SHAREHOLDER CIRCULAR

This document has been prepared by The National Commercial Bank ("NCB") in accordance with the requirements of Article (57) of the Rules on the Offer of Securities and Continuing Obligations in connection with the increase in the share capital of NCB with respect to the Merger of NCB and Samba Financial Group ("Samba Group") in consideration for new shares in NCB pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulations (the "Circular")

NCB has entered into a merger agreement with Samba Group on 24/2/1442H (corresponding to 11 October 2020G) (the "**Merger Agreement**") for the purpose of merging the two entities pursuant to which all of the assets and liabilities of Samba Group will be transferred to NCB (the "**Merger**"), in consideration for NCB issuing 1,478,000,000 ordinary shares with a nominal value of SAR 10 per share in NCB in favour of Samba Group shareholders (the "**Consideration Shares**") by way of increasing the paid-up capital of NCB from 30,000,000,000 to SAR 44,780,000,000 which represents an increase in the number of shares of NCB from 3,000,000,000 shares to 4,478,000,000 fully paid shares, which represents an increase of 49.3% of NCB's issued share capital at the date of this Circular subject to satisfying the Merger conditions set out in the Merger Agreement and summarised in Section (12.5) ("*Terms and Conditions of The Merger Agreement*") of this Circular (noting that such conditions may not be amended or waived without the approval of both Banks). NCB made an announcement on 24/2/1442H (corresponding to 11 October 2020G) confirming signing the Merger Agreement and its firm intention to proceed with making an Offer to Merge to Samba Group Shareholders in consideration for the Consideration Shares (For further information, see Section (5) (*"Key Dates and Milestones"*) of this Circular).

NCB has only one class of shares and no shareholder benefits from any preferential voting rights. All Consideration Shares will be of the same class and will have the same rights as the existing NCB shares. Pursuant to the Merger Agreement, the assets and liabilities of Samba Group will be transferred to NCB in consideration for the issue of the Consideration Shares to Samba Group shareholders who are registered in the shareholders' register of Samba Group at the end of the second trading period following the Effective Date. For every Samba Group share held, NCB will issue 0.739 NCB shares as consideration (the "**Exchange Ratio**"). Upon Completion, all Samba Group Shares will be delisted from Tadawul and Samba Group will cease to exist pursuant to the provisions of Articles 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulations (the "**MARs**"). Reference to the "**Combined Bank**" in this Circular means NCB following the Effective Date.

The total value of the Merger is determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 14,780,000,000. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 38.50 per NCB share on 8 October 2020 (which is the last trading day prior to the Merger Agreement) is SAR 56,903,000,000. The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB shares on the last trading day prior to the Effective Date of the Merger, the Consideration Shares' value determination may affect the goodwill value (for more details on goodwill impairment following the Merger, please see section (8.1.190) ("*Risks relating to goodwill impairment following the Merger*" of this Circular).

Implementation of the Merger is conditional upon, amongst other things, obtaining the approval of the NCB EGM and Samba Group EGM. For more details of the conditions to, and process for, implementing the Merger, see Section (12) ("*Legal Information*") of this Circular. For the avoidance of doubt, and subject to satisfying all of the other Merger conditions, if the Merger Resolutions are approved by the requisite number of NCB Shares (at least three- fourth of the shares represented at the meeting) at the NCB EGM, the ownership percentage of the current shareholders in NCB (including those who voted against or did not vote on the Merger Resolutions) will be diluted, to the extent they do not own shares in Samba Group (For further information see Section (8.1.10) "*Risks relating to the dilution of the existing NCB shareholders and the decrease of their voting power*" of this Circular). Furthermore, subject to satisfying all of the other Merger conditions, and if the Merger Resolutions are approved by the requisite number of Samba Group Shares (at least three- fourth of the shares represented at the meeting) at the Samba Group EGM, Samba Group will dissolve and its assets and liabilities of will be transferred to NCB. Upon Completion, all of Samba Group shareholders (including those who voted against or did not vote on the Merger Resolutions) will receive the Consideration Shares in the Combined Bank in accordance with the Exchange Ratio. The

Consideration Shares will entitle its holders to receive dividends declared by the Combined Bank following Completion.

NCB was converted into a joint stock company in Saudi Arabia pursuant to Royal Decree No. M/19 dated 23/11/1417H (corresponding to 31/3/1997G), which is a licensed by SAMA to engage in banking and financing activities, holding commercial registration number 4030001588 dated 27/12/1376H (corresponding to 24/7/1957G) issued in Jeddah and has a share capital of SAR 30,000,000,000 consisting of 3,000,000,000 shares with a nominal value of SAR 10 per share, all of which are fully paid and listed on Tadawul.

Samba Group was established as a joint stock company in Saudi Arabia pursuant to Royal Decree No. M/3 dated 26/3/1400H (corresponding to 13/2/1980G), which licensed by SAMA to engage in banking and financing activities, holding commercial registration number 1010035319 dated 6/2/1401H (corresponding to 13/12/1980G) issued in Riyadh and has a share capital of SAR 20,000,000,000 consisting of 2,000,000,000 shares with a nominal value of SAR 10 per share, all of which are fully paid and listed on Tadawul.

At of the date of this Circular, the Substantial Shareholders of NCB are as follows:

Public Investment Fund ("**PIF**") owning 44.29%, Public Pension Agency ("**PPA**") owning 5.36%, and General Organization for Social Insurance ("**GOSI**") owning 5.18%. The Substantial Shareholders of Samba Group are PIF owning 22.9%, PPA owning 11.5%, and GOSI owning 7.1%.

The Merger involves a Related Party transaction as PIF, PPA, and GOSI are Substantial Shareholders in NCB and Samba Group, and they have representation on the boards of, both NCB and Samba Group. Pursuant to Article 191(4) of the Companies Law, a shareholder that holds shares in both NCB and Samba Group, including shareholders that are Related Parties, can only vote on the Merger Resolutions in the EGM of one of the Banks (for further information about this, see Section (10.6) "*Related Parties and Conflicted Directors*" of this Circular).

A number of NCB's directors have an interest in the Merger, as Mr. Saeed Mohammed Al Ghamdi, Mr. Rashid Ibrahim Sharif, Mr. Marshall Charles Bailey, and Mr. David Jeffrey Meek (in their capacity as the board representatives of the PIF in the NCB board), and Mr. Anees Ahmed Moumina (in his capacity as the board representative of the GOSI in the NCB board and due to his direct and indirect ownership in Samba Group), and Saud Sulaiman Al Juhani (in his capacity as the board representative of PPA in the NCB board) have declared their interest to the NCB board and did not vote on the NCB board resolution to approve entry into the Merger Agreement (For further information see Section (10.6) ("*Related Parties and Conflicted Directors*") of this Circular).

The following table sets out the names and shareholdings of the Related Parties and Conflicted Directors in relation to the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

Name	Nature of the conflict	Direct Ownership in NCB		Direct Ownership in Samba Group	
		Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
Substantial Shareholders' in both Banks					
PIF	Substantial Shareholder in both NCB and Samba Group and has a representative on the board of both Banks	1,328,839,999	44.29%	458,269,500	22.9%
PPA	Substantial Shareholder in both NCB and Samba Group and has a representative on the board of both Banks	160,826,298	5.36%	230,858,532	11.5%
GOSI	Substantial Shareholder in both NCB and Samba Group and has a representative on the board of both Banks	155,400,000	5.18%	141,963,820	7.1%
NCB's Conflicted Directors					

Mr. Saeed Mohammed Al Ghamdi	a representative of the PIF on the board of NCB	722,478	0,02408%	N/A	-
Mr. Rashid Ibrahim Sharif	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. Marshall Charles Bailey	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. David Jeffrey Meek	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. Saud Sulaiman Al Juhani	a representative of the PPA on the board of NCB	N/A	N/A	N/A	-
Mr. Anees Ahmed Moumina	a representative of the GOSI on the board of NCB and directly and indirectly owns shares in Samba Group	39,900	0,00133%	157,826	0,00789%

Source: NCB and Samba Group

The following table shows details of ownership in NCB of each of the Substantial Shareholders of NCB and Samba Group and the public prior to and following the Capital Increase as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	**Shareholding %**	**No. of Shares**	**Shareholding %**
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%
NCB directors*	766,878	0.03%	766,878	0.02%
NCB senior executives**	904,314	0.03%	904,314	0.02%
Treasury Shares	7,030,787	0.2%	43,424,213***	1,0%
The Public	1,346,231,724	44.9%	2,173,661,419	48.5%
Total	**3,000,000,000**	**100 %**	**4,478,000,000**	100%

*pursuant to the shares owned by NCB directors in NCB only, which include the shares they own directly and the shares in which they have an indirect interest.
** pursuant to the shares owned directly by NCB senior executives in NCB only.
*** represents the Combined Bank treasury shares which shall consist of the following: 1) NCB treasury shares on the Effective Date; 2) the Consideration Shares that will be issued against Samba Group treasury shares; and 3) NCB shares owned by Samba Group on the Effective Date.

An application has been made to the CMA for the Consideration Shares to be registered and offered and to the Saudi Stock Exchange (Tadawul) for the Consideration Shares to listed on Tadawul. All requirements of the CMA have been satisfied and, subject to the EGM resolutions being passed at the NCB EGM and the Samba Group EGM, all relevant regulatory approvals pertaining to the Merger and the Capital Increase have been granted (for further information, see Section (12.3.1) ("*Government Approvals*") of this Circular).

This Circular should be read in full and Section (0) "*Important Notice*" and Section (8) (*"Risk Factors"*) of this Circular should be considered carefully prior to making a decision whether to vote at the NCB EGM in favour of the Merger Resolutions and the Additional Resolutions.

This Circular includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations (the "**OSCO**") and the application for listing of securities in compliance with the Listing Rules of Tadawul. The directors of NCB, whose names appear on page 66, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The directors of NCB also confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and Tadawul do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

As an exception from the above declaration with respect to the responsibility of the directors of NCB for the accuracy of the information contained in this Circular, NCB directors will not accept any responsibility for the accuracy of the information relating to Samba Group contained in this Circular. All information contained in this Circular in relation to Samba Group and its subsidiaries has been included on the basis of the information provided by Samba Group and information obtained during the due diligence exercise conducted by NCB and its advisers on Samba Group. Samba Group has an obligation under the Merger Agreement to provide NCB with all information required to prepare this Circular. Samba Group has also provided a customary warranty in favour of NCB, under the Merger Agreement, that all information in connection with the Merger provided to NCB including information that was provided during the course of the due diligence process and during the preparation of the Merger documents, including this Circular, was as at the date as to which it speaks true and accurate in all material respects and not misleading in a material respect. Samba Group also warranted that, save for information which it has redacted from the due diligence materials during the due diligence investigation, due to its commercial sensitivity or regulatory restrictions, it has not knowingly withheld any material information in connection with the Merger from NCB.

Following careful and thorough consideration of the terms of the Merger, all members of the board of directors of NCB (other than the Conflicted Directors), have approved the entry into the Merger Agreement and the Merger Agreement was signed on 24/2/1442H (corresponding to 11 October 2020G).

The members of the board of directors of NCB (other than the Conflicted Directors) believe that the Merger is fair and reasonable, having conducted appropriate due diligence -with the support of its advisors- they deemed sufficient under the circumstances and considered the market position prevailing at the time of the publication of this Circular in addition to the future growth prospects of the Combined Bank, including potential synergies, and the opinion of JPM (NCB's Financial Advisor in connection with the Merger) dated 23/2/1442H (corresponding to 11/10/2020G), to the NCB board of directors, which opinion is attached to this Circular as Annex 2, to the effect that, as of that date and based upon and subject to the factors and assumptions set forth therein, the Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to NCB.

The members of the board of directors of NCB (other than the Conflicted Directors) further believe that the Merger is in the best interests of NCB and its Shareholders and therefore unanimously recommends that NCB Shareholders approve the Merger and the Capital Increase.

In arriving at their recommendation, the members of the board of directors of NCB have also received and considered external advice on legal, accounting, financial, strategic and other matters relating to the Merger.

In giving its recommendation, the board of directors of NCB has not had regard to specific investment objectives, financial situation, tax or Zakat positions or the individual circumstances of any individual NCB shareholder. As different NCB Shareholders have different investment objectives and portfolios, the board of directors of NCB recommends that each individual NCB shareholder reads and carefully considers all information contained in this Circular, and when in doubt as to the action such shareholder should take at the EGM, the board of directors of NCB recommends that such shareholder consults an independent financial advisor licensed by the CMA in relation to the Merger and relies on its own examination of the Merger and the information herein with regard to such NCB shareholder's individual objectives, financial situation and needs.

All board members of NCB who will vote on the Merger Resolutions at NCB EGM will vote, with respect to their shareholding, in favour of the Merger Resolutions.

NCB has appointed JPM as its financial advisor in connection with the Merger.

Financial Advisor

J.P.Morgan

This Circular was published on 27/6/1442H (corresponding to 9/2/2021G). This is an unofficial English translation of the official Arabic language of the Circular. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language Circular. In case of any differences between the two, the Arabic version shall prevail.

IMPORTANT NOTICE

This Circular has been prepared by NCB pursuant to Article (57) of the Rules on the Offer of Securities and Continuing Obligations in connection with the Offer to Merge made by NCB to Samba Group shareholders in consideration for new shares in NCB pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. This Circular contains detailed information relating to the Merger and relevant information thereto. The purpose of this Circular is to provide NCB Shareholders with information on the Merger in order to assist them in deciding whether or not to vote at the NCB EGM in favour of the Merger Resolutions and the Additional Resolutions, which is a necessary step to complete the Merger. The vote of the NCB Shareholders on the Merger Resolutions and the Additional Resolutions will be made solely on the basis of the information contained in this Circular. Copies of this Circular can be obtained (without charge) from the offices of NCB or through NCB's website at: www.alahli.com,from the Financial Advisor's website at: www.jpmorgansaudiarabia.com, from the CMA's website at: www.cma.org.sa, or from Tadawul's website at: www.tadawul.com.sa.

The CMA and Tadawul do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

Statements and information contained in this Circular are made as at the date of this Circular, unless some other time is specified in relation to them, and are subject to change after its publication. The information appearing in this Circular reflects the current point of view of the NCB Board and its impact thereon following Completion. It is however not a guarantee of the financial performance of the Combined Bank following Completion and it should be noted that there are various factors that could impact the performance of the Combined Bank or the results it could achieve either positively or negatively (For further information, see Section (8) ("*Risk Factors*") of this Circular).

According to the requirements of the OSCO, NCB will issue a supplementary circular at any time after this circular has been published and before the NCB EGM is convened if NCB becomes aware that there has been a significant change in material information contained in this Circular or additional significant matters have become known which would have been required to be included in this Circular.

Nothing contained in this Circular is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial performance of the Combined Bank or any members of its respective group and no statement in this Circular should be interpreted to mean that earnings per share for current or future financial periods of the Combined Bank post the Merger will necessarily match or exceed historical published earnings per share of NCB shares.

No person has been authorised to give any information or to make any representations on behalf of the NCB board of directors other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been authorised by NCB, JPM (the Financial Advisor) or any of the other advisers in connection with the Merger.

JPM is acting exclusively as financial adviser to NCB and for no one else in connection with the Merger and will not be responsible to anyone other than NCB for providing the protections afforded to clients of JPM or for providing advice in relation to the Merger, the content of this Circular or matters referred to in this Circular. JPM is licensed and regulated in Saudi Arabia by the CMA.

JPM has not verified the information contained in this Circular. Accordingly, no representation or warranty is made or implied by JPM or any of its respective affiliates and neither JPM or any of its respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Circular.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Circular contains certain forward-looking statements with respect to NCB. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “will”, “goal”, “believe”, “aim”, “may”, “would”, “could” or “should” or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to the following: (i) preliminary synergy estimates, future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the operations of NCB following the Merger; and (iii) the Merger and the dates on which events are expected to occur. Neither the forward-looking statements nor the objectives referred to in this Circular can be ascertained. The advisors of NCB, those whose names appear in Section (3) “*Corporate Directory”* of this Circular, or any of their managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in the Circular, or the omission of any information not included in this Circular.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, industry results, strategies or events, to be materially different from any results, performance, achievements or other events or factors expressed or implied by such forward-looking statements. Many of the risks and uncertainties relating to forward-looking statements are beyond NCB’s abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Forward-looking statements are not guarantees of future performance. They have not, unless otherwise indicated, been reviewed by the auditors of NCB. Forward-looking statements are based on numerous assumptions, including assumptions regarding the present and future business strategies of NCB and the environment in which it will operate in the future. All subsequent oral or written forward-looking statements made by or attributable to NCB or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

The risks and uncertainties include, but are not limited to:

- any synergy estimates included in this Circular, which are highly preliminary estimates of the board of directors of NCB, which have not been subject to an independent verification process and may be revised following more detailed integration planning of the businesses of NCB and Samba Group;
- the economic and financial markets conditions in KSA generally;
- the performance of the banking sector in KSA and the wider region;
- the Banks ability to obtain requisite governmental or regulatory approvals and permits to undertake banking activities;
- the Combined Bank’s ability to achieve and manage the growth of the businesses;
- the Combined Bank’s ability to conduct and grow its operations;
- the Combined Bank’s ability to obtain financing or maintain sufficient capital to finance its current and future operations;
- changes in political, social, legal or economic conditions in the markets in which the Combined Bank and operates;
- changes in the competitive environment in the KSA banking sector;
- failure to comply with regulations applicable to the Combined Bank’s businesses; and
- removal or adjustment of the fixed exchange rate between the US dollar and the KSA Riyal.

For further details about these risks and uncertainties, see Section (8) (“*Risk Factors*”) of this Circular.

NCB assumes no obligation to, and does not intend to, update any forward-looking statements, except as required pursuant to applicable law and regulation.

No person should construe the contents of this Circular as legal, financial or tax advice. If you are in any doubt as to the action you should take, it is recommended that you seek your own independent financial advice from an independent financial advisor authorised by the Saudi Arabian Capital Market Authority.

PUBLICATION AND DISTRIBUTION RESTRICTIONS

This circular is addressed to NCB Shareholders, subject to any restriction in the rules of any Restricted Jurisdiction.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

NCB's financial statements for the financial years ended 31 December 2017G, 31 December 2018G, 31 December 2019G and the six-month period ended 30/6/2020G are prepared in accordance with IFRS as adopted in KSA and other mandatory reporting requirements applicable in KSA. Save where expressly stated otherwise, financial information contained in this Circular is based on management estimates and has not been independently verified by auditors or otherwise. Save as disclosed otherwise, all financial information is set out in SAR.

This Circular has been prepared for the purpose of complying with applicable laws and regulations of KSA and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and/or regulations of jurisdictions outside KSA. The Consideration Shares constitute securities of a Saudi Arabian company and you should be aware that this Circular and any other documents relating to the Merger and the Consideration Shares have been or will be prepared in accordance with Saudi Arabian disclosure requirements, format and style, all of which may differ from those applicable in other jurisdictions.

