Mutaz Kusai AlAzzawi	✓	✓	✓	✓	✓	✓	✓
3. Ibrahim Hassan Sharbatly	✓	✓	✓	✓	✓	✓	✓
4. Jamal Abdul-Karim Al-Rammah	✓	✓	✓	✓	✓	✓	✓
5. Talal Ibrahim Al-Qudaibi	✓	✓	✓	✓	✓	✓	✓
6. Abdul-Rahman Amin Jawa	✓	✓	✓	✓	Agency	✓	✓
7. Mohammed Talal Al-Nahas	✓	✓	✓	✓	✓	✓	✓
8. Mohammed Abdulaziz Al-Afaleq	✓	✓	✓	✓	✓	✓	✓
9. Mohammed Omair Al-Otaibi	✓	✓	✓	✓	✓	✓	✓
10. Nader Ibrahim Al-Wehibi	✓	✓	✓	✓	✓	✓	✓

Committees emanating from the Board of Directors

The Board of Directors of Riyad Bank delegates some of its duties to the main committees formed from the members of the Board, with the exception of the audit committee, includes in its composition in addition to two members of the Board, three members from outside the Board and the Nominations and Compensations Committee, includes in its composition in addition to three members from the Board, two members from outside the Board.

The following is an explanation of the main duties of the Bank's Board Committees.

1 - The Executive Committee

Main tasks and responsibilities

The Executive Committee exercises the credit, banking, financial and administrative powers in the bank that are granted by the Board of Directors. The Executive Committee in the bank consists of five members, and the number of meetings of the Committee during the year 2020 was twelve, and the attendance rate for the meetings was (in person) 98.3%, but reached 100%, taking into account those who attended by proxy.

Executive Committee meetings in the year 2020

Attendance record of the members of the Executive Committee, in person or by proxy, for the committee meetings in 2020

Member	Position	2020.01.21	2020.02.26	2020.04.01	2020.04.26	2020.06.10	2020.07.22	2020.07.27	2020.09.02	2020.10.14
1. Talal Ibrahim Al-Qudaibi	President	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Abdul-Rahman Amin Jawa	Member	✓	✓	✓	✓	✓	✓	Agency	✓	✓
3. Eng. Mutaz Kusai AlAzzawi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Mohammed Abdulaziz Al-Afaleq	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓

Attendance record of the members of the members of the Executive Committee, in person or by proxy, for the committee meetings in 2020

Member	Position	2020.11.11	2020.11.23	2020.12.16
1. Talal Ibrahim Al-Qudaibi	President	✓	✓	✓
2. Abdul-Rahman Amin Jawa	Member	✓	✓	✓
3. Eng. Mutaz Kusai AlAzzawi	Member	✓	✓	✓
4. Mohammed Abdulaziz Al-Afaleq	Member	✓	✓	✓
5. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓

2 – Audit Committee

Main duties and responsibilities

The Audit Committee exercises supervisory oversight of the financial reporting processes, the processes related to compliance and compliance with the relevant laws and regulations, monitors the effectiveness and efficiency of the internal control system, recommends the selection of auditors, studies and reviews the interim and annual financial statements, and recommends them to the Board of Directors.

The Audit Committee in the bank consists of five members, of whom three are from outside the Board of Directors and they are Mr. Tareq Abdullah Al-Qaraawy, Dr. Abdul Raouf Sullaiman Banaja, and Mr. Abdul Aziz Abdullah Al-Duailej. The Audit Committee was formed by a decision from the General Assembly on 30 September 2019.
The number of audit committee meetings during the year 2020 was nine, and the attendance rate was 97.7%.

Audit Committee meetings in the year 2020

Gentlemen attendance record of the Executive Committee members and the originality of the Agency for the meetings of the Committee in 2020

Members	Position	2020.01.22	2020.03.26	2020.04.21	2020.06.25	2020.07.21	2020.08.27	2020.09.28	2020.10.27	2020.12.28
1. Jamal Abdul-Karim Al-Rammah	President	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mohammed Omair Al-Otaibi	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Tareq Abdullah Al-Qaraawy	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. AbdulRaouf Sullaiman Banaja	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Abdul Aziz Abdullah Al-Duailej	Member	✓	✓	✓	✓	✓	✓	✓	✓	×

3 – Risk Management Committee

Main duties and responsibilities

The Risk Management Committee assists the Board of Directors in carrying out its responsibilities by fully supervising the Bank's risk strategy, reviewing acceptable risk levels, making recommendations to the Board of Directors, and monitoring the executive management's commitment to the risk limits approved by the Board of Directors and their implementation. In this regard, it may review all aspects and types of the risks that the bank is exposed to, review the extent of the executive management's commitment to the controls for managing these risks, and verify the adequacy of the measures taken to hedge them. The Risk Management Committee in the bank consists of three members, and the number of meetings of the Risk Management Committee during the year 2020 was six, and the attendance rate of the meetings was (in person) 100%.

Meetings of the Risk Management Committee in the year 2020

Gentlemen attendance record of members of the Risk Management Committee and the originality of the Agency for the meetings of the Committee in 2020

Members	Position	2020.02.26	2020.04.23	2020.05.11	2020.08.26	2020.11.18	2020.12.23
1. Mohammed Abdulaziz Al-Afaleq	President	✓	✓	✓	✓	✓	✓
2. Jamal Abdul-Karim Al-Rammah	Member	✓	✓	✓	✓	✓	✓
3. Mohammed Omair Al-Otaibi	Member	✓	✓	✓	✓	✓	✓

4 – Nomination and Remuneration Committee

Main duties and responsibilities

The Nomination and Remuneration Committee supports the Board of Directors with regard to the Board's governance, proposes a remuneration policy for members of the Board of Directors, its committees, and senior management officials. It reviews and evaluates the adequacy and effectiveness of the remuneration, compensation and incentives policy on a regular basis to ensure that the set goals are achieved, assess the methods and methods of remuneration payment, and review the commitment Rewards policy according to the rules of the Central Bank of Saudi Arabia.

The Nominations and Compensations Committee also sets the nomination and selection policy for Board membership, and ensures that all members meet the statutory requirements for Board membership in accordance with the relevant regulations. The Committee consists of five members, including two members from outside the board of directors, namely Eng. Ahmad Mohammed Al-Faleh and Eng. Khalid Saleh Al-Turairi. The number of meetings of the Nominations and Compensations Committee during the year 2020 was six, and the attendance rate of the meetings (in person) was 100%.

Committee meetings of the Nomination and Remuneration in the year 2020

Gentlemen attendance record of members of the Nomination and Remuneration Committee in 2020

Members	Position	2020.02.05	2020.04.16	2020.05.31	2020.07.09	2020.10.05	2020.10.22
1. Eng. Mutaz Kusai AlAzzawi	President	✓	✓	✓	✓	✓	✓
2. Talal Ibrahim Al-Qudaibi	Member	✓	✓	✓	✓	✓	✓
3. Nader Ibrahim Al-Wehibi	Member	✓	✓	✓	✓	✓	✓
4. Eng. Ahmad Mohammed Al-Faleh	Member	✓	✓	✓	✓	✓	✓
5. Eng. Khalid Saleh Al-Turairi	Member	✓	✓	✓	✓	✓	✓

5 - Strategic Planning Group

Main duties and responsibilities

The Strategic Planning Group supervises the preparation of the bank's strategic directions and follows up and evaluates the steps taken to achieve its objectives. It provides the necessary support to the Board of Directors on strategic planning processes and matters of strategic importance, including business development and expansion. The group is also responsible for monitoring the bank's progress in achieving its long-term financial and strategic objectives. The group consists of five members, and the number of meetings of the Strategic Planning Group during the year 2020 was two, and the attendance rate of the meetings was (in person) 100%.

Meetings of the Strategic Planning Group in the year 2020

Gentlemen attendance record members of the Strategic Planning Group and the originality of the Agency for the meetings of the group in 2020

Members	Position	2020.04.08	2020.11.02
1. Eng. Abdullah Mohammed Al-Issa	President	✓	✓
2. Ibrahim Hassan Sharbatly	Member	✓	✓
3. Talal Ibrahim Al-Qudaibi	Member	✓	✓
4. Abdul-Rahman Amin Jawa	Member	✓	✓
5. Mohammed Talal Al-Nahas	Member	✓	✓

Qualifications and experiences of external committee members

Names of the members of the committees	Current jobs	Previous posts	Qualifications
Review Committee			
1. Tareq Abdullah Al-Qaraawy	– Member of the Audit Committee – Savola Group – Member of the Audit Committee – Savola Food Company – Board Member – Osoul and Bakheet Investment Company – Board Member – Digital Innovations Company	– Vice President – Compliance and Quality Assurance Building Development Company – Member of the Audit Committee – Tabuk Fish Company – Board Member, Chairman of the Executive Committee, and member of the Nomination and Remuneration Committee – Salama Insurance Company – Founder and CEO – Iffaa Office for Management Consulting – Regional Director – Corporate Banking Group – Bank Albilad – Director of Strategy and Planning – Bank Albilad – Private consulting – Senior Relationship Manager – Corporate Banking – SABB Bank – Director – Islamic Banking – Corporate Banking, SABB Bank – Relationship Officer – Corporate Banking – The Saudi Investment Bank	– Master in Accounting – George Washington University – United States of America – Bachelor's degree in Accounting – King Saud University
2. Abdul Raouf Sullaiman Banaja	– Member of the Audit Committee – Savola Group – Member of the Audit Committee – Herfy Food Services Company – Member of the Audit Committee - Kinan International Real Estate Development Company – Member of the Audit Committee – Special Economic Zones and Cities Authority	– Chairman of the Board of Directors – Building Proper Real Estate Fund Company – Chairman – SEDCO Capital Flexible Saudi Equity Fund – Chairman of the Board of Directors – SEDCO Capital REIT Fund – Chairman of the Board of Directors – SEDCO Capital Real Estate Income Fund 1 – Chairman of the Board of Directors – SEDCO Capital Real Estate Income Fund 2 – Board Member – United Matbouli Group – Member of the Audit Committee – Savola Food Company – Board Member – National Commercial Bank – Independent consultant – Director of Corporate Finance Department – Alawwal Financial Services	– PhD in Economics – University of California – Masters in Economics – University of California – USA – Bachelor's degree in Mathematics and Physics – University of Riyadh

Names of the members of the committees	Current jobs	Previous posts	Qualifications
		– Senior Vice President and Member of the Executive Committee – Saudi Economic and Development Holding Company (SEDCO) – Regional Director – Saudi Economic and Development Company SEDCO – Egypt – Assistant General Manager – Director of International Banking, National Commercial Bank – Regional Manager – Gulf International Bank – Middle East – Bahrain – Advisor to the Deputy Governor – Saudi Arabian Monetary Agency – Assistant General Manager – Corporate Banking – SABB Bank – Credit Sector Manager – SABB Bank – Economic Advisor – Ministry of Finance – Assistant Professor – Head of Quantitative Analysis Department – King Saud University	
3. Abdul Aziz Abdullah Al-Duailej	– Chairman of the Board of Directors – Bin Laden International Holding Group – Board Member – Taiba Holding Company – CEO – Advanced Electronics Company – Board Member – Enforcement and Liquidation Center – Chairman of the Industrial Committee – Riyadh Chamber	– Chairman of the Board of Directors – Trans Future Industrial Investment Company – Chairman of the Board of Directors – First Middle East Real Estate Development Company – Dubai – Chairman of the Board of Directors – Saudi Company for Advanced Industries – Vice Chairman of the Board of Directors – Al Salam Aircraft Company – Board Member – Rafal Real Estate Development Company – Board Member – Thabat Real Estate Development Company – Board Member – Oil Services Company Limited - Bahrain – Board Member – First Construction Company – Board Member – First International Company - Kuwait – Board Member – Aayan Capital Financial Company – Board Member – The First Real Estate Development Company – Board Member – Saudi Fish Company – Board Member – Deutsche Gulf Finance – Board Member – Emaar Middle East Company – Board Member – Saudi Printing and Packaging Company – Board Member – Saudi Research and Publishing Company – Board Member – Saudi Pipes Company – Chairman of the Board of Directors – First Industrial Company - Egypt – Managing Director and CEO – Saudi Printing and Packaging Company – Managing Director and CEO – The First Real Estate Development Company – CEO – Middle East Specialized Cables Company – CEO – Edwan Chemical Industries Company	– Bachelor's degree in Industrial Management - King Fahd University of Petroleum and Minerals
Nomination and Remuneration Committee			
1. Ahmed Mohammed Al-Falih	– Board Member - Herfy Food Services Co. – Chairman of the Nomination and Remuneration Committee – Herfy Food Services Co. – Board Member – Musa Abdul Aziz Al Mousa & Sons – Member of the Board of Directors – United Company for technical work – Member of the Board of Directors and Director General – the leading commercial representation company – Member of the Board of Directors – Mohammed Saleh Al-Sultan Consulting professional – Technical consulting, contractual arbitration	– Member of the Board of Directors Advanced Seal Company – Board Member – Aluminum Products Co. – Bako – Member of the Board of Directors – Holding Facilities Company – Member of the Board of Directors – Easy Transport Company – Consultant – Facilities Marketing Company – General Manager – Facilities Marketing Company – President – Group of Companies Mashreq – General Manager – Al-Mashreq Contracting Company – General Manager – Olayan Food Services Company – President – Tiné Company International – Vice President – Riyadh International Corporation McDonald's – Vice President for Financial and Administrative Affairs – Saudi Company for operation and maintenance – Engineer projects – Ministry of Health – Project Engineer – Ibn Al-Bitar Company (SABIC)	– Bachelor's degree in Civil Engineering – King Fahd University of Petroleum and Minerals
2. Eng. Khalid Saleh Al-Turairi	– General Manager of Special Projects - Human Resources - Saudi Basic Industries Corporation (SABIC)	– Board Member – Hadeed Company (SABIC) – Board Member – National Entrepreneurship Institute – General Manager of Learning and Development – Human Resources – Saudi Basic Industries Corporation (SABIC) – General Manager Benefits and Compensation – Human Resources – Saudi Basic Industries Corporation (SABIC) – General Manager, Middle East – Human Resources – Saudi Basic Industries Corporation (SABIC) – General Manager Personnel Services – Human Resources – Saudi Basic Industries Corporation (SABIC) – General Manager of Information Technology – Saudi Basic Industries Corporation (SABIC)	– Bachelor's degree in Computer Science and Engineering – King Fahd University of Petroleum and Minerals

Evaluating the performance of the Board of Directors and its committees

The Board of Directors uses an external party to evaluate the performance of the Board and its committees, through the participation of members in extensive and comprehensive questionnaires based on international best practices in governance in order to identify strengths and weaknesses to enhance the effectiveness of the performance of the Board of Directors and its committees.

Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders 'proposals and comments about the company and its performance

The proposals received from the shareholders during the General Assembly meetings, as well as any other proposals that are received by the bank are presented to the Chairman of the Board of Directors. He is required to present them to the next Board Meeting and record them in the minutes of the Board, if any.

Any recommendations from the audit committee which conflicts with the decisions of the Board of Directors, or any situation where the board refused to take into account any recommendations regarding the appointment or dismissal of the Auditor of Riyad Bank, the determination of his fees or evaluating his performance; if so the rationale for these recommendations, and the reasons for not taking them

There are no recommendations from the audit committee that conflicts with the decisions of the Board of Directors, and the Board of Directors has not rejected any recommendations regarding the appointment of an auditor of Riyad Bank, his dismissal, the determination of his fees, or the evaluation of his performance.

Remuneration of the members of the Board of Directors, its committees, and senior executives during the year 2020

The remuneration paid to the members of the Board of Directors of Riyad Bank and the committees emanating from it are determined in accordance with the frameworks set by the instructions issued by the supervisory authorities, and are generally governed by the main principles of governance for banks operating in the Kingdom of Saudi Arabia, compensation controls issued by the Saudi Central Bank, and the Corporate Governance Regulations issued by the Capital Market Authority, Companies Law issued by the Ministry of Commerce, and the Bank's Articles of Association.

The Board of Directors - based on the recommendation of the Nominations and Compensations Committee - determines the remuneration of the senior executives, so that the remuneration is consistent with the strategic objectives of the bank, and that they are effective in motivating senior executives to achieve those goals.

Remuneration of Board Members

	Name	Fixed remunerations							Variable remunerations ***	End-of-service award	Aggregate Amount	Expenses Allowance****
		Specific amount *	Allowance for attending Board meetings	Total Allowance for attending committee meetings **	In-kind benefits	Remunerations for technical	The remuneration of the Chairman, managing director or secretary if he is a member	Total				
Independent Members	Eng. Mutaz Kusai AlAzzawi	355	35	110	–	–	–	145	–	–	500	–
	Ibrahim Hassan Sharbatly	400	35	10	–	–	–	45	–	–	445	–
	Jamal Abdul-Karim Al-Rammah	400	35	100	–	–	–	135	–	–	535	17
	Talal Ibrahim Al-Qudaibi	360	35	105	–	–	–	140	–	–	500	–
	Mohammed Talal Al-Nahas	400	35	10	–	–	–	45	–	–	445	–
	Independent Members	**1,915**	**175**	**335**	**–**	**–**	**–**	**510**	**–**	**–**	**2,425**	**17**
Non-executive members	Eng. Abdullah Mohammed Al-Issa	455	35	10	–	–	1,000	1,045	–	–	1,500	–
	Abdul-Rahman Amin Jawa	395	30	75	–	–	–	105	–	–	500	–
	Mohammed Abdulaziz Al-Afaleq	365	35	100	–	–	–	135	–	–	500	1.6
	Mohammed Omair Al-Otaibi	400	35	85	–	–	–	120	–	–	520	–
	Nader Ibrahim Al-Wehibi	365	35	100	–	–	–	135	–	–	500	–
	Non-executive members	**1,980**	**170**	**370**	**–**	**–**	**–**	**1,540**	**–**	**–**	**3,520**	**1.6**
	Total	**3,895**	**345**	**705**	**–**	**–**	**1,000**	**2,050**	**–**	**–**	**5,945**	**18.6**

* *The remuneration of the members of the Board of Directors amounts to SAR 400,000 for each member, while the remuneration of the Chairman of the Board of Directors is SAR 500,000 in addition to a special reward of SAR 1,000,000, noting that the maximum total remuneration for each member, including the Chairman of the Board of Directors, does not exceed the amount of SAR 500,000, including allowances for attending the meetings of the Board of Directors and its committees as specified in the Companies Law, except for the remuneration of the members of the Audit Committee that do not fall within the scope of the maximum limit stipulated in the Companies Law in accordance with the regulatory controls and procedures issued in implementation of the Companies Law for Joint Stock Companies issued by the Capital Market Authority.*

** *Allowance for attending committee meetings emanating from the Board of Directors includes allowance for members of the Board of Directors who are not members of such committees but are invited to attend them by the committee, and therefore the total amount each member is entitled to in return for attending the committees' meetings may not be equal to the other statement of the allowance attendance of committee members.*

*** *Variable bonuses include (percentage of profits, periodic bonuses, short-term incentive plans, long-term incentive plans, bonus shares).*

**** *Expenses allowance includes transportation and accommodation expenses for members of the Board of Directors and its committees.*

Remuneration of members of the committees emanating from the Board of Directors

Name	Fixed rewards (except for the allowance for attending sessions)	Allowance to attend sessions	Total	Expense allowance*
Members of the Executive Committee				
1. Talal Ibrahim Al-Qudaibi	–	60	60	–
2. Abdul-Rahman Amin Jawa	–	55	55	–
3. Eng. Mutaz Kusai AlAzzawi	–	60	60	–
4. Mohammed Abdulaziz Al-Afaleq	–	60	60	–
5. Nader Ibrahim Al-Wehibi	–	60	60	–
Total	**–**	**295**	**295**	**–**
Members of the Audit Committee				
1. Jamal Abdul-Karim Al-Rammah	–	45	45	–
2. Mohammed Omair Al-Otaibi	–	45	45	–
3. Tareq Abdullah Al-Qaraawy (external)	120	45	165	–
4. AbdulRaouf Sullaiman Banaja (External)	120	45	165	–
5. Abdul Aziz Abdullah Al-Duailej (external)	120	40	160	–
Total	**360**	**220**	**580**	**–**
Members of the Risk Management Committee				
1. Mohammed Abdulaziz Al-Afaleq	–	30	30	–
2. Jamal Abdul-Karim Al-Rammah	–	30	30	–
3. Mohammed Omair Al-Otaibi	–	30	30	–
Total	**–**	**90**	**90**	**–**
Members of the Nomination and Remuneration Committee				
1. Eng. Mutaz Kusai AlAzzawi	–	30	30	–
2. Talal Ibrahim Al-Qudaibi	–	30	30	–
3. Nader Ibrahim Al-Wehibi	–	30	30	–
4. Eng. Ahmad Mohammed Al-Faleh (External)	120	30	150	–
5. Eng. Khalid Saleh Al-Turairi (External)	120	30	150	3
Total	**240**	**150**	**390**	**3**
Members of the strategic planning group				
1. Eng. Abdullah Mohammed Al-Issa	–	10	10	–
2. Ibrahim Hassan Sharbatly	–	10	10	–
3. Talal Ibrahim Al-Qudaibi	–	10	10	–
4. Abdul-Rahman Amin Jawa	–	10	10	–
5. Mohammed Talal Al-Nahas	–	10	10	–
Total	**–**	**50**	**50**	**–**
Members of the committees emanating from the Board of Directors	**600**	**805**	**1,405**	**3**

** Expenses allowance includes transportation and accommodation expenses for members of the Board of Directors and its committees..*

Salary and compensation data for six senior executives, including the CEO and chief financial officer:

Statement	The amount is in thousands of riyals
Fixed rewards	
Salaries	12,633
Allowances	1,677
Benefits	199
Total	**14,509**
Variable rewards	
Periodic rewards	20,138
Profits	–
Short-term incentive plans	–
Long-term incentive plans	750
Shares awarded	–
Total	**20,888**
End-of-service bonus	**1,564**
Total executive bonus for Board, if any	**–**
Total	**36,961**

Assignment of interests by shareholders, directors, or senior executives

- There are no arrangements or agreements for any member of the Board of Directors or any of the senior executives to waive any salaries, bonuses or compensation.
- There are no arrangements or agreements regarding any of the shareholders of Riyad Bank waiving any rights to them in the profits.