3. CORPORATE DIRECTORY

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Telephone: +966114654240
Fax: +966114351663
Email: mer_champion@pwc.com
Website: www.pwc.com/me

Note: The above advisors have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular, and do not themselves, have any shareholding or interest of any kind in NCB or its subsidiaries.

Industry and Market Data

Information and data on the banking sector in the Kingdom contained in this Circular has been obtained from publicly available information. While there is no reason to believe that this information is materially inaccurate, NCB directors and advisors have not independently verified the accuracy of this information and data, and there is no guarantee as to as to its accuracy or completeness.

The sources of information and data related to third parties used in this Circular include the following sources:

Saudi Central Bank ("SAMA")
King Saud Bin Abdulaziz Street
P.O. Box 2992, Riyadh 11169, Saudi Arabia.
Telephone: +966-11- 463-3000
Fax: +966-11- 466-2966
www.sama.gov.sa

SAMA was established in 1372H corresponding to (1952G). Its functions include, inter alia, the following:

- To deal with the banking affairs of the Government;
  Minting and printing the national currency (the Saudi Riyal), strengthening the Saudi currency and stabilizing its external and internal value, in addition to strengthening the currency's cover;
- Managing the Kingdom's foreign exchange reserves;
- Managing the monetary policy for maintaining the stability of prices and exchange rate;
- Promoting the growth of the financial system and ensuring its soundness;
- Supervising commercial banks and exchange dealers;
- Supervising cooperative insurance companies and the self-employment professions relating to the insurance activity;
- Supervising finance companies;
- Supervising credit information companies.

Ministry of Finance ("MoF")
King Abdulaziz Road
Riyadh 11177
Kingdom of Saudi Arabia
Phone: 00966114050000
Fax: 00966114033130
www.mof.gov.sa

MoF was established in 1351H (corresponding to 1933G). The most important functions of the Ministry are the following:

- Supervise the implementation of the Saudi Government's fiscal policy and monitoring its implementation by the relevant agencies.
- Prepare the Saudi Government's budget, discuss it with government bodies and monitor their implementation.
- Controlling the current accounts between Ministry of Finance and all other government bodies.
- Supervise government revenue collection activities to ensure that they comply with with relevant rules and regulations.
- Supervise the annual closure of Government accounts and their expenses.

Saudi Stock Exchange (Tadawul)
King Fahad Road - Al – Olaya 6897
Unit No. 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Phone Customer Service: 00966920001919
csc@tadawul.com.sa
www.tadawul.com.sa

The Saudi Stock Exchange (Tadawul) was established in 1428H corresponding to (2007G). Tadawul is the only authorized entity to operate as a securities exchange in Saudi Arabia, where it lists and trades securities. Tadawul is the official source of all information related to the Saudi stock market. It is also an associate member of the International Organization of Securities Commissions and a member of the International Federation of Exchanges.

General Authority for Statistics
Riyadh City - Al Murabba District
Prince Abdul Rahman bin Abdulaziz Al Saud Street
Riyadh, 11481, P.O 3735
Kingdom of Saudi Arabia
Phone Customer Service: 920020081
info@stats.gov.sa
https://www.stats.gov.sa/

The General Authority for Statistics was established in 1379H corresponding to (1960G) under the name of the Department of Statistics and Information, before changing its name to the current name in 1436H corresponding to (2015G). Its functions include, inter alia, the following:

1. To carry out the statistical work as the sole and official reference body and to supervise and organize the technical sector of statistics.
2. Preparing the national strategy for statistical work in the Kingdom of Saudi Arabia in coordination with the relevant authorities, and overseeing its implementation and update.
3. Applying internationally recognized standards, including the methodology of statistical work, design and implementation of surveys, research studies, analysis of data and information, documentation and preservation of information and data.
4. Collect statistical data and information covering all aspects of life in the Kingdom of Saudi Arabia from their multiple sources, recording and tabulation.

International Monetary Fund
700 Nineteenth Street Northwest.
Washington, DC, 20431
Tel: +1 (202) 623-7000
Fax: +1 (202) 623-4661
publicaffairs@imf.org
www.imf.org

The International Monetary Fund (IMF) was established in 1945 to promote the safety of the global economy. IMF functions include, inter alia, the following:

- Warning national economies and the global economy when sensing a crisis.
- Advising members on economic policies. Additionally, establishing sound standards in relation to economic policies and banking and financial regulation.
- Lending member countries when facing economic difficulties to facilitate corrective action and help dealing with long-term economic problems through reforms.

The World Bank
1818 H Northwest Road.
Washington, DC, 20433
Tel: 2024731001
Fax: 2024731000
www.albankaldawli.org

The World Bank was founded in 1944 focusing on development and infrastructure. The World Bank provides knowledge and advice tailored to the circumstances of each case. The World Bank Group works with governments, private sector, civil society organizations, regional development banks, research centres and other international institutions on issues including but not limited to climate change, conflict and food security, education, agriculture, finance and trade and any other important element that would impact the economic growth and sustainability.

Organization of Petroleum Exporting Countries (OPEC)
Helferstorferstrasse 17
A-1010
Vienna, Austria
Tel: + 43-1 21112-3302
https://www.opec.org/opec_web

The Organization of Petroleum Exporting Countries (OPEC) was established in 1960G. OPEC's mission is to coordinate and standardize oil policies of its member countries and ensuring the stability of oil markets in order to secure an efficient, economical and regular supply of oil to consumers, steady income for producers and a fair return on capital for those investing in the petroleum industry.

4. SUMMARY OF THE MERGER

This summary of the Merger is intended to give a summary of the key features of the Merger. As such, it does not contain all of the information that may be important to NCB Shareholders in order for them to vote on the Merger Resolutions to be proposed at the NCB EGM. Accordingly, this summary must be read as an introduction to the Merger only, and recipients of this Circular are advised to read the Circular in its entirety and any decision to vote on the Merger Resolutions should be based on a consideration of this Circular as a whole. It is also important to consider the "Important Notice" and Section (8) ("*Risk Factors*") of this Circular carefully prior to deciding to vote in favour of, or against, the resolutions to be proposed at NCB EGM.

(Issuer) NCB:	**Name, Description and Incorporation Information**	NCB is a listed joint stock company in the Kingdom of Saudi Arabia, which was converted into a joint stock company by Royal Decree no. M/19 dated 23/11/1417H (corresponding to 31/03/1997G), licensed by SAMA to engage in banking and financing activities, with its headquarter in Jeddah, under Commercial Registration no. 4030001588 dated 27/12/1376H (corresponding to 24/07/1957G).
	Activities	The objective of NCB is to conduct banking business in accordance with the provisions of the Banking Control Law and other laws and regulations of the Kingdom of Saudi Arabia. Without limitation to the generality of such objectives, NCB conducts for its own account or for that of others within or outside the Kingdom all sorts of banking business including the following operations: a) To open current accounts and savings accounts, to accept cash deposits, whether payable on demand, or term deposits or otherwise, according to the terms and conditions set by NCB from time to time, to pay checks and orders issued by any person depositing money with NCB, whether in Saudi currency or other currencies. b) To open and manage investment accounts and similar accounts in the Saudi currency and other currencies. c) To obtain, borrow and raise funds using appropriate financial forms and instruments such as issuing debentures and others, whether with or without security, and to pay such loans and funds upon or before their maturity dates. d) To withdraw, make, issue, accept, deduct, re-deduct, purchase, sell, collect and deal in promissory notes, financial and commercial papers of various types based on their respective nature, such as promissory notes, bills of exchange, shares dividend coupons, transfers, bills of lading, deposit vouchers, debentures, shares certificates and other financial commercial notes, whether or not transferable or negotiable with their various types, and to deal in them based on their respective nature. e) To purchase and sell commodities, gold, silver, coins, foreign currencies and others which can be cashed and to custody and deal in the same. f) To lend and provide credit services and all types of banking credit facilities as well as the commercial financing and banking services to natural or juristic persons. g) To undertake all necessary procedures relating to financing activities. h) To arrange or participate in concluding financing operations, public and private loans, and to obtain and issue the same within or outside the Kingdom of Saudi Arabia. i) To support any governmental finance or loan or any other finance consistent with NCB's policies or to support the issue of any public or private shares. j) To issue international deeds/ sukuk or loan notes. k) To render saving deposit services in the Saudi currency or any other currencies. l) To enter into financing operations supported with assets. m) To provide electronic sale services and facilities to any natural and juristic persons and to render sales collection services through points of sale.

Substantial Shareholders, their shareholdings and number of shares in NCB pre-Completion of the Merger and post-Completion of the Merger

The Substantial Shareholders of NCB, pre-Completion of the Merger and post-Completion of the Merger, are PIF, PPA and GOSI.
The following table shows details of ownership in NCB of each of the public and the Substantial Shareholders of NCB and Samba Group prior to and following the Completion as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%

Capital

SAR 30,000,000,000.

Total Number of NCB Shares

3,000,000,000 fully paid shares.

Nominal Value of Each NCB Share

SAR 10 per share, all of which are fully paid.

Total Number of Consideration Shares to be Issued to the Shareholders of Samba Group

1,478,000,000 shares.

Percentage of Consideration Shares to NCB's current issued share capital

The Consideration Shares will represent 32.6% of the current issued share capital of NCB as at the date of this Circular (excluding treasury shares for both Banks).

Issuance Value of each Consideration Share

The nominal value of each Consideration Share is SAR 10 per share. The issuance value of each Consideration Share (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to Completion.

Total Value of the Issuance of the Consideration Shares

The total nominal value of the Consideration Shares is SAR 14,780,000,000. The total value of the issuance of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to Completion.

Description and Structure of the Merger

The Merger is intended to be effected by way of a statuary merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. NCB will make its Offer to Merge to Samba Group shareholders in consideration for the Consideration Shares issued by way of increasing NCB paid-up capital from SAR 3,000,000,000 to SAR 44,780,000,000. On the Effective Date the assets and liabilities of Samba Group will be transferred to NCB. NCB will continue to exist and Samba Group will cease to exist as a legal entity by operation of law and its shares will be cancelled. For further details about the Merger, see Section (10.2) (*"Rationale of the Merger"* and Section (12.1) *("Summary of the Legal Structure of the Merger")* of this Circular.

Merged Company (Samba Group):

Description and Incorporation Information

Samba Group is a listed joint stock company, which was established as a joint stock company in Saudi Arabia by Royal Decree No. M/3 dated 26/3/1400H (corresponding to 13/2/1980G), licensed by SAMA to engage in banking and financing activities, with its head quarter in Riyadh, under Commercial Registration no. 1010035319 on 6/2/1401H (corresponding to 13/12/1980G).

Activities

The objective of Samba Group is to conduct banking business in accordance with the provisions of the Banking Control Law and other laws and regulations of the Kingdom of Saudi Arabia. For further details about the activities of Samba Group, see Section (10) (*"The Merger"*) of this Circular.

Substantial Shareholders of Samba Group, their shareholdings and number of shares in NCB and Samba Group prior to and following the Merger

The Substantial Shareholders of Samba Group are PIF, PPA and GOSI.

The following table shows details of ownership in Samba Group of each of the public and the Substantial Shareholders of Samba Group prior to and following the Completion as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion of the Merger		Post- Completion of the Merger	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	458,269,500	22.9%	Not applicable, as Samba Group will cease to exist post the Completion of the Merger.	
PPA	230,858,532	11.5%		
GOSI	141,963,820	7.1%		

The following table shows details of ownership in NCB of each of the public and the Substantial Shareholders of Samba Group prior to and following the Completion as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%

Ownership of Samba Group Shareholders in NCB upon Completion

Samba Group Shareholders will own 32.6% of the share capital of the Combined bank (excluding treasury shares for both Banks) following the Completion of the Merger.

Capital

SAR 20,000,000,000

The Total Number of Samba Group Shares

2,000,000,000 shares of with a nominal value of SAR 10 per share, all of which are fully paid.

Related parties:

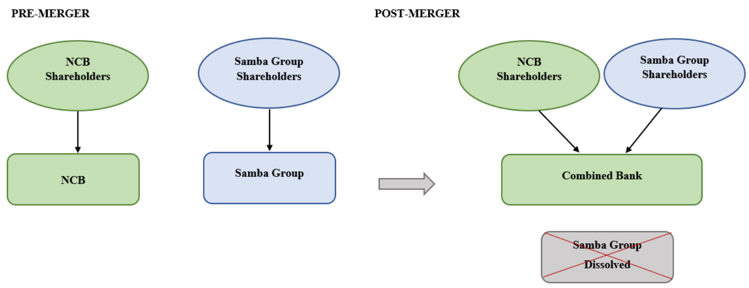
The Merger involves a Related Party transaction as each of PIF, PPA and GOSI are considered Substantial Shareholders in, and has representation on the boards of, both NCB and Samba Group. (For further information see Section (10.6) (*"Related Parties and Conflicted Directors"*) of this Circular).

Total Value of the Consideration

The total nominal value of the Consideration Shares is SAR 14,780,000,000. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price SAR 38.50 per NCB share on 8 October 2020 (which is the last trading day prior to the execution of the Merger Agreement) is SAR 56,903,000,000. The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to the Effective Date of the Merger. It should be noted that determining the total value of the Consideration Shares may affect the determination of the value of goodwill (For further information relating to goodwill impairment following the Merger, see Section (8.1.19) "*Risks relating to goodwill impairment following the Merger*" of this Circular).

Structure of the Merger

The below diagram is a simplified description of the Merger structure



Ownership Structure of NCB pre-Completion of the Merger and post- Completion of the Merger

The following table shows details of ownership in NCB of each of the public and the Substantial Shareholders of NCB and Samba Group prior to and following the Completion as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%
NCB directors*	766,878	0.03%	766,878	0.02%
NCB senior executives**	904,314	0.03%	904,314	0.02%
Treasury Shares	7,030,787	0.2%	43,424,213***	1,0%
The Public	1,346,231,724	44.9%	2,173,661,419	48.5%
Total	**3,000,000,000**	**100 %**	**4,478,000,000**	100%

*pursuant to the shares owned by NCB directors in NCB only, which include the shares they own directly and the shares in which they have an indirect interest.
** pursuant to the shares owned directly by NCB senior executives in NCB only.
*** represents the Combined Bank treasury shares which shall consist of the following: 1) NCB treasury shares on the Effective Date; 2) the Consideration Shares that will be issued against Samba Group treasury shares; and 3) NCB shares owned by Samba Group on the Effective Date.

Ownership Structure of Samba Group Prior to and Following the Completion of the Merger

The following table shows details of ownership structure in Samba Group before and after Completion of the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion of the Merger		Post- Completion of the Merger	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	458,269,500	22.9%	Not applicable, as Samba Group will cease to exist post the Completion of the Merger.	
PPA	230,858,532	11.5%		
GOSI	141,963,820	7.1%		
Samba Group directors*	1,130,168	0,1%		
Samba Group senior executives**	320,687	0,016%		
Treasury Shares	41,883,698	2,1%		
The Public*	1,125,573,595	56,3%		
Total	2,000,000,000	100%		

*The Samba Group directors shares represent the shares owned by Samba Group directors directly including shares in which they have indirect interest.
** represents shares owned directly by Samba Group senior executives.

Dilution Effects

Following the Capital Increase, NCB Shareholders would own 67.4% of the total issued share capital of NCB (excluding treasury shares for both Banks), noting that the Capital Increase will not result in any change in the number of shares currently owned by NCB Shareholders. For further information see Section (8.1.10) ("*Risks relating to the dilution of the existing NCB shareholders and the decrease of their voting power*") of this Circular.

Impact on Profitability Per Share

The Merger is expected to be accretive to earnings per share for NCB and Samba Group shareholders, in the range of 3-11%, based on the annualised H1 2020 results (including fully phased-in cost synergies of SAR 800 million and excluding one-time integration costs). Based on the H1 2020 pro forma financial accounts, illustrative historical pro forma earnings per share will be SAR 1.55 per share for the Combined Bank as a result of the transaction (excluding the cost synergies disclosed). This compares to earnings per share of SAR 1.58 for NCB for the same time period based on the historical financial accounts for NCB for the same time period. To note, the illustrative historical pro forma earnings per share disclosed in the pro forma financial accounts has only been provided as an indication of pro forma financials at this stage, and the Combined Bank earnings per share might change as the Combined Bank submits the first set of unified financial accounts.
Shareholders should not rely on the expectation of future earnings per share accretion in making their decision on how to vote on the Merger Resolutions and should be cautious about forward-looking projections of future outcomes. Therefore, these statements should not be interpreted to mean that earnings per share of the Combined Bank following the Merger will necessarily equal or exceed historical published earnings per share of NCB shares.
For further details about the impact on profitability per share, see Section (10.11) (*"Impact on Profitability"*) of this Circular.

The rationale behind the Merger	The Merger will create the largest bank in the Kingdom of Saudi Arabia and a leading bank in the Middle East by market value. The Merger will enable the Combined Bank to finance economic development and support Saudi Arabia's trade and cash flows with the region and the rest of the world. The Merger will also enable the Combined Bank to take advantage of the high integration between the two Banks to enhance its competitive position, improve and develop its service centres, and provide the best modern technologies to its customers through digital transformation. The Merger will contribute to deliver progress towards Vision 2030, achieving cost synergies and enhancing the international presence of the Combined Bank, in addition to contributing to preparing future leaders in the banking sector. For further information on the rational of the Merger, see Section (10.2) (*"Rationale of The Merger"*) of this Circular.
Summary of Key Steps to Effect the Capital Increase and Issue the Consideration Shares	The key steps required to complete the Merger are as follows: • Publish the invitation to convene the NCB EGM and Samba Group EGM. • Obtain the approval of the NCB EGM and Samba Group EGM in respect of the Merger Resolutions. • Publish the NCB EGM and Samba Group EGM resolutions. • The commencement of the creditors' objection period, which will continue for thirty (30) days as of the date of publishing the EGM resolutions. • The expiry of the creditors' objection period. • Effectiveness of the Merger. • Delisting of Samba Group shares and listing of the Consideration Shares on Tadawul. • Satisfying all other conditions of the Merger Agreement, which are summarised in Section (12) ("*Legal Information*") of this Circular, provided that none of the conditions to the Merger may be amended or waived except with the consent of both NCB and Samba Group. On the Effective Date, Samba Group will cease to exist by operation of law and its assets and liabilities will automatically be transferred to NCB. NCB will increase its share capital and the Consideration Shares will be issued to Samba Group Shareholders on Completion. Such Consideration Shares will then be listed on Tadawul. For further information see Section (10) ("*The Merger*") and Section (12) ("*Legal Information*") of this Circular.
Entitlement to Profits/Dividends of the Consideration Shares	The Consideration Shares will entitle their holders to receive any dividends declared by the Combined Bank following Completion.
Required Approvals in connection with the Capital Increase	The Merger and the Capital Increase are conditional upon obtaining a number of approvals as follows: a) SAMA non-objection in respect of the Merger and the Capital Increase, along with the proposed amendments to the bylaws of NCB (as stipulated in Annex 1 of this Circular). b) GAC non-objection in respect of the economic concentration with respect to the Merger. c) CMA approval of the Capital Increase and publication of the Offer Document. d) Tadawul approval for the listing of the Consideration Shares. e) MOC approval for the proposed amendments to NCB bylaws. f) CMA approval of convening the NCB EGM and Samba Group EGM. g) Approval of Samba Group Shareholders and NCB Shareholders of the Merger Resolutions at Samba Group EGM and NCB EGM. For further information on other conditions of the Merger and on the conditions that have been satisfied, see Section (12) ("*Legal Information*") of this Circular.
Voting Rights of the Consideration Shares	The Consideration Shares will carry the same voting rights as all other existing NCB shares in accordance with the Companies Law and the bylaws of NCB.
Restrictions on the Consideration Shares	There are no restrictions imposed on the Consideration Shares.

Important Notice

The proposed Capital Increase is subject to the approval of NCB Shareholders at the NCB EGM and Samba Group Shareholders at the Samba Group EGM. NCB shareholders are advised to read the Circular in its entirety (not the summary of the Merger only) and any decision to vote on the Merger Resolutions at the NCB EGM should be based on a consideration of this Circular as a whole.

The following table shows details of the ownership structure in NCB for each of the Substantial Shareholders in NCB and Samba Group, before and after Completion of the Merger.

- **Table 1** – Details of ownership in NCB of each of the public and the Substantial Shareholders of NCB and Samba Group pre- Completion of the Merger and post- Completion of the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%
NCB directors*	766,878	0.03%	766,878	0.02%
NCB senior executives**	904,314	0.03%	904,314	0.02%
Treasury Shares	7,030,787	0.2%	43,424,213***	1,0%
The Public	1,346,231,724	44.9%	2,173,661,419	48.5%
Total	**3,000,000,000**	**100 %**	**4,478,000,000**	100%

*pursuant to the shares owned by NCB directors in NCB only, which include the shares they own directly and the shares in which they have an indirect interest.
** pursuant to the shares owned directly by NCB senior executives in NCB only.
*** represents the Combined Bank treasury shares which shall consist of the following: 1) NCB treasury shares on the Effective Date; 2) the Consideration Shares that will be issued against Samba Group treasury shares; and 3) NCB shares owned by Samba Group on the Effective Date.

The following table shows details of the ownership structure in Samba Group before and after Completion of the Merger.

- **Table 2** – Samba Group Ownership Structure before and after Completion of the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion of the Merger		Post- Completion of the Merger	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	458,269,500	22.9%	Not applicable, as Samba Group will cease to exist post the Completion of the Merger.	
PPA	230,858,532	11.5%		
GOSI	141,963,820	7.1%		
Samba Group directors*	1,130,168	0,1%		
Samba Group senior executives**	320,687	0,016%		
Treasury Shares	41,883,698	2,1%		
The Public*	1,125,573,595	56,3%		
Total	2,000,000,000	100%		

*The Samba Group directors shares represent the shares owned by Samba Group directors directly including shares in which they have indirect interest.
** represents shares owned directly by Samba Group senior executives.

5. KEY DATES AND MILESTONES

The following dates are indicative only and will depend, among other things, on whether (and the dates on which of) the conditions of the Merger (including, without limitation, NCB Shareholders and Samba Group Shareholders approving the Merger at the NCB EGM and the Samba Group EGM, respectively) are satisfied. The conditions of the Merger are summarised in Section (12) ("*Legal Information*") of this Circular. NCB will announce any changes to the timeframe and expected dates set out in the table below on the Tadawul website.

Event	Timeline/Date
(1) **Actions required in relation to EGM**	
Submission of the final draft of the Offer Document to the CMA.	The final draft of the Offer document was submitted to the CMA on 21/06/1442H (corresponding to 03/02/2021G).
CMA's approval of NCB's capital increase and the publication of the Offer Document.	26/6/1442H (corresponding to 8/2/2021G)
CMA approval to convene the NCB EGM and the Samba Group EGM.	26/6/1442H (corresponding to 8/2/2021G)
Publication of the invitation to the NCB EGM on the Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate).	26/6/1442H (corresponding to 8/2/2021G)
Publication of the invitation to the Samba Group EGM on the Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate).	26/6/1442H (corresponding to 8/2/2021G)
Publication of the Shareholders Circular, the Offer Document and the Samba Group Board Circular.	27/6/1442H (corresponding to 9/2/2021G)
Documentation available for inspection.	27/6/1442H (corresponding to 9/2/2021G)
Electronic voting period for the NCB EGM.	13/7/1442H (corresponding to 25/2/2021G)
Electronic voting period for the Samba Group EGM.	13/7/1442H (corresponding to 25/2/2021G)
NCB EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital.	17/7/1442H (corresponding to 1/3/2021G)
NCB EGM (second meeting) (if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.	(After one hour from the end of the first inquorate NCB EGM meeting).
Samba EGM (first meeting) – quorum required is at least 50% of the share capital.	17/7/1442H (corresponding to 1/3/2021G)
Samba Group EGM (second meeting) if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.	After one hour from the end of the first inquorate Samba Group EGM meeting.

Event	Timeline/Date
Announcement on the Tadawul website of the Merger Resolutions passed at the NCB EGM (first or second meeting) (or, if the EGM was not quorate, the announcement of such fact).	17/7/1442H (corresponding to 1/3/2021G)
Announcement on the Tadawul website of the Merger Resolutions passed at the Samba Group EGM (first or second meeting) (or, if the EGM was not quorate, the announcement of such fact).	17/7/1442H (corresponding to 1/3/2021G)
(2) **Actions Required in the event that the first and second EGM are not quorate**	
CMA approval to convene a third NCB EGM and/or Samb Group EGM.	19/7/1442H (corresponding to 3/3/2021G) (in the event that the first or second meeting of the EGM is not held for either Banks).
Publication of the invitation to the NCB EGM (third meeting) and/or the Samba Group EGM on the Tadawul website (third meeting).	20/7/1442H (corresponding to 4/3/2021G)
Electronic voting period for the NCB EGM (third meeting) and/or the Samba Group EGM (third meeting).	9/8/1442H (corresponding to 22/3/2021G)
Third NCB EGM and/or the Samba Group EGM – the third meeting will be valid irrespective of the number of shares represented in the meeting.	12/8/1442H (corresponding to 25/3/2021G)
Publication and Announcement on the Tadawul website by NCB and/or Samba Group of the Merger Resolutions passed at the third EGM (as applicable).	15/8/1442H (corresponding to 28/3/2021G)
(3) **Creditor Objection Period**	
Commencement of creditor objection period.	17/7/1442H (corresponding to 1/3/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 15/8/1442H (corresponding to 28/3/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM). The creditor objection period shall continue for thirty (30) days.
Samba Group to publish a reminder announcement at the end of the creditor objection period.	16/8/1442H (corresponding to 29/3/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 13/9/1442H (corresponding to 25/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Expiry of creditor objection period.	18/8/1442H (corresponding to 31/3/2021G) (if approval is obtained in the first or second meeting of NCB EGM and Samba Group EGM).

Event	Timeline/Date
	15/9/1442H (corresponding to 27/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Samba Group to announce that no unsatisfied creditor objections are still outstanding or the details of any unsatisfied outstanding objections.	19/8/1442H (corresponding to 1/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 16/9/1442H (corresponding to 28/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
(4) **Effectiveness of the Merger**	
Effective Date of the Merger.	The later of (i) the expiry of the creditor objection period; or (ii) the resolution of all objections that have been raised during the creditor objection period in accordance with the applicable process and the Effective Date is expected to occur on: 19/8/1442H (corresponding to 1/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 16/9/1442H (corresponding to 28/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Samba Group Shares Suspension.	The first trading period following the Effective Date which is expected to occur on: 19/8/1442H (corresponding to 1/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 16/9/1442H (corresponding to 28/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
NCB and Samba Group to announce the Effective Date.	19/8/1442H (corresponding to 1/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 16/9/1442H (corresponding to 28/4/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Cancellation of the listing of Samba Group's shares on Tadawul.	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.
Listing of the Consideration Shares and deposit of the same in the accounts of Samba Group Shareholders who appear in the shareholder register of Samba Group by the end of the second trading period after the Effective Date.	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.

Event	Timeline/Date
Amendment of NCB's commercial registration certificate.	25/8/1442H (corresponding to 7/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 22/9/1442H (corresponding to 4/5/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Cancellation of Samba Group's commercial registration certificate.	Within a period not exceeding thirty (30) days from the Effective Date. This is expected to occur on: 17/9/1442H (corresponding to 29/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 15/10/1442H (corresponding to 27/5/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).
Deadline for distribution of proceeds of fractional shares which have been sold.	Within thirty (30) days from the Effective Date which is expected to occur on: 17/9/1442H (corresponding to 29/4/2021G) (if approval is obtained in the first or second meeting of the NCB EGM and the Samba Group EGM). 15/10/1442H (corresponding to 27/5/2021G) (if approval is obtained in the third meeting of the NCB EGM and the Samba Group EGM, as applicable).

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7. TERMS AND DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

Affiliate	a person who Controls another person or is Controlled by that other person, or who is under common Control with that person by a third person. In any of the preceding, Control could be direct or indirect
Samba Group or Samba	a Saudi listed company, established by Royal Decree No. M/3 dated 26/3/1400H (corresponding to 13/2/1980G), licensed by SAMA to engage in banking and financing activities, with its headquarter in Riyadh, with commercial registration number 1010035319 dated 6/2/1401H (corresponding to 13/12/1980G)
Samba Group Board Circular	The circular prepared by Samba Group in response to the Offer Document relating to the Merger which provides the views of the Samba Group board of directors on the offer to Samba Group Shareholders, and NCB's plans for Samba Group and its employees
Samba Group EGM	the extraordinary general assembly meeting of Samba Group convened for the purpose of the Merger Resolutions.
Banks	NCB and Samba Group
Banking Control Law	the Banking Control Law issued pursuant to Royal Decree No. M/5 dated 22/2/1386H (corresponding to 12 June 1966G), as amended pursuant to the Royal Decree No. M/2 dated 6/1/1391H (corresponding to 4 March 1971G)
Business Day	any day, other than a Friday, Saturday or a public holiday in KSA
Capital Increase	the proposed increase in NCB's share capital by issuing 1,478,000,000 new shares in favour of Samba Group Shareholders
CMA	the Capital Market Authority of Saudi Arabia
Combined Bank	NCB following Completion of the Merger
Companies Law	the Saudi Arabian Companies Law issued pursuant to Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10 November 2015G) as amended pursuant to the Royal Decree No. M/79 dated 25/07/1439H
Conflicted Directors	Saeed Mohammed Al Ghamdi, Rashid Ibrahim Sharif, Marshall Charles Bailey, and David Jeffrey. Meek (the representatives of PIF at NCB's board), and Anees Ahmed Moumina (the representative of GOSI at NCB's board and direct and indirect shareholder of Samba Group), and Saud Sulaiman Al Juhani (the representative of PPA at NCB's board)
Consideration Shares	the new NCB shares to be issued to Samba Group Shareholders pursuant to the Merger. The Consideration Shares nominal value is ten (10) riyals per share, with a total number of one billion four hundred seventy-eight million shares
Control	the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a Relative or Affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body
Effective Date	after the expiry of the Creditor Objection Period or the resolution of all objections that have been raised during the creditor objection period (whichever occurs later) according to provisions of the

	Company Law. (for more details on creditor objection period, see Section (12.7.3) ("*Creditor Objection Period*") of this Circular
Completion	After listing the Consideration shares on Tadawul and allocating such shares to the benefit of the respective Samba Group shareholders registered in the Samba Group shareholders 'registry at the end of the second trading period following the Effective Date
Merger Resolutions	Resolutions in relation to the Merger, which will be presented to NCB and Samba Group shareholders, as follows: with respect to NCB: the approval of the Merger of Samba Group into NCB pursuant to Articles 190 to 193 of the Companies Law, through the issuance of 1,478,000,000 new NCB shares based on the issuance of (0.739) shares in NCB against each share in Samba Group, and subject to the terms and conditions of the Merger Agreement including the approval of the following matters relating to the Merger: a) The approval of the terms of the Merger Agreement entered into between NCB and Samba Group on 24/2/1442G (corresponding to 11/10/2020G). b) Approval of the increase in the share capital of NCB from SAR 30,000,000,000 to SAR44,780,000,000, subject to the terms and conditions of the Merger Agreement and with effect from the Effective Date in accordance with the Companies Law and the Merger Agreement. c) Approval of the amendments to NCB's bylaws in the form set out in Annex (1) with effect from the effective Date. d) The authorisation of the NCB Board of Directors, or any person authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions. with respect to Samba Group: the approval of NCB's Offer to merge Samba Group into NCB to be effected pursuant to Articles 190 to 193 of the Companies Law, through the issuance of 0.739 new NCB shares for every share in Samba Group and the dissolution of Samba Group accordingly, and in accordance with the relevant regulatory requirements and the terms and conditions of the Merger Agreement. In addition, the approval of the following matters relating to the Merger: a) Approval of the terms of the Merger Agreement entered into between NCB and Samba Group on 24/2/1442G (corresponding to 11/10/2020G). b) The authorisation of Samba Group Board of Directors, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.
EGM	extraordinary general assembly meeting of the shareholders of the relevant Bank convened in accordance with the provisions of the bylaws of the relevant Bank
Exchange Ratio	It is the basis on which the number of consideration shares owed to Samba Group shareholders will be determined in relation to the merger transaction, which will result of 0.739 NCB shares for every Samba Group Share

GAC**..**	the General Authority of Competition in Saudi Arabia
GCC**..**	the Gulf Cooperation Council
Government**.....................................**	the Government of Kingdom of Saudi Arabia.
IFRS**...**	International Financial Reporting Standards
KSA /the Kingdom/ Saudi Arabia **....**	the Kingdom of Saudi Arabia
Labour Law**.....................................**	the Labour Law issued pursuant to Royal Decree No. M/51 dated 23/08/1426H (corresponding to 26 September 2009G) as amended pursuant to the Royal Decree No. M/5 dated 7/1/1442H (corresponding to 26/8/2020G)
MARs **..**	the Merger and Acquisition Regulations issued by the board of the CMA pursuant to its resolution no. 1-50-2007, dated 21/9/1428H (corresponding to 3/10/2007G), amended by resolution no. 3-45-2018, dated 7/8/1439H (corresponding to 23/4/2018G)
Merger Agreement**..........................**	the agreement dated 24/2/1442H (corresponding to 11/10/2020G) between NCB and Samba Group setting out the terms and conditions of, and the parties' rights and obligations in connection with, the implementation of the Merger
MOC **...**	the Ministry of Commerce of Saudi Arabia
Offer Document**..............................**	the offer document prepared by NCB pursuant to article (38) of the Merger and Acquisition regulation in relation to the Offer to Merge made by NCB to Samba Group Shareholders
OSCO **..**	the Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to its resolution no. 3-123-2017, dated 9/4/1439H (corresponding to 27/12/2017G) as amended by the board of the CMA pursuant to its resolution no. 1-7-2021, dated 1/6/1442H (corresponding to 14/1/2021G)
Regulatory Rules and Procedures**....**	the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies issued pursuant to the CMA board resolution number 8-127-2016 dated 16/1/1438H corresponding to 17/10/2016G, as amended by CMA board resolution number 3-57-2019 dated 15/9/1440H (corresponding to 20/5/2019G)
Related Party**...................................**	Means in the OSCO the following: 1. affiliates of the issuer; 2. substantial shareholders of the issuer; 3. directors and senior executives of the issuer; 4. directors and senior executives of affiliates of the issuer; 5. directors and senior executives of substantial shareholders of the issuer; 6. the legal advisor and the financial advisor to the issuer; 7. any relatives of persons described at (1), (2), (3), (4) or (5) above; 8. any company controlled by any person described at (1), (2), (3), (4), (5), (6) or (7) above. Means in the MARs the following: a person who, whether acting in concert with NCB or Samba Group or any of their subsidiaries, owns or deals directly or indirectly with shares of NCB or Samba Group either through a special sale or purchase transaction or offer, or any person (in excess of its normal interests as a shareholder) has interest or potential interest - whether personal, financial or business - arising from the Merger or a related party with both NCB Bank and Samba Group. The definition includes, but is not limited to, the following:

	1) any person(s) who has provided financial assistance (other than the ordinary course of business of a bank) to NCB or Samba Group; 2) the board members of NCB or Samba Group (or any of their subsidiaries); 3) any person owning 20% of NCB and Samba Group (weather individually or by acting in concert with other(s)). 4) a substantial shareholder with NCB who in the same time is a board member in Samba Group, or vice versa.
Relative	Means in the OSCO, husband, wife and children. Means in the MARs husband, wife, children and parents.
Restricted Jurisdiction	any jurisdiction where the offer of the Consideration Shares would violate the law of, or regulation applicable to, that jurisdiction
"NCB" or "Issuer"	the National Commercial Bank, a Saudi listed company, converted pursuant to Royal Decree No. M/19 dated 23/11/1417H (corresponding to 31/3/1997G), licensed by SAMA to engage in banking and financing activities, with its headquarter in Jeddah, with commercial registration number 4030001588 dated 27/12/1376H (corresponding to 24/7/1957G)
NCB EGM	the extraordinary general assembly meeting of NCB convened for the purpose of voting on the Merger Resolutions
NCB Shareholders	the Shareholders of NCB
MISA	Ministry of Investment.
SAMA	the Saudi Central Bank
SAR	Saudi Arabian Riyals, the official currency of KSA
Subsidiary	in relation to a company, another company which it Controls
Substantial Shareholder	a shareholder owning five per cent. or more of the shares in NCB or in Samba Group (as applicable)
Tadawul	the Saudi stock exchange (Tadawul)
Offer to Merge	The offer form NCB to Samba Group Shareholders in consideration of new shares in NCB to effect the Merger pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisition Regulations
Merger	The Merger of NCB and Samba Group by way of a statuary merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. NCB will make its Offer to Merge to Samba Group shareholders in consideration for the Consideration Shares issued by way of increasing NCB paid-up capital from SAR 30,000,000,000 to SAR 44,780,000,000. On the Effective Date the assets and liabilities of Samba Group will be transferred to NCB
Creditor Objection Period	The period during which Samba Group creditors may submit their objections on the Merger which will commence from publishing the approval by NCB EGM and Samba Group EGM of the Merger Resolutions and continue for (30) days
Conflict of interests	A conflict of interest situation arises when any of the following occurs: 1. the director has a direct or an indirect interest in the offer

2. the director is a shareholder in Samba Group and at the same time a director of the NCB board, or vice versa
3. the director is a director of the NCB board and at the same time he/she is a board member of, or a manager in the Samba Group, or vice versa
4. The director is a representative of a shareholder owning shares at NCB and Samba Group at the same time

An interest of a person who is a Relative or an Affiliate of a director shall be treated as an interest of the director