Changes in major ownership interests

The following table shows the main owners of the Bank who each owns 5% or more of the shares and the changes in their ownership percentages as it is at the end of trading on 31 December 2020.

Name of the shareholder	The number of shares at the beginning of the year	The number of shares at the end of the year	Net change	% change	% Ownership
Public Investment Fund	652,608,000	652,608,000	0	0.00%	21.75%
The Public Institution for Social Security	501,757,200	501,757,200	0	0.00%	16.73%
Al Nahla Trading and Contracting Company	261,998,976	262,149,903	150,927	0.06%	8.74%
Assila Investment Company	240,000,000	240,000,000	0	0.00%	8.00%

Riyad Bank relied on monitoring the above data on the records of Riyad Bank at the Saudi Stock Exchange (Tadawul) at the end of the trading 31 December 2020.

Ownership of members of the Board of Directors, senior executives, and their relatives of Riyad Bank shares and its changes during the year 2020

The following two tables show a description of any interest of board members or senior executives and their wives and minor children in the shares or debt instruments of the bank or any of its subsidiaries and any change that occurred in it during the year:

A. Members of the Board of Directors and their relatives

The name of who has the interest	The number of shares at the beginning of the year	The number of shares at the end of the year	Net change	% Change	Debt instruments
Abdullah Muhammad Al-Issa	1,262,000	1,262,000	–	0.00%	–
Jamal Abdul Karim Al Ramah	1,142	1,142	–	0.00%	–
Ibrahim Hassan Sharbatly	694,508	694,508	–	0.00%	–
Talal Ibrahim Al-Qudhaibi	66,864	66,864	–	0.00%	–
Abdulrahman Amin Jawa	1,928	1,928	–	0.00%	–
Muhammad Talal Al-Nahhas	–	–	–	0.00%	–
Muhammad Abdulaziz Al-Afaliq	100,000	100,000	–	0.00%	–
Mohammed Omair Al-Otaibi	1,000	1,000	–	0.00%	–
Moataz Qusay Al-Azzawi	1,347,000	1,347,000	–	0.00%	–
Nader Ibrahim Al-Wahaibi	–	–	–	0.00%	–

B. Senior executives and their spouses, wives and minor children

The name of who has the interest	The number of shares at the beginning of the year	The number of shares at the end of the year	Net change	% Change	Debt instruments
Riad Otaibi Al-Zahrani	–	66,868	66,868	100%	–

General Assemblies held during the year 2020

Riyad Bank held an assembly for its shareholders during the fiscal year 2020, which is the ordinary general assembly held on 08/01/1441 AH corresponding to 25 March 2020, and the following is a record of the attendance of the members of the Board of Directors for these meetings :

Name	Attendees
	The Ordinary General Assembly, held on 25 March 2020
1. Abdullah Muhammad Al-Issa	✓
2. Jamal Abdul Karim Al Ramah	✓
3. Ibrahim Hassan Sharbatly	✓
4. Talal Ibrahim Al-Qudhaibi	✓
5. Abdulrahman Amin Jawa	✓
6. Muhammad Talal Al-Nahhas	✓
7. Mohammed Abdulaziz Al-Afaleq	✓
8. Mohammed Omair Al-Otaibi	✓
9. Moataz Qusay Al-Azzawi	✓
10. Nader Ibrahim Al-Wahaibi	✓

Statement of the number of Riyad Bank's requests for records of shareholders and dates and causes during the 2020

The date of application	Reason
2020.07.03	Profit file
2020.09.30	Corporate Actions
2020.12.27	Data shareholders by the end of the year 2020

Assurances of the Board of Directors

- That the account records have been prepared correctly;
- That the internal control system was prepared on sound grounds and was effectively implemented;
- There is no doubt about the ability of Riyad Bank to continue its activity;
- That there is no contract to which Riyad Bank was a party, and there is or was a substantial interest in it for the Chairman and any of the Members of the Board of Directors of Riyad Bank or for the CEO or the First Financial Officer or for any person directly related to any of them, except for what was mentioned in the Statement of Transactions with Related Parties.

Interests in voting shares

No stakeholder in the category of shares eligible to vote belonging to persons (except for members of the board of directors of Riyad Bank and senior executives and their relatives) informed Riyad Bank of these rights under Article 68 of the Rules for the Offer of Securities and Continuing Obligations, and any change in these rights during the fiscal year 2020.

Auditors accounts

Ordinary General Assembly approved the shareholders of Riyad Bank at its meeting held on 25 March 2020, to appoint "Ernst & Young" and "PricewaterhouseCoopers" as the Bank accounts for the financial year ending 31 December 2020. The General Assembly will consider at its next meeting the reappointment or replacement of the current auditors and determining their fees for auditing the accounts of Riyad Bank for the fiscal year ending 31 December 2021, after reviewing the recommendation of the Board of Directors in this regard based on the recommendation of the emerging audit committee.

Auditors' reservations on the annual financial statements

The auditors' report shows that the financial statements are free of any material misstatement, and there are no reservations about them.

Recommendations of the Board of Directors to replace the auditors and their reasons

The Board of Directors did not recommend the replacement of the auditors before the end of the period for which they were appointed.

Corporate Governance list Corporate

In general, Riyad Bank is obliged to apply the provisions set out in the Corporate Governance Regulations issued by the Capital Market Authority, and the main principles of governance in the banks operating in the Kingdom of Saudi Arabia and the instructions issued by the Saudi Arabian Monetary Authority. Riyad Bank is keen to adhere to all the regulations of governance and keep abreast in this regards. Further, the Bank keeps updating the relevant policies and procedures upon the issuance of regulatory developments that so entail.

COMPLIANCE

Robust systems of Compliance are essential to ensure that the Bank scrupulously adheres to all applicable laws, rules and regulations, and maintains a high degree of professionalism. The covenants which the Bank should adhere to include Saudi and other applicable laws, accounting standards, internal procedures and controls, international regulations, best practices, values and ethics.

The Compliance Department plays both a regulatory and advisory role. It provides guidance and advice on all laws, regulations and standards that should be adhered to and disseminates information. The Department also monitors work to ensure compliance and manages regulatory affairs. It is also exercises vigilance over the conduct of banking operations to prevent financial crimes.

The Compliance function plays a vital role in the achievement of the Bank's Vision, Mission, objectives and values by maintaining the highest quality standards and implementing best practices. It provides advisory services to all bank functions and promotes awareness by disseminating information regarding compliance issues. This, together with the supervisory oversight the Department exercises, serves to combat financial crimes as stipulated by the regulations issued by Saudi Central Bank (SAMA) and issued Financial Action Task Force (FATF) Recommendations. Annually, the Compliance Department formulates and implements a monitoring and follow-up plan developed through a process of identifying and assessing risks. The plan is approved by the Board Audit Committee.

The values of "We care - we commit" are built into the Bank's ethos which reinforces our culture of commitment. Emanating from this culture, the Bank has continued with awareness campaigns on various topics of commitment, principles of behaviour, work ethics and combating financial crimes. The campaigns are disseminated to the employees through several awareness methods. These include:

- "Welcome to Riyad Bank" introductory session which is mandatory for all newly recruited employees
- An annual online informative awareness programme which is followed by a quiz which is mandatory for all employees to ensure effectiveness
- Visits to branches to conduct awareness and Q&A sessions
- Email awareness messages

In addition communication channels are provided for employees to exercise their duties and responsibilities towards compliance. Employees are able to report cases of fraud or money laundering, or any other issues pertaining to the Whistle Blowing Policy. The Compliance Department also presented an awareness programme to the Bank's branches in all regions of the Kingdom which dealt with various issues in compliance and combating financial crimes.

The Compliance Department takes great care to ensure that the Bank fulfils the applicable and future regulatory requirements, such as the regulations and circulars issued by SAMA and other legislative bodies. It keeps all interested parties updated on any new requirements, such as the instructions issued on the principles of compliance for banks and commercial banks operating in the Kingdom of Saudi Arabia, Anti-Corruption Guide, financial fraud in banks and banks operating in the Kingdom ,and the Guide to Combating Money Laundering and Terrorist Financing. We are committed to making efforts to comply with any regulations issued by all official bodies with authority and competence.

In this regard, the Compliance Department analyzes and studies the requirements of any updated by laws and regulations, in addition to monitoring the effects of these updates on the Bank and its controls, and assessing any risks that may arise from their implementation. In addition, the Bank continues to strive to adhere to the recommendations of the Financial Action Task Force (FATF), the regulations and instructions of the Security Council, and the lists of the Office of Control of American Foreign Assets (OFAC) and Related Lists for Combating Money Laundering and Financing Terrorism and Preventing Proliferation.

RISK MANAGEMENT

All business activities carry a degree of risk, but the banking industry is exposed to a range of risks some of which are more critical than in other industries. There is also an inherent trade-off between risk and performance. Therefore, Riyad Bank needs to balance the performance risk equation while ensuring that its risks are mitigated and controlled. To achieve this the Bank needs a robust governance structure that ensures effective risk management, foresees risks and takes necessary proactive measures to minimize such risks.

While risks cannot be completely eliminated, limits have to be set to the accepted degree of risk, which implies that risks need to be quantified. Overarching control over the Bank's risk management process is exercised by the Risk Management Committee of the Board of Directors. The Committee establishes risk limits and effective control procedures, for each type of risk. Within this framework risks have to be controlled proactively using sophisticated tools and instruments. The roles and responsibilities of all stakeholders have to be laid down which gives a holistic perspective to risk management.

Regulatory requirement and market best practices require banks to ensure that there is adequate separation of responsibilities in key elements of the risk management process. Banks should have risk identification, measurement, monitoring and control functions with clearly defined responsibilities that are sufficiently independent from risk-taking functions of the Bank and that report risk exposures directly to the governing body or its delegates. The supervisory committees are informed of the levels of risk to which the Bank is exposed periodically and independently.

The Bank is exposed to various types of risks, including but not limited to credit risk, market risk, liquidity risk, operational risk and information security risk. The Bank has developed an Enterprise Risk Management (ERM) Framework to define the objectives of high-level risk management, risk governance, and risk management strategy at Riyad Bank including wholly owned subsidiaries, external agencies, branches and representative offices.

The term "Enterprise Risk Management" refers to the methods and processes that are used to manage risks and seize opportunities related to achieving the Bank's strategic objectives within the optimal use of available resources. The principle of Enterprise Risk Management is based on the Bank's financial position and its institutional reputation under the approval of the Bank's Board of Directors. This is done through the risk appetite statement that broadly specifies the overall level and types of risks that the Bank wishes to place in order to achieve its strategic objectives, and then periodically following up on compliance with these risks, when necessary. In addition to the aforementioned, the Risk Department reports periodically and when necessary to the Board of Directors and the Risk Committee emanating from it with the Bank Capital Adequacy Reports (ICAAP), the ability to withstand stress testing and the appropriate reports to provide the Bank's management with a comprehensive view of the risks at the enterprise level.

Credit risk

Credit risk is defined as the risk of financial loss resulting from the other party to a credit transaction not meeting (or not meeting completely) their financial obligations. Accordingly, the Bank developed various credit risk management policies that encompass all financing programs to ensure the Bank minimizes the overall risk in its credit portfolio and reduces losses incurred by financing activities.

Riyad Bank operates in accordance with a stringent framework of credit policies and procedures, which are reviewed regularly, taking into account latest updates and regulations of SAMA. Credit limits should be set commensurate with the level of risk. Excessive concentration of lending in geographical regions, business activities or economic sectors should be avoided, in both retail and corporate lending. Existing liabilities too need to be evaluated for potential risks of non-payment and tools have been developed for this.

Riyad Bank's credit rating system conforms to international benchmarks. The Bank, while having its own credit rating system, also incorporates the ratings of external agencies. The process is executed through standardized measurement tools. This provides a comprehensive picture of the Bank asset quality and its distribution on the internal rating table: this in turn enables accurate calculation of the capital adequacy ratio using sophisticated techniques. In addition, it measures the potential for default which is a prerequisite for calculating credit losses in accordance with IFRS 9 accounting standards.

The Bank's processes are constantly evolving in line with requirements of both local and international regulators. It is a process of continuous improvement. The Bank initially complied with all Basel requirements in measuring the capital adequacy ratio required to cover credit risk according to the standard method (Standardized Approach), which is one of SAMA's requirements. It then moved to the Internal Credit Risk Assessment Standard (Internal Rating Based/IRB) after successfully upgrading its credit rating models to be in conformance with the requirements of Basel. These models were not simply adopted and used. Instead a process of verification was done through a special system to ascertain their validity and completeness. Subsequently several independent periodic tests were carried out to ensure the reliability of the results of the credit rating models and their quantitative and qualitative aspects.

For the results of the capital adequacy ratio to be accurate the results of the Risk-weighted assets need to be accurate. In a parallel process the Bank put in place the infrastructure necessary to develop and use models for credit decision making by relying on an accurate measurement of the risks and their likely impact. Simultaneously a review of approved risk policies to demonstrate their compliance with credit rating systems was carried out, while applying the Internal Credit Risk Assessment Standard.

The process of assessing credit risk is also based on accounting standards, which is another area where the Bank needs to stay updated. As of the beginning of 2018, Riyad Bank used IFRS 9 as an alternative to IAS 39. Calculating the possibilities of default includes taking both a long term and a short term perspective. The credit rating system was further refined to take this into account. The COVID-19 pandemic with its impact on the macro-economic scenario, both local and global, created an unprecedented situation in credit risk assessment. The Bank developed a statistical model to help with the calculation of the forward-looking component. The model used varied assumptions and scenarios of forecasted macro-economic conditions (locally and internationally) and then adjusted expected credit losses accordingly.

The Bank also adopted the process of calculating default credit risk rates with respect to business rules and controls. The Bank also reviewed the fundamentals of evaluating assets, activity flows and the appropriate governance structure, with appropriate mechanisms, financial and technological, to calculate and approve expected credit losses in accordance with IFRS 9 and the directives of SAMA. These mechanisms have undergone several previous and subsequent quantitative and qualitative tests to verify the new standard to ensure the reliability and accuracy of factors used in calculating the risk of default and credit losses.

The systems and processes referred to above are relevant not only for the corporate sector; they are also relevant for individual financing, including mortgage financing. The Bank also established internal credit evaluation standards pursuant to the frameworks approved by the Board of Directors and in line with the requirements of SAMA, enabling the implementation of the initiatives of the Ministry of Housing and the Real Estate Development Fund. In addition, quantitative models for measuring default and collection rates were used to calculate and approve the expected credit losses in accordance with IFRS 9.

Market and liquidity risk

Market risk is the risk of losses resulting from fluctuations in market prices, of relevant instruments such as special commission rates, stock prices, foreign exchange rates, and any changes in the fair value of financial instruments and securities held by the Bank.

Riyad Bank continuously measures and monitors risks pertaining to assets and liabilities resulting from fluctuations in fair values or future cash flows of financial instruments due to changes in market prices. This is achieved using risk structure, limits, and metrics approved by the Board of Directors and monitored by the Market and Liquidity Risk Management Department.

The Bank seeks to achieve the highest level of efficiency in liquidity management, as it is necessary to achieve an appropriate balance in all operations leading to increased profits with potential risks, while maintaining a strong liquidity position to increase customer confidence and improve the cost of funding. Additionally, periodic reports on market and liquidity risks are submitted to the Asset and Liability Management Committee and the Investments Committee. Such reports are then submitted to the Board's Risk Management Committee.

The Bank adopts the value at risk (VaR) standard, which is a tool to measure and quantify the level of financial risk in a firm or a portfolio. Thereby the Bank can monitor the changes and volatility of market prices and the relationship between these changes to one another as a basic standard for measuring market risks. Moreover, several other advanced standards are used to improve analytical capabilities in managing market risks, including stress tests and analysis of market risk sensitivity.

The Bank continues to enhance its processes and systems to manage market and liquidity risks effectively and to implement the latest regulatory standards as per the requirements of SAMA.

Financial crime risks

In recent times financial crimes have emerged as a serious threat and challenge to financial institutions and their employees. Riyad Bank realizes the gravity of such crimes and their consequences. Therefore, efforts were made to take preventive measures of a strategic nature to combat and prevent financial crimes, which helped eliminate the prevalence of such crimes to a great extent.

Based on these principles, during 2020, the Bank was keen on incorporating the best international practices to execute its strategy to combat and monitor suspicious transactions, including controls designed to combat embezzlement and financial fraud and monitor bank accounts.

The nature of the risks is dynamic subject to changes in the financial environment, types of crimes, and banking industry technology. Therefore, our strategy is subject to periodic reviews and quick updates. In addition, a risk assessment review is also carried out periodically that encompasses the functions, departments, policies, and procedures for addressing risks of internal and external fraud, and determining the level and nature of those risks. Since they may pose special risks, all new financial products and services are subject to a risk assessment process before they are launched.

Riyad Bank sought to raise employee awareness by launching an awareness program throughout the year to boost commitment to combating financial crimes. The customer and the concerned authorities play an important role in helping the Bank detect fraud. Accordingly, awareness and advertisement campaigns are launched to make customers aware of the types of fraud and how to disclose them.

Maintaining control of risks of this nature requires constant vigilance. The Bank continues to revitalize its supervisory role by receiving all incoming reports, from employees or customers, conducting analysis, examination and urgent evaluation, identifying all violations, identifying causes of accidents and malfunctions and introducing appropriate plans to ensure non-recurrence in the future.

Operational risk

Operational risks are losses resulting from errors or inefficiencies in the implementation of internal operations, failure to follow policies and procedures, or system malfunctions or losses incurred due to extraordinary external events. These risks arise in all activities undertaken by various business divisions and support functions. They may also arise due to risks from third party service providers. The identification and analysis are important factors that help monitor and successfully address them. In addition, these risks change when the Bank's systems, policies and procedures change.

Riyad Bank has developed well-knit policies and standards, in addition to an analytical methodology to monitor these risks, enhance the capabilities to analyze them, and provide the necessary recommendations to mitigate them or reduce their impact on the Bank's operations. The human factor plays a key role here; training the Bank employees on means of detecting risks and setting up appropriate programs to prevent their occurrence is vital in combating operational risk. Also, the Bank has an integrated risk-based approach that is compatible with Bank's activities and includes:

1. Identifying operational risks, including emerging risks, by means of improving various tools to manage operational risks.
2. Measuring operational risks using a standardized methodology for risk assessment in cooperation with the second line of defence departments.

3. Evaluating operational risks and their impact on the Bank's strategic and executive operational objectives.
4. Continuously monitoring the impact of operational risks to ensure that priorities are set in taking the corrective actions necessary to address risks.
5. Submitting periodic reports to the Executive Management and the Operational Risk Management & Compliance Department on important operational risk cases to obtain guidance on corrective action and approvals as needed.
6. Formulating and implementing an annual integrated plan to manage operational risks that takes into account the Internal Control Governance Policy and the annual plans of the Bank's supervisory authorities.
7. Identifying and sharing leading practices with the management and competent officers in Risk Management Department.
8. Enhancing awareness and knowledge of risks in the Bank.

Riyad Bank continuously strives to identify operational risks by evaluating the ongoing processes and practices, and ensuring this task is performed more effectively by taking preventive and appropriate measures to manage and control these risks in accordance with the best international practices in order to reduce, avoid and hedge potential losses.