Closing Price	Last trading price for the shares, according to the mechanism set by Tadawul
Offer Period	The period from NCB's firm intention announcement to make an Offer to Merge to Samba Group Shareholders until the date of issuing NCB and Samba Group EGM resolution or until the Merger Agreement is terminated in accordance with its provisions (whichever comes first). For more details on the termination of the Merger Agreement, see Section (12.4.1) ("*Merger Agreement*") of this Circular.
Listing Rules	the listing rules approved by the board of the CMA pursuant to its resolution number 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) as amended by the board of the CMA pursuant to its resolution number 1-104-2019 dated 1/2/1441H (corresponding to 30/9/2019G)
CGR	the Corporate Governance Regulation issued by the board of the CMA pursuant to its resolution number 8-16-2017 dated 16/05/1438H (corresponding to 13 February 2017G); amended by Resolution of the Board of the CMA Number 1-7-2021 Dated 1/6/1442H (Corresponding to 14/1/2021G)
Saudization	The Saudi labour regulations on companies operating in the kingdom in relation to employment of a certain percentage of Saudi citizens
GAZT	the General Authority for Zakat and Tax in Saudi Arabia
General Authority for Statistics	The General Authority for Statistics in Saudi Arabia
MoF	The Ministry of Finance in Saudi Arabia
MHRSD	Ministry of Human Resources and Social Development.
IMF	International Monetary Fund
GOSI	General Organisation for Social Insurance
Credit Rating	Means an opinion on the level of creditworthiness of an entity or the level of eligibility for a security using symbols, letters, numbers, or any other form.
Credit Rating Agency	Means the agency that engages in credit rating activity
GOSI	General Organisation for Social Insurance
Moodys	A company specialized in providing credit rating services and related market research
Basel Committee	The Basel Committee on Banking Supervision
PIF	The Public Investment Fund in Saudi Arabia
PPA	The Public Pension Agency in Saudi Arabia

FY	Year ending on 31 December of every Gregorian year
Bylaws	Bylaws of the relevant Bank
Income Tax Law	Income Tax Law issued pursuant to Royal Decree No. (M/1) Dated 15/1/1425H
JPM	J.P. Morgan Saudi Arabia Company
CML	the Capital Market Law, issued by Royal Decree No. M/30 dated 2/6/1424 corresponding to 31 July 2003
Shareholder Circular	This shareholder circular issued by NCB in line with the requirements of Article 57 of the OSCO
Senior Executives	any natural person who manages and is responsible (solely or with others) by the company's administrative body or a member of the mentioned body, for making and implementing the company's strategic decisions. Such person shall be reporting to one of the following: 1) the administrative body, 2) a member of the administrative body, 3) CEO
H (Hijri)	Hijri calendar
G (Gregorian)	Gregorian calendar
Board or Board of Directors	Board of directors in relevant bank
Shareholders	Shareholders in relevant bank
The Public	Shareholders excluding Substantial Shareholders
Financial Advisor	JPM
Legal Advisor	Abuhimed Alsheikh Alhagbani Law Firm
Advisors	Financial Advisor, Legal Advisor, External Auditors, Financial Due Diligence Advisor
Offering	Issuing securities, inviting the public to subscribe in securities or the direct or indirect marketing of securities, or any statement, announcement or communication that has the effect of selling, issuing or offering securities
USD	the lawful currency of the United States of America
Euro	the lawful currency of the European Union
Person	Any natural or legal person that is recognised as such under the laws of the Kingdom
Financial Statements	Financial information in relation to the relevant bank, which includes Income statements, Balance Sheet, Cashflows, and others
GDP	is a monetary measure of the market value of all the final goods and services produced in a period of time, often annually
Trading Period	The period during which shares in the Exchange can be purchased or sold as set out by Tadawul from time to time
SAMA Regulations	Laws and Regulations issued by SAMA pursuant to Saudi Arabian Monetary Authority Law or Banking Control Law or pursuant to any regulations authorizing SAMA to issue any relevant rules or regulations
Integration	Integrating Samba Group and NCB businesses (Including the integration of administrative functions, organizational structure, IT systems, and other aspects of the business) to ensure smooth

and robust operation of the Combined Bank following Completion.

EMTN Program **................................** The medium-term bond program of five billion US dollars issued by Samba Financing Limited and listed on the Irish Stock Exchange, which matures within a period of five (5) years.

Material Adverse Event **....................** means any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of either of NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries) (in each case taken as a whole) or on the Merger or its implementation; provided that the following shall not be considered in determining whether a Material Adverse Event has occurred:

a) any deterioration of the economic, political or market conditions or securities, credit, financial or other capital markets conditions in the financial services industry globally, in the Middle East, in KSA or in general except to the extent that such effect adversely affects NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries) (as the case may be) in a materially disproportionate manner compared to each other or to other businesses or participants in the industry in which NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries) (as the case may be) operates;

b) any change, event or development to the extent resulting from the execution and delivery of the Merger Agreement or the public announcement, pendency or consummation of the Merger or any of the other transactions contemplated by the Merger Agreement, including the impact of such changes or developments on the relationships, contractual or otherwise, of such Party or any member of its Group with employees, clients, customers, suppliers or partners;

c) any change, event or development to the extent resulting from any failure of NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries) (as the case may be) to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts and circumstances giving rise to such failure may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event if such facts and circumstances are not otherwise described in paragraphs (a) or (d) through (h) of this definition);

d) any change, in and of itself, in the market price, credit rating (with respect to NCB or Samba Group or its securities) or trading volume of NCB's or Samba Group’s securities (it being understood that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Event if such facts and circumstances are not otherwise described in paragraphs (a), (c) or (e) through (h) of this definition);

e) any change or proposed change, after the date of the Merger Agreement, in applicable law (or, in each case, an authoritative interpretation thereof), except where the change in applicable law has an adverse effect on NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries) (as the case may be) in a materially disproportionate manner compared to each other or to other businesses or participants in the industry in which NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries), (as the case may be), operates;

f) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Merger Agreement, except to the extent that such change, event or development affects NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries), (as the case may be), in a materially disproportionate manner compared to each other or other businesses or participants in the industry in which the Banks (as the case may be), operates;

g) any flood, earthquake or other natural disaster, except to the extent that such change, event or development affects NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries), (as the case may be), in a materially disproportionate manner compared to each other or other businesses or participants in the industry in which the Banks, (as the case may be), operates; or

h) any change, event or development to the extent resulting from any action by any member of NCB (or any of its subsidiaries) or Samba Group (or any of its subsidiaries), (as the case may be), that is expressly required to be taken by the Merger.

8. RISK FACTORS

In deciding whether to vote in favour of the resolutions to be proposed at the NCB EGM, NCB Shareholders should carefully read this Circular and consider the risk factors set out in this Section, in addition to all the other Sections of this Circular and the information set out herein as of the date of this Circular. Additional risks, other than those provided herein, and uncertainties not presently known to the NCB board, or which the NCB board currently considers to be immaterial, may also have an adverse effect on the Combined Bank.

The Combined Bank's activity, financial position, results of operations, cash flows, future prospects and profitability, will be adversely affected should any of the risks referred to herein materialize. Further, if any other risk materializes (i.e. other than the risks described below, which have not been provided herein either because the NCB board is not aware of such risks, or because the NCB board did not classify them as material risks but otherwise turned to be material) then such risk will negatively impact the Combined Bank's activities, financial position, results of operations, cash flows, future prospects and profitability.

Any NCB Shareholder in doubt about the content of this Circular or in relation to voting in favour of or against the Merger Resolutions should consult an independent financial adviser authorised by the CMA in this regard.

The order in which the risks are listed under this Section below is not intended to reflect their significance or likely eventuality.

8.1 RISKS RELATING TO THE MERGER AND THE COMBINED BANK'S BUSINESS FOLLOWING COMPLETION

8.1.1 Risks related to any potential disruption to the businesses of NCB and Samba Group as a result of the announcement of the proposed Merger

Whether or not the Merger takes place, the announcement of the proposed Merger could cause disruption in the respective businesses of NCB and Samba Group, specifically:

- the attention of the respective management teams of NCB and Samba Group may be diverted from the operations of the businesses as both banks work towards finalising the Merger;
- current and prospective employees may experience uncertainty about their future roles in the Combined Bank, following the Merger, which may adversely affect NCB's or Samba Group's ability to retain or recruit key managers and other employees; and
- existing and prospective clients and customers may experience a change in service levels and so may choose not to do business with NCB and Samba Group until such time as the Merger is implemented.

If NCB or Samba Group fail to manage these risks effectively, their respective businesses and financial results could be adversely affected.

8.1.2 Risks related to integrating the existing businesses carried on by NCB and Samba Group after the Merger

The Merger involves the integration of the businesses of NCB and Samba Group which may give rise to certain difficulties in combining the respective businesses, which may include but shall not be limited to:

- the necessity of co-ordinating and consolidating management functions, optimising organisational structures, combining IT systems and distribution networks and consolidation of all facilities and infrastructure;
- the task of integrating the management teams and personnel of NCB and Samba Group, maintaining employee morale including but not limited to the retention and incentivization of employees;

- accurately evaluating the contractual, financial, regulatory, environmental and other obligations and liabilities associated with both NCB's and Samba Group's investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with the Combined Bank's accounting policies;

- the necessity of accurately judging market dynamics, demographics, growth potential and competitive environment; and

- maintaining and obtaining all necessary licences and approvals from relevant governmental and regulatory authorities such as SAMA, CMA, MOC and other authorities.

The process of integrating operations may present financial, managerial, legal and operational risks, including an interruption of, or loss of momentum in, the activities of one or more of NCB's and/or Samba Group's businesses and the loss of key personnel.

In addition, some of NCB's contracts may be affected by the Merger, which includes contracts related to the bank's business and the services it provides to its customers, for example, such contracts may contain exclusivity clauses, which may result in terminating such contracts or demanding certain amounts of money from third parties pursuant to these contracts (which include compensation for damages) as a result of the Merger. In the event that NCB is unable to determine those contracts or does not obtain the approval of the other parties therein on the Merger (which may lead to the termination of those contracts or the demand for certain amounts of money by the other parties to those contracts), this may affect the Combined Bank's business or its liquidity. It may also lead to the Combined Bank bearing unexpected amounts, which negatively affects its business, its financial position, the results of its operations and its future prospects. The same applies to Samba Group contracts, and for further details on the same, please refer to Section (8.1.7) ("*Risks relating to the transfer of Samba Group business, assets and liabilities to NCB*") of this Circular.

Any difficulties encountered in connection with the Merger and the integration of the operations of the businesses may have an adverse effect on the business, financial results, financial condition or prospects of the Combined Bank.

If the Combined Bank fails to manage the integration of the businesses effectively, the growth strategy and future profitability of the Combined Bank will be negatively affected, the anticipated benefits of the Merger may not be achieved, in particular those benefits set out in Section (10.2) ("*Rationale of The Merger*") of this Circular and the reputation of the Combined Bank will be harmed, which may result in loss of customers, employees or 'brand equity' and impact the Combined Bank's financial position, results of operations and cash flows.

8.1.3 Risks related to NCB incurring non-recurring costs associated with the integration of the businesses of NCB and Samba Group

NCB and Samba Group will bear some non-recurring costs related to the business integration plan from the date of signing the Merger Agreement until the Effective Date. In addition, the Combined Bank is expected to bear non-recurring costs related to the integration of the Banks' businesses, such as the costs associated with the process of preparing the identity and trademark of the Combined Bank. It is also expected that the non-recurring costs of integrating the Banks' businesses will reach an amount equal to one billion and one hundred million (1,100,000,000) Saudi riyals. The Banks, either prior to the Merger or the Combined Bank following the Effective Date, may incur costs higher than expected or allocated to them, which leads to a reduction of the net synergies expected from the Merger, which in turn will affect the financial position of the Combined Bank, its operations and future results. For more details on the costs associated with the Merger, see Section (8.1.8) ("*Risks relating to realising the anticipated cost savings, growth opportunities, synergies and other benefits anticipated from the Merger*") of this Section.

8.1.4 Risks related to satisfying the Merger conditions

The Merger is conditional on a number of conditions as summarised in Section (12) ("*Legal Information*") of this Circular. Failure to satisfy any of the conditions or the delay in satisfying such conditions will result in the Merger not being completed or being delayed. The most important conditions which have not yet been satisfied are: (1) the expiry of the Creditor Objection Period (for further information on the risks relating to the Creditor Objection Period, see Section (8.1.6) (*Risks related to the delaying or not completing the Merger as a result of the* Creditors *objection process*) of this Circular); and (2) the terms and conditions of the Merger Agreement which the parties must comply with up until the Effective Date, including not breaching any of the warranties provided or the Conduct of Business Requirements. The terms of Merger Agreement are summarized in Section (12) ("*Legal Information*") of this Circular.

Any delay to Completion due to a failure of satisfying the Merger conditions may diminish and/or delay the anticipated benefits or may result in additional transaction costs, loss of revenue or other unquantifiable effects associated with the delay of the Merger.

8.1.5 Risks relating to the Combined Bank's international operations

Both NCB and Samba Group have international operations in several jurisdictions, whether through branches, representative offices or subsidiaries, which includes but not limited to the Republic of Singapore, the Islamic Republic of Pakistan and the Republic of Turkey. Such international operations may be adversely affected by political, economic, regulatory or other events in the relevant jurisdictions, which as a result may have a negative adverse impact on the business, operations, financial position and future prospects of the Combined Bank.

8.1.6 Risks related to delaying or not completing the Merger as a result of the Creditors objection process

The Merger is subject to a creditor objection period in respect of Samba Group's creditors, and the settlement of any objections submitted during such period, pursuant to Article 193 of the Companies Law. The duration of the creditor objection period is thirty (30) days after the publication of the approval by the Samba Group EGM and the NCB EGM of the Merger Resolutions. If a Samba Group creditor, such as depositors, suppliers, or hedging and loan counterparties, objects to the Merger, the Merger shall be suspended until the objecting creditor waives its objection or until Samba Group has paid the debt if such debt was payable or either Samba Group or NCB submit adequate collateral for the repayment of such debt if such debt has not yet matured. For more information on the creditor objection process, see Section (12.7.3) *("Creditors objection period")* of this Circular. For more details on the implications associated with the delays due to objections made on the Creditors Objection Period on the Exchange Ratio, see Section (8.1.9) *("Risks relating to the Exchange Ratio for the Merger")* of this Circular. Any delay to Completion due to the Creditor Objection Period may diminish or delay anticipated benefits or may result in additional transaction costs, loss of revenue or other unquantifiable effects associated with uncertainty with the delay of the Merger.

8.1.7 Risks relating to the transfer of Samba Group's business, assets and liabilities to NCB

The Merger shall be effected by way of a statutory merger pursuant to the Companies Law and the MARs whereby the business of Samba Group (including its assets and liabilities) will be transferred to NCB. NCB has conducted due diligence exercises (together with its advisors, as its sees appropriate under the circumstances) on Samba Group's business and has negotiated the Exchange Ratio with Samba Group on the basis of, among other things, information obtained through such exercise. The quality of such due diligence exercises may be impacted by the level and quality of disclosure by Samba Group and the effectiveness of its financial controls and systems which may not be to the same standard as those of NCB, If any material operational, legal, regulatory and financial risks associated with Samba Group's business, assets or liabilities materializes which were not expected by, disclosed to or discovered by NCB and its advisors during the due diligence exercise, including information that has been redacted from the due diligence materials during the due diligence investigation (which was withheld due to their commercial sensitivity, contractual or regulatory restrictions), such risks may have a material adverse effect on the Combined Bank's business, financial condition and results.

Some of the agreements to which Samba Group is a party provide its counterparties the right to terminate such agreements, demand prepayment or claim monetary amounts (including compensation for damages) as a result of the Merger (including agreements related to loans, debt instruments, IT systems, electronic payments and other agreements entered into by Samba Group). If Samba Group is not able to obtain the consent of such counterparties and as a result, any material agreement is terminated, or monetary amounts are claimed, this may adversely affect the Combined Bank's business or liquidity or may result in the Combined Bank incurring unexpected costs, this will have a negative effect on the Combined Bank's business, financial position, results of operations, and future prospects.

8.1.8 Risks relating to realising the anticipated cost savings, growth opportunities, synergies and other benefits anticipated from the Merger

The success of the Merger will largely depend on the Combined Bank's ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses of NCB and Samba Group. For more details on the anticipated benefits of the Merger, see Section (10.2) *("Rationale of the Merger")* of this Circular. In particular, the Combined Bank's ability to realise anticipated synergies, after the incurring of any associated integration costs, and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- the resulting potential complexity of integrating NCB's and Samba Group's combined administrative and business operations across the entirety of the KSA, including regional offices;
- the difficulty of implementing any cost efficiency plans, fully or partially, including the optimisation of the combined branch network, IT, front and back-office infrastructure in a timely and effective manner;
- the challenges associated with the combination of NCB's and Samba Group's businesses and operations, and, in particular, its ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business post Completion;
- difficulties or delays in achieving any revenue synergies via enhanced cross-selling of products and services across the combined client base and any savings in consolidating the funding base of the Combined Bank;
- difficulties or delays in obtaining any approvals that may be required to implement certain actions that aim to realize any of the synergies; and
- unforeseeable events, including major changes in the markets and operating environment in which both NCB and Samba Group operate.

The projected cost savings from integrating the businesses of NCB and Samba Group are based on preliminary estimates and may be revised following more detailed integration planning. For more details on the projected cost savings, see Section (10.11) ("*Impact of Profitability*") of this Circular. Therefore, there is a risk that the estimated savings will not be realised due to unforeseen inaccuracies in such estimates. No responsibility for the outcome in respect of such preliminary estimates has been assumed by NCB, its board, its executive management or any other person in this regard and there is no intention to update the cost saving and synergy statements or other such forward-looking statements in this Circular except as required pursuant to applicable law and regulation.

There is a risk that these cost savings expected from the Merger are not realised in the time, manner or amounts currently expected, if at all, as a result of various external and internal factors.

The Combined Bank may incur higher than expected non-recurring integration, transaction and Merger-related costs, including the costs of the employees and personnel, IT, re-branding and consultants fee, which will reduce the net benefits of the Merger and impact the Combined Bank's financial condition and results of operations. It is expected that the non-recurring integration costs will be one billion and one hundred million (1,100,000,000) Saudi riyals, which is equivalent to (1.4) times expected annual run-rate cost synergies in order to deliver the anticipated operating synergies. In addition, NCB and Samba Group will incur transaction fees and other costs related to the Merger. Some of these costs are payable irrespective of whether the Merger is completed.

If the Combined Bank is unable to successfully complete the integration within the expected timeframe (within three years post the Effective Date), some or all of the anticipated benefits of the Merger will not be realised fully, if at all, or may take longer to realise than expected.

8.1.9 Risks relating to the Exchange Ratio for the Merger

If the Merger is implemented, Samba Group Shareholders will receive NCB shares on the basis of a fixed exchange ratio of (0.739) shares in the Combined Bank for each share in Samba Group (for further details about the Exchange Ratio, see Section (10) ("*The Merger*") of this Circular).

The Exchange Ratio has been calculated on the basis of, amongst other things, the share price of the Banks, certain internal financial information and other data relating to the business and financial prospects of the Banks, including estimates and financial forecasts for the performance of the Combined Bank and transaction benefits prepared by the respective management of the Banks.

In determining the Exchange Ratio, it has been assumed that such financial forecasts, estimates, pro forma effects and calculations of synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the respective management of the Banks and assuming that they will be realised in the amounts and time periods contemplated thereby. For further details about the Exchange Ratio, see Section (10.5) ("*The Valuation of Samba Group*") of this Circular.