Technical risks

Technology risk is one of the key components of the overall risk that is related to the adoption and certification of business technology in the Bank, its users, operations, participation, and its importance on the activities and performance of the Bank. Business technology is considered one of the main operational elements that support the vision and mission of the Bank. Therefore, the Bank pays great attention to this risk, and works to limit it, to know its impact on the business, and to put in place the relevant measures and controls to take appropriate decisions to limit the impact if it occurs, by developing a policy to ensure that the technology risk is managed and handled appropriately. The Bank adopts several practices to effectively analyze and monitor risks through a variety of methods, which include:

- Define and monitor technology risk measures according to the risk tolerance framework.
- Developing the technology risk register at the Bank's level to be in line with the Bank's risk register in coordination with the relevant sectors/departments.
- Review points of high technology risks with documenting controls and work mechanisms, identifying potential gaps and recommending proposals for improvement and development.
- Submit an annual risk assessment, control testing and annual verification plan.
- Conduct an assessment of high-risk systems and applications in coordination with the concerned departments.
- Submit periodic reports on the performance of business technology risk activities within the framework of risk tolerance to the relevant committees.

Supervise the review of all relevant technology policies to ensure the application of best practices and compliance with the requirements of SAMA.

Cyber security and information security risks

The term "cyber and information security risks" refers to risks arising from the possibility of breaching the necessary regulatory, technical and procedural measures put in place to protect the Bank's information from unauthorized access, disclosure, reproduction, as well as from use, modification, transfer, loss, theft, or misuse thereof in a deliberate and subversive, or accidental manner.

Riyad Bank manages cyber and information security risks through a comprehensive practical framework via which the security governance is applied, practical procedures are organized, and implementation of the regulatory requirements and necessary rules are facilitated. This ensures the protection of the Bank's information assets and reduces various types of cyber and information security risks. Moreover, cyber and information security legislations issued by the relevant authorities are enforced in addition to the implementation of cyber and information security controls including but not limited to the continuous evaluation and monitoring of information systems for the purpose of identifying security risks and taking the necessary measures and procedures to immediately and promptly mitigate the impact of those risks, and commitment to implementing legislation related to cybersecurity and information security issued by the competent authorities.

Riyad Bank is constantly seeking to design and develop awareness programs to raise awareness of this type of risk for all people dealing with the Bank's informational assets directly or indirectly, employees, contractors or customers inside and outside the Kingdom.

BASEL III Pillar 3 Disclosures

The Basel Framework requires a number of quantitative and qualitative disclosures under Pillar III. These are published on the Bank's website, www.riyadbank.com in accordance with SAMA instructions, noting that these disclosures are not subject to examination or review by the external auditors of Riyad Bank.

EFFECTIVENESS OF INTERNAL CONTROL PROCEDURES

Riyad Bank has established an integrated internal control framework to ensure an effective internal control environment in line with the Guidelines on Internal Controls issued by SAMA. This framework includes policies and procedures set by the Board of Directors and promulgated by the Executive Management to ensure the strategic goals are achieved by protecting the Bank's assets and guarantee all operations are carried out pursuant to applicable guidelines. Such controls also include the corporate governance that defines the roles and responsibilities of members of the Board and its committees.

The Executive Management and its committees, through these policies, ensure that risks related to regulatory requirements, strategy, financial performance, information technology, assets and liabilities management, liquidity, credit, operations, legal affairs, information security, etc. are appropriately managed.

All stakeholders in Riyad Bank are responsible for the efficiency and effectiveness of the internal control environment through periodic self-assessment reviews of processes and controls to proactively identify deficiencies and ensure timely remediation. Independent reviews are also conducted by different control functions, internal and external auditors to ensure adequacy of the internal control environment.

The Compliance Department is responsible to ensure compliance with regulatory requirements through its reviews and identify deficiencies in implementation of regulatory guidelines.

Scope of work of the Internal Audit Department encompasses independently assessing the adequacy and efficiency of the internal control environment by ensuring all applicable policies and procedures are implemented and practiced appropriately.

Senior Executive Management and the Board Audit Committee are regularly updated on the status of internal control environment and the corrective actions identified to improve its adequacy and effectiveness. They ensure timely implementation of these measures taken to mitigate the identified risks.

FINANCIAL REPORTS – CONSOLIDATED

Total assets
SAR 310.1 Bn.

Total liabilities
SAR 265.7 Bn.

Operating income
SAR 11.2 Bn.

ROA before Zakat
1.9%

Net income
SAR 4.7 Bn.

ROE before Zakat
12.9%

Earnings per share
SAR 1.57

INDEPENDENT AUDITORS' REPORT

to the Shareholders of Riyad Bank
(A Saudi Joint Stock Company)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements as endorsed by the Saudi Organisation for Certified Public Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against loans and advances As at 31 December 2020, the gross loans and advances of the Group were SAR 195.9 billion against which an expected credit loss ("ECL") allowance of SAR 4.5 billion was maintained. We considered ECL allowance against loans and advances as a key audit matter, as the determination of ECL involves significant management judgement and has a material impact on the consolidated financial statements of the Group. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL. The key areas of judgement include:	■ We obtained and updated our understanding of management's assessment of ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology including any key adjustments made in light of the COVID-19 pandemic. ■ We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. ■ We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) over: ■ the ECL model including governance over the model and its validation including approval of key assumptions and management overlays, if any;

Key audit matter

1. Categorisation of loans into Stages 1, 2 and 3 based on the identification of:
   (a) exposures with a significant increase in credit risk ("SICR") since their origination; and
   (b) individually impaired/defaulted exposures.

   The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced SICR notwithstanding the various government support programs that resulted in deferrals to certain counterparties. The deferrals were not deemed to have triggered SICR by themselves.

2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") include but are not limited to an assessment of the financial condition of the counterparty, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages.

3. The need to apply management overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model.

Application of these judgements, particularly in light of the global pandemic, have given rise to greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2020.

Refer to the summary of significant accounting policy note 3 (e) for the impairment of financial assets; note 2 (d) (i) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 8 which contains the disclosure of impairment against loans and advances; and note 30.3 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.

SAMA support program and related government grant

In response to the COVID-19 pandemic, the Saudi Central Bank (SAMA) launched a number of initiatives including the liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). The PSFSP was launched in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). The PSFSP included deferred payments program whereby the Bank deferred the instalment payable by MSMEs during a period from 14 March 2020 to 31 March 2021.

In order to compensate the Group with respect to the losses incurred in connection with the above PSFSP, and the liquidity support programme, the Group has received various interest/profit free deposits of varying maturities. The difference between market value of deposits calculated using market rates of deposits of similar size and tenure and the interest/profit free deposits has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: Government Grants ("IAS 20").

How our audit addressed the key audit matter

- the classification of borrowers into various stages and timely identification of SICR and the determination of default/individually impaired exposures;
- the IT systems and applications underpinning the ECL model; and
- the integrity of data inputs into the ECL model.

- For a sample of customers, we assessed:
  - the internal ratings determined by management based on the Group's internal rating model and considered them in light of external market conditions and available industry information. In particular, we considered the impact of the COVID-19 pandemic and also assessed that these internal ratings were in line with the ratings used as input in the ECL model;
  - the staging as identified by management; and
  - management's computations for ECL.
- We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the staging classification of the Group's loan portfolio including for customers who were eligible for deferral of installments under government support programs with specific focus on customers operating in sectors most affected by the COVID-19 pandemic.
- We assessed the governance process implemented and the qualitative factors considered by the Group when applying any management overlays or making any adjustment to the output from the ECL model, due to, data or model limitations or otherwise.
- We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios due to the COVID-19 pandemic.
- We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2020.
- Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays.
- We assessed the adequacy of disclosures in the consolidated financial statements.

We obtained an understanding of the various programs and initiatives taken by SAMA and assessed the objectives of the various deposits received by the Group in order to assess whether the IAS 20 criteria were met for government grant recognition.

Key audit matter

As of 31 December 2020, the Bank has received SR 26.2 billion under the various SAMA support programs.

We considered the accounting treatment of the SAMA support programme and government grant as a key audit matter because:

1. These represent significant events and material transactions that occurred during the period and thereby required significant auditors' attention; and
2. the recognition and measurement of the government grant involved significant management judgement including but not limited to:
   - determining the appropriate discount rate to be used to calculate the grant income on the deposit; and
   - identifying the objective of each individual deposit to determine the timing of recognition of the grant.

Refer to the significant accounting policy note 3 (g) to the consolidated financial statements relating to government grant accounting, note 2 (d) (vi) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to government grant recognition and note 38 which contains the disclosure of SAMA support programs and details of the government grant received over the year from SAMA.

Fees from banking services

The Group charges, and recognises, administrative fees upfront to borrowers on loan financing. All such fees are an integral part of generating an involvement with the resulting financial instrument and therefore, all such fees should be considered in making an adjustment to the effective yield and such adjustment should be recognised within Special Commission Income.

However, due to the large volume of transactions with mostly individually insignificant fee amounts, management has historically used certain assumptions and judgments in relation to the recognition of such fees which are recorded within "Fee and Commission Income, net". During the year, management implemented changes to their processes for future transactions so as to defer such fees on each transaction and recognise them either as an adjustment to the effective yield or on straight line basis.

We considered this as a key audit matter since the use of management assumptions and judgments could result in material over / understatement of the Group's profitability.

Refer to the notes 3 (h) to the consolidated financial statements related to accounting policies for special commission income and note 2 (d) (v) which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the fee income.

How our audit addressed the key audit matter

We obtained the details of the deposit amounts received during the year by the Group.

We assessed the reasonableness of the relevant discount rate used for the computation of government grant.

We tested the accuracy of the government grant computation and assessed the basis for the timing of recognition of the government grant being at a point in time or over a period thereby matching the expense/related costs for which the government grant was intended to compensate.

We assessed the disclosures included by management in the consolidated financial statements in relation to government grant as required by IAS 20.

We performed the following procedures:

- We evaluated the assumptions and judgments used by management for recognizing the administrative fees charged upfront to the borrowers.
- We obtained management's assessment of the impact of the use of assumptions and judgments and:
  - on a sample basis, traced the historical and current year data used by management in their assessment to the underlying accounting records;
  - considered the impact of the changes in processes on management's assessment; and
  - assessed the impact on the recognition of fee and commission income and special commission income.

Other Information included in the Bank's 2020 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. The other information consists of the information included in the Bank's 2020 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs as endorsed in KSA, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

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12 Rajab 1442H
(24 February 2021)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 and 2019

	Note	2020 SAR '000	2019 SAR '000
Assets			
Cash and balances with Saudi Central Bank (SAMA)	4	41,954,124	29,189,487
Due from banks and other financial institutions	5	13,624,476	4,734,888
Positive fair value of derivatives	6	1,558,957	608,847
– Investment at FVIS	7 (a)	1,101,133	1,038,918
– Investment at amortised cost, net	7 (a)	33,290,075	32,141,544
– Investments at FVOCI, net	7 (a)	22,058,598	20,180,953
Investments, net	7	56,449,806	53,361,415
Loans and advances, net	8	191,346,635	173,981,999
Investment in associates	9	699,151	702,882
Other real estate		324,054	233,057
Property, equipment and right of use assets, net	10	2,427,811	2,201,925
Other assets	11	1,702,893	774,378
Total assets		**310,087,907**	**265,788,878**
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks and other financial institutions	12	41,788,903	13,124,480
Negative fair value of derivatives	6	1,640,934	649,226
Customer deposits	13	203,039,336	194,517,899
Debt securities in issue	14	5,684,008	4,003,029
Other liabilities	15	13,579,628	12,922,782
Total liabilities		**265,732,809**	**225,217,416**
Shareholders' equity			
Share capital	16	30,000,000	30,000,000
Statutory reserve	17	7,680,879	6,502,130
Other reserves		1,745,649	1,027,108
Retained earnings		4,928,570	1,392,224
Proposed dividends	26	-	1,650,000
Total shareholders' equity		**44,355,098**	**40,571,462**
Total liabilities and shareholders' equity		**310,087,907**	**265,788,878**

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

As at December 31, 2020 and 2019

	Note	2020 SAR '000	2019 SAR '000
Special commission income	20	9,813,394	10,371,426
Special commission expense	20	1,599,789	2,534,411
Net special commission income		**8,213,605**	**7,837,015**
Fee and commission income	21	2,710,220	2,880,929
Fee and commission expense	21	836,665	850,184
Fee and commission income, net		**1,873,555**	**2,030,745**
Exchange income, net		412,614	342,658
Trading income, net		218,297	132,806
Dividend income		102,518	102,866
Gains on disposal of non-trading investments, net	22	305,068	255,486
Other operating income	23	79,464	15,487
Total operating income, net		**11,205,121**	**10,717,063**
Salaries and employee-related expenses	24	1,939,428	1,879,017
Rent and premises-related expenses		177,716	200,189
Depreciation of property, equipment and right of use assets	10	488,344	438,976
Other general and administrative expenses		974,969	1,035,685
Other operating expenses		54,100	120,207
Total operating expenses before impairment charge		**3,634,557**	**3,674,074**
Impairment charge for credit losses and other financial assets, net	8 (f)	2,061,743	1,012,284
Impairment charge (reversal) for investments, net		44,192	(48,028)
Total operating expenses, net		**5,740,492**	**4,638,330**
Net operating income		**5,464,629**	6,078,733
Share in earnings of associates, net		19,368	153,333
Income for the year before zakat		**5,483,997**	**6,232,066**
Zakat for the year	26	769,000	630,000
Net income for the year		**4,714,997**	**5,602,066**
Basic and diluted earnings per share (in SAR)	25	**1.57**	**1.87**

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at December 31, 2020 and 2019

	Note	2020 SAR '000	2019 SAR '000
Net income for the year		4,714,997	5,602,066
Other comprehensive income (OCI):			
(a) Items that will be reclassified to consolidated statement of income in subsequent periods			
– Fair value through other comprehensive income (FVOCI – debt instruments)			
– Net change in fair value	18	656,713	1,105,992
– Net amounts transferred to consolidated statement of income	18	(131,379)	(235,604)
– Net changes in allowance for expected credit losses (ECL) of debt instruments	18	42,541	(17,276)
– Net change in fair value of cash flow hedge		3,401	–
(b) Items that will not be reclassified to consolidated statement of income in subsequent periods			
– Actuarial losses on defined benefit plans	27 (b)	(60,134)	(149,515)
– Net change in fair value of equity instruments at fair value through other comprehensive income (FVOCI – equity instruments)	18	207,497	251,583
Other comprehensive income for the year		**718,639**	**955,180**
Total comprehensive income for the year		**5,433,636**	**6,557,246**

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at December 31, 2020 and 2019

	Share capital SAR '000	Statutory reserve SAR '000	Other reserves SAR '000	Retained earnings SAR '000	Proposed dividends SAR '000	Total SAR '000
December 31, 2020						
Balance at the beginning of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462
Total comprehensive income						
Net changes in fair values of						
– FVOCI – equity instruments	–	–	207,497	–	–	207,497
– FVOCI – debt instruments	–	–	656,713	–	–	656,713
Net amount reclassified to the consolidated statement of income for FVOCI – debt instruments	–	–	(131,379)	–	–	(131,379)
Net changes in allowance for expected credit losses on FVOCI – debt instruments	–	–	42,541	–	–	42,541
Actuarial losses [Note 27 (b)]	–	–	(60,134)	–	–	(60,134)
Net change in fair value of cash flow hedge	–	–	3,401	–	–	3,401
Net income for the year after zakat	–	–	–	4,714,997	–	4,714,997
Total comprehensive income	–	–	718,639	4,714,997	–	5,433,636
Disposal of FVOCI – equity instruments [Note 7 (b)]	–	–	(98)	98	–	–
Final dividends – 2019 (Note 26)	–	–	–	–	(1,650,000)	(1,650,000)
Transfer to statutory reserve (Note 17)	–	1,178,749	–	(1,178,749)	–	–
Balance at the end of the year	30,000,000	7,680,879	1,745,649	4,928,570	–	44,355,098
December 31, 2019						
Balance at the beginning of the year	30,000,000	5,101,613	58,047	414,556	1,200,000	36,774,216
Total comprehensive income						
Net changes in fair values of						
– FVOCI – equity instruments	–	–	251,583	–	–	251,583
– FVOCI – debt instruments	–	–	1,105,992	–	–	1,105,992
Net amount reclassified to the consolidated statement of income for FVOCI – debt instruments	–	–	(235,604)	–	–	(235,604)
Net changes in allowance for expected credit losses on FVOCI – debt instruments	–	–	(17,276)	–	–	(17,276)
Actuarial gains [Note 27 (b)]	–	–	(149,515)	–	–	(149,515)
Net income for the year after zakat	–	–	–	5,602,066	–	5,602,066
Total comprehensive income	–	–	955,180	5,602,066	–	6,557,246
Disposal of FVOCI – equity instruments [Note 7 (b)]	–	–	13,881	(13,881)	–	–
Final dividends – 2018	–	–	–	–	(1,200,000)	(1,200,000)
Interim dividend – 2019 (Note 26)	–	–	–	(1,560,000)	–	(1,560,000)
Transfer to statutory reserve (Note 17)	–	1,400,517	–	(1,400,517)	–	–
Final proposed dividend – 2019 (Note 26)	–	–	–	(1,650,000)	1,650,000	–
Balance at the end of the year	30,000,000	6,502,130	1,027,108	1,392,224	1,650,000	40,571,462

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at December 31, 2020 and 2019

	Note	2020 SAR '000	2019 SAR '000
Operating activities			
Net income for the year before zakat		**5,483,997**	**6,232,066**
Adjustments to reconcile net income for the year to net cash from operating activities:			
Accretion of discounts and amortisation of premium, net on non-FVIS instruments, net		(89,884)	(112,349)
Gains on non-trading investments, net	22	(305,068)	(255,486)
Gains (loss) on trading investments, net		(30,251)	(21,569)
Dividend income		(102,518)	(102,866)
Depreciation of property and equipment	10	488,344	438,976
Share in earnings of associates, net		(19,368)	(153,333)
Impairment charge for investments, net		44,192	(48,028)
Impairment charge for credit losses and other provisions, net	8 (f)	2,061,743	1,012,284
		7,531,187	**6,989,695**
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(782,994)	(1,038,289)
Due from banks and other financial institutions maturing after three months from date of acquisition		616,000	494,645
Positive fair value of derivatives		(950,110)	(322,222)
Fair value through income statement (FVIS)		(43,706)	(619,607)
Loans and advances, net		(19,351,710)	(23,927,290)
Other real estate		(90,997)	(5,652)
Other assets		(908,685)	(102,298)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		28,664,423	4,543,966
Negative fair value of derivatives		991,708	374,956
Customer deposits		8,521,437	24,695,743
Other liabilities		624,921	2,008,446
		24,821,474	**13,092,093**
Zakat paid		(1,117,728)	(905,404)
Net cash from operating activities		23,703,746	12,186,689
Investing activities			
Proceeds from sales and maturities of investments not held as FVIS instruments		59,737,569	61,539,244
Purchase of investments not held as FVIS instruments		(61,496,377)	(64,609,430)
Purchase of property and equipment, net		(478,927)	(333,802)
Net cash used in investing activities		**(2,237,735)**	**(3,403,988)**
Financing activities			
Debt securities in issue, net	14	1,680,979	(755)
Dividend paid		(1,654,811)	(2,757,618)
Cash used in financing activities		**26,168**	**(2,758,373)**
Net increase in cash and cash equivalents		21,492,179	6,024,328
Cash and cash equivalents at beginning of the year		23,473,417	17,449,089
Cash and cash equivalents at end of the year	28	**44,965,596**	**23,473,417**
Special commission received during the year		9,513,410	10,372,322
Special commission paid during the year		1,714,624	2,433,950
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		736,232	1,121,971
ROU assets		842,940	607,637
ROU lease liabilities		543,855	401,563

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2020 and 2019

1. GENERAL

Riyad Bank ("The Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 341 (2019: 341) licensed branches in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The number of the Group's employees stood at 6,147 as at December 31, 2020 (2019: 5,955). The Bank's Head Office is located at the following address:

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared:

- in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and
- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank

(b) Basis of measurement and presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, FVIS and FVOCI investments. In addition, financial assets and 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. In making the going concern assessment, the Bank has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources etc.

The consolidated statement of financial position is stated in order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand Saudi Arabian Riyals.

(d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS, as endorsed in the KSA and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Group has made various accounting estimates in these consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Group believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

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

(1) Expected credit losses (ECL) on financial assets

The measurement of impairment losses under IFRS 9 on the applicable categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probabilities of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulae and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models [Note 30.3 (b) (v)].

(2) Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: 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

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

(3) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

The Group is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Group's loans and advances portfolio.

(4) Defined benefit scheme

The Group operates an End of Service Benefit scheme for its employees based on the prevailing Saudi Labour laws. The liability is being accrued based on projected unit credit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate refer Note 27.

(5) Fee income

The Group charges administrative fee upfront on borrowers, on loan financing. Due to large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and judgments in relation to the recognition of such fee which are recorded within "fee and commission income, net".