If all or any of these assumptions prove to be materially incorrect, or the share price of the Banks materially change after the Exchange Ratio has been agreed upon Completion, as a result of market volatility or the operations of the Banks, or due to delays in completing the Merger for any reason (including any delays due to the extension of the expiration of the Creditors Objection Period) or due to any political or economic changes or any reasons that may affect the share price, this would materially affect the valuations of the Banks and the Exchange Ratio would not accurately reflect the fair values of the Banks at Completion.

8.1.10 Risks relating to the dilution of the existing NCB shareholders and the decrease of their voting power

Upon completion, Samba Group Shareholders will own 32.6% of the share capital of the Combined Bank (excluding treasury shares for both Banks). As a result of the issuance of the Consideration Shares, the percentage holding of the current shareholders of NCB in the Combined Bank (to the extent they do not own shares in Samba Group prior to Completion) will be diluted. Whilst the number of shares held by the current shareholders in NCB (who do not own shares in Samba Group) will not change, the percentage ownership that those shares represent in the share capital will reduce and therefore the ownership interest of such shareholders in NCB (compared to their ownership interest in NCB) will be diluted on a pro-rata basis resulting in a corresponding dilution in the voting power of such shareholders, as well as their respective share in the net profits of the Combined Bank. See Section (10.1) ("*Overview of the Merger*") of this Circular for details on the shareholding interests in the Combined Bank.

8.1.11 Risk appetite of the Combined Bank

The Combined Bank may have a different risk appetite than either NCB or Samba Group possessed on a stand-alone basis prior to the Merger. This may result in the Combined Bank taking a different approach to the targeting of specific customer segments and overall strategy within any customer segment, including a reduction in product and service delivery and reduced credit risk appetite on a consolidated basis. As a consequence, it is possible that the Combined Bank may, if overall tolerance for risk is reduced, exit or place less emphasis on customer relationships in certain segments which no longer fit the Combined Bank's risk appetite for whatever reason. This may have an impact on the Combined Bank's business, revenues, costs, net income, asset and liability profile or future prospects.

8.1.12 Risks relating to credit deterioration

Risks arising from adverse changes and recoverability of loans, securities and amounts due from counterparties are inherent across a wide range of the Combined Bank's activities principally in its lending and investment activities. Adverse changes in global economic conditions and increased systemic risks in the financial systems, will affect the recovery and value of the Combined Bank's assets and require an increase in the Combined Bank's provisioning levels. Credit risks will arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of the Combined Bank, or from a general deterioration in local or global economic conditions which could affect the recoverability and value of the Combined Bank's assets and require an increase in the Combined Bank's provisions for the impairment of loans, securities and other credit exposures. Further, the integration of the loan books between the Banks may result in additional provisions being drawn up due to the quality and provisioning policies being inconsistent.

There can be no guarantee that the various credit risk mitigation strategies that will be employed by the Combined Bank to minimise credit risk and reduce it to a level within the Combined Bank respective strategy and risk appetite, including securities, collateral and insurance will eliminate or reduce such risks of the Combined Bank.

Samba Group's retail portfolio as at 30 June 2020 was c. SAR 20 billion, and primarily comprised of personal loans and mortgages. The portfolio is relatively unseasoned as the majority of the portfolio (c. 58% of the total portfolio) was originated in FY19 and YTD20. As a result, the impact on expected credit losses may only be determined over the fullness of time as the portfolio seasons.

Samba Group's corporate loan portfolio was c. SAR 131 billion as at 30 June 2020; the portfolio has grown relatively significantly in FY19 and YTD20. The potential credit risks associated with such borrowers may only be identified over the fullness of time, and may not be currently captured, given the lack of history with certain borrowers.

8.1.13 Risks relating to IFRS 9 provisioning models and methodologies

IFRS 9 was introduced for financial reporting periods from 1 January 2018, replacing IAS 39, which requires the adoption of the 'expected credit loss' model for measuring the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. Following the adoption of IFRS 9 on 1 January 2018 in KSA, each bank implemented its own internal model to estimate the expected credit losses.

The expected credit loss model relies on several assumptions to determine the following: (1) probability of default (PD); (2) loss given default (LGD); and (3) exposure at default (EAD). These assumptions include but are not limited to assessment of the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors.

The integration of the IFRS 9 models and methodology may result in a different impact on the Combined Bank's expected credit loss provisions versus having two independent IFRS 9 models and methodologies.

Any significant increase in impairment allowances for loan losses resulting from the integration of both banks' IFRS 9 models would have a negative adverse effect on the Combined Bank's business, results of operations and financial condition which could be material.

8.1.14 Risks relating to liquidity

The Combined Bank is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. This risk is inherent in banking operations and the consequences of such risk can increase due to number of factors, including over-reliance on a particular source of funding (including, for example, concentration on top depositors), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. If the Combined Bank's liquidity risk management policies do not have the desired effect or fail, and such failure leads to the Combined Bank becoming unable to fund its asset base, it may have an adverse effect that may be material, on the Combined Bank's business, financial condition, results or prospects.

8.1.15 Risks relating to cost of funding and lenders acceptance to fund the Combined Bank

Funding risk could arise from the inability of the Combined Bank to raise short and/or long-term funding at a commercially acceptable cost in the retail and wholesale markets to support ongoing operations, strategic plans and objectives. Funding risk could also arise from the inability of the Combined Bank to access domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets or a reduction in depositor confidence for holding their securities or other credit exposures in the Combined Bank may jeopardise the Combined Bank's ability to access funds or require them to access funds at a higher cost, or on unfavourable terms.

8.1.16 Risks relating to lending and borrowing rates

The special commission rates (which is the income from loans interests and other income) NCB or Samba Group earn on their assets and the special commission rates they pay for their liabilities could be affected differently by changes in market interest rates. This difference could result in an increase in special commission expense relative to special commission income, which would reduce NCB's or Samba

Group’s current net special commission income. Furthermore, an increase in lending rates may reduce the demand for loans from the Combined Bank and its ability to originate loans.

Special commission rates are highly sensitive to many factors beyond the Combined Bank’s control, including monetary policies and domestic and international economic and political conditions. A decrease in the general level of special commission rates could negatively affect the Combined Bank through, amongst other things, increased pre-payments on its loan portfolio and increased competition for deposits.

If the Combined Bank is unable for any reasons to re-price or adjust its deposit rates in an expedited or an effective manner or if special commission rates rise as a result of economic or other reasons, the Combined Bank’s net special commission income margins may be affected, which could have a material adverse effect on its business, financial condition and results of operations.

8.1.17 Risks relating to Zakat matters

NCB, Samba Financial Group and the majority of KSA banks entered into a Zakat settlement agreement with the GAZT in 2018 to close open Zakat disputes for the Banks relating to financial years from 2006 to 2018. Pursuant to the settlement agreement, NCB agreed to pay GAZT an amount of SAR (182,684,611) in in respect of the Zakat dues for the years from 2006 to 2017 and close out accordingly the Zakat dues for these years. Under the Zakat settlement agreement, NCB has calculated and paid the Zakat due for the financial year ending on 31 December 2018G, based on the mathematical formula and instructions stipulated in the Minister of Finance Resolution No. (1260) dated 05/04/1440H (corresponding to 14 December 2018G). Accordingly, the Zakat status for the financial year 2018 is considered closed. Additionally, pursuant to this settlement, it was agreed that NCB would pay the Zakat dues in respect of the financial years from 2006G to 2017G in the form of annual payments to be paid over a period of five (5) years until 01 December 2023G starting with a down-payment of 20% of the amount due. NCB has booked a provision of around SAR 117,000,000 to cover the four remaining instalment payments due under this settlement. Further, NCB has paid the Zakat due for the financial year ending on 31 December 2019G, based on the Calculation Rules of Zakat Levied upon Financing Activities stipulated in the Minister of Finance Resolution No. (2215) dated 07/07/1440H (corresponding to 14 March 2019G).

With regard to the Zakat status of the Samba Group, Samba Group had entered into a similar settlement agreement with GAZT on terms similar to NCB’s settlement agreement in order to settle the Zakat dues for the financial years from 2006 to 2017G). It was agreed pursuant to this settlement agreement that Samba Group would pay an amount of SAR 2,316,059,593 for the Zakat due in respect of the financial years from over a period of five (5) years until 01 December 2023G. Samba Group has calculated and paid the Zakat due for the financial year ending on 31 December 2018G based on the mathematical formula and instructions stipulated in the Minister of Finance Resolution. Samba Group has booked a provision of around SAR 1,482,278,140 to cover the four remaining instalment payments due under the settlement.

Further, Samba Group has paid the Zakat due for the financial year ending on 31 December 2019G, based on the Calculation Rules of Zakat Levied upon Financing Activities stipulated in the Minister of Finance Resolution No. (2215) dated 07/07/1440H (corresponding to 14 March 2019G) for which it has received a Zakat certificate in respect of the aforesaid year.

The Combined Bank shall be liable for the payments due by NCB and Samba Group under the settlement agreement, as per the settlement agreement entered into by the respective Banks.

Samba Group continues to contest the Zakat claims raised against it by GAZT for the financial years from 2004G to 2005G, whereby the contest was appealed before the Tax Committees for Resolution of Tax Violations and Disputes. The Samba Group continues to contest the income tax claims raised against it by GAZT for the financial years from 2004G to 2009G, whereby the contest was appealed before the Tax Committees for Resolution of Tax Violations and Disputes. Any liability that would arise on Samba Group as a result of these appeals (which is estimated at to be around SAR 80,000,000), the Combined Bank will assume and be required to pay them given that Samba Group will dissolve as result of the Merger.

8.1.18 Risks relating to the Combined Bank’s income and dividend paying capacity

The businesses and revenues of the Combined Bank are subject to change and may be impacted by a number of operational, financial, economic and general market-based factors, some of which may be outside of the control of the Combined Bank. This may affect the profitability of the Combined Bank, its distributable reserves and consequently any dividends payable to shareholders. In addition, the capacity of the Combined Bank to pay dividends may also be constrained by prevailing regulatory capital requirements and rules imposed on the Combined Bank from time to time by SAMA or other regulators, together with any relevant rating agency considerations taken into account by the management team of the Combined Bank.

8.1.19 Risks relating to goodwill impairment following the Merger

The Merger will be accounted for using the acquisition method under IFRS 3 – Business Combinations with NCB being the acquirer and Samba being the acquiree. The acquirer is required to fair value the assets, liabilities and contingent liabilities acquired at the date of the Merger and to reflect the difference between their fair value and the purchase consideration as goodwill or gain on merger (PPA exercise). The Combined Bank will have a 12-month period post-Completion of the merger to finalize the PPA exercise in accordance with IFRS 3. The purchase consideration will be the NCB shares that Samba Group shareholders receive at the closing of NCB share price on the last trading date prior to the Effective Date. Hence, if NCB's share price materially changes at the Effective Date this will have a significant impact on the calculation of goodwill versus what it may be today at the publication date of this Circular meaning that the goodwill value will materially increase in the vent that NCB's share price increases materially (subject to the PPA exercise) (For more details on this refer to section (8.1.9) "*Risks relating to the Exchange Ratio for the Merger*" of this Circular).

If goodwill was recognised as part of the merger there is a risk that goodwill impairment may arise at any point in the future if the board-approved projected cash flows through a five-year period of projections (into perpetuity), discounted at the cost of capital, are less than the total operating assets and liabilities of each cash generating unit.

8.1.20 Risks relating to potential impact on capital adequacy of the Combined Bank

There are a number of factors that could affect the Combined Bank's capital adequacy levels. These include, for example but not limited to, the following: (1) the results of completing the fair value assessment of Samba Group (for further information on the fair value assessment of Samba Group, refer to (08.1.19) "*Risks relating to relating to goodwill impairment following the Merger*"; (2) the Combined Bank's changes in risk weighted assets and profitability from time to time; (3) the increase in future financing which may likely reduce the Combined Bank's capital adequacy ratios; and (4) any losses experienced by the Combined Bank that would result in the decrease of the Combined Bank's capital adequacy ratio.

The regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy might change from time to time. Therefore, the Combined Bank will need to determine these requirements, which may defer from the current requirements applicable to the Banks, and agree with SAMA on such requirements. The Combined Bank may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies. As a result, the Combined Bank may need to obtain additional capital in the future. Such capital, whether in the form of financing or additional capital contributions from its shareholders, may not be available on commercially favourable terms, or at all. Moreover, should the Combined Bank's capital ratios fall close to regulatory minimum levels, the Combined Bank's own internal minimum levels or the levels required to maintain its ratings at the desired level, the Combined Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Combined Bank is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase which will affect its business, financial condition, results and future prospects.

8.1.21 Risks relating to employees

The Combined Bank's future success depends, in large part, upon its ability to attract and retain highly qualified professional personnel. Competition for employees across the various localities and business segments in which the Combined Bank will operate is intense. The Combined Bank's ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. There is no guarantee that the Combined Bank will have the continued service of key employees currently employed by NCB or Samba Group who will be relied upon to execute its business strategy and identify and pursue strategic opportunities and initiatives. In particular, the Combined Bank may have to incur costs to replace senior executive officers or other key employees who leave, and the Combined Bank's ability to execute its business strategy could be impaired if it is unable to replace such persons in a timely manner, which will adversely affect the Combined Bank's results of operations, and future prospects.

If the Combined Bank's employees decide to resign from the Combined Bank as a result of the Merger and the Combined Bank fails to retain such employees, the Combined Bank may have to make substantial end of service and other payments to those employees, which may adversely affect the Bank and the results of its operations and future prospects.

Additionally, the Combined Bank is required to comply with Labor Law in respect of its employees and their contracts. If the Combined Bank fails to comply with the Labor Law, the Combined Bank will be exposed to subsequent legal implications and lawsuits which may result in judgements being made against the Combined Bank requiring it to make significant payments in compensation, which will adversely affect the Combined Bank and the results of its operations and future prospects.

8.1.22 Risks relating to employee misconduct and the detection of the same

Misconduct by employees of the Combined Bank could result in binding the Combined Bank to transactions that exceed authorised limits or present unacceptable risks or concealing from the Combined Bank unauthorised or unsuccessful activities which, in each case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information which could result in regulatory and legal sanctions and significant reputational and/or financial harm which will have a material adverse effect on the Combined Bank's results, operations or financial condition. It is not always possible to deter employee misconduct, and the precautions the Combined Bank will take to prevent and deter any such activity may not be effective in all cases.

8.1.23 Risks relating to the Combined Bank's information and technology systems

Cyber-security has become an increasingly important consideration for financial institutions. The quantity of sensitive information stored by financial institutions makes them potential targets of cyber-attacks. Risks to technology and cyber-security change rapidly and require continued focus and investment and the Combined Bank will need to act accordingly and take appropriate steps on an on-going basis to combat such threats and minimise such risks. Given the increasing sophistication and scope of potential cyber-attacks, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Combined Bank's reputation, business, results of operations, financial condition and prospects.

8.1.24 Risks relating to taxation

Samba Group Shareholders and NCB shareholders may have Zakat and tax obligations in KSA and/or the jurisdictions in which the shareholders are resident for tax purposes with respect to the Merger, the disposal of interests in NCB or Samba Group, or other matters, subject to any available exemptions or reliefs (including the obligation to disclose the Merger to the relevant tax and Zakat authorities inside or outside the Kingdom or to pay any tax or Zakat obligations that may arise in connection with the Merger).

The issue of Consideration Shares to Samba Group shareholders should not give rise to stamp duty or similar taxes or duties in the Kingdom (this refers to certain fees collected from the relevant authorities in some states upon the issuance of new shares).

NCB is currently only subject to Zakat in KSA, however, Samba is subject to Zakat and income tax, whereby the income tax at 20% is applied on the income attributed to Samba's founding non-GCC shareholder which currently holds 1.22% of Samba's shares (as of 30 September 2020G). The issuance of Consideration shares to this non-GCC shareholder by the Combined Bank would entail that the Combined Bank would be subject to corporate tax at 20% on the income attributed to such non-GCC shareholder. Accordingly, the Combined Bank would be required to comply with the Income Tax Law and its implementing regulations which will result in the Combined Banks's inability to file consolidated Zakat declarations for the Combined Bank Group given that consolidation for Zakat purposes does not apply to companies that are subject to income tax.

KSA Zakat and tax rules do not contain provisions providing roll-over relief or deferment of taxation for mergers. While we understand that the GAZT has, in certain circumstances, previously accepted that mergers could be effected on a Zakat/tax neutral basis, there is no guarantee that they will take this position for the Merger. Given that Samba Group will dissolve upon Completion, the Combined Bank will be required to pay any tax liability that may arise upon Completion. It is expected that the Merger will be completed in accordance with 'the business continuity principle' for VAT purposes as per the definition set out in the VAT implementing regulations. Accordingly, although the transfer of liability and asset in accordance with 'the business continuity principle' is considered outside the scope of VAT, there is no clarity whether such transfer in the context of the Merger would also be considered outside the VAT scope.

As tax laws are dynamic and change from time to time, the Combined Bank shareholders may be exposed to higher taxation which could arise due to: (a) the introduction of new tax laws; (b) any change to existing tax laws and regulations; (c) a result of the disclosed or undisclosed practice of, or interpretation by, the relevant authorities in the relevant taxing jurisdiction outside KSA; and (d) case law determined by the courts which apply to the relevant taxing jurisdiction.

If NCB shareholders are in any doubt as to their own tax position they should consult their own tax advisers.

8.1.25 Risks related to the operations of the Combined Bank

The Combined Bank will be exposed to operational risks, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Combined Bank will be susceptible to, amongst other things, fraud by employees or outsiders including unauthorised transactions, operational errors and clerical and record keeping errors resulting from faulty computer or telecommunications systems. There is no guarantee that the Combined Bank will not suffer losses from any failure of its system of controls to detect or contain operational risk in the future. Consequently, any inadequacy of the Combined Bank's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on the Combined Bank's business, financial condition and results of operations.

8.1.26 Risks relating to interpreting Shariah rules

The Combined Bank may offer Sharia-compliant products after obtaining the approval of its Shariah committee. Shariah rules are open to different interpretations; hence there are potential risks that the Combined Bank products can be interpreted as Shariah non-compliant by certain Shariah scholars. In the event of a judicial dispute related to their legality, judges in KSA will determine the level of such products' compliance with Shariah law provisions.

Should a number of Islamic scholars (including judges in the event of a legal dispute over the legality of some of the products offered by the Combined Bank) conclude that the Combined Bank's services, fully or partially, are non-Sharia compliant, this will have a material adverse effect on the Combined Bank's reputation, business, financial condition and results of operations.

8.1.27 Risks relating to financing projects

The Combined Bank's financing portfolio includes financing of long-term projects, such as infrastructure and industrial projects. This type of financing is subject to a range of risks that are slightly different from those of general financing. Such risks are related to funded projects, and the repayment depends on the success of the project in achieving expected returns. These risks include delays in obtaining necessary regulatory approvals, environmental and social issues related to funded projects, and project completion risks, which may affect the project's ability to generate returns. There is no assurance that the performance of the funded project will be achieved as expected. Any losses in future project financing or high levels of financing restructuring will have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects.