(6) Government Grant:

The management has exercised certain judgements in the recognition and measurement of the grant income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies (for both conventional and non-conventional banking) adopted in the preparation of these consolidated financial statements are set out below:

3.1 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019 except for the changes explained below.

Based on the amendments to standards and interpretations explained below, the accounting policies are applicable effective 1 January 2020 replacing/amending or adding to the corresponding accounting policies set out in 2019 annual consolidated financial statements.

Amendment to standards adopted by the Group

Below amendments to accounting standards became applicable for annual reporting periods commencing on or after January 1, 2020. The management has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase 1

The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 01, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase 2

The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after January 01, 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Bank will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programs to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Group needs to ensure it has appropriate accounting policies and governance in place. For the additional disclosures, the Group will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

The table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

December 31, 2020 SAR Mn.	Non-derivative financial assets - carrying value	Non-derivative financial liabilities carrying value	Derivatives Nominal amount
SIBOR - SAR	42,069	–	21,203
LIBOR- USD	9,258	–	25,389
LIBOR- GBP	8	–	–

3.2 Accounting Policies

(a) Classification of financial assets

On initial recognition, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

(1) Financial Asset at amortised cost (AC)

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

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

(2) Financial Asset at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss.

Equity Instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Equity instruments at FVOCI are not subject to an impairment assessment.

(3) Financial Asset at FVIS

Financial assets at FVIS comprise derivative instruments, quoted equity instruments held for trading and debt securities classified neither as AC nor FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset as FVIS, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The details of business model assessment and SPPI test are explained below:

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

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

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

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

Designation at Fair value through income statement(FVIS)

At initial recognition, the Group has designated certain financial assets at FVIS. Before 1 January 2018, the Group also designated certain financial assets as at FVIS because the assets were managed, evaluated and reported internally on a fair value basis.

(b) Classification of financial liabilities

All money market deposits, customer deposits and debt securities in issue are initially recognised at fair value less transaction costs. Financial liabilities at FVIS are recognised initially at fair value and transaction costs are taken directly to the statement of income. Subsequently all commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

(c) Derecognition

(1) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(2) Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(d) Modifications of financial assets and financial liabilities

(1) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a de-recognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(2) Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

(e) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

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

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

12 month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise ;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: loss allowance is not recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in profit and loss and changes between the amortised cost of the assets and their fair value are recognised in OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

(f) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this unamortised amount and the amount of loss allowance.

The Group has issued no loan commitments that are measured at FVIS. For other loan commitments: the Group recognizes loss allowance based on the ECL requirement.

(g) Government grant

The Bank recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the consolidated statement of income on a systematic basis

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over the period in which the bank recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

(h) Revenue/expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Measurement of amortized cost and special commission income

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

Others

Dividend income is recognised when the Group's right to receive payment is established. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

Rendering of services

The Group provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services. The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for fee related to performance obligation which is satisfied over time, the Bank recognizes revenue over the period of time.

(i) Customer Loyalty Program

The Group offers customer loyalty program (reward points herein referred to as "Hassad points"), which allows its customers to earn points that can be redeemed for certain partner outlets. The Group allocates a portion of transaction price (interchange fee) to the Hassad points awarded to its customers, based on the relative standalone selling price. The amount of revenue allocated to Hassad points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related to unredeemed Hassad points is adjusted over time based on actual experience and current trends with respect to redemption.

(j) Basis of consolidation

These consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to the reporting date, each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

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

Balances between the Group and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Investment funds

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

The Group is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. The Group concluded that these entities cannot be consolidated in its financial statements as it could not establish control over these SPEs.

(k) Investment in associates

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting. An associate is an entity in which the Group holds significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's share of its associates' post-acquisition profits or losses are recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in reserves. Distribution received from the investee reduces the carrying amount of the investment. Under the equity method of accounting, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The Group's share of profit of an associate is shown on the face of the consolidated statement of income.

(l) Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into, with transaction costs recognised in the consolidated statement of income and, are subsequently re-measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

(1) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in trading income/loss. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting described below.

(2) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At the inception of the hedge, the risk management objective and strategy is documented, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

(a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated statement of income. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

(b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect consolidated statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated statement of income in the same period in which the hedged transaction affects the consolidated statement of income. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated statement of income for the period.

(m) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Group's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in equity, depending on the recognition of the fair value movement of the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated statement of income at the time of disposal of foreign operations.

(n) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(o) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership and are measured in accordance with related accounting policies for investments held as FVIS, FVOCI, and held at amortised cost. The counterparty liability for amounts received under these agreements is included in ""Due to banks and other financial institutions"" or ""Customer deposits"", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

(p) Other real estate

The Group, in the ordinary course of business, acquires certain real estate against settlement of due loans and advances. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due loans and advances or the current fair value of the related properties, less any costs to sell, if material. Rental income from other real estate is recognised in the consolidated statement of income. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the consolidated statement of income. Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain/ loss on disposal.

(q) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated statement of income.

(r) Guarantee contracts

In ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Group's liability under each guarantee is measured at the higher of the unamortised premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in "impairment charge for credit losses". The premium received is recognised in the consolidated statement of income in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

(s) Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

(t) Accounting for leases – Right of Use Asset/Lease Liabilities

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

Right of Use Assets

Bank apply cost model, and measure right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. 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, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, Bank 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.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(u) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

(v) End of service benefits

Benefits payable to the employees of the Group at the end of their services are accrued in accordance with the guidelines set by the Saudi Arabian Labour Regulations or other applicable laws in other jurisdictions, and are included in other liabilities in the consolidated statement of financial position.

(w) Zakat

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

The basis of preparation has been changed as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax is recognized in the statement of income.

(x) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

(y) Non-conventional banking products

In addition to the conventional banking, the Group offers its customers certain non-conventional banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaruq and Ijara.

(1) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

(2) Ijarah is a an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

(3) Tawaruq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

(z) Short term employee benefits

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

(aa) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Group accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA)

	2020 SAR '000	2019 SAR '000
Cash in hand	5,136,666	4,916,642
Statutory deposit	10,409,694	9,626,700
Reverse repos with SAMA	26,323,268	14,628,798
Other balances	84,496	17,347
Total	**41,954,124**	**29,189,487**

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents (Note 28).

The allowance for expected credit losses (ECLs), in respect of the above, was marginal as on December 31, 2020 (December 31, 2019: SAR 0.202 million). The ECL allowance relate to stage 1 exposures.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 SAR '000	2019 SAR '000
Current accounts	6,250,160	958,966
Money market placements	7,374,316	3,775,922
Total	**13,624,476**	**4,734,888**

Money market placements include margin deposits amounting to SAR 2,326 million (2019: SAR 809 million).

The allowance for expected credit losses (ECLs) in respect of the above, amounted to SAR 5.2 million as on December 31, 2020 (December 31, 2019: SAR 0.54 million). The ECL allowance relates to stage 1 exposures.

6. DERIVATIVES

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes:

(a) Swaps
Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal. For currency swaps, principal, fixed and floating commission payments are exchanged in different currencies.

(b) Forwards and futures
Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are settled on daily basis.

(c) Options
Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying pricing anomalies in different markets and products, with the expectation of profiting from price differentials between markets or products.

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and if required hedging strategies are used to reduce special commission rate gap within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This can be achieved by hedging specific transactions as well as strategic hedging against overall consolidated statement of financial position exposure.

Hedge ineffectiveness can arise from differences in timing of cash flows of hedged items and hedging instruments, different interest rate curves applied to discount the hedged items and hedging instruments, derivatives used as hedging instruments having a non-nil fair value at the time of designation etc.

Fair value hedges

The Group uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate at a variable rate. The Group uses special commission rate swaps as cash flow hedges of these special commission rate risks.

The table below shows the positive and negative fair values of derivative financial instruments held, together with their notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not 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.

2020			Notional amounts by term to maturity					
	Positive fair value SAR '000	Negative fair value SAR '000	Notional amount total SAR '000	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5 years SAR '000	Monthly average SAR '000
Held for trading:								
Special commission rate swaps	1,436,648	(1,210,717)	46,191,559	5,085,964	10,848,551	23,274,519	6,982,525	42,700,791
Forward foreign exchange contracts	118,908	(78,021)	24,759,998	17,863,337	4,687,415	2,209,246	–	26,879,235
Held as fair value hedges:								
Special commission rate swaps	–	(352,196)	3,253,728	189,196	578,098	2,105,159	381,275	3,253,728
Held as cash flow hedges:								
Special commission rate swaps	3,401	–	925,000	40,317	123,192	654,036	107,455	925,000
Total	1,558,957	(1,640,934)	75,130,285	23,178,814	16,237,256	28,242,960	7,471,255	73,758,754

2019			Notional amounts by term to maturity					
	Positive fair value SAR '000	Negative fair value SAR '000	Notional amount total SAR '000	Within 3 months SAR '000	3-12 months SAR '000	1-5 years SAR '000	Over 5years SAR '000	Monthly average SAR '000
Held for trading:								
Special commission rate swaps	513,761	(427,453)	40,316,114	4,471,190	10,044,002	23,593,510	2,207,412	38,646,106
Forward foreign exchange contracts	95,086	(21,762)	29,886,020	23,969,845	3,575,365	2,340,810	–	27,877,541
Held as fair value hedges:								
Special commission rate swaps	–	(200,011)	3,169,439	153,075	467,730	2,120,244	428,390	3,169,439
Total	608,847	(649,226)	73,371,573	28,594,110	14,087,097	28,054,564	2,635,802	69,693,086

Derivatives include non-conventional banking products of SAR 7.24 billion as at December 31, 2020 (December 31, 2019: SAR 3.68 billion)

Cash flow hedges

The Group is exposed to variability in future commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. Also, as a result of firm commitments in foreign currencies, such as its issued foreign currency debt, the Group is exposed to foreign exchange and commission rate risks which are hedged with cross currency commission rate swaps. Below is the schedule indicating as at December 31, 2020, the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income:

2020 SAR '000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	8,048	16,095	16,095	5,299
Total	8,048	16,095	16,095	5,299

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2020 and 2019.

2020 SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed special commission rate investments and loans	3,792,738	3,440,775	Fair value	Special commission rate swaps	–	(352,196)
Floating rate notes	925,000	925,000	Cash flow	Special commission rate swaps	3,401	–

2019 SAR '000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed special commission rate deposits	3,536,296	3,336,267	Fair value	Special commission rate swaps	–	(200,011)

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed with financial counterparties. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the financial counter party.

For commission rate swaps entered into with European counterparties, the Bank and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over the Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives contracts and implementation of risk management standards, and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

7. INVESTMENTS, NET

(a) Investment securities are classified as follows:

	2020 SAR '000	2019 SAR '000
1. Investment at FVIS	1,101,133	1,038,918
2. Investment at amortised cost	33,306,148	32,154,904
Less: Allowance for credit losses/ECL	(16,073)	(13,360)
Investment at amortised cost, net	**33,290,075**	**32,141,544**
3. Investments at FVOCI – Debt instruments	18,539,730	17,131,969
– Investments at FVOCI – Equity investments	3,518,868	3,048,984
Investments at FVOCI, net	22,058,598	20,180,953
Total Investments, net	**56,449,806**	**53,361,415**

(b) Equity investment securities designated as at FVOCI:

The Group designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for strategic purposes.

	Fair value as at December 31, 2020 SAR '000	Fair value as at December 31, 2019 SAR '000	Dividend income recognised during 2020 SAR '000	Dividend income recognised during 2019 SAR '000
Saudi (Tadawul listed) equities	2,478,120	2,140,816	96,385	93,080
Other Saudi equities	368,183	371,948	700	–
Foreign equities	672,565	536,220	122	2,616
Total	**3,518,868**	**3,048,984**	**97,207**	**95,696**

During 2020, the Group sold shares in its Saudi (Tadawul listed) equities having a fair value of SAR 0.06 million (SAR 324 million during 2019) and the gain amounting to SAR 0.098 million (2019: loss of SAR 13.881 million) was transferred to retained earnings. The above sales were carried out as part of tactical adjustment of the portfolio to enhance value.

(c) Investments by type of securities:

1. Investment at FVIS

	Domestic		International		Total	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Others	1,101,133	1,038,918	–	–	1,101,133	1,038,918
Total	**1,101,133**	**1,038,918**	**–**	**–**	**1,101,133**	**1,038,918**

2. Investment at amortised cost, net

	Domestic		International		Total	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Fixed rate securities	24,925,136	22,648,556	935,799	1,332,445	25,860,935	23,981,001
Floating rate securities	7,178,921	7,909,080	250,219	251,463	7,429,140	8,160,543
Total	**32,104,057**	**30,557,636**	**1,186,018**	**1,583,908**	**33,290,075**	**32,141,544**

3. Investments at FVOCI, net

	Domestic		International		Total	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Fixed rate securities	–	–	18,539,730	16,551,046	18,539,730	16,551,046
Floating rate securities	–	–	–	580,923	–	580,923
Equities	2,846,303	2,512,764	672,565	536,220	3,518,868	3,048,984
Total	**2,846,303**	**2,512,764**	**19,212,295**	**17,668,189**	**22,058,598**	**20,180,953**

The impairment allowance on debt instruments at FVOCI amounts to SAR 100.4 million (2019: SAR 57.8 million).

Above investments include sukuks amounting to SAR 16.68 billion (2019: SAR 15.14 billion).

International investments above includes investment portfolios of SAR 2.0 billion (2019: SAR 1.8 billion) which are externally managed.

(d) An analysis of changes in loss allowance for debt instruments carried at amortised cost, is as follows:

The loss allowance as on December 31, 2020 amounted to SAR 16.1 million (December 31, 2019: SAR 13.4 million) and these relate to stage 1 exposures.

(e) The analysis of the composition of investments is as follows:

1. Investment at FVIS

	2020 SAR '000			2019 SAR '000		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Others	1,101,133	–	1,101,133	1,038,918	–	1,038,918
Total	**1,101,133**	**–**	**1,101,133**	**1,038,918**	**–**	**1,038,918**

2. Investment at amortised cost, net

	2020 SAR '000			2019 SAR '000		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	3,739,287	22,121,648	25,860,935	2,034,874	21,946,127	23,981,001
Floating rate securities	1,299,995	6,129,145	7,429,140	1,481,296	6,679,247	8,160,543
Total	**5,039,282**	**28,250,793**	**33,290,075**	**3,516,170**	**28,625,374**	**32,141,544**

3. Investments at FVOCI, net

	2020 SAR '000			2019 SAR '000		
	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	18,360,964	178,766	18,539,730	16,379,570	171,476	16,551,046
Floating rate securities	–	–	–	580,923	–	580,923
Equities	3,064,161	454,707	3,518,868	2,656,261	392,723	3,048,984
Total	**21,425,125**	**633,473**	**22,058,598**	**19,616,754**	**564,199**	**20,180,953**

** Unquoted securities include Saudi Government Treasury Bills and bonds of SAR 26.7 billion (2019: SAR 24.6 billion)*

(f) The analysis of investments by counter-party is as follows:

	2020 SAR '000	2019 SAR '000
Government and quasi Government	31,277,846	29,325,148
Corporate	15,604,427	14,845,500
Banks and other financial institutions	9,567,533	9,190,767
Total	**56,449,806**	**53,361,415**

Investments include SAR 13,125 million (2019: SAR 11,664 million), which have been pledged under repurchase agreements with customers (note 19 d)). The market value of such investments is SAR 14,195 million (2019: SAR 12,116 million).

8. LOANS AND ADVANCES, NET

(a) These comprise the following:

2020	Overdrafts SAR '000	Credit cards SAR '000	Consumer loans* SAR '000	Commercial loans SAR '000	Others SAR '000	Total SAR '000
Performing loans and advances	6,432,126	679,634	63,426,847	121,300,756	389,349	192,228,712
Non-performing loans and advances	327,012	30,482	1,105,749	2,186,669	2,024	3,651,936
Total loans and advances	6,759,138	710,116	64,532,596	123,487,425	391,373	195,880,648
Allowance for impairment	(217,061)	(29,830)	(998,568)	(3,287,425)	(1,129)	(4,534,013)
Total	6,542,077	680,286	63,534,028	120,200,000	390,244	191,346,635

2019	Overdrafts SAR '000	Credit cards SAR '000	Consumer loans* SAR '000	Commercial loans SAR '000	Others SAR '000	Total SAR '000
Performing loans and advances	6,778,704	798,484	55,951,555	111,157,478	497,510	175,183,731
Non-performing loans and advances	95,536	–	377,950	1,078,062	2,586	1,554,134
Total loans and advances	6,874,240	798,484	56,329,505	112,235,540	500,096	176,737,865
Allowance for impairment	(110,945)	(37,971)	(937,524)	(1,667,204)	(2,222)	(2,755,866)
Total	**6,763,295**	**760,513**	**55,391,981**	**110,568,336**	**497,874**	**173,981,999**

** Includes consumer mortgage loans*

Loans and advances, net, include non-conventional banking products of SAR 122.9 billion (2019: SAR 105.9 billion). As at December 2020, the non-conventional banking products gross portfolio mainly comprises of Tawarooq amounting to SAR 85.2 billion (2019: SAR 72.1 billion), Ijarah amounting to SAR 21.1 billion (2019: SAR 21.4 billion) and Murabaha amounting to SAR 19.4 billion (2019: SAR 13.6 billion) and the expected credit loss allowance on the portfolio was SAR 3.1 billion (2019: SAR 1.6 billion). During 2020, the special commission income on the portfolio amounted to SAR 5.3 billion (2019: SAR 5.4 billion).

(b) An analysis of changes in loss allowance for total loans and advances is, as follows:

ECL on total loans and advances	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	449,757	509,208	1,796,901	2,755,866
Transfer to 12-month ECL	122,508	(38,824)	(83,684)	–
Transfer to lifetime ECL – not credit impaired	(14,478)	74,053	(59,575)	–
Transfer to lifetime ECL – credit impaired	(6,530)	(287,976)	294,506	–
Net re-measurement of loss allowance**	475,124	688,991	614,032	1,778,147
Balance as at December 31, 2020	1,026,381	945,452	2,562,180	4,534,013

ECL on total loans and advances	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	301,461	667,541	1,389,527	2,358,529
Transfer to 12-month ECL	153,611	(70,327)	(83,284)	–
Transfer to lifetime ECL – not credit impaired	(10,480)	60,611	(50,131)	–
Transfer to lifetime ECL – credit impaired	(4,096)	(141,785)	145,881	–
Net re-measurement of loss allowance**	9,261	(6,832)	394,908	397,337
Balance as at December 31, 2019	**449,757**	**509,208**	**1,796,901**	**2,755,866**

** Includes charge-offs (consumer loans and credit cards) and write-offs (commercial, overdrafts and others).*

ECL on credit cards	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	8,282	3,511	26,178	37,971
Transfer to 12-month ECL	5,969	(478)	(5,491)	–
Transfer to lifetime ECL - not credit Impaired	(408)	4,604	(4,196)	–
Transfer to lifetime ECL - credit Impaired	(316)	(1,745)	2,061	–
Net re-measurement of loss allowance including charge-offs	(7,769)	(3,297)	2,925	(8,141)
Balance as at December 31, 2020	5,758	2,595	21,477	29,830

ECL on credit cards	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	14,012	4,679	25,765	44,456
Transfer to 12-month ECL	5,134	(597)	(4,537)	–
Transfer to lifetime ECL - not credit Impaired	(545)	3,400	(2,855)	–
Transfer to lifetime ECL - credit Impaired	(412)	(2,240)	2,652	–
Net re-measurement of loss allowance including charge-offs	(9,907)	(1,731)	5,153	(6,485)
Balance as at December 31, 2019	**8,282**	**3,511**	**26,178**	**37,971**

ECL on consumer loans*	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	217,994	93,334	626,196	937,524
Transfer to 12-month ECL	111,770	(35,663)	(76,107)	–
Transfer to lifetime ECL - not credit Impaired	(2,897)	57,507	(54,610)	–
Transfer to lifetime ECL - credit Impaired	(2,338)	(19,237)	21,575	–
Net re-measurement of loss allowance including charge-offs	(10,695)	(22,957)	94,696	61,044
Balance as at December 31, 2020	313,834	72,984	611,750	998,568

ECL on consumer loans*	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	167,976	259,031	496,776	923,783
Transfer to 12-month ECL	104,540	(54,644)	(49,896)	–
Transfer to lifetime ECL - not credit Impaired	(8,624)	55,602	(46,978)	–
Transfer to lifetime ECL - credit Impaired	(2,716)	(56,549)	59,265	–
Net re-measurement of loss allowance including charge-offs	(43,182)	(110,106)	167,029	13,741
Balance as at December 31, 2019	**217,994**	**93,334**	**626,196**	**937,524**

** Includes consumer mortgage loans*

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ECL on Commercial loans*	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	223,481	412,363	1,144,527	1,780,371
Transfer to 12-month ECL	4,769	(2,683)	(2,086)	–
Transfer to lifetime ECL - not credit Impaired	(11,173)	11,942	(769)	–
Transfer to lifetime ECL - credit Impaired	(3,876)	(266,994)	270,870	–
Net re-measurement of loss allowance	493,588	715,245	1,057,960	2,266,793
Write-offs	–	–	(541,549)	(541,549)
Balance as at December 31, 2020	706,789	869,873	1,928,953	3,505,615

ECL on Commercial loans*	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	119,473	403,831	866,986	1,390,290
Transfer to 12-month ECL	43,937	(15,086)	(28,851)	–
Transfer to lifetime ECL - not credit Impaired	(1,311)	1,609	(298)	–
Transfer to lifetime ECL - credit Impaired	(968)	(82,996)	83,964	–
Net re-measurement of loss allowance	62,350	105,005	999,242	1,166,597
Write-offs	–	–	(776,516)	(776,516)
Balance as at December 31, 2019	**223,481**	**412,363**	**1,144,527**	**1,780,371**

* *Includes overdrafts and others*

(c) An analysis of changes in gross carrying amount of loans and advances

Total loans and advances	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2020	168,470,276	4,978,881	3,288,706	176,737,865
Transfer to 12-month ECL	1,411,286	(1,221,777)	(189,509)	–
Transfer to lifetime ECL - not credit impaired	(6,520,500)	6,648,942	(128,442)	
Transfer to lifetime ECL - credit impaired	(874,609)	(1,034,156)	1,908,765	–
Net other movements*	14,106,592	5,544,265	33,477	19,684,332
Write-off	–	–	(541,549)	(541,549)
Balance as at 31 December, 2020	176,593,045	14,916,155	4,371,448	195,880,648

Total loans and advances	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2019	141,627,696	8,719,746	3,035,917	153,383,359
Transfer to 12-month ECL	2,833,972	(2,634,098)	(199,874)	–
Transfer to lifetime ECL - not credit impaired	(952,420)	1,059,622	(107,202)	
Transfer to lifetime ECL - credit impaired	(677,679)	(672,433)	1,350,112	–
Net other movements*	25,638,707	(1,493,955)	(13,730)	24,131,022
Write-off	–	–	(776,516)	(776,516)
Balance as at 31 December, 2019	**168,470,276**	**4,978,882**	**3,288,707**	**176,737,865**

Credit cards	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2020	714,841	51,215	32,428	798,484
Transfer to 12-month ECL	23,086	(17,444)	(5,642)	–
Transfer to lifetime ECL - not credit impaired	(38,517)	44,062	(5,545)	–
Transfer to lifetime ECL - credit impaired	(27,447)	(18,658)	46,105	
Net other movements*	(45,848)	(5,656)	(36,864)	(88,368)
Balance as at 31 December, 2020	626,115	53,519	30,482	710,116

Credit cards	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2019	684,864	59,606	30,933	775,403
Transfer to 12-month ECL	21,799	(17,728)	(4,071)	–
Transfer to lifetime ECL - not credit impaired	(34,304)	38,056	(3,752)	–
Transfer to lifetime ECL - credit impaired	(26,484)	(21,663)	48,147	–
Net other movements*	68,966	(7,056)	(38,829)	23,081
Balance as at 31 December, 2019	**714,841**	**51,215**	**32,428**	**798,484**

* *Includes New loans generated, Loans repaid, charge offs and other re-measurements.*

Consumer loans*	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2020	53,660,065	1,546,414	1,123,024	56,329,503
Transfer to 12-month ECL	868,199	(688,891)	(179,308)	–
Transfer to lifetime ECL - not credit impaired	(881,820)	1,002,387	(120,567)	–
Transfer to lifetime ECL - credit impaired	(373,975)	(216,452)	590,427	–
Net other movements***	8,645,371	(134,451)	(307,827)	8,203,093
Balance as at 31 December, 2020	61,917,840	1,509,007	1,105,749	64,532,596

Total loans and advances	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at 1 January, 2019	42,580,593	1,744,224	948,197	45,273,014
Transfer to 12-month ECL	733,672	(633,967)	(99,705)	–
Transfer to lifetime ECL - not credit impaired	(704,743)	807,268	(102,525)	–
Transfer to lifetime ECL - credit impaired	(373,626)	(270,550)	644,176	–
Net other movements***	11,424,169	(100,560)	(267,118)	11,056,491
Balance as at 31 December, 2019	**53,660,065**	**1,546,415**	**1,123,025**	**56,329,505**

Commercial loans**	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	114,095,370	3,381,252	2,133,254	119,609,876
Transfer to 12-month ECL	520,001	(515,442)	(4,559)	–
Transfer to lifetime ECL - not credit Impaired	(5,600,163)	5,602,493	(2,330)	–
Transfer to lifetime ECL - credit Impaired	(473,187)	(799,046)	1,272,233	–
Net other movements***	5,507,069	5,684,372	378,168	11,569,609
Write-off	–	–	(541,549)	(541,549)
Balance as at December 31, 2020	114,049,090	13,353,629	3,235,217	130,637,936

Commercial loans**	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	98,362,239	6,915,916	2,056,787	107,334,942
Transfer to 12-month ECL	2,078,501	(1,982,403)	(96,098)	–
Transfer to lifetime ECL - not credit Impaired	(213,373)	214,298	(925)	–
Transfer to lifetime ECL - credit Impaired	(277,569)	(380,220)	657,789	–
Net other movements***	14,145,572	(1,386,339)	292,217	13,051,450
Write-off	–	–	(776,516)	(776,516)
Balance as at December 31, 2019	**114,095,370**	**3,381,252**	**2,133,254**	**119,609,876**

* Includes consumer mortgage loans.

** Includes overdrafts and others.

*** Includes New loans generated, Loans repaid, charge offs and other re-measurements.

(d) Movement in allowance for impairment of credit losses

	2020 SAR '000	2019 SAR '000
Balance at the beginning of the year	2,755,866	2,358,529
Provided during the year, net	2,319,696	1,173,853
Bad debts written off against provision	(541,549)	(776,516)
Balance at the end of the year	**4,534,013**	**2,755,866**

(e) Impairment charge for financing losses in the consolidated statement of income represents:

	2020 SAR '000	2019 SAR '000
Charge for the year, net*	2,450,765	1,424,202
Recovery of written off loans and advances, net	(463,691)	(454,007)
Allowance for impairment, net	**1,987,074**	**970,195**

* Includes net charge offs.

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

	2020 SAR '000	2019 SAR '000
Impairment charge for credit losses, net	1,987,074	970,195
Impairment charge for other financial assets, net	74,669	42,089
Total	**2,061,743**	**1,012,284**

9. INVESTMENT IN ASSOCIATES

Investment in associates represents the Group's share of investment in entities where the Group has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents:

(a) 48.46% (2019: 48.46%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia. The objectives of the Company are to engage in financing activities including leasing (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets. Based on Ajil Financial Services Company's unaudited financial statements as at September 30, 2020 the total assets, liabilities and shareholders' equity amounted to SAR 1,642 million (September 30,2019: SAR 1,658 million), SAR 777 million (September 30,2019: SAR 780 million) and SAR 865 million (September 30,2019: SAR 877 million) respectively.

(b) 21.4 % (2019: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain, engaged in insurance and re-insurance business and

(c) 30.6% (2019: 30.6%) share ownership, (including indirect) and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia. The activities of the company are to transact cooperative insurance and re-insurance operations and all related activities as per applicable laws and regulations in the Kingdom.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

	Land and buildings SAR '000	Right-of-Use assets SAR '000	Improvement and decoration of premises SAR '000	Furniture, fixtures and equipment SAR '000	Computer hardware, software programmes, automation projects and motor vehicles SAR '000	Total SAR '000
Cost						
Balance as at January 1, 2019	1,447,918	–	936,919	493,629	2,848,534	5,727,000
Additions*	4,010	687,906	60,734	46,213	218,133	1,016,996
Disposals	–	(80,269)	(1,771)	(5,713)	(1,200)	(88,953)
Balance as at December 31, 2019	1,451,928	607,637	995,882	534,129	3,065,467	6,655,043
Additions	–	353,891	74,450	35,744	331,904	795,989
Disposals	(16,724)	(118,588)	(899)	(3,280)	(102,638)	(242,129)
Balance at December 31, 2020	**1,435,204**	**842,940**	**1,069,433**	**566,593**	**3,294,733**	**7,208,903**
Accumulated depreciation and amortisation						
Balance as at January 1, 2019	554,659	–	832,716	434,407	2,205,756	4,027,538
Charge for the year	21,618	135,942	40,750	22,640	218,026	438,976
Disposals	–	(5,106)	(1,771)	(5,321)	(1,198)	(13,396)
Balance as at December 31, 2019	576,277	130,836	871,695	451,726	2,422,584	4,453,118
Charge for the year	21,132	181,041	44,827	24,836	216,508	488,344
Disposals	(5,332)	(48,459)	(899)	(3,045)	(102,635)	(160,370)
Balance at December 31, 2020	**592,077**	**263,418**	**915,623**	**473,517**	**2,536,457**	**4,781,092**
Net book value						
As at January 1, 2019	893,259	–	104,203	59,222	642,778	1,699,462
As at December 31, 2019	875,651	476,801	124,187	82,403	642,883	2,201,925
As at December 31, 2020	**843,127**	**579,522**	**153,810**	**93,076**	**758,276**	**2,427,811**

* Additions under Right of Use assets in 2019 represent the effect of adoption of IFRS 16 as at January 1, 2019.

Improvements and decoration of premises include work in progress amounting to SAR 13.5 million as at December 31, 2020 (2019: SAR 5.5 million). Disposals include cancel or closed lease contracts.

11. OTHER ASSETS

	2020 SAR '000	2019 SAR '000
Accounts receivable	427,104	430,429
Others*	1,275,789	343,949
Total	**1,702,893**	**774,378**

* *Mainly include prepayments and sundry debtors and settlement accounts of SAR 69.6 million (2019: SAR 77.1 million) and items in transit amounting to SAR 1,205.8 million (2019: SAR 263.6 million), which are cleared in the normal course of business.*

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 SAR '000	2019 SAR '000
Current accounts	969,252	851,791
Money market deposits	40,819,651	12,272,689
Total	**41,788,903**	**13,124,480**

Money market deposits include deposits against sales of fixed rate bonds of SAR 12,971 million (2019: SAR 10,891 million) with agreement to repurchase the same at fixed future dates. During the year ended December 31, 2020, the Bank received profit free deposits from SAMA as under various COVID-19 support programs amounting to SAR 26 billion (Note 38) and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 854 million (2019: SAR 103 million).

13. CUSTOMER DEPOSITS

	2020 SAR '000	2019 SAR '000
Demand	116,760,934	93,707,806
Saving	1,054,476	669,226
Time	67,075,543	79,971,122
Others	18,148,383	20,169,745
Total	**203,039,336**	**194,517,899**

Time deposits include non-conventional banking deposits of SAR 25,992 million (2019: SAR 31,450 million). Demand deposits also include non-conventional call deposits of SAR 1,927 million (2019: Nil). The special commission expense on the non-conventional deposits for 2020 amounted to SAR 300.6 million (2019: SAR 801.3 million). Other customers' deposits include SAR 3,161 million (2019: SAR 3,099 million) of margins held for irrevocable commitments.

The above include foreign currency deposits as follows:

	2020 SAR '000	2019 SAR '000
Demand	14,237,775	3,829,760
Saving	38,005	13,833
Time	21,368,898	18,996,369
Other	792,892	499,577
Total	**36,437,570**	**23,339,539**

14. DEBT SECURITIES IN ISSUE

During June 2020, the Bank settled the subordinated debt (Sukuk) of SAR 4 billion issued in June 2015 (due 2025). This settlement has been done in line with the early settlement option to repay the sukuk after 5 years from its issuance date, with prior approval of SAMA and in accordance with the terms and conditions of the agreement.

Earlier in February 2020, the Bank issued a fixed rate tier 2 Sukuk amounting to USD 1.5 billion (SAR 5.63 billion). The Sukuk issuance is under the USD 3 billion Trust Certificate Issuance Programme and is due in 2030. The Sukuk is listed at London Stock Exchange (LSE) and carry a special commission rate of 3.174% per annum and are callable after 5 years, subject to the terms and conditions of the agreement.

The table below sets out movement in debt securities in issue for each of the years presented:

	2020 SAR '000	2019 SAR '000
Opening balance	4,003,029	4,003,783
Cash flow items		
– Issuance of sukuks	5,627,400	–
– Repayment of sukuks	(4,000,000)	–
Non-cash flow items	53,579	(754)
Closing balance	**5,684,008**	**4,003,029**

15. OTHER LIABILITIES

	2020 SAR '000	2019 SAR '000
Accounts payable	660,392	822,483
Others*	12,919,236	12,100,299
Total	**13,579,628**	**12,922,782**

* *Mainly include*

(a) provision for zakat and tax of SAR 2,182 million (2019: SAR 2,531 million)

(b) end of service benefits of SAR 1,029 million (2019 : SAR 908 million) based on actuarial calculations (note 27 b))

(c) lease liability of SAR 544 million (2019: SAR 402 million)

(d) deferred fair value gain on Government grant (note 38) of SAR 717 million (2019: nil)

(e) Loss allowance for credit related commitments and contingencies SAR 285 million (2019: SAR 193 million)

(f) Write-off reserves of SAR 577 million (2019: SAR 603 million)

and insurance payable, accrued expenses, income received in advance and items in transit which are cleared in the normal course of business

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2019: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Bank's By-Laws, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals to the paid up capital of the Bank. Accordingly, SAR 1,179 million has been transferred from 2020 net income (2019: SAR 1,401 million). The statutory reserve is not currently available for distribution.

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18. OTHER RESERVES*

2020	FVOCI debt SAR '000	FVOCI equity SAR '000	Total SAR '000
Balance at beginning of the year	419,013	756,029	1,175,042
Net change in fair value of FVOCI investments	656,713	207,497	864,210
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	(131,379)	–	(131,379)
Net ECL movement during the year	42,541	–	42,541
Net disposals during the year	–	(98)	(98)
Balance at end of the year	**986,888**	**963,428**	**1,950,316**

2019	FVOCI debt SAR '000	FVOCI equity SAR '000	Total SAR '000
Balance at beginning of the year	(434,099)	490,565	56,466
Net change in fair value of FVOCI investments	1,105,992	251,583	1,357,575
Net amounts relating to FVOCI-debt investments transferred to consolidated statement of income	(235,604)	–	(235,604)
Net ECL movement during the year	(17,276)	–	(17,276)
Net disposals during the year	–	13,881	13,881
Balance at end of the year	**419,013**	**756,029**	**1,175,042**

** Does not include fair value changes on cash flow hedge and actuarial loss on defined benefit plan of SAR 204.667 million (2019: actuarial loss of SAR 147.9 million).*

19. COMMITMENTS AND CONTINGENCIES

(a) Legal proceedings

As at December 31, 2020, there were legal proceedings of a routine nature outstanding against the Group. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

(b) Capital commitments

As at December 31, 2020 the Group had capital commitments of SAR 317.6 million (2019: SAR 246.4 million). This includes computer hardware, software, automation projects, construction and equipment purchases.

(c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

(1) The contractual maturity structure for the Group's commitments and contingencies are as follows:

2020	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Letters of credit	6,057,428	2,919,800	96,089	–	9,073,317
Letters of guarantee*	13,184,559	28,538,617	19,156,195	1,642,957	62,522,328
Acceptances	2,039,976	454,981	2,545	–	2,497,502
Irrevocable commitments to extend credit	446,174	2,512,482	6,271,726	3,204,807	12,435,189
Total	**21,728,137**	**34,425,880**	**25,526,555**	**4,847,764**	**86,528,336**

2019	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Letters of credit	4,470,577	4,029,551	697,691	–	9,197,819
Letters of guarantee*	15,091,608	27,307,525	18,386,565	761,240	61,546,938
Acceptances	1,579,171	810,418	26,736	285	2,416,610
Irrevocable commitments to extend credit	2,291,067	1,733,792	5,739,262	2,572,421	12,336,542
Total	**23,432,423**	**33,881,286**	**24,850,254**	**3,333,946**	**85,497,909**

** This is as per contractual period of the guarantee and in event of default may be payable on demand and therefore current in nature.*

The outstanding unused portion of non-firm commitments as at December 31, 2020 which can be revoked unilaterally at any time by the Group, amounts to SAR 96,300 million (2019: SAR 92,891 million).

(2) An analysis of changes in loss allowance for credit related commitments and contingencies are, as follows:

	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2020	49,500	14,359	128,926	192,785
Transfer to 12-month ECL	3,441	(3,365)	(76)	–
Transfer to lifetime ECL - not Credit Impaired	(9,925)	11,425	(1,500)	–
Transfer to lifetime ECL - Credit Impaired	(79)	(5,733)	5,812	–
Net re-measurement of loss allowance	4,409	22,488	70,903	97,800
Transfer to write-off reserves	–	–	(5,201)	(5,201)
Balance as at December 31, 2020	**47,346**	**39,174**	**198,864**	**285,384**

	Stage 1 SAR '000	Stage 2 SAR '000	Stage 3 SAR '000	Total SAR '000
Balance at January 1, 2019	32,821	34,827	93,381	161,029
Transfer to 12-month ECL	16,731	(14,532)	(2,199)	–
Transfer to lifetime ECL - not Credit Impaired	(416)	6,888	(6,472)	–
Transfer to lifetime ECL - Credit Impaired	(37)	(10,013)	10,050	–
Net re-measurement of loss allowance	401	(2,811)	58,524	56,114
Transfer to write-off reserves	–	–	(24,358)	(24,358)
Balance as at December 31, 2019	**49,500**	**14,359**	**128,926**	**192,785**

As at December 31, 2020, the balance in the write-off reserves amounted to SAR 577 million (December 31, 2019: SAR 603 million).

(3) The analysis of commitments and contingencies by counterparty is as follows:

	2020 SAR '000	2019 SAR '000
Corporate	69,692,945	66,605,044
Banks and other financial institutions	16,835,391	18,892,865
Total	**86,528,336**	**85,497,909**

(d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2020		2019	
	Assets SAR '000	Related liabilities SAR '000	Assets SAR '000	Related liabilities SAR '000
Investments held at amortised cost and FVOCI [Note 7 (f) and 12]	14,131,936	12,970,864	11,664,135	10,891,186

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

20. SPECIAL COMMISSION INCOME AND EXPENSE

	2020 SAR '000	2019 SAR '000
Special commission income on:		
Investments – FVOCI	695,722	624,587
– Amortised cost	872,900	999,496
	1,568,622	**1,624,083**
Due from banks and other financial institutions	140,569	256,777
Loans and advances [Note 8 (a)]	8,104,203	8,490,566
Total	**9,813,394**	**10,371,426**

	2020 SAR '000	2019 SAR '000
Special commission expense on:		
Due to banks and other financial institutions	289,376	417,087
Customer deposits	1,092,300	1,952,622
Debt securities in issue	218,113	164,702
Total	**1,599,789**	**2,534,411**

21. FEE AND COMMISSION INCOME, NET

	2020 SAR '000	2019 SAR '000
Fee and commission income on:		
– Share brokerage and fund management	642,555	460,426
– Trade finance	593,368	599,826
– Credit facilities and advisory	684,260	901,583
– Card products	621,341	767,946
– Other banking services	168,696	151,148
Total fee and commission income	**2,710,220**	**2,880,929**
Fee and commission expense on:		
– Card products	566,634	615,936
– Share brokerage	117,315	50,169
– Other banking services	152,716	184,079
Total fee and commission expense	**836,665**	**850,184**
Fee and commission income, net	**1,873,555**	**2,030,745**

22. GAINS ON DISPOSAL OF NON-TRADING INVESTMENTS, NET

	2020 SAR '000	2019 SAR '000
FVOCI	299,383	243,827
Amortised Cost	5,685	11,659
Total	**305,068**	**255,486**

23. OTHER OPERATING INCOME

Other operating income for 2020, includes SAR 66 million, representing waiver of penalty for delay in VAT, gain on disposals of property and equipment amounting to SAR 0.16 million (2019: SAR 0.19 million) and gains on disposals of other real estate acquired in settlement of due loans and advances, amounting to SAR 3.55 million (2019: SAR 4.43 million).

24. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2020 and 2019, and the forms of such payments.