8.1.28 Risks relating to real estate financing

As part of NCB and Samba Group's financing activities, the Banks provide real estate financing services to its individual and corporate clients. For the purpose of obtaining financing, customers will pledge the property to be purchased in favor of the Banks as collateral for the financing granted to them. The value of such mortgaged properties is affected by economic fluctuations or regulatory changes that may result in a decline in the value of those mortgaged properties. If the value of the properties mortgaged as collateral is reduced, it may result in the Combined Bank being unable to recover the value of the real estate financing if the customer fails to pay, which may adversely affect the Combined Bank's business, financial position, results of operations and future prospects.

8.1.29 Risks relating to credit ratings

Credit rating agencies will assess the Combined Bank's creditworthiness to evaluate the Combined Bank's ability to fulfill its financial obligations when they fall due. The Combined Bank's credit rating is an important factor in determining the cost of financing for the Combined Bank. Interest rates resulting from financing obtained by the Combined Bank are affected by the Combined Bank's credit rating. Credit rating is reviewed by the relevant rating agency from time to time. Accordingly, credit rating may change either downward or upward, or may be fully withdrawn. In case the Combined Bank's credit rating is reviewed downward, this will lead to an increase in the Combined Bank's financing costs, which will adversely affect the Combined Bank's liquidity, business, financial position, results of operations, and future prospects.

8.1.30 Risks relating to the Combined Bank's reputation

The Combined Bank's reputation is critical for attracting and retaining new customers and establishing strong relationships with counterparts. The Combined Bank's reputation could be damaged in the future by various factors, including, but not limited to, a decline, restatement, or other corrections to its financial results, legal or regulatory actions against the Combined Bank or employee misconduct which caused the Combined Bank to breach applicable legal requirements. The damage to the Combined Bank's reputation will have a negative effect on its business, financial position, results of operations, and future prospects.

8.1.31 Risks relating to related party transactions

In the ordinary course of business, NCB and Samba Group deal with related parties such as directors, executives, their Relatives, Substantial Shareholders and their Subsidiaries. These transactions and balances mainly relate to the provision of customer deposits and loans and advances, as well as other banking and investment services. The net asset value of these balances amounted to SAR 22,949,000,000 in relation to NCB (with assets of SAR 11,161,000,000 less liabilities of SAR 34,110,000,000), and amounted to SAR 21,991,392,000in relation to Samba Group (with assets of SAR 5,932,186,000 less liabilities of SAR 27,923,578,000), for the financial year ended on 31 December 2019G. Pursuant to Article (71) of the Companies Law, no director may have a direct or indirect interest in the businesses and contracts executed for the benefit of the company unless authorized by the general assembly. As some NCB or Samba Group directors have a direct or indirect interest in the agreements entered into by either NCB or Samba Group, which were entered into on a commercial basis, the approval of the general assembly on such transactions is required, as applicable. In the event that transactions and agreements with related parties are not conducted in the future on an arm's length basis, or if such transactions are not conducted in accordance with applicable rules and regulations, this may adversely affect the Combined Bank's operations and results.

8.1.32 Risks relating to the potential control by Samba Group's shareholders of the Combined Bank

Upon Completion, the total shareholding percentage of Samba Group 's shareholders in the Combined Bank will be more than 32.6% (excluding treasury shares for both Banks), including the current shareholding of Samba Group's Substantial Shareholders in NCB namely, the Public Investment Fund with 44.29% (which will be upon Completion 37.2%), the Public Pension Agency with 5.36% (which will be upon Completion 7.4%) and General Organization for Social Insurance with 5.18% (which will be upon Completion 5.8%). Accordingly, the shareholders of Samba Group will collectively (including the current shareholding of Samba Group's Substantial Shareholders in NCB) will hold a controlling stake in the Combined Bank. Following Completion therefore such shareholders will be able to influence the Combined Bank's business through their ability to influence the Combined Bank's decisions including the general assembly's decisions and approvals (such as the appointment of the Combined Bank's board of directors or key decisions related to the Combined Bank's business, dividend distribution, or capital increase or decrease).

8.1.33 Risks relating to claims against Samba Group following its dissolution

Samba Group provided certain representations and warranties to NCB in the Merger Agreement, which NCB has relied on when entering into the Merger Agreement. Should any of the representations and warranties provided turn out to be false, misleading or inaccurate, NCB will not have recourse against Samba Group given that Samba Group will have dissolved as a result of the Merger. Therefore, should material losses occur because the representations and warranties provided are misleading or inaccurate, this will have a material adverse effect on the Combined Bank's business, financial condition and results.

8.1.34 Risks relating to the opinion NCB received from the Financial Advisor

The board of directors of NCB received on 11 October 2020G an opinion letter from the Financial Advisor (JPM) which provides that the Financial Advisor believes that Exchange Ratio pursuant to the Merger Agreement is, at the date of the letter, fair to NCB from a financial perspective (For further information on this opinion, see Annex (2) of this Circular). Given that the fairness opinion provided by the Financial Advisor will not be updated, there is no guarantee that the Financial Advisor will have the same opinion about the fairness of the Exchange Ratio at the date of the NCB EGM, as the factors and assumptions on which the opinion was based may change.

8.1.35 Risks of the Combined Bank being materially adversely affected by a loss of business from key customers that represent a significant portion of its loans and deposits

Both NCB and Samba Group have business with major clients who represent a large portion of the Banks' loans, deposits and products, which will be transferred to the Combined Bank after the Effective Date. The loss of all or a substantial portion of the business provided by one or more of the Combined Bank's key customers to other banks could have an effect on the Combined Bank's business, results of operations and financial condition.

8.1.36 Risks related to single obligor/group limits for common borrowers

Although the Combined Bank will have access to higher single obligor/group limits under applicable SAMA regulations compared to the current limits adhered by each bank, there is a risk that customers that are common between both banks in aggregate may breach the Combined Bank's single obligor / group limits (whether regulatory or internally determined limits), which would adversely affect the Combined Bank's business, the results of its operations and its financial conditions.

8.1.37 The Combined Bank has credit-related contingent liabilities and commitments that may lead to potential losses

As part of its normal banking business, the Banks issue guarantees and letters of credit which will be accounted for off the Combined Bank's statement of financial position until such time as they are actually funded or cancelled. In addition, the Banks make revocable and irrevocable commitments to advance credit to their customers. Although these commitments are contingent, they nonetheless subject the Combined Bank to both credit and liquidity risks. Although it is anticipated that only a portion of its obligations in respect of these commitments will be triggered, the Combined Bank may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in the Combined Bank needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive. This would reduce the Combined Bank's margins and adversely impact its operating income and profitability.

8.1.38 Risks related to restructuring or rescheduling loans

Both Banks have historically rescheduled or restructured portion of their loans with debtors in financial distress. Rescheduled loans represent loans whose terms have been rescheduled resulting in certain loan repayment concessions (such as re-scheduling principal payments until later periods and/or to set interest payments at a relatively low level for a certain time frame followed by larger interest payments in later periods) but where the new terms do not result in a present value loss to a Bank. Restructured loans represent loans which have been renewed entirely or materially altered (to a greater degree than loans which have simply been rescheduled) and causes a loss to a Bank as a result of reduced profit rate and/or principal amount. However, there is no guarantee that such rescheduling or restructuring will be successful in mitigating the Combined Bank's credit risk.

If the Combined Bank fails to appropriately reschedule or restructure loans or any assumptions made in order to effect such rescheduling or restructurings fail to materialise or a debtor counterparty defaults on the terms of the rescheduled or restructured loan, such loans may need to be rescheduled or restructured again or the Combined Bank may need to make further impairment charges.

8.1.39 Risks relating to legal disputes

NCB is a party to several different lawsuits, and it is subject, from time to time, to governmental and regulatory investigations or similar matters arising from its current or future business. Therefore, any lawsuits brought against it may harm the reputation of NCB, regardless of its final results. There is no assurance that NCB will succeed in addressing any potential or future lawsuits or similar issues under different regulations. In addition, NCB is a party to a number of lawsuits filed against it in the normal course of its business. In the event that court rulings are issued against NCB obliging it to pay amounts that exceed the allocations allocated to it, this will have a material negative impact on NCB, which will affect the Combined Bank's business, results and future expectations.

Given that the Combined Bank will bear all litigation liabilities related to NCB and Samba Group upon the Effective Date (for more details on the risks associated with the lawsuits and legal claims of Samba Group, please refer to Section (8.2.2) "*Risks relating to legal disputes and claims against Samba Group*" of this Circular), the Combined Bank's loss in any legal dispute or if a court ruling obliged the Combined Bank to pay an amount higher than expected or provisioned for, or if the Combined Bank fails to accurately and sufficiently provision for such an amount then this will negatively affect the Combined Bank, its financial position, results and future prospects.

8.2 RISKS RELATING TO SAMBA GROUP

8.2.1 Risks relating to the ownership of the Samba Group building in the King Abdullah Financial District (KAFD)

Samba Group constructed its principal building in the King Abdullah Financial District (KAFD) upon its initial agreement with the owner to purchase the land on which the building is constructed. However, Samba Group has not yet completed the land purchase procedures given that it has not signed a final agreement to purchase the relevant land nor has it (to date) made the payment thereon. The land purchase amount (that was previously agreed upon) is SAR 153,902,080 and the construction cost amounted to SAR 1,954,754,770.82.

It should be noted that Samba Group has received a letter dated 19/06/1442H (corresponding to 01/02/2021G) from the authority that owns the land on which the Samba Group building is located in the King Abdullah Financial District (KAFD), which includes an acknowledgment by that authority of Samba Group's entitlement to its building located in the King Abdullah Financial District (KAFD) and the desire of that authority to complete the process of purchasing the land pursuant to a final contract that includes all matters that Samba Group and the authority owning the land wish to agree upon in a manner that guarantees the transfer of the land ownership to Samba Group or the Combined Bank upon the Effective Date of the Merger, noting that negotiations are considered to be in their final stages and it is expected that the final version of the written contract between the two parties will be completed in the near future.

In the event that Samba Group or the Combined Bank (following the Effective Date) was not able within a reasonable period of time to complete the land purchase process at the price, terms and conditions previously agreed upon by Samba Group, this could have a material adverse effect on the operations and financial condition of the Combined Bank.

8.2.2 Risks relating to legal disputes and claims against Samba Group

Samba Group is involved in various litigation matters and may be involved from time to time in governmental or regulatory investigations or similar matters arising out of its current or future business. Any claims filed against it, regardless of its merit or eventual outcome, may harm its reputation. Furthermore, there is no guarantee that Samba Group will be successful in defending itself in pending or future litigation or similar matters under various laws.

Samba Group has around 330 cases filed against it as of the end of the third quarter of 2020G noting that the claims for some of these cases are undetermined. NCB has, based on the information provided by Samba Group, assessed the risks associated with these cases and concluded that a number of cases may result in an adverse financial impact on the Combined Bank if judgements were passed in favor of the plaintiffs. The value of the claims under these cases exceeds the amount of SAR 6,000,000,000 (for more details on the lawsuits and legal claims of Samba Group, please refer to Section (12.9) "*Litigation against Samba Group*" of this Circular). As these cases have not been provisioned for in the financial statements of Samba Group, NCB has taken these risks into account when agreeing on the Exchange Ratio, noting that the level of damage that was assumed based on the risks that were assessed may be less or greater than the actual damages which may affect the Combined Bank if the courts rule out in favor of the plaintiffs.

It has also become clear to NCB that there is a claim outside the Kingdom that may have an adverse effect on the Combined Bank and its reputation in the event that the court rules in favor of the plaintiffs, noting that the value of this claim is not specified and noting that Samba Group has confirmed (based on the consultations of its advisors outside the Kingdom) that this case is considered to be low risk.

Given that the Combined Bank will assume all the liabilities related to Samba Group's legal disputes following the Effective Date, in the event that the Combined Bank loses a case or if a court ruling obliged the Combined Bank to pay an amount higher than expected or provisioned for, or if the Combined Bank fails to accurately and sufficiently provision for such an amount, then that will negatively affect the Combined Bank, its financial position, results and future prospects.

In addition to the above, some risks relating to Samba Group regarding various factors have been referred to in Section (8.1) ("*Risks Relating to The Merger and The Combined Bank's Business Following Completion*" of this Circular.

8.3 RISKS RELATING TO THE SHARES

8.3.1 Risks related to the volatility of the NCB share price until Completion

The announcement of the Merger to the market, the management of the two Banks or their business, the delay in completing the Merger for any reason (including for the extension of the expiration of the Creditor Objection Period) or any other political, economic or any other reason may impact the market price of NCB and Samba Group shares through increased volatility until the Merger is finalised. The market price of NCB shares during the period between the date of this Circular and the Completion may decrease significantly, which may impact the market value of NCB's share price and the value of the investment of NCB's investors in NCB.

8.3.2 Risks relating to the decline of the market price of the Combined Bank's shares as a result of the Merger

The market price of the Combined Bank shares (including the Consideration Shares) may decline in the event of occurring multiple factors, including:

- the integration of NCB and Samba Group businesses is unsuccessful or delayed beyond management's initial expectations (within three years upon the Effective Date);
- The Combined Bank does not achieve the expected benefits of the Merger as rapidly or to the extent anticipated by financial analysts or investors or the Combined Bank's board; or
- the effect of the Merger on financial results is not consistent with the expectations of financial analysts or investors or the Combined Bank's Board.

8.3.3 Risks relating to the general volatility of the Combined Bank's share price

The trading price of the Combined Bank's shares may be subject to fluctuation in response to a number of factors, specific to the Combined Bank or otherwise, such as general market volatility related to general economic conditions and other macro factors outside of the banks performance as well as variations in financial results, changes in financial estimates, changes in credit ratings, recommendations by securities analysts, and any market speculation relating to trends in the Combined Bank's customer markets. These factors may adversely affect the trading price of the Combined Bank shares regardless of the Combined Bank's operating performance. NCB shareholders should be aware that the value of the Combined Bank shares (including the Consideration Shares) and the income from them can increase or decrease as is the case with any other investment in listed securities.

8.3.4 Risks relating to the trading patterns of the Combined Bank's shares relative to the historic trends related to NCB Shares

NCB Shareholders should be aware that the historic trading patterns of NCB shares are independent of, and may bear no resemblance whatsoever to, the trading patterns of the Combined Bank shares following implementation of the Merger. Sales, or the possibility of sales, of substantial numbers of the Combined Bank shares owned by Substantial Shareholders in the Combined Bank could have an adverse effect on the market price of the Combined Bank shares.

8.4 RISKS RELATING TO THE MARKET AND THE SECTOR, AND THE REGULATORY FRAMEWORK IN GENERAL

8.4.1 Risks relating to competition in the corporate and retail banking business

The banking business is highly competitive. The Combined Bank is expected to face fierce competition from various local and multinational banks and financial institutions operating in the Kingdom or the region. The total number of banks operating in the Kingdom is 25 licensed commercial banks, of which 12 are Saudi commercial banks established in the Kingdom. The other 13 banks are branches of international banks. Further, local or foreign banks may be licensed in the future, which will increase competition.

The Combined Bank will compete with other banks and financial institutions to attract and retain customers, whether private customers or public sector customers, for the provision of banking services in general and for geographical expansion. Therefore, if the Combined Bank is unable to keep pace with its competitors in terms of price and quality of its products and services, this will affect the Combined Bank's business and operating results, reduce its profit margin, reduce the chances of expanding its business, increase the cost of its employees and increase its spending on advertising or loss to customers.

8.4.2 Risks relating to KSA and global economy

Each of NCB and Samba Group currently has a significant proportion of their operations and interests in KSA (the geographic concentration of NCB assets in Saudi Arabia is 79.1% and 83.4% for Samba Group as at end of 2019G). Accordingly, their businesses operations and financial performance will continue to be generally affected by the financial, political and general economic conditions prevailing from time to time in the KSA and/or the Middle East generally.

These markets are subject to risks similar to other developed and developing markets, including in some cases significant legal, economic and political risks. Whilst KSA aims to diversify its economy away from depending on the natural resources by attracting foreign investment, reducing spending and gradually lifting the government subsidies, the oil and gas industry continues to dominate the KSA's economy.

Declines in international prices for hydrocarbon products, would adversely affect KSA's economy which, in turn, will have an adverse effect on the Combined Bank's business, financial condition and results of operations.

8.4.3 Risks relating to prudential regulations

Each of NCB and Samba Group are subject to a number of prudential and regulatory controls imposed by SAMA and CMA (including but not limited to large exposure limits, reserves, provisions, impairment allowances and other applicable ratios) designed to maintain the safety and the soundness of each bank, ensure its compliance with economic, social and other objectives and limit their exposure to risk. Such regulations, or any amendments thereto, may, following the Merger, limit the Combined Bank's ability to lend to a single borrower or group of related borrowers, increase its loan/financing receivable portfolios or raise capital or may increase its cost of doing business.

Any changes in such laws and regulations and/or the manner in which they are interpreted or enforced could have a material adverse effect on the Combined Bank's businesses, results of operations, financial condition and prospects. In particular, changes in SAMA regulations or policy could affect the Combined Banks' large exposure limits, reserves, provisions, impairment allowances and other applicable ratios.

8.4.4 Risks relating to the interpretations and application of laws and regulations

The Merger is subject to several laws and regulations issued by, or implemented by, different regulators in KSA. Many of these laws and regulations (including the Companies Law, the Capital Market Law and its implementing regulations, including MARs and OSCO) are recent and not many statuary mergers between two public companies have taken place pursuant to them as of the publication date of this Circular.

Both NCB and Samba Group have domestic as well as international operations and both banks have determined, taking into consideration relevant advice, which regulatory approvals are required in connection with the Merger. NCB and Samba Group have applied and interpreted the laws and regulations (whether applied inside or outside KSA) based on their best judgement having consulted with their respective advisers. For more information about the approvals that will be obtained from the relevant regulatory authorities or the notifications that will be submitted to these authorities, please refer to Section (12.7.1) ("*Government Approvals*") of this Circular.

If any regulator or judicial body (including in any foreign jurisdiction) in KSA were to decide to apply and interpret the relevant laws and regulations in a way that is different from the way NCB and Samba Group have interpreted and applied such laws and regulations or in the event that one of the regulators has not granted its approval, or if such regulator objects to the Merger (including not accepting the notification of one of the regulators regarding a change in control or a change in ownership related to the Merger), this could have a material adverse effect on NCB, Samba Group and/or the Combined Bank (e.g. by imposing financial penalties), and could also result in unanticipated delays to, or suspension of, the Merger.

It should be noted that the two banks have applied for the approval of the State Bank of Pakistan and the Competition Commission of the Islamic Republic of Pakistan in relation to the transfer of the ownership of Samba Group in its subsidiary to the Combined Bank as part of the Merger. The approval of the Competition Commission of the Islamic Republic of Pakistan in this regard has been obtained. The initial approval has also been obtained from the State Bank of Pakistan and a final approval is expected to be obtained at a later stage.