Categories	Number of employees		Fixed compensation		Variable compensation		Total compensation	
	2020 Nos.	2019 Nos.	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Senior executives requiring SAMA no objection	13	19	30,344	29,549	28,817	10,112	59,161	39,661
Employees engaged in risk taking activities	376	344	118,861	104,584	30,566	31,434	149,427	136,018
Employees engaged in control functions	388	411	100,097	91,715	20,107	13,699	120,204	105,414
Outsourced employees	615	514	46,181	36,476	–	–	46,181	36,476
Other employees	4,755	4,667	857,484	794,607	193,273	93,064	1,050,757	887,671
Total	**6,147**	**5,955**	**1,152,967**	**1,056,931**	**272,763**	**148,309**	**1,425,730**	**1,205,240**
Variable compensation accrued during the year and other employee related benefits*							786,461	822,086
Total salaries and employee-related expenses as per consolidated statement of income							**1,939,428**	**1,879,017**

* *Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.*

The Group's compensation policy is based on the nature of the job, market practices and a jobholder's level of involvement in risk taking process. This policy applies to all employees, including the executive management team, and aims to link individual performance to the Group's overall achievements and financial soundness. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance-linked incentives are decided based on the outcome of the Group's performance management process, as well as the Group's financial performance and the attainment of strategic goals.

The Board of Directors has the responsibility to approve and oversee the Group's compensation and incentives policy. The Board Nomination and Compensation Committee is composed of five non-executive Directors (comprising of three Board Directors and two independent external members) and is charged with overseeing the compensation system design and effectiveness on behalf of the Board of Directors. In addition, the Nomination and Compensation Committee is accountable for reviewing and approving the Group's compensation and incentives policy and undertaking its periodic assessment and update so as to ensure achievement of the system objectives and to reinforce the Group's risk management framework. Fixed compensation comprises salaries and wages and other benefits and allowances. Variable compensation includes sales incentives, product-related rewards and performance-related payments.

The Group has adopted fixed and variable compensation schemes. For senior managers and material risk takers, the variable component is vested over a period of 3 years and is aligned with the jobholder's level of responsibility, Group and individual performance and the level of risk inherent in the relevant job function. This is based on an annual review conducted by the Nomination and Compensation Committee. The Group consistently evaluates its compensation policies against both industry norms and international best practice and makes necessary revisions as and when required.

25. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are calculated by dividing the net income for the year by 3,000 million shares.

26. DIVIDENDS AND ZAKAT

Interim dividends for 2019 amounted to SAR 1,560 million and final dividends of SAR 1,650 million have been proposed for 2019. On 25 March 2020, the shareholders in the Ordinary General Assembly meeting approved the distribution of the final dividends for 2019 amounting to SAR 1,650 million to shareholders and the distribution date for the dividend was 8 April 2020.

During 2018, the Group reached an agreement with the General Authority of Zakat and Tax (GAZT) on the settlement of zakat claims for previous financial years up to the end of the fiscal financial year 2017, against payment of an amount of SAR 2,970 million. As per the settlement agreement, the Group was required to settle 20% of the agreed zakat liability in 2018, and the remaining amount to be settled over a period of five years. Accordingly the Group has recorded zakat for the previous years and until the end of financial year 2017, through its retained earnings amounting to SAR 753.6 million. This was in addition to SAR 440 million accrued during first half of 2018. As a result of the settlement agreement the Group agreed to withdraw all of the previous appeals which were filed with the competent authority with respect to zakat.

On 14 March 2019, Saudi Arabia's General Authority of Zakat and Tax (the "GAZT") had published rules for computation of zakat for companies engaged in financing activities (the "Rules") and licensed by SAMA. The Rules are issued pursuant to the zakat Implementing Regulations and are applicable for the periods from 1 January 2019. In addition to providing a new basis for calculating the Zakat base, the Rules have also introduced a minimum floor at 4 times the net income and a maximum cap at 8 times the net income when determining the Zakat base. Zakat liability for the shareholders will continue to be calculated at 2.5% of the Zakat base but it will not fall below the minimum floor nor would exceed the maximum cap as prescribed by the Rules.

Accordingly based on the new regulations, the Bank has estimated provision for zakat liability for the year ended 31 December 2020 at SAR 769 million(31 December 2019: SAR 630 million).

Under the SAMA COVID-19 support initiatives, the banks in Kingdom of Saudi Arabia (KSA) have received long term interest free deposits from SAMA (note 38). The nature and purpose of these deposits are defined as monetary policy tool from the Government of KSA to the banks in KSA. However, as per the zakat regulations in KSA, all long-term liabilities are included as a zakatable financing source for the calculation of zakat charge. Considering the purpose of these deposits, the Bank is in an advanced level of discussion with concerned authorities, to exclude these deposits from scope of zakatable financing source so that the Bank should not be liable for any related additional zakat charge. Therefore, the Bank did not consider these deposits in its zakat charge for the year ended 31 December 2020 in the consolidated statement of income as it considers that the payment of this additional zakat to be less than probable. Had these deposits been considered in the zakat base, the zakat charge for the year ended 31 December 2020 would have increased and the net income for the year would have decreased by SAR 268 million.

27. DEFINED BENEFIT PLAN

(a) General description

The Group operates an End of Service Benefit Scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified external actuary in accordance with International Accounting Standard 19 – Employee Benefits, and using "Projected Unit Credit Method".

(b) The movement in the obligation during the year based on its present value are as follows:

	2020 SAR '000	2019 SAR '000
Defined benefit obligation at the beginning of the year	908,058	717,103
Current service cost	85,811	75,366
Interest cost	27,184	35,389
Benefits paid	(51,813)	(69,315)
Actuarial loss recognised in other comprehensive income	60,134	149,515
Defined benefit obligation at the end of the year	**1,029,374**	**908,058**

The end of service liability is disclosed within "other liabilities" in the consolidated statement of financial position.

(c) Charge for the year

	2020 SAR '000	2019 SAR '000
Current service cost	85,811	75,366
Interest on defined benefit obligations	27,184	35,389
	112,995	**110,755**

(d) Re-measurement recognised in Other comprehensive income

	2020 SAR '000	2019 SAR '000
Gain from change in experience assumptions	33,248	2,536
Actuarial gains due to change in demographic assumptions	–	(16,300)
Loss from change in financial assumptions	26,886	163,279
	60,134	**149,515**

(e) The principal actuarial assumptions (in respect of the employee benefit scheme) used for the valuation as at December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate per annum	%2.19	%2.94
Expected rate of salary increase per annum	%4.0	%4.5
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

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(f) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2020 and 2019 to the discount rate of 2.2% (2019: 2.9%) and salary escalation rate 4.0% (2019: 4.5%).

2020	Impact on defined benefit obligation increase/(decrease)		
	Change in assumption	Increase in assumption SAR '000	Decrease in assumption SAR '000
Discount rate	0.50%	(51,217)	55,541
Expected rate of salary increase	0.50%	54,263	(50,594)

2019	Impact on defined benefit obligation increase/(decrease)		
	Change in assumption	Increase in assumption SAR '000	Decrease in assumption SAR '000
Discount rate	0.50%	(44,512)	48,229
Expected rate of salary increase	0.50%	47,245	(44,076)

The above sensitivity analyses are based on a change in an assumption holding all other assumptions constant.

28. CASH AND CASH EQUIVALENTS

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

	2020 SAR '000	2019 SAR '000
Cash and balances with SAMA excluding statutory deposit (Note 4)	31,544,430	19,562,989
Due from banks and other financial institutions maturing within three months from the date of acquisition	13,421,166	3,910,428
Total	**44,965,596**	**23,473,417**

29. OPERATING SEGMENTS

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

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

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

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

Corporate banking:
Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities.

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

(a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2020	Retail banking SAR '000	Investment banking and brokerage SAR '000	Corporate banking SAR '000	Treasury and investments SAR '000	Total SAR '000
Total assets	77,494,745	2,369,748	133,403,533	96,819,881	310,087,907
Total liabilities	92,921,098	455,333	149,572,764	22,783,614	265,732,809
Total operating income, net including	3,744,544	766,802	4,301,581	2,392,194	11,205,121
– Inter segment income (expenses)	125,905	183,202	(397,308)	88,201	–
– Net special commission income	3,564,197	190,773	3,202,907	1,255,728	8,213,605
– Fee and commission income, net	198,118	544,069	1,102,173	29,195	1,873,555
Total operating expenses, net including	2,463,384	222,909	2,873,623	180,576	5,740,492
– Depreciation of property and equipment	378,948	25,317	71,581	12,498	488,344
– Impairment charge for credit losses and other financial assets, net	32,644	–	2,024,627	4,472	2,061,743
– Impairment charge for investments, net	–	–	–	44,192	44,192
Share in earnings of associates, net	–	–	–	19,368	19,368
Income before zakat	1,281,160	543,893	1,427,958	2,230,986	5,483,997

2019	Retail banking SAR '000	Investment banking and brokerage SAR '000	Corporate banking SAR '000	Treasury and investments SAR '000	Total SAR '000
Total assets	69,754,328	1,573,917	123,120,036	71,340,597	265,788,878
Total liabilities	83,484,858	427,807	124,794,003	16,510,748	225,217,416
Total operating income, net including	3,719,535	588,570	4,239,006	2,169,952	10,717,063
– Inter segment income (expenses)	615,836	141,159	(770,060)	13,065	–
– Net special commission income	3,315,664	141,802	3,045,118	1,334,431	7,837,015
– Fee and commission income, net	424,008	411,976	1,182,277	12,484	2,030,745
Total operating expenses, net including	2,346,799	218,670	2,002,278	70,583	4,638,330
– Depreciation of property and equipment	343,702	18,341	66,041	10,892	438,976
– Impairment charge for credit losses and other financial assets, net	(86,424)	–	1,103,303	(4,595)	1,012,284
– Impairment charge for investments, net	–	–	–	(48,028)	(48,028)
Share in earnings of associates, net	–	–	–	153,333	153,333
Income before zakat	1,372,736	369,900	2,236,728	2,252,702	6,232,066

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(b) The Group's credit exposure by operating segment is as follows:

2020	Retail banking SAR '000	Investment banking and brokerage SAR '000	Corporate banking SAR '000	Treasury and investments SAR '000	Total SAR '000
Consolidated statement of financial position assets	75,307,873	1,202,563	132,922,705	93,684,882	303,118,023
Commitments and contingencies	–	–	55,018,201	–	55,018,201
Derivatives	–	–	–	3,194,647	3,194,647

2019	Retail banking SAR '000	Investment banking and brokerage SAR '000	Corporate banking SAR '000	Treasury and investments SAR '000	Total SAR '000
Consolidated statement of financial position assets	67,750,077	466,936	122,763,558	68,621,459	259,602,030
Commitments and contingencies	–	–	54,875,398	–	54,875,398
Derivatives	–	–	–	2,560,041	2,560,041

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding equity investments, investment in associates, property and equipment, other real estate. The credit equivalent value of commitments, contingencies and derivatives, according to SAMA's prescribed methodology are included in credit exposure.

30. FINANCIAL RISK MANAGEMENT

30.1 CREDIT RISK

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

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

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

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

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

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

The credit quality of the Group's financial assets and letters of credit, letters of guarantee and acceptances is disclosed in Note 30.3 a). The debt securities included in the investment portfolio are mostly sovereign risk. Analysis of investments by counterparty is provided in Note 7 f). For details of the composition of loans and advances refer to Note 8. Information on credit risk relating to derivative instruments is provided in Note 6 and for commitments and contingencies in Note 19. The Group's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in Note 29.b). The Group's consolidated Risk Weighted Assets (RWA) calculated under the Basel III framework is also provided in Note 35.

30.2 GEOGRAPHICAL CONCENTRATION

(a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure accounts is as follows:

2020	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East SAR '000	Europe SAR '000	North America SAR '000	Latin America SAR '000	South East Asia SAR '000	Other countries SAR '000	Total SAR '000
Assets								
Cash and balances with SAMA	41,954,114	–	10	–	–	–	–	41,954,124
Cash in hand	5,136,656	–	10	–	–	–	–	5,136,666
Balances with SAMA	36,817,458	–	–	–	–	–	–	36,817,458
Due from banks and other financial institutions	3,240,734	937,028	3,436,046	4,851,790	–	41,475	1,117,403	13,624,476
Current accounts	442,765	88,387	1,048,223	4,563,960	–	39,947	66,878	6,250,160
Money market placements	2,797,969	848,641	2,387,823	287,830	–	1,528	1,050,525	7,374,316
Positive fair value of derivatives	1,294,955	21,266	228,920	13,789	–	–	27	1,558,957
Investments, net	36,051,493	1,609,163	3,813,444	9,738,278	436,307	1,616,555	3,184,566	56,449,806
FVIS	1,101,133	–	–	–				1,101,133
FVOCI	2,846,303	1,094,040	3,813,444	9,738,278	436,307	1,616,555	2,513,671	22,058,598
Amortised cost	32,104,057	515,123	–	–	–	–	670,895	33,290,075
Investment in associates	494,175	204,976	–	–	–	–	–	699,151
Loans and advances, net	186,541,097	4,319,187	486,351	–	–	–	–	191,346,635
Overdraft	6,542,077	–	–	–	–	–	–	6,542,077
Credit cards	680,286	–	–	–	–	–	–	680,286
Consumer loans	63,534,028	–	–	–	–	–	–	63,534,028
Commercial loans	115,394,462	4,319,187	486,351	–	–	–	–	120,200,000
Others	390,244	–	–	–	–	–	–	390,244
Other assets	1,702,893	–	–	–	–	–	–	1,702,893
Accounts receivable and others	1,702,893	–	–	–	–	–	–	1,702,893
Total	**271,279,461**	**7,091,620**	**7,964,771**	**14,603,857**	**436,307**	**1,658,030**	**4,301,996**	**307,336,042**
Liabilities								
Due to banks and other financial institutions	25,235,971	5,709,707	10,037,751	321,519	–	20,127	463,828	41,788,903
Current accounts	10,127	364,418	451,602	83,057	–	10,472	49,576	969,252
Money market deposits	25,225,844	5,345,289	9,586,149	238,462	–	9,655	414,252	40,819,651
Negative fair value of derivatives	412,353	26,760	965,665	236,130	–	–	26	1,640,934
Customer deposits	200,434,165	–	2,605,171	–	–	–	–	203,039,336
Demand	116,696,291	–	64,643	–	–	–		116,760,934
Saving	1,054,476	–	–	–	–	–	–	1,054,476
Time	64,535,015	–	2,540,528		–	–	–	67,075,543
Other	18,148,383	–	–	–	–	–	–	18,148,383
Debt securities in issue	5,684,008	–	–	–	–	–	–	5,684,008
Other liabilities	13,552,665	–	19,371	7,508	–	84	–	13,579,628
Accounts payable and others	13,552,665	–	19,371	7,508	–	84	–	13,579,628
Total	**245,319,162**	**5,736,467**	**13,627,958**	**565,157**	**–**	**20,211**	**463,854**	**265,732,809**
Commitments and contingencies	57,575,386	3,580,002	11,456,635	10,626,956	–	3,122,792	166,565	86,528,336
Letters of credit	8,802,138	246,572	231	16,878	–	2,354	5,144	9,073,317
Letters of guarantee	37,942,185	2,769,660	11,455,709	7,094,433	–	3,120,438	139,903	62,522,328
Acceptances	2,486,843	6,881	695	–	–	–	3,083	2,497,502
Irrevocable commitments to extend credit	8,344,220	556,889	–	3,515,645	–	–	18,435	12,435,189
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,716,502	184,296	1,040,861	248,861	–	–	4,127	3,194,647
Held for trading	1,716,502	160,546	865,068	248,861	–	–	4,127	2,995,104
Held as fair value hedges	–	–	153,293	–	–	–	–	153,293
Held as cash flow hedges	–	23,750	22,500	–		–	–	46,250
Commitments and contingencies	36,392,040	2,259,029	7,680,345	6,485,317	–	2,093,013	108,457	55,018,201
Letters of credit	4,385,201	122,841	115	8,409	–	1,173	2,563	4,520,302
Letters of guarantee	25,435,207	1,856,690	7,679,535	4,755,877	–	2,091,840	93,786	41,912,935
Acceptances	2,486,844	6,881	695	–	–	–	3,083	2,497,503
Irrevocable commitments to extend credit	4,084,788	272,617	–	1,721,031	–	–	9,025	6,087,461

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2019	Kingdom of Saudi Arabia SAR '000	Other GCC and Middle East SAR '000	Europe SAR '000	North America SAR '000	Latin America SAR '000	South East Asia SAR '000	Other countries SAR '000	Total SAR '000
Assets								
Cash and balances with SAMA	29,189,473	–	14	–	–	–	–	29,189,487
Cash in hand	4,916,628	–	14	–	–	–	–	4,916,642
Balances with SAMA	24,272,845	–	–	–	–	–	–	24,272,845
Due from banks and other financial institutions	2,028,239	1,040,121	1,076,209	499,759	–	6,926	83,634	4,734,888
Current accounts	150,836	118,901	98,910	499,759	–	6,926	83,634	958,966
Money market placements	1,877,403	921,220	977,299	–	–	–	–	3,775,922
Positive fair value of derivatives	376,643	19,417	207,418	5,139	–	–	230	608,847
Investments, net	34,109,319	2,088,402	4,543,109	8,893,244	384,582	1,040,100	2,302,659	53,361,415
FVIS	1,038,918	–	–	–	–	–	–	1,038,918
FVOCI	2,512,765	915,684	4,543,109	8,893,244	384,582	1,040,100	1,891,469	20,180,953
Amortised cost	30,557,636	1,172,718	–	–	–	–	411,190	32,141,544
Investment in associates	502,655	200,227	–	–	–	–	–	702,882
Loans and advances, net	169,354,108	4,289,854	68,841	175,430	–	93,766	–	173,981,999
Overdraft	6,763,295	–	–	–	–	–	–	6,763,295
Credit cards	760,513	–	–	–	–	–	–	760,513
Consumer loans	55,391,981	–	–	–	–	–	–	55,391,981
Commercial loans	105,940,445	4,289,854	68,841	175,430	–	93,766	–	110,568,336
Others	497,874	–	–	–	–	–	–	497,874
Other assets	774,378	–	–	–	–	–	–	774,378
Accounts receivable and others	774,378	–	–	–	–	–	–	774,378
Total	**236,334,815**	**7,638,021**	**5,895,591**	**9,573,572**	**384,582**	**1,140,792**	**2,386,523**	**263,353,896**
Liabilities								
Due to banks and other financial institutions	24,685	3,271,775	9,016,995	273,405	–	44,882	492,738	13,124,480
Current accounts	23,491	280,932	458,484	39,094	–	7,208	42,582	851,791
Money market deposits	1,194	2,990,843	8,558,511	234,311	–	37,674	450,156	12,272,689
Negative fair value of derivatives	106,063	19,067	446,963	76,923	–	–	210	649,226
Customer deposits	193,530,568	–	987,331	–	–	–	–	194,517,899
Demand	93,389,475	–	318,331	–	–	–	–	93,707,806
Saving	669,226	–	–	–	–	–	–	669,226
Time	79,302,122	–	669,000	–	–	–	–	79,971,122
Other	20,169,745	–	–	–	–	–	–	20,169,745
Debt securities in issue	4,003,029	–	–	–	–	–	–	4,003,029
Other liabilities	12,893,204	–	20,006	9,491	–	81	–	12,922,782
Accounts payable and others	12,893,204	–	20,006	9,491	–	81	–	12,922,782
Total	**210,557,549**	**3,290,842**	**10,471,295**	**359,819**	**–**	**44,963**	**492,948**	**225,217,416**
Commitments and contingencies	60,471,836	1,709,305	10,001,675	8,965,345	371	2,048,852	2,300,525	85,497,909
Letters of credit	8,710,575	297,199	61,990	2,104	371	73,122	52,458	9,197,819
Letters of guarantee	41,348,138	652,730	9,938,582	5,449,647	–	1,973,945	2,183,896	61,546,938
Acceptances	2,390,696	16,997	1,039	1,922	–	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	8,022,427	742,379	64	3,511,672	–	–	60,000	12,336,542
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	1,200,123	215,488	938,293	168,405	–	–	37,732	2,560,041
Held for trading	1,200,123	215,488	768,005	168,405	–	–	37,732	2,389,753
Held as fair value hedges	–	–	170,288	–	–	–	–	170,288
Commitments and contingencies	38,825,666	983,631	6,730,997	5,431,302	194	1,370,278	1,533,330	54,875,398
Letters of credit	4,559,809	155,578	32,451	1,101	194	38,278	27,461	4,814,872
Letters of guarantee	27,863,947	439,866	6,697,475	3,672,443	–	1,330,215	1,471,698	41,475,644
Acceptances	2,390,696	16,997	1,039	1,922	–	1,785	4,171	2,416,610
Irrevocable commitments to extend credit	4,011,214	371,190	32	1,755,836	–	–	30,000	6,168,272

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(b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Kingdom of Saudi Arabia				
Commercial Loans*	2,217,328	1,176,184	(1,215,317)	(784,655)
Consumer Loans**	1,136,231	377,950	(633,227)	(226,413)
Other GCC and Middle East				
Commercial Loans*	298,377	–	(223,826)	–
Total	**3,651,936**	**1,554,134**	**(2,072,370)**	**(1,011,068)**

** Includes overdrafts and other loans*
*** Includes consumer mortgage loans and credit cards*

30.3 CREDIT QUALITY ANALYSIS

The Group uses its internal ratings to rate the credit quality of its portfolio and uses the following categories:

Low – fair risk : Performing assets of high/good quality.

Watch list : Assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.

Substandard : Assets which exhibit substantially higher level of credit risk.

Doubtful : These assets are typically in default (impaired) but still show some prospect of partial recovery in principal in the future.

Loss : Impaired assets which are generally fully provided and have low expectations of further recovery.

(a) The following table sets out information about the credit quality of financial assets as at December 31, 2020 and 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts

(1) Balances with SAMA and due from bank and other financial institutions

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Investment grade	49,117,980	–	–	49,117,980
Non-investment grade	1,329,169	–	–	1,329,169
Carrying amount	**50,447,149**	**–**	**–**	**50,447,149**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Investment grade	28,498,974	–	–	28,498,974
Non-investment grade	509,501	–	–	509,501
Carrying amount	**29,008,475**	**–**	**–**	**29,008,475**

(2) Loans and advances, gross at amortized cost

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	176,593,045	7,428,631	63,318	184,084,994
Watch list	–	7,487,524	656,194	8,143,718
Substandard	–	–	2,227,056	2,227,056
Doubtful	–	–	743,445	743,445
Loss	–	–	681,435	681,435
Carrying amount	**176,593,045**	**14,916,155**	**4,371,448**	**195,880,648**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	168,355,686	3,065,353	665,573	172,086,612
Watch list	114,590	1,913,529	291,497	2,319,616
Substandard	–	–	1,357,736	1,357,736
Doubtful	–	–	427,437	427,437
Loss	–	–	546,464	546,464
Carrying amount	**168,470,276**	**4,978,882**	**3,288,707**	**176,737,865**

(2) (a) Credit cards, gross

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	626,115	36,441	–	662,556
Watch list	–	17,078	–	17,078
Substandard	–	–	28,215	28,215
Doubtful	–	–	724	724
Loss	–	–	1,543	1,543
Carrying amount	**626,115**	**53,519**	**30,482**	**710,116**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	714,841	32,487	–	747,328
Watch list	–	18,728	–	18,728
Substandard	–	–	32,428	32,428
Doubtful	–	–	–	–
Loss	–	–	–	–
Carrying amount	**714,841**	**51,215**	**32,428**	**798,484**

(2) (b) Consumer loans, gross*

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	61,917,840	1,109,908	–	63,027,748
Watch list	–	399,099	–	399,099
Substandard	–	–	701,616	701,616
Doubtful	–	–	72,686	72,686
Loss	–	–	331,447	331,447
Carrying amount	**61,917,840**	**1,509,007**	**1,105,749**	**64,532,596**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	53,660,065	814,201	–	54,474,266
Watch list	–	732,214	–	732,214
Substandard	–	–	745,075	745,075
Doubtful	–	–	198,189	198,189
Loss	–	–	179,761	179,761
Carrying amount	**53,660,065**	**1,546,415**	**1,123,025**	**56,329,505**

** Includes consumer mortgage loans*

(2) (c) Commercial loans, gross**

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	114,049,090	6,282,282	63,318	120,394,690
Watch list	–	7,071,347	656,194	7,727,541
Substandard	–	–	1,497,225	1,497,225
Doubtful	–	–	670,035	670,035
Loss	–	–	348,445	348,445
Carrying amount	**114,049,090**	**13,353,629**	**3,235,217**	**130,637,936**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	113,980,780	2,218,665	665,573	116,865,018
Watch list	114,590	1,162,587	291,497	1,568,674
Substandard	–	–	580,233	580,233
Doubtful	–	–	229,248	229,248
Loss	–	–	366,703	366,703
Carrying amount	**114,095,370**	**3,381,252**	**2,133,254**	**119,609,876**

*** Includes overdrafts and other loans*

(3) Investments (FVOCI and amortised cost – debt instruments)

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	51,555,489	164,278	51,625	51,771,392
Watch list	–	73,625	–	73,625
Substandard	–	–	861	861
Doubtful	–	–	–	–
Loss	–	–	–	–
Carrying amount	**51,555,489**	**237,903**	**52,486**	**51,845,878**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	48,646,065	577,601	–	49,223,666
Watch list	18,070	45,106	31	63,207
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
Carrying amount	**48,664,135**	**622,707**	**31**	**49,286,873**

The following table sets out information about the credit quality of letters of credit, letters of guarantee and acceptances as at December 31, 2020 and 2019.

2020	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	67,599,950	2,232,924	155	69,833,029
Watch list	–	3,700,226	39,747	3,739,973
Substandard	–	–	253,338	253,338
Doubtful	–	–	26,774	26,774
Loss	–	–	240,033	240,033
Carrying amount	**67,599,950**	**5,933,150**	**560,047**	**74,093,147**

2019	12 month ECL SAR '000	Lifetime ECL not credit impaired SAR '000	Lifetime ECL credit impaired SAR '000	Total SAR '000
Low – fair risk	71,543,608	791,185	128,052	72,462,845
Watch list	6,266	357,718	4,459	368,443
Substandard	–	–	81,862	81,862
Doubtful	–	–	1,143	1,143
Loss	–	–	247,074	247,074
Carrying amount	**71,549,874**	**1,148,903**	**462,590**	**73,161,367**

(b) 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 forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

– the remaining 12 month probability of default (PD) as at the reporting date; with
– the remaining 12 month 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 Group, groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1 : When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. 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 but is not credit impaired, 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 : Purchased or originated credit impaired (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 EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower and his business activities.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following data.

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management and senior management changes.	Internally collected data and customer behavior – e.g. utilization of credit card facilities	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Customer payment behavior based on internally collected data – e.g. Delinquency cycles	Utilization of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available	Types and number of products held at customer level	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

(1) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.
The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group's Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

(2) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling.

Using its expert credit judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Disclosure of relevant qualitative indicators, including different criteria used for different portfolios – e.g. retail mortgages, credit cards, commercial real estate etc.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, on a material exposure. Days past due are determined by counting the number of days since the due date in respect of which full payment that is in excess of the materiality threshold has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

– the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
– the criteria do not align with the point in time when an asset becomes 30 days past due; and
– there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

(3) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer or being undergone into financially stressed conditions. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of PD at the reporting date based on the modified terms and the PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the banking commission, the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

(4) Definition of "Default"

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
– the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The Group considers indicators that are:
– qualitative- e.g. breaches of covenant ;
– quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
– based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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(5) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group is using different macro econometric models, in order to estimate default rates for the Wholesale, Investments and Retail.

The factor forecasts were computed across four non-baseline scenarios, including the three stress scenarios mentioned below in the table. However, there is also an optimistic scenario namely 'Mild upturn' which is the inverse of the mild (downturn) scenario. Following probability of scenario occurrences have been used to arrive at the ECL estimates:

- Base – 40%
- Mild up – 15%
- Mild – 15%
- Moderate – 15%
- Severe – 15%

For the purpose of creating macroeconomic models, the macroeconomic factors/ variables were aggregated from International Monetary Fund (IMF) and other reputable external sources, like Saudi Central Bank (SAMA). Initially, the Group started from 40 macro-economic variables for the development of macroeconomic models, and using the most robust statistical techniques like linear relationships, multi-collinearity, auto-correlation, homoscedasticity, normality and stationarity, Group finally selected only the best suitable combination of variables. The following selected macroeconomic variables statistically proved to affect the default rate for the Group's credit exposure:

- Crude oil prices (in USD)
- Gross savings (% of GDP)
- World's GDP (%)
- Inflation (% change of Consumer Price Index)
- Government Expenditure (% of GDP)
- GDP per capita (SAR '000)
- GDP growth (annual % change)

Consideration due to COVID-19:

1. Types of forward looking:
   The Group has updated its forward-looking macroeconomic forecast, incorporating stress related to COVID-19.
2. Scenario assumptions:
   As at 31 December 2020, the scenario assumptions are updated to reflect the current situation of COVID-19. This included an assessment of the support of the Government's actions, the response of business and customers (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn.
3. Probability weightings:
   The Group considered the probability weightings to provide the best estimate of the possible loss outcomes. Probability weighting of each scenario is determined by considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19. In addition to the base case forecast which reflects the negative economic impact as compared to last year as a consequence of COVID-19, greater weighting has been applied to the downside scenario given the Group's assessment of downside risks and lesser weighting has been applied to upside scenario.

Predicted relationships between the macroeconomic variables, default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 years. To account for the impact of COVID-19, forecasts of macroeconomic variables were taken from the IMF (post interpolation) and standard deviation based shocks were provided, as the available forecasts at the time of modelling did not incorporate COVID-19 related stress, to arrive at the Baseline forecasts.

Group has used below baseline forecast related to the macroeconomic variables, for comparison purposes, severe stress forecast are also presented below:

	Forecast calendar years used in 2020 ECL model (Baseline)			Forecast calendar years used in 2020 ECL model (Severe)		
	2021	2022	2023	2021	2022	2023
Economic Indicators						
Crude Oil prices (in USD)	45.3	50.4	55.3	31.2	39.9	50.6
Gross savings (% of GDP)	25.9	29.7	31.6	20.0	23.0	24.5
World's GDP (%)	3.6	3.6	3.6	2.8	2.9	2.9
Inflation (% change of Consumer Price Index)	2.0	1.7	1.5	3.1	3.3	3.6
GDP per capita ('000 SAR)	78.4	82.1	86.0	72.1	77.3	83.9
Government Expenditure (% of GDP)	36.4	37.9	38.2	28.2	29.4	29.6
GDP growth (annual % change)	0.0	2.9	3.7	-0.6	1.7	2.2

COVID-19 overlays:

Although macroeconomic forecast does incorporate the impact of the current stress, the prevailing economic conditions do require the Group to monitor and update certain inputs and assumptions used for the determination of ECL. As the economic situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes industry sector-based analysis, and impact on MSME segment customers falling under the SAMA deferral program. The Group has therefore recognized overlays of SAR 328 million as at 31 December 2020. The Group will continue to reassess economic conditions, as more reliable data becomes available and accordingly determine if any further adjustment in the ECL is required in subsequent reporting periods.

Sensitivity of ECL allowance

Given current economic uncertainties and the dependence on macroeconomic factors used in determining the expected default of borrowers, the expected credit losses (ECL) should be considered as a best estimate within a range of possible macroeconomic estimates.

However, the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. Therefore, it is imperative to gauge the sensitivity of the ECL estimates with regard to the movement in the macroeconomic factors.

The Bank has conducted sensitivity analysis of changes in economic variables used in the Point-in-time (PIT) PD models, as well as, for the changes in scenario weights used in calculating the weighted average PIT PDs. As explained earlier, Banks uses different economic models for different portfolios (Corporate & Retail Loans and Investments) and therefore the sensitivity analysis reflects changes in the value of given variable(s) and the resulting ECL impact on the respective portfolio(s). The standalone ECL impact of aforesaid sensitivity analysis is provided in the table below:

Assumptions sensitized	ECL impact 2020 (SAR '000)
Macro-economic factors:	
5% Dip in oil prices	64,774
10% Dip in oil prices	130,616
1% Contraction in Saudi GDP	10,554
2% Contraction in Saudi GDP	21,058
1% Contraction in Govt. Expenditure	10,424
2% Contraction in Govt. Expenditure	20,823
*1% Contraction in World GDP	24,531
*2% Contraction in World GDP	55,311
Scenario weightages	–
Base scenario sensitized by +/- 5% with corresponding change in downside	5,058
Base scenario sensitized by +/- 5% with corresponding change in upside	3,417

(6) Measurement of ECL

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

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, financial guarantees and Retail credit cards, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include:
- Product/instrument type;
- Credit risk categorization;
- Collateral type;
- Recovery and cure rates;
- Date of initial recognition;
- Remaining term to maturity;
- Geographic location of the borrower.

The Group is subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

30.4 CREDIT QUALITY OF LOANS AND ADVANCES

(a) Ageing of loans and advances (Excluding non-performing loans)

2020	Credit cards SAR '000	Consumer loans* SAR '000	Commercial loans** SAR '000	Total SAR '000
Upto 30 days	36,368	1,550,452	287,746	1,874,566
From 31 - 90 days	20,643	516,539	180,118	717,300
From 91 - 180 days	–	–	810	810
More than 180 days	–	–	–	–
Total	**57,011**	**2,066,991**	**468,864**	**2,592,676**

2019	Credit cards SAR '000	Consumer loans* SAR '000	Commercial loans** SAR '000	Total SAR '000
Upto 30 days	48,544	2,168,986	1,267,010	3,484,540
From 31 - 90 days	22,737	769,237	462,993	1,254,967
From 91 - 180 days	16,934	290,882	190,919	498,735
More than 180 days	–	–	522,903	522,903
Total	**88,215**	**3,229,105**	**2,443,825**	**5,761,145**

* *Includes consumer mortgage loans.*
** *Includes overdrafts and other loans.*

(b) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows:

2020	Performing SAR '000	Non-performing SAR '000	Allowance for impairment SAR '000	Loans and advances, net SAR '000
Government and quasi Government	474,379	–	(882)	473,497
Banks and other financial institutions	8,811,870	–	(35,808)	8,776,062
Agriculture and fishing	2,399,974	–	(4,238)	2,395,736
Manufacturing	23,147,533	444,542	(751,484)	22,840,591
Mining and quarrying	10,630,575	–	(9,479)	10,621,096
Electricity, water, gas and health services	5,078,019	7,842	(11,710)	5,074,151
Building and construction	15,868,270	546,974	(305,553)	16,109,691
Commerce	47,413,639	1,338,779	(2,302,426)	46,449,992
Transportation and communication	5,045,075	581	(6,960)	5,038,696
Services	9,236,766	176,987	(75,126)	9,338,627
Consumer loans and credit cards	64,106,481	1,136,231	(1,028,398)	64,214,314
Others	16,131	–	(1,949)	14,182
Total	**192,228,712**	**3,651,936**	**(4,534,013)**	**191,346,635**

2019	Performing SAR '000	Non-performing SAR '000	Allowance for impairment SAR '000	Loans and advances, net SAR '000
Government and quasi Government	61,521	–	(719)	60,802
Banks and other financial institutions	8,363,041	–	(4,782)	8,358,259
Agriculture and fishing	2,169,818	–	(2,961)	2,166,857
Manufacturing	24,506,104	19,929	(337,249)	24,188,784
Mining and quarrying	7,896,825	–	(3,652)	7,893,173
Electricity, water, gas and health services	3,188,051	500	(818)	3,187,733
Building and construction	14,721,715	234,096	(163,465)	14,792,346
Commerce	43,386,698	860,464	(1,242,568)	43,004,594
Transportation and communication	4,748,303	–	(1,967)	4,746,336
Services	9,389,690	61,195	(22,189)	9,428,696
Consumer loans and credit cards	56,750,039	377,950	(975,495)	56,152,494
Others	1,926	–	(1)	1,925
Total	**175,183,731**	**1,554,134**	**(2,755,866)**	**173,981,999**

(c) Collateral

The Group in the ordinary course of lending activities holds collateral as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary.

Fair value of collateral held by Group against financing and advances by each category are as follows:

	2020 SAR '000	2019 SAR '000
Good loans	71,774,596	52,148,593
Past due but performing loans	1,825,921	2,586,024
Non-performing loans	1,627,891	867,516
Total	**75,228,408**	**55,602,133**

31. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Group classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis:

31.1 Market Risk - Trading Book

The Group has set limits (both VaR and exposure based limits) for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Group measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Group. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2020 and 2019 using a 1 day holding period at 99% confidence interval is set out below. All the figures are in million SAR:

2020	Foreign exchange rate risk SAR '000	Special commission rate risk SAR '000	Equity price risk SAR '000	Overall risk SAR '000
VaR as at December 31, 2020	1.20	2.24	4.65	7.21
Average VaR for 2020	2.71	4.95	3.83	9.73
Maximum VaR for 2020	22.89	13.58	5.00	30.69
Minimum VaR for 2020	0.67	2.01	2.26	4.69

2019	Foreign exchange rate risk SAR '000	Special commission rate risk SAR '000	Equity price risk SAR '000	Overall risk SAR '000
VaR as at December 31, 2019	2.24	5.20	2.55	8.10
Average VaR for 2019	6.90	8.78	1.58	13.63
Maximum VaR for 2019	28.78	24.35	2.63	34.39
Minimum VaR for 2019	1.11	1.62	0.19	4.98

31.2 Market Risk – Non-trading or Banking Book

(1) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for USD, SAR and other major currencies. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2020 and 2019, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate FVOCI financial assets, including the effect of any associated hedges as at December 31, 2020 and 2019 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2020 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+100	611.43	–	–	–	–	–
USD	+100	(44.44)	(3.62)	0.08	(126.15)	(533.97)	(663.66)
EUR	+100	0.61	–	–	–	–	–
GBP	+100	(8.41)	–	–	–	–	–
JPY	+100	–	–	–	–	–	–
Others	+100	(0.58)	–	–	–	–	–

2020 Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	-100	(621.28)	–	–	–	–	–
USD	-100	4.33	3.62	(0.08)	126.15	533.97	663.66
EUR	-100	(0.61)	–	–	–	–	–
GBP	-100	0.32	–	–	–	–	–
JPY	-100	–	–	–	–	–	–
Others	-100	0.58	–	–	–	–	–

2019 Currency	Increase in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+100	309.65	–	–	–	–	–
USD	+100	(43.08)	(4.59)	(2.25)	(265.61)	(330.53)	(602.98)
EUR	+100	0.13	(0.26)	(2.03)	(4.38)	(3.73)	(10.40)
GBP	+100	(8.24)	–	–	–	–	–
JPY	+100	1.01	–	–	–	–	–
Others	+100	(0.60)	–	–	–	–	–

2019 Currency	Decrease in basis points	Sensitivity of net special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	-100	(309.65)	–	–	–	–	–
USD	-100	45.89	4.59	2.25	265.61	330.53	602.98
EUR	-100	(0.13)	0.26	2.03	4.38	3.73	10.40
GBP	-100	7.93	–	–	–	–	–
JPY	-100	(0.95)	–	–	–	–	–
Others	-100	0.59	–	–	–	–	–

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Special commission sensitivity of assets, liabilities and off statement of financial position items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets, liabilities and shareholders' equity at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2020	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	Non-special commission bearing SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	26,323,268	–	–	–	15,630,856	41,954,124
Cash in hand	–	–	–	–	5,136,666	5,136,666
Balances with SAMA	26,323,268	–	–	–	10,494,190	36,817,458
Due from banks and other financial institutions	12,182,397	–	–	–	1,442,079	13,624,476
Current accounts	4,808,081	–	–	–	1,442,079	6,250,160
Money market placements	7,374,316	–	–	–	–	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	–	1,558,957
Investments, net	14,072,590	2,213,910	12,996,519	22,546,786	4,620,001	56,449,806
FVIS	–	–	–	–	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	14,020,806	2,143,824	6,598,286	10,527,159	–	33,290,075
Investment in associates	–	–	–	–	699,151	699,151
Loans and advances, net	77,974,355	57,921,076	33,848,423	21,602,781	–	191,346,635
Overdraft	6,542,077	–	–	–	–	6,542,077
Credit cards	680,286	–	–	–	–	680,286
Consumer loans	4,054,252	12,785,348	25,434,402	21,260,026	–	63,534,028
Commercial loans	66,307,496	45,135,728	8,414,021	342,755	–	120,200,000
Others	390,244	–	–	–	–	390,244
Other real estate	–	–	–	–	324,054	324,054
Property and equipment, net	–	–	–	–	2,427,811	2,427,811
Other assets	427,104	–	–	–	1,275,789	1,702,893
Accounts receivable and others	427,104	–	–	–	1,275,789	1,702,893
Total assets	**131,045,119**	**60,175,177**	**47,542,298**	**44,905,572**	**26,419,741**	**310,087,907**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	6,458,517	15,052,007	18,672,548	636,579	969,252	41,788,903
Current accounts	–	–	–	–	969,252	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	–	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	–	1,640,934
Customer deposits	73,131,671	5,716,050	3,808,334	595,413	119,787,868	203,039,336
Demand	15,121,449	–	–	–	101,639,485	116,760,934
Saving	1,054,476	–	–	–	–	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	–	67,075,543
Other	–	–	–	–	18,148,383	18,148,383
Debt securities in issue	–	–	–	5,684,008	–	5,684,008
Other liabilities	–	–	–	–	13,579,628	13,579,628
Accounts payable and others	–	–	–	–	13,579,628	13,579,628
Shareholders' equity	–	–	–	–	44,355,098	44,355,098
Total liabilities and shareholders' equity	**79,655,744**	**20,793,934**	**23,257,759**	**7,688,624**	**178,691,846**	**310,087,907**
Special commission rate sensitivity – On statement of financial position gap	**51,389,375**	**39,381,243**	**24,284,539**	**37,216,948**	**(152,272,105)**	**–**
Special commission rate sensitivity – Off statement of financial position gap	2,308,591	(11,250)	(1,283,772)	(1,013,569)	–	
Total special commission rate sensitivity gap	**53,697,966**	**39,369,993**	**23,000,767**	**36,203,379**	**(152,272,105)**	
Cumulative special commission rate sensitivity gap	**53,697,966**	**93,067,959**	**116,068,726**	**152,272,105**	**–**	