8.4.5 Risks relating to regulatory compliance

The Combined Bank will be subject to several legal requirements imposed by SAMA, CMA, MOC, and other authorities, that may be changed from time to time.

The Combined Bank will fall under the supervision of SAMA, which regulates the banking and financing sector in the Kingdom. The Combined Bank will operate in accordance with SAMA's rules, regulations and requirements issued under the relevant laws. When formulating such legal requirements, SAMA takes into consideration the relevant international standards, including the Basel Committee requirements. The Combined Bank's business may be directly affected by any change in the imposed legal requirements, particularly in the event of imposing requirements restricting the Combined Bank from conducting specific business or activities, or imposing conditions that cannot be fulfilled by the Combined Bank. Therefore, any future changes in the legal requirements may have a negative effect on the Combined Bank's business, financial condition or financial results.

The procedures and regulatory requirements imposed on banks operating in the Kingdom include procedures related to the registration of real estate mortgages, as SAMA obligated all banks operating in the Kingdom (pursuant to its circular No. 381000089828 dated 26/8/1438H (corresponding to 23/5/2017G)) to register real estate mortgages according to the provisions of the relevant contracts instead of applying the transfer of ownership procedures. SAMA also obligated all banks operating in the Kingdom to rectify the conditions of real estate registered under the bank's name within a period not exceeding three years. This period has been extended until 8/26/1442H, according to SAMA circular No. 99/32515 and dated 12/3/1442H (corresponding to 29/10/2020G) noting that Samba Group still has approximately (1188) real estate deeds registered as collateral under its name as of 15/06/1442H (corresponding to 28/01/2021G). NCB also still has a limited number of real estate deeds registered as collateral under its name. In the event that the statuses of these mortgages are not rectified during the period granted by SAMA, this may expose the two Banks (as applicable) to regulatory penalties, including financial penalties, which will have a negative impact that may be material on the Combined Bank upon the Effective Date, upon which the Combined Bank shall also incur any unpaid financial penalties.

The Combined Bank, as a listed company, is also subject to the CMA's legal requirements, which are imposed on companies listed on Tadawul, including disclosure and governance requirements and other continuing obligations. Therefore, the Combined Bank's operations may be affected by any change in these requirements.

The Companies Law, the Regulatory Rules and Procedures issued pursuant to the Companies Law and the Corporate Governance Regulations include a number of additional requirements for listed companies, particularly with respect to disclosure and governance. The Combined Bank may not be able to monitor its compliance with the new requirements effectively. Any violation of the applicable laws and regulations will expose the Combined Bank to procedures and sanctions that may be taken against it by the concerned bodies, including fines and other sanctions in specific cases, such as the suspension or withdrawal of its banking license, or suspension of the Combined Bank from exercising its business.

Therefore, the Combined Bank's non-compliance with the legal requirements would have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects. These violations or financial penalties may affect the reputation of the Combined Bank, including the reputation of its Subsidiaries. The Combined Bank will also incur, following the Effective Date, any fines or penalties for violations committed in relation to the business of Samba Group and NCB prior to the Effective Date.

The Combined Bank's subsidiaries will also be subject to various strict legal requirements, the violation of which will have an adverse effect on the Combined Bank's business results.

8.4.6 Risks relating to licenses

In order to implement and expand the Combined Bank's business, the Combined Bank (along with its Subsidiaries) needs to keep and obtain a diversified set of licenses, permits and approvals from regulatory, administrative and tax bodies and other authorities in the KSA or any other country in which the Combined Bank would like to operate, including any licenses or approvals necessary to transfer any of Samba Group's Subsidiaries to the Combined Bank, such as licenses and approvals to be obtained from SAMA or CMA. The process for obtaining these permits and approvals may take time and cannot be predicted. If the Combined Bank is unable to maintain or obtain the relevant permits, its ability to achieve its strategic objectives could be impaired, with a consequent negative effect on the Combined Bank's businesses, financial position, results of operations, or future prospects. In particular, if any of the material licenses or permits granted to the Combined Bank (or its Subsidiaries) are withdrawn or revoked, this would have an adverse effect on the Combined Bank's businesses, financial position, results of operations, or future prospects.

8.4.7 Risks relating to Saudization and labour laws and regulations

The Ministry of Human Resources and Social Development, and SAMA require the Combined Bank to recruit a specific percentage of Saudi nationals and to 'saudize' certain positions. The Combined Bank may face, from time to time, difficulties in relation to recruitment and retention of qualified Saudi nationals. If the Combined Bank fails to recruit a sufficient number of Saudi nationals, or if the Saudization rate decreases due to the transfer of Samba Group's employees to the Combined Bank upon Completion, the Combined Bank may be penalized by the Ministry of Human Resources and Social Development or SAMA for failure to comply with such requirements, which will have an adverse effect on the Combined Bank's businesses, financial position, results of operations and future prospects.

If the Combined Bank fails to comply with the Saudization rates (noting that the current Saudization rate of NCB is 98%, achieving the platinum classification in the Nitaqat program as approved by MHRSD, and in contrast, the current Saudization rate of Samba Financial Group is 95.75% achieving the platinum classification in the Nitaqat program as approved by MHRSD), a restriction will be imposed on its recruitment of non-Saudi employees, which may impact the Combined Bank's ability to engage in business as usual.

There can also be no assurance that such changes will not have a significant effect on the Combined Bank's customers, or a particular industry segment thereof (such as contracting companies, which rely on a significant number of expatriate workforce to sustain their operations). If the changes in the Labor Laws adversely affect one or more of the Combined Bank's major borrowers, this will in turn affect such borrowers' ability to meet their respective payment obligations to the Combined Bank under those borrowings which will have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects.

8.4.8 Risks relating to sanctions, anti-money laundering and anti-terrorism regulations

The Combined Bank must comply with the anti-money laundering and anti-terrorism laws and other related regulations. These laws and regulations require the Combined Bank, inter alia, to adopt and implement certain know-your-customer ("**KYC**") policies and procedures and to report suspicious transactions to the relevant authorities. The Combined Bank cannot guarantee that its systems and policies to detect and prevent the use of its banking network for money laundering activities by terrorists and terrorism-related organizations will be adequate to ensure that the Combined Bank is always in absolute compliance with all such laws and regulations in every relevant jurisdiction, especially after transferring Samba Group's assets and liabilities, and employees to the Combined Bank after the Effective Date. Future litigation in connection with breaches of such laws or regulations may result in the imposition of fines and other sanctions. Similarly, breaches or even allegations thereof will negatively impact the Combined Bank's reputation. Any of these factors will have a material adverse effect on the Combined Bank's business, financial position, results of operations and future prospects.

In addition, the Combined Bank's operations may be restricted due to limitations, bans on transactions or other sanctions imposed by the United Nations, the United States, the European Union and other states and international organisations. The Combined Bank may be subject to liability burdens under such sanctions and limitations.

Samba Group has a foreign shareholder (whose shareholding resulted from a previous merger) that owns 1.22% of Samba Group as of 30 September 2020G. This shareholder is subject to international sanctions, which means that following the Effective Date, a shareholder in the Combined Bank (with their shareholding being less than 0.5% of Combined Bank's shares) shall be subject to international sanctions.

The Combined Bank cannot give any assurance that its compliance, audit and reporting systems, and procedures that it maintains in order to comply with SAMA regulations and legal requirements (which are subject to extensive oversight by applicable regulatory authorities) will at all times be fully effective. Compliance with these laws depends on the Combined Bank's ability to attract and retain qualified personnel to manage and monitor such systems and procedures and the Combined Bank cannot give any assurance that it will attract and retain such qualified personnel for that purpose. In case of actual or alleged non-compliance with regulations, the Combined Bank may be subject to investigations and judicial or administrative proceedings that may result in penalties or civil lawsuits, including, but not limited to, claims by customers for damages and/or even the loss of the Combined Bank's general banking license. Any of these factors will have an adverse effect on the Combined Bank's business, financial position, results of operations and future prospects.

8.4.9 Foreign exchange movements may adversely affect the Combined Bank's profitability

The Combined Bank will maintain its accounts, and report its results, in SAR. The SAR is pegged at a fixed exchange rate to the US dollar, however, there can be no assurance that the SAR will not be depegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Combined Bank's results of operations and financial condition. The Combined Bank will have among its portfolio US dollar- denominated assets and liabilities and any alteration to, or abolition of, this foreign exchange peg, particularly if the SAR weakens against the US dollar, will expose the Combined Bank to US dollar foreign exchange movements against the SAR and may result in capital outflow from KSA which could have a material adverse effect on the Combined Bank's businesses, results of operations, financial condition and prospects, and thereby affect the Combined Bank's ability to perform its obligations.

8.5 RISKS RELATING TO THE COVID-19 PANDEMIC

The COVID-19 pandemic may have material adverse impacts on the Combined Bank's business, financial position, results of operations, and prospects.

COVID-19 was first reported in December 2019G and has subsequently spread throughout the world to countries and jurisdictions in which both NCB and Samba Group operate. On 30 January 2020G, the World Health Organisation ("**WHO**") declared COVID-19 a public health emergency of international concern and on 11 March 2020G, the WHO declared the outbreak a pandemic. The COVID-19 pandemic has had and continues to have adverse repercussions across regional and global economies and financial markets which adversely affect the jurisdictions in which both NCB and Samba Group operate. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and other regulatory changes. A number of governments and organizations have revised Gross Domestic Product ("**GDP**") growth forecasts for 2020G downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the COVID-19 outbreak could result in a prolonged global economic crisis or recession. While the scope, duration and full effects of COVID-19 are rapidly evolving and not fully known, the pandemic and related efforts to contain it have disrupted global economic activity, adversely affected the functioning of financial markets, impacted interest rates, increased economic and market uncertainty, and disrupted trade and supply chains. If these effects continue for a prolonged period or result in sustained economic stress or recession, many of the risk factors identified in this Circular could be exacerbated and such effects could have a material adverse impact on the Combined Bank in a number of ways related to liquidity, operations, customer demand, interest rate risk, and human capital, as described in more detail below.

8.5.1 Economic and financial risks

The Combined Bank's operations, financial condition and results may be affected by a variety of external factors that may affect the marketability or the market price of the Combined Bank's shares, including disruptions in the capital markets, changes in interest rates that may increase the Combined Bank's funding costs due to economic conditions and the various response of governmental and nongovernmental authorities. During the year 2020G, the COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital. A prolonged period of volatile and unstable market conditions may increase the Combined Bank's funding costs and negatively affect market risk mitigation strategies. Furthermore, the volatility in global capital markets since March 2020 has also resulted in increased volatile currency exchange rate risks, which may also negatively affect the Combined Bank's business.

Additionally, whilst SAMA has provided support to local banks (including NCB and Samba Group) in light of the COVID-19 pandemic which the Combined Bank may continue to benefit from, the removal of such support may adversely affect the Combined Bank.

8.5.2 Strategic risk

As a result of the business shutdown and facilities closures, the global economy has significantly slowed down, resulting in reduced customer demand across the markets where the banks operate in or is contemplating to operate in. In particular, reduced demand may impact the development and success of the Combined Bank's business. The reduced customer demand may not swiftly increase to pre-COVID-19 level or at all, due to the potential prolonged global economic crisis or recession. An economic downturn may alter the priorities of governments to subsidize and/or incentivize participation in the

Combined Bank's markets in which it operates, which could have an adverse impact on the Combined Bank's financial condition, results of operations, and cash flows.

8.5.3 Operational risk

Current and possible future restrictions imposed on the ability of each of NCB's and Samba Group's employees to access the banks' facilities due to the COVID-19 pandemic could limit the employees' ability to meet customers' expectations, which as a result may have a material adverse effect on each of NCB and Samba Group's operations that could in turn have a material adverse effect on the Combined Bank's operations. Further, in response to the COVID-19 pandemic, both NCB and Samba Group have temporarily modified their business practices whereby both banks have arranged that all employees in non-essential jobs would be required to work remotely on a rotational basis in order to ensure that the operations of each bank is uninterrupted. The continuation of these 'work-from-home' measures could result in additional operational risk including increased cybersecurity risk such as phishing, malware, cybersecurity attacks, vulnerability to disruptions of the banks' information technology infrastructure and telecommunications systems which could have a material adverse effect on each of NCB and Samba Group that could in turn have a similar effect on the Combined Bank.

Furthermore, given that there have been no comparable recent global pandemics that resulted in a similar global impact, there is still significant uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets, the Saudi Arabian economy and the economies of the jurisdictions in which the Combined Bank operates. As a result, the Combined Bank may not be able to accurately predict the near-term or long-term impact of the COVID-19 pandemic on the Combined Bank's business, financial condition and results of operations. It is possible that the current COVID-19 pandemic will cause a prolonged global economic crisis or recession, which could have a negative impact on the Saudi Arabian economy in general and the banks industry and business in particular. The extent to which the COVID-19 outbreak impacts the Combined Bank's business, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in Saudi Arabia and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. The uncertain future development of this crisis could materially and adversely affect the Combined Bank's business, operations, operating results, financial condition, liquidity or capital levels.

9. MARKET OVERVIEW

9.1 ECONOMIC ENVIRONMENT IN THE KINGDOM

The Kingdom of Saudi Arabia (KSA) was established in 1932 by King Abdul Aziz bin Abdul Rahman Al Saud. The most recent estimate of the Kingdom's population is 34.2 million in 2019, out of which Saudi nationals represent approximately 60.5% of the population, with the remaining 39.5% constituted of non-Saudis (source: GASTAT).

With the discovery of oil fields along the Arabian Gulf, the Kingdom experienced rapid growth and increasing dependency on its oil production. In 2019, KSA was the world's second largest producer of oil and held 16.7% of the world's proven oil reserves (source: OPEC Annual Statistical Bulletin). The growth of Saudi Arabia has been primarily linked with the production of oil and despite the recent push for growth in other economic sectors, the strong dependency on oil revenues remains.

Saudi Arabia remains the largest economy in the Gulf Cooperation Council ("GCC") in terms of Gross Domestic Product. Nominal GDP for the year ended 31 December 2019 was SAR 2.97 trillion ($793 billion), growing at 0.8% from the previous year, a slower growth than what has been seen in previous years mainly driven by the strong decrease in average crude oil prices throughout the year.

In a push to diversify its economy away from its reliance on oil production, the Kingdom has embarked on a new national reform plan, the "Saudi Vision 2030" which is centered around three pillars: to remain at the heart of the Arab world, to become a global investment powerhouse thereby stimulating the economy and diversifying revenues, and to use its strategic location connecting three continents (Asia, Europe and Africa) to become a global hub for trade. This diversification of the economy is bringing about significant change throughout the country, in the form of mega-projects, large investments in infrastructure and other initiatives that will bring growth in different sectors of the economy.

In 2020, the Covid-19 pandemic and the ensuing low oil prices have resulted in a challenging economic environment. The introduction of precautionary measures to contain the pandemic has restricted investments, consumption and disrupted business activities resulting in a forecasted 2020 real GDP decline of 3.8%, as estimated by the Ministry of Finance. The decline in the oil sector continued in 2020, illustrated by the decline in the average price of Brent Crude oil, which continued a sharp decline from $64.4 per barrel in 2019 to $40.6 per barrel in September 2020.

The government had announced a 2020 budget with projected revenues of SAR 833 billion, with non-oil revenues expected to reach SAR 320 billion, a 1.58% increase compared to 2019. The rise of the pandemic and its impact on global oil markets adversely affected fiscal targets and government spending. During H1 2020, real GDP declined by 4.0% due to a 4.9% decrease in real oil GDP as a result of the reduction in oil production in compliance with the OPEC+ agreement. Real non-oil GDP also contracted by 3.3% due to the precautionary measures to contain the pandemic launched across the Kingdom.

Latest MoF forecasts suggest total budget revenues of SAR 770 billion in FY 2020, a 16.9% decrease compared to previous years, with an expected recovery by 2021, with SAR 846 billion and SAR 928 billion in 2021 and 2023 respectively. Since the outbreak of the crisis, the Saudi government has announced fiscal policy adjustments as well as stimulus packages above SAR 350 billion to address the impact of the pandemic and of low oil prices. The stimulus is far-reaching and will in part provide support to the sectors most affected by the current economic situation. The government fiscal responses and economic stimulus packages to support the private sector have increased the fiscal burden. As a result, MoF expects total expenditures for FY2020 to exceed the approved budget of SAR 1,020 billion to reach SAR 1,068 billion.

The 2020 fiscal deficit that was earlier expected at SAR 187 billion (i.e. 6.4% of GDP) has now been revised upwards to SAR 298 billion, estimated at 12% of GDP of the current year. However, MoF expects the deficit to decline to 5.1% in 2021 as a result of the roll-out of efficiency-enhancing measures and the implementation of Vision Realization Projects and Programs (VRPs) in the medium term.

(Source: MoF, SAMA, IMF)

9.2 THE BANKING SECTOR IN THE KINGDOM

As at 30 June 2020, there are 25 commercial banks operating in Saudi Arabia, of which 11 are Saudi banks. Of the remaining 14 operating banks, seven are branches of banks based in other countries of the GCC outside of Saudi Arabia (Bank Muscat, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank (GIB), National Bank of Bahrain, National Bank of Kuwait and Qatar National Bank) and 7 are international banks (BNP Paribas, Deutsche Bank, Industrial and Commercial Bank of China, JPMorgan Chase, Mitsubishi UFJ Financial Group, National Bank of Pakistan and T.C. Ziraat Bankası A.Ş.).

All of the 11 Saudi operating banks are publicly-listed joint stock companies and their shares are traded on the Tadawul. They all provide a broad range of retail and wholesale banking products and services. Al Inma Bank,

Al Rajhi Bank, Bank Al-Bilad and Bank Al Jazira provide only Shari'a-compliant products and services. The remaining 7 banks provide a combination of Shari'a-compliant and conventional banking products and services.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, the Saudi Credit and Savings Bank, the Saudi Development Fund, the Social Development Bank and the Saudi Industrial Development Fund, which provide funds for targeted sectors. As at 30 August 2020, there were 2,036 bank branches and 18,615 ATMs and 614,285 points of sale terminals in Saudi Arabia (source: SAMA August 2020 Monthly Bulletin).

The table below summarizes Saudi Arabia's current credit ratings assigned to it by the three main credit rating agencies.

	Moody's	**Fitch**	**S&P**
Long-term foreign currency……	A1	A	A-
Outlook………………………..	Negative	Stable	Stable

The most recent actions taken by the rating agencies have been a change of outlook from stable to negative by Moody's on 1 May 2020 and a downgrade by Fitch from A+ to A on 30 September 2019.