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2019	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000		Over 5 years SAR '000	Non-special commission bearing SAR '000	Total SAR '000
Assets							
Cash and balances with SAMA	14,628,798	–	–		–	14,560,689	29,189,487
Cash in hand	–	–	–		–	4,916,642	4,916,642
Balances with SAMA	14,628,798	–	–		–	9,644,047	24,272,845
Due from banks and other financial institutions	3,625,622	724,843	–		–	384,423	4,734,888
Current accounts	574,543	–	–		–	384,423	958,966
Money market placements	3,051,079	724,843	–		–	–	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406		172,642	–	608,847
Investments, net	7,276,051	10,437,818	15,759,844		15,799,800	4,087,902	53,361,415
FVIS	–	–	–		–	1,038,918	1,038,918
FVOCI	627,141	398,823	5,469,978		10,636,027	3,048,984	20,180,953
Amortised cost	6,648,910	10,038,995	10,289,866		5,163,773	–	32,141,544
Investment in associates	–	–	–		–	702,882	702,882
Loans and advances, net	74,544,810	52,393,664	30,897,620		16,145,905	–	173,981,999
Overdraft	6,763,295	–	–		–	–	6,763,295
Credit cards	760,513	–	–		–	–	760,513
Consumer loans	4,414,493	11,369,452	24,428,101		15,179,935	–	55,391,981
Commercial loans	62,108,635	41,024,212	6,469,519		965,970	–	110,568,336
Others	497,874	–	–		–	–	497,874
Other real estate	–	–	–		–	233,057	233,057
Property and equipment, net	–	–	–		–	2,201,925	2,201,925
Other assets	430,429	–	–		–	343,949	774,378
Accounts receivable and others	430,429	–	–		–	343,949	774,378
Total assets	**100,559,317**	**63,572,517**	**47,023,870**		**32,118,347**	**22,514,827**	**265,788,878**
Liabilities and shareholders' equity							
Due to banks and other financial institutions	3,786,561	7,853,898	–		632,230	851,791	13,124,480
Current accounts	–	–	–		–	851,791	851,791
Money market deposits	3,786,561	7,853,898	–		632,230	–	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518		290,332	–	649,226
Customer deposits	59,917,083	19,349,365	7,407,767		48,200	107,795,484	194,517,899
Demand	6,082,067	–	–		–	87,625,739	93,707,806
Saving	669,226	–	–		–	–	669,226
Time	53,165,790	19,349,365	7,407,767		48,200	–	79,971,122
Other	–	–	–		–	20,169,745	20,169,745
Debt securities in issue	–	4,003,029	–		–	–	4,003,029
Other liabilities	–	–	–		–	12,922,782	12,922,782
Accounts payable and others	–	–	–		–	12,922,782	12,922,782
Shareholders' equity	–	–	–		–	40,571,462	40,571,462
Total liabilities and shareholders' equity	**63,710,368**	**31,217,944**	**7,748,285**		**970,762**	**162,141,519**	**265,788,878**
Special commission rate sensitivity – On statement of financial position gap	**36,848,949**	**32,354,573**	**39,275,585**		**31,147,585**	**(139,626,692)**	**–**
Special commission rate sensitivity – Off statement of financial position gap	2,437,935	731,504	(1,116,556)		(2,052,883)	–	
Total special commission rate sensitivity gap	**39,286,884**	**33,086,077**	**38,159,029**		**29,094,702**	**(139,626,692)**	
Cumulative special commission rate sensitivity gap	**39,286,884**	**72,372,961**	**110,531,990**		**139,626,692**	**–**	

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(3) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2020 and 2019 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of income or equity; whereas a negative effect shows a potential net reduction in consolidated statement of income or equity.

Currency exposures As at December 31, 2020 (SAR million)	Change in currency rate in percentage	Effect on net income
USD	±1	±7.14
EUR	±1	±0.05
GBP	±1	±0.09
JPY	±1	±0.00
Others	±1	(0.02)±

Currency exposures As at December 31, 2019 (SAR million)	Change in currency rate in percentage	Effect on net income
USD	±1	±6.68
EUR	±1	±0.34
GBP	±1	(0.07)±
JPY	±1	±0.06
Others	±1	(0.02)±

(4) Foreign currency risk

The Group manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2020 Long (short) SAR '000	2019 Long (short) SAR '000
US Dollar	444,276	749,299
Japanese Yen	325	351
Euro	683	79
Pound Sterling	13	(1,466)
Others	49,513	55,995

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

(5) Banking Book – Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

The effect on the Group's domestic equity investments held as FVOCI due to reasonable possible change in equity indices, with all other variables held constant, is as follows:

Market index	December 31, 2020		December 31, 2019	
	Change in equity index percentage	Effect in SAR millions	Change in equity index percentage	Effect in SAR millions
Tadawul	+5	107.53	+5	94.70
	+10	215.05	+10	189.41
	-5	(107.53)	-5	(94.70)
	-10	(215.05)	-10	(189.41)

32. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, the bank has diversified sources of funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2019: 7%) of total demand deposits and 4% (2019: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Bonds, Treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85% to 100% of the nominal value of bonds/ bills held by the Bank.

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(a) The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2020 and 2019 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history. The undiscounted maturity profile of the financial liabilities is as follows:

2020	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Financial liabilities					
Due to banks and other financial institutions	7,453,042	15,079,629	18,739,018	674,430	41,946,119
Current accounts	969,252	–	–	–	969,252
Money market deposits	6,483,790	15,079,629	18,739,018	674,430	40,976,867
Customer deposits	191,158,771	6,674,319	4,777,927	686,385	203,297,402
Demand	116,761,065	–	–	–	116,761,065
Saving	1,054,480	–	–	–	1,054,480
Time	57,022,611	5,766,317	3,906,536	638,010	67,333,474
Other	16,320,615	908,002	871,391	48,375	18,148,383
Debt securities in issue	100,650	132,125	704,668	6,382,471	7,319,914
Derivative financial instruments (gross contractual amounts payable)	16,552	17,659	171,210	85,114	290,535
Total undiscounted financial liabilities	**198,729,015**	**21,903,732**	**24,392,823**	**7,828,400**	**252,853,970**

2019	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	Total SAR '000
Financial liabilities					
Due to banks and other financial institutions	4,697,862	7,938,807	66,464	688,355	13,391,488
Current accounts	851,791	–	–	–	851,791
Money market deposits	3,846,071	7,938,807	66,464	688,355	12,539,697
Customer deposits	165,744,777	20,959,856	8,346,040	102,404	195,153,077
Demand	93,707,806	–	–	–	93,707,806
Saving	669,227	–	–	–	669,227
Time	53,451,980	19,630,105	7,475,614	48,600	80,749,920
Other	17,915,764	1,329,751	870,426	53,804	20,169,745
Debt securities in issue	43,058	122,310	638,237	4,089,842	4,893,447
Derivative financial instruments (gross contractual amounts payable)	11,952	7,573	138,209	67,275	225,009
Total undiscounted financial liabilities	**170,497,649**	**29,028,546**	**9,188,950**	**4,947,876**	**213,663,021**

(b) The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

2020	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	31,459,934	–	–	–	10,494,190	41,954,124
Cash in hand	5,136,666	–	–	–	–	5,136,666
Balances with SAMA	26,323,268	–	–	–	10,494,190	36,817,458
Due from banks and other financial institutions	13,624,476	–	–	–	–	13,624,476
Current accounts	6,250,160	–	–	–	–	6,250,160
Money market placements	7,374,316	–	–	–	–	7,374,316
Positive fair value of derivatives	65,405	40,191	697,356	756,005	–	1,558,957
Investments, net	8,392,076	1,040,850	14,145,197	28,249,682	4,622,001	56,449,806
FVIS	–	–	–	–	1,101,133	1,101,133
FVOCI	51,784	70,086	6,398,233	12,019,627	3,518,868	22,058,598
Amortised cost	8,340,292	970,764	7,746,964	16,230,055	2,000	33,290,075
Investment in associates	–	–	–	–	699,151	699,151
Loans and advances, net	55,798,483	38,421,700	45,201,742	51,924,710	–	191,346,635
Overdraft	6,542,077	–	–	–	–	6,542,077
Credit cards	680,286	–	–	–	–	680,286
Consumer loans	105,845	370,973	24,495,701	38,561,509	–	63,534,028
Commercial loans	48,080,031	38,050,727	20,706,041	13,363,201	–	120,200,000
Others	390,244	–	–	–	–	390,244
Other real estate	–	–	–	–	324,054	324,054
Property and equipment, net	–	–	–	–	2,427,811	2,427,811
Other assets	427,104	–	–	–	1,275,789	1,702,893
Accounts receivable and others	427,104	–	–	–	1,275,789	1,702,893
Total assets	**109,767,478**	**39,502,741**	**60,044,295**	**80,930,397**	**19,842,996**	**310,087,907**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	7,427,769	15,052,007	18,672,548	636,579	–	41,788,903
Current accounts	969,252	–	–	–	–	969,252
Money market deposits	6,458,517	15,052,007	18,672,548	636,579	–	40,819,651
Negative fair value of derivatives	65,556	25,877	776,877	772,624	–	1,640,934
Customer deposits	191,091,771	6,624,052	4,679,725	643,788	–	203,039,336
Demand	116,760,934	–	–	–	–	116,760,934
Saving	1,054,476	–	–	–	–	1,054,476
Time	56,955,746	5,716,050	3,808,334	595,413	–	67,075,543
Other	16,320,615	908,002	871,391	48,375	–	18,148,383
Debt securities in issue	56,608			5,627,400	–	5,684,008
Other liabilities	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Accounts payable and others	87,694	994,717	696,216	737,065	11,063,936	13,579,628
Shareholders' equity	–	–	–	–	44,355,098	44,355,098
Total liabilities and shareholders' equity	**198,729,398**	**22,696,653**	**24,825,366**	**8,417,456**	**55,419,034**	**310,087,907**

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2019	Within 3 months SAR '000	Within 3-12 months SAR '000	Within 1-5 years SAR '000	Over 5 years SAR '000	No fixed maturity SAR '000	Total SAR '000
Assets						
Cash and balances with SAMA	19,545,440	–	–	–	9,644,047	29,189,487
Cash in hand	4,916,642	–	–	–	–	4,916,642
Balances with SAMA	14,628,798	–	–	–	9,644,047	24,272,845
Due from banks and other financial institutions	4,010,045	724,843	–	–	–	4,734,888
Current accounts	958,966	–	–	–	–	958,966
Money market placements	3,051,079	724,843	–	–	–	3,775,922
Positive fair value of derivatives	53,607	16,192	366,406	172,642	–	608,847
Investments, net	1,452,805	7,753,664	17,611,814	22,455,230	4,087,902	53,361,415
FVIS	–	–	–	–	1,038,918	1,038,918
FVOCI	145,069	301,562	5,689,132	10,996,206	3,048,984	20,180,953
Amortised cost	1,307,736	7,452,102	11,922,682	11,459,024	–	32,141,544
Investment in associates	–	–	–	–	702,882	702,882
Loans and advances, net	50,970,560	30,184,094	43,660,866	49,166,479	–	173,981,999
Overdraft	6,763,295	–	–	–	–	6,763,295
Credit cards	760,513	–	–	–	–	760,513
Consumer loans	175,973	338,192	24,143,453	30,734,363	–	55,391,981
Commercial loans	42,772,905	29,845,902	19,517,413	18,432,116	–	110,568,336
Others	497,874	–	–	–	–	497,874
Other real estate	–	–	–	–	233,057	233,057
Property and equipment, net	–	–	–	–	2,201,925	2,201,925
Other assets	430,429	–	–	–	343,949	774,378
Accounts receivable and others	430,429	–	–	–	343,949	774,378
Total assets	**76,462,886**	**38,678,793**	**61,639,086**	**71,794,351**	**17,213,762**	**265,788,878**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	4,638,352	7,853,898	–	632,230	–	13,124,480
Current accounts	851,791	–	–	–	–	851,791
Money market deposits	3,786,561	7,853,898	–	632,230	–	12,272,689
Negative fair value of derivatives	6,724	11,652	340,518	290,332	–	649,226
Customer deposits	165,458,586	20,679,116	8,278,193	102,004	–	194,517,899
Demand	93,707,806	–	–	–	–	93,707,806
Saving	669,226	–	–	–	–	669,226
Time	53,165,790	19,349,365	7,407,767	48,200	–	79,971,122
Other	17,915,764	1,329,751	870,426	53,804	–	20,169,745
Debt securities in issue	3,029	4,000,000	–	–	–	4,003,029
Other liabilities	12,352	667,058	212,083	646,565	11,384,724	12,922,782
Accounts payable and others	12,352	667,058	212,083	646,565	11,384,724	12,922,782
Shareholders' equity	–	–	–	–	40,571,462	40,571,462
Total liabilities and shareholders' equity	**170,119,043**	**33,211,724**	**8,830,794**	**1,671,131**	**51,956,186**	**265,788,878**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies are given in Note 19 (c) .

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Fair value and fair value hierarchy 2020	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial assets measured at fair value				
Investments Held as FVIS	1,101,133	–	–	1,101,133
– Others	1,101,133	–	–	1,101,133
Investments Held as FVOCI	21,603,888	–	454,710	22,058,598
– Fixed rate securities	18,539,730	–	–	18,539,730
– Floating rate securities	–	–	–	–
– Equities	3,064,158	–	454,710	3,518,868
Positive fair value derivatives	–	1,558,957	–	1,558,957
Financial liabilities measured at fair value				
Negative fair value derivatives	–	1,640,934	–	1,640,934

Fair value and fair value hierarchy 2019	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
Financial assets measured at fair value				
Investments Held as FVIS	1,038,918	–	–	1,038,918
– Others	1,038,918	–	–	1,038,918
Investments Held as FVOCI	19,788,231	–	392,722	20,180,953
– Fixed rate securities	16,551,046	–	–	16,551,046
– Floating rate securities	580,923	–	–	580,923
– Equities	2,656,262	–	392,722	3,048,984
Positive fair value derivatives	–	608,847	–	608,847
Financial liabilities measured at fair value				
Negative fair value derivatives	–	649,226	–	649,226

The fair value of loans and advances are worked out using level 2 valuation technique which amounted to SAR 201,464 million (2019: SAR 178,286 million).

The management uses discounted cash flow method, using the current yield curve adjusted for credit risk spreads to arrive at the fair value of loans and advances. Cash and balances with SAMA, due from banks with maturity of less than 90 days and other short term receivables, other assets and other liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature. The fair value of investments held at amortized cost are worked out using level 2 valuation technique which amounted to SAR 33,290 million (2019: SAR 32,750 million).

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customer deposits and debt securities issued at 31 December 2020 and 2019 approximate their carrying values.

There were no transfers between the fair value hierarchy levels.

Although the Group believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. The Group uses net assets valuation and price to book value method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

Reconciliation of movement in Level 3:

	2020 SAR '000	2019 SAR '000
Opening balance	392,722	288,876
Total gains or losses		
– recognised in consolidated statement of income	16,399	3
– recognised in other comprehensive income	(1,218)	5,178
Purchases	46,807	98,665
Closing balance	454,710	**392,722**

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:

(a) In the principal market for the asset or liability, or

(b) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

34. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

(a) Major Shareholders

	2020 SAR '000	2019 SAR '000
Loans and advances	105,538	252,677
Customer deposits	23,620,021	23,493,585
Derivatives asset (at fair value)	5,291	8,707
Commitments and contingencies (irrevocable)	894,462	1,447,323

(b) Bank's Board of Directors and Senior Executives:

	2020 SAR '000	2019 SAR '000
Loans and advances	1,471,841	4,489,463
Customer deposits	488,865	5,587,516
Derivatives asset (at fair value)	148,597	163,667
Commitments and contingencies (irrevocable)	2,186,884	2,527,443
Executive end of service	27,618	31,997

(c) Subsidiaries and Associates

	2020 SAR '000	2019 SAR '000
Loans and advances	390,921	110,061
Customer deposits	6,154,886	226,653
Commitments and contingencies (irrevocable)	2,727,754	553,406

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

(d) Bank's mutual funds:

	2020 SAR '000	2019 SAR '000
Customer deposits	937,000	908,000

Income and expenses pertaining to transactions with related parties included in these consolidated financial statements are as follows:

	2020 SAR '000	2019 SAR '000
Special commission income	76,774	210,739
Special commission expense	341,896	469,019
Fees from banking services, net	343,860	338,202
Directors and committees remuneration and expenses	6,757	5,912
Executive remuneration and bonus	87,333	80,775
Executive end of service	5,189	6,784
Other expenses	164,203	88,075

35. CAPITAL ADEQUACY

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

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

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers the Group's business plans along with economic conditions which directly and indirectly affect its business environment. SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under the Basel III framework.

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

	2020		2019	
	Capital SAR '000	Ratio percentage	Capital SAR '000	Ratio percentage
Top consolidated level				
Tier 1 capital	44,351,697	16.5%	40,571,462	16.3%
Tier 2 capital	6,779,023		4,513,360	
Total regulatory capital (Tier 1 + Tier 2)	51,130,720	19.1%	45,084,822	18.1%

	2020 SAR '000	2019 SAR '000
Risk weighted assets		
Credit risk weighted assets	245,886,873	229,293,237
Operational risk weighted assets	18,367,191	16,561,830
Market risk weighted assets	3,879,905	3,701,400
Total Pillar 1 Risk Weighted Assets	268,133,969	**249,556,467**

36. STAFF INVESTMENT SAVINGS PLAN

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Group make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Group also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Group's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated statement of income over the term of the plan.

37. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totalling SAR 67.2 billion (2019: SAR 50 billion).

The Bank's assets under management, include Shariah-approved portfolios amounting to SAR 43.9 billion (2019: SAR 27.9 billion).

38. SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for a total of nine months (initial deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September for a period of six months and then further deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income.

Further to the above, SAMA on 8 December 2020 extended the deferred payment program until March 31, 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure for three and half months. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Bank recognizing an additional modification loss of SAR 191.3 million.

As a result of the above program and related extensions, the Bank deferred the payments of upto SAR 12.4 billion on MSMEs portfolio and accordingly, has recognised total modification losses of SAR 631.8 million during the year. The total exposures against the deferred loans amounted to SAR 12.8 billion as at the year end.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Bank continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves, however, the management has taken SAR 328 million of overlays to reflect potential further credit deterioration, of which SAR 253 million has been taken as incremental total ECL for the deferred MSME portfolio having total exposure of SAR 12.8 billion.

If the balance of COVID-19 support packages in stage (1) move to stage (2), an additional ECL provisions would be provided during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received in aggregate SAR 19.9 billion of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. By the end of 31 December 2020, total day 1 fair valuation gain of SAR 631.8 million has been recognised in the statement of income to offset the impact of modification losses and remaining SAR 688.2 million is deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2020, SAR 99.5 million, net, has been charged to the statement of income relating to unwinding of the day 1 income.

As at 31 December 2020, the Bank has participated in SAMA's funding for lending and facility guarantee programs and the accounting impact for the year is immaterial.

Furthermore, during the year ended 31 December 2020, the Bank has recognised reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SAR 77 million.

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during the year ended December 31, 2020, the Bank received SAR 6.3 billion profit free deposit with one year maturity. Management has determined based on the communication received from SAMA, that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total day 1 fair valuation gain of SAR 97 million of which SAR 22 million has been recognised in the statement of income as at December 31, 2020 and with the remaining amount deferred."

Bank's initiative - Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months from April 1, 2020 till June 30, 2020.

39. IFRS ISSUED BUT NOT EFFECTIVE

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting years beginning on or after 1 January 2020 and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS

Amendments to IFRS 16: Leases for COVID-19 rent related concessions.

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2023.

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

Effective for annual periods beginning on or after 1 January 2022. Proceeds before Intended Use amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

effective for annual periods beginning on or after 1 January 2022.

40. EVENTS AFTER THE REPORTING DATE

During February 2021, the Bank successfully issued SAR denominated Tier 2 capital-eligible sukuk amounting to SAR 3 billion. The sukuks carry special commission rate of 6 month SAIBOR plus 150 basis points and have a term of 10 years, callable at year 5, subject to terms and conditions of the sukuk.

41. COMPARATIVE FIGURES

Certain other comparative amounts have been reclassified to conform with the current year presentation.

42. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on Rajab 5, 1442 (corresponding to February 16, 2021).

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