A closer look at the banking section in the Kingdom reveals that retail and corporate lending have increased by 9% and 5% respectively in 2020 vs 2019 YE (measured as performing loans and based on interim financial statements). The growth in lending was fueled by Vision 2030 key programs, notably initiatives related to boosting home ownership, increasing SME lending and driving mega infrastructure projects. Net interest margin continued to decline as interest rates hit multi-years low, as a result of the US Federal Reserve's interest rate cuts. As for treasury and capital markets, the government has encouraged banks to develop these business lines which ultimately led to banks launching new sophisticated products and propositions. Below is a more granular view on the key banking business lines:

i. Retail Lending

Total retail performing loans for the top 11 Saudi banks amounted to SAR 610 billion in June 2020 vs SAR 559 billion in 2019 YE (based on interim financial statements), equivalent to a 9% increase. Lending growth has been primarily driven by fast increasing residential finance volumes, underpinned by efforts to improve home ownership, supply affordable housing and relax regulatory requirements for loans. Additionally, given cash needs in light of lockdown and precautionary measures and given the support from the regulatory authorities, the credit card loans market increased by 5.4% in 2020 from SAR 19.1 billion in 2019YE to SAR 20.1 Bn in Q2 2020 (source: SAMA August 2020 Monthly Bulletin).

The largest demand in Islamic finance has been seen from retail banking, allowing consumers to use Shari'a compliant personal finance, credit cards, or home financing options. This segment is expected to continue growing in the future.

ii. Corporate banking

Corporate banking has evolved steadily over the recent years with banks introducing a wide range of corporate products from trade, lending, transaction banking, etc. Total Corporate performing loans for the top 11 Saudi banks amounted to SAR 975 billion in June 2020 vs SAR 926 billion in 2019 YE (based on interim financial statements), equivalent to a 5% increase. Corporate banking is expected to play a vital role in driving the Vision 2030 agenda through supporting the Kingdom's landmark deals and mega projects and fueling the international expansion of KSA businesses. On the wholesale side, an uptick in infrastructure projects has also contributed to increased demand. To comply with Islamic principles, products such as ijara, murabaha, musharaka, and mudarabah have become prominent in serving the needs of this segment.

iii. Treasury

With the increased use of financial instruments, financial markets have become more sophisticated in recent years. Total Treasury assets for the top 11 Saudi banks amounted to SAR 873 billion in June 2020 vs SAR 754 billion in June 2019 (based on interim financial statements), equivalent to a 16% increase. Going forward, treasury products are expected to be instrumental in driving capital and trade flows in and out of the Kingdom.

iv. Investment banking and asset management

Investment banking and mutual fund services experienced a continued upward trend in the past years, but slowed in the first 8 months of 2020. The Tadawul All Share Index increased from 7,826.73 to 8,389.23 for year ends 2018 and 2019 respectively. As of 31 August 2020, the Tadawul All Share Index had declined to 7,940.70.

The government has sought to encourage a more efficient capital market, which has resulted in Saudi banks providing better services and products. Multiple financial institutions have been issued with licenses to participate in capital market transactions and have often set up subsidiaries or separate arms to oversee this segment.

In accordance with the Rules for Qualified Financial Institutions Investment in Listed Securities, Foreign financial institutions have been permitted to buy and sell shares in companies listed on the Tadawul.

9.3 OWNERSHIP AND TOTAL ASSETS FOR SAUDI BANKS (AS OF OCT 2020)

Saudi Banks	Government Ownership	Foreign Bank Ownership	Total Assets SAR m
The National Commercial Bank	PIF (44.3%) PPA (5.4%), GOSI (5.2%)	-	557
Al Rajhi Bank	GOSI (5.9%)	-	418
Samba Financial Group	PIF (22.9%) PPA (11.5%) GOSI (7.1%)	-	279
Riyad Bank	PIF (21.8%), GOSI (16.7%)		295
Banque Saudi Fransi	GOSI (9.0%)	-	202
SABB	-	HSBC (29.2%)	267
Arab National Bank	-	Arab Bank (40%)	187
Alinma Bank	PIF (10%), PPA (5.8%)	-	142
Saudi Investment Bank	PPA (14.0%)	-	105
Bank Aljazira	-	-	92
Bank Albilad	-	-	89

(Source: Bank financial statements and annual reports)

9.4 ASSETS AND LIABILITIES FOR SAUDI BANKS (AS OF H1 2020)

Saudi banks' total assets grew to SAR 2,633 billion in the first half of 2020. Furthermore, customer deposits reached SAR 1,862 billion and performing loans 1,624 billion, equivalent to a 7% increase compared to 2019.

SAMA is a member of the Basel committee and is following its guidance on capital standards, having already published its Basel III guidelines. Under SAMA's Basel III guidelines, banks must hold a minimum common equity Tier 1 of 4.5%, a minimum Tier 1 capital of 6.0% and a minimum total capital (Tier 1 and Tier 2 capital) CAR of 8.0% of risk weighted assets.

The consolidated corporate loans, retail loans, net investments and customer deposits of the 11 commercial Saudi banks as at 1st June 2020 are illustrated below.

Table: Consolidated corporate loans, retail loans and customer deposits of the top 11 Saudi banks

Saudi Banks (SAR billion)	Total Assets	Financing and Advances	Performing Retail Loans	Performing Corporate Loans	Customer Deposits
Consolidated June 2020 Financials	2,633	1,613	610	975	1,862
Conslidated 2019 YE Financials	2,446	1,505	559	926	1,809
Increase, %	8%	7%	9%	5%	3%

(Source: Bank financial statements and annual reports)

9.5 PROFITABILITY FOR SAUDI BANKS (AS OF JUNE 2020)

Total Operating income for the top 11 Saudi banks amounted to SAR 49 billion in June 2020 vs SAR 47.2 billion in June 2019 (based on interim financial statements), equivalent to a 4% increase versus June 2019.

Simultaneously, net income after zakat and income tax amounted to SAR 20.6 billion in June 2020 (post normalization for SABB goodwill impairment) vs SAR 22.2 billion in June 2019, equivalent to a 7% decrease. The reduction in net income is primarily driven by a 8% increase in operating expenses during the same period (SAR 17.5 billion in June 2020 vs SAR 16.2 billion in June 2019)

Table Consolidated operating income, operating expenses and net income of Saudi banks as at 30 June 2020

Saudi Banks (SAR bn)	Operating Income	Operating Expenses	Net Income After Zakat and Income Tax (Normalized)
Consolidated June 2020 Financials	49	(17.5)	20.6
Consolidated June 2019 Financials	47.2	(16.2)	22.2
Increase, %	4%	8%	(7%)

(Source: Bank financial statements and annual reports)

Note: Net Income normalized i.e. excludes SABB goodwill impairment of SAR 7.4 billion which was announced in Q2 2020. If included, net income would reduce to SAR 13.2 billion in June 2020

9.6 DISTRIBUTION

The banking sector has developed a sophisticated multi-channel distribution network covering the Kingdom. As at August 2020, there were 2,036 bank branches, 18,615 ATMs and 614,285 POS terminals. Branches have a widespread and balanced reach across the kingdom, with 30% of the total network located in Riyadh, 21% in Makkah and 19% in the Eastern province.

In light of the quest to digitization, there have been consistent and on-going efforts from traditional Saudi banks to migrate customers to digital platforms, completely revamp their technology capabilities and digitize customer journeys end to end.

9.7 OUTLOOK

Although the economic environment in Saudi Arabia has faced unprecedented challenges in recent times, driven by macro-economic factors and the pandemic, there remains significant potential for growth given the Kingdom's predominately young population, relatively low penetration of financial products and the continued focus on Vision 2030 initiatives.

i. **Consumer finance**

- Residential finance is expected to be a large driver of growth for the segment, due in part to affordable housing initiatives.
- Consumer spending indicators (POS and ATM transactions) have seen a slight recovery during the month of August 2020, but have again slowed down in September
- The increase in card utilization is expected to continue as the shift towards e-commerce and digital channels becomes more accepted and accessible to consumers

ii. **Corporate banking**

- The continued focus on Vision 2030 projects is expected to propel growth in corporate banking
- A potential margin erosion could be expected due to declining deposits margins and repricing of variable rate loans
- Growth in lending is expected to be driven by increased working capital requirements to bridge cash flow challenges, lower repayment due to relief programs and moratoriums and utilization of unutilized credit lines
- A slower economic growth could lead to muted growth in wholesale deposits

iii. **Digital**

- Digital is expected to be a top priority for banks going forward, with digital adoption and penetration continuously increasing. New digital players are expected to enter the market and existing banks will continue to launch digital-focused propositions to retain and grow market share

iv. **Other pandemic outlook considerations**

- Since July 2020 there have been some signs of economic recovery as activities start again and lockdown measures ease off. The rapidly changing nature of the pandemic and of government responses create a highly uncertain outlook as to the speed of recovery.

10. THE MERGER

10.1 OVERVIEW OF THE MERGER

On 04/11/1441H (corresponding to 25 June 2020G), NCB and Samba Group announced the signing of a framework agreement concerning the potential merger between the two Banks (the "**Framework Agreement**") to start the initial discussions and due diligence review and negotiate final and binding provisions in relation to the Merger. The Framework Agreement included the non-binding agreement of NCB and Samba Group that if the potential transaction was decided to be executed, it would be completed through a merger, so that NCB would be the merging bank and Samba Group would be the merged bank. The Framework Agreement also included a determination of a non-binding scope of the exchange ratio, in which the shareholders of Samba Group would obtain a number ranging between (0.736) and (0.787) new shares in NCB in exchange for every share they own in Samba Group. Based on the non-binding scope of the exchange ratio, the total consideration that NCB will pay to the shareholders of Samba Group ranged between 1,441,000,000 and 1,540,000,000 shares in NCB. Pursuant to the Framework Agreement, NCB and Samba Group agreed to negotiate the final agreements for the Merger, which included the commercial provisions related to the Merger and a number of other provisions that are customary in such agreements.

On 24/02/1442H (corresponding to 11 October 2020G), NCB announced that it had entered into a legally binding Merger Agreement, which also included the announcement of its firm intention to continue the Merger and to make an offer to Samba Group shareholders for this purpose. The Merger Agreement included all the provisions and steps necessary to implement and complete the Merger between the two Banks in accordance with Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. For further details about the Merger Agreement, see Section (12.4.1) (*"Merger Agreement")* of this Circular.

Upon Completion of the Merger, the Combined Bank will create the largest bank and a leading bank in the Middle East region by market value. The Merger will enable the Combined Bank to finance economic development and support Saudi Arabia's trade and capital flows with the region and the rest of the world. The Merger will also enable the Combined Bank to take advantage of the high integration between the two Banks to enhance its competitive position, improve and develop its service centres, and provide the best modern technology to its customers through digital transformation. The Merger will contribute to deliver progress towards Vision 2030, achieving cost synergies and enhancing the international presence of the Merging Bank, in addition to contributing to preparing future leaders in the banking sector. For further details about the rationale of the Merger, see Section (10.2) (*"Rationale of The Merger")* of this Circular.

The Merger will be effected by way of a statutory merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. Upon the Effective Date the assets and liabilities of Samba Group will be transferred to NCB, and NCB will continue to exist and Samba Group will cease to exist as a legal entity and its shares will be cancelled and the Consideration Shares will be issued to Samba Group Shareholders that appear on the share register of Samba Group immediately after closing of trading of the second trading period following the Effective Date.

Pursuant to the Merger Agreement, the two Banks have agreed on the final Exchange Ratio of 0.739 shares in NCB for each share Samba Group Shareholders own in Samba Group. This implies a total number of 1,478,000,000 Consideration Shares to be issued with a nominal value of SAR 10 per share, all of which are fully paid. The total nominal value of the Consideration Shares is SAR 14,780,000,000. The Consideration Shares will be issued by way of a capital increase, which will increase NCB fully paid-up capital by 49,3% from SAR 30,000,000,000 to SAR 44,780,000,000 and the number of its issued shares will increase from 3,000,000,000 to 4,478,000,000 fully paid-up. On completion of the Merger, NCB's existing shareholders would own 67.4% and Samba Group's existing shareholders would own 32.6% of the Combined Bank (excluding treasury shares for both Banks).

The total value of the Merger is determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 14,780,000,000. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 38.50 per NCB share on 21/02/1442H (corresponding to 08 October 2020G) (which is the last trading day prior to prior to the execution of the Merger Agreement) is SAR 56,903,000,000. The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to the Effective Date of the Merger.

In the event that the Exchange Ratio calculation produces a fractional share, the resulting figure will be rounded down to the nearest share. For example, if a Samba Group Shareholder holds 100 Samba Group shares, he or she will receive 73 Consideration Shares on the Effective Date (and not 74 Consideration Shares). NCB shall aggregate all fractional entitlements and sell, based on the shares market price at the time, the corresponding NCB shares on behalf of all Samba Group Shareholders who would otherwise have been entitled to receive a fractional NCB share in the market for cash, and subsequently distribute the net cash proceeds to such Samba Group Shareholders proportionate to their respective fractional entitlements within a period not exceeding thirty (30) days from Completion. Any expenses in relation to the sale of fractional shares, will be paid from the proceeds of such sale.

Pursuant to the Merger Agreement, the two Banks agreed to appoint a specialized consulting firm to provide its advice in relation to the name, logo and identity of the Combined Bank. Accordingly, the committee responsible for preparing the integration plan resolved that the proposed name (Saudi National Bank) shall be the new name of the Combined Bank upon the Effective Date of the Merger.

It should be noted that NCB's arrangements towards Samba Group's employees involve the Combined Bank setting new standards in training and talent development and offer exciting career opportunities in a much larger organisation. No involuntary staff redundancies are expected as a result of the Merger.

The following table shows details of ownership in NCB of each of the public and the Substantial Shareholders of NCB and Samba Group prior to and following the Completion of the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

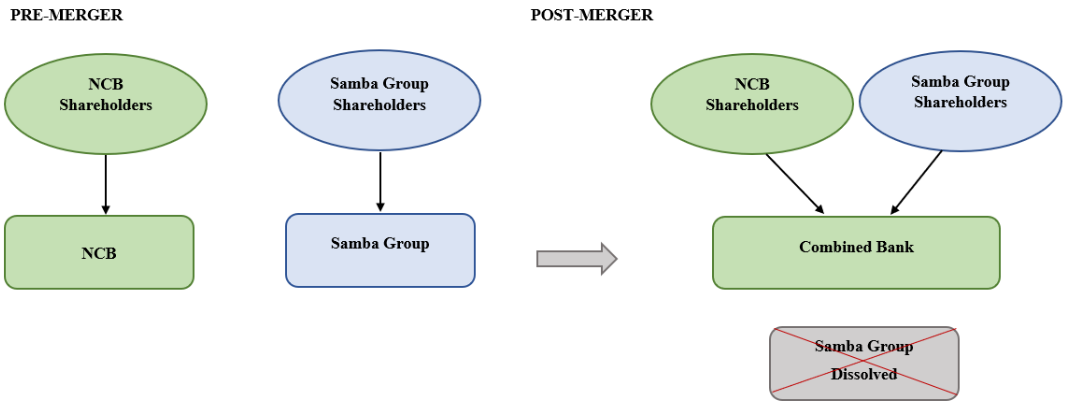
Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%
NCB directors*	766,878	0.03%	766,878	0.02%
NCB senior executives**	904,314	0.03%	904,314	0.02%
Treasury Shares	7,030,787	0.2%	43,424,213***	1,0%
The Public	1,346,231,724	44.9%	2,173,661,419	48.5%
Total	**3,000,000,000**	**100 %**	**4,478,000,000**	100%

*pursuant to the shares owned by NCB directors in NCB only, which include the shares they own directly and the shares in which they have an indirect interest.
** pursuant to the shares owned directly by NCB senior executives in NCB only.
*** represents the Combined Bank treasury shares which shall consist of the following: 1) NCB treasury shares on the Effective Date; 2) the Consideration Shares that will be issued against Samba Group treasury shares; and 3) NCB shares owned by Samba Group on the Effective Date.

It should be noted that on the Effective Date the treasury shares of the Combined Bank will consist of the following: (1) treasury shares owned by NCB on the Effective Date (a total of 7,030,787 shares), (2) the Consideration Shares that will be issued against Samba Group treasury shares on the Effective Date (a total of 30,952,053 shares), (3) NCB shares owned by Samba Group on the Effective Date (a total of 5,441,373 shares). Accordingly, the Merger will result in an increase in the number of treasury shares of the Combined Bank (compared to the treasury shares of NCB prior to the Effective Date). This increase will come as a result of the shares referred to in items (2) and (3) above (the "**New Treasury Shares**").

The purposes of dealing with the New Treasury Shares will be determined later by the Combined Bank's board of directors, who in turn will obtain any required approvals in this regard.

The below diagram is a simplified description of the structure of the Merger:



10.2 RATIONALE OF THE MERGER[1]

10.2.1 Important Notice

This sub-section contains the views of NCB on the benefits that it currently anticipates will result from the Merger becoming effective. You should note, in particular, that this sub-section contains forward-looking statements, which are subject to risks and uncertainties, and that undue reliance should not be placed on such statements. For further information on such risks, see Section (8) ("*Risk Factors*") of this Circular.

You should also note that the synergy estimates included in this sub-section are highly preliminary estimates of NCB, which may be revised following more detailed integration planning. NCB does not intend to update the synergy statements or any other forward-looking statements, except as required pursuant to applicable laws and regulations. Nothing contained in this sub-section is intended to be or shall be deemed to be a forecast, projection or estimate of the current or future financial performance of NCB and no statement in this Circular should be interpreted to mean that earnings per share for current or future financial periods of the Combined Bank would necessarily match or exceed historical published earnings per share of NCB shares.

10.2.2 Overview

The Merger will create the Kingdom's largest bank and a leading bank in the Middle East region by market value[2]. The Merger will enable the Combined Bank to finance economic development and support Saudi Arabia's trade and capital flows with the region and the rest of the world. The Merger will also enable the Combined Bank to take advantage of the high integration between the two Banks to enhance its competitive position, improve and develop its service centres, and provide the best modern technology to its customers through digital transformation. The Merger will contribute to deliver progress towards Vision 2030, achieving cost synergies and enhancing the international presence of the Merging Bank, in addition to contributing to preparing future leaders in the banking sector. The main rationale of the Merger are as follows:

10.2.3 Strengthened competitive position

The Combined Bank will become the largest bank in the Kingdom[3] and a leading bank in the Middle East region with SAR 171 billion (U.S.$ 46 billion)[4] in market capitalisation. At a local level, the Combined

[1] Some of the information mentioned in this section was included based on aggregated financials as shown in the indicated dates, however such information will be updated at a later stage to reflect the pro forma financials.

[2] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites

[3] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[4] Based on market capitalisation as of 8 October 2020.

Bank will become the Kingdom's largest bank[5] serving approximately 25% of the retail and wholesale banking market[6].

The Combined Bank would have SAR 837 billion ($223 billion)[7] in assets (this represents a market share of 32%)[8] [9], SAR 468 billion (U.S.$ 125 billion)[10] in performing loans (this represents a market share of 29%)[11] [12], around SAR 568 billion (U.S.$ 151 billion)[13] in customer deposits (this represents a market share of 30%)[14] [15], a half year operating income of around SAR 15 billion (U.S.$ 4 billion)[16] (this represents a market share of 30%)[17] [18] and net income of around SAR 7 billion (U.S.$ 2 billion)[19] (this represents a market share of 38%)[20] [21] and a combined equity base of SAR 120 billion (U.S.$ 32 billion)[22]. The Combined Bank will also become the number one bank in the Middle East by net income[23].

The Combined Bank will have a universal and balanced banking platform across all business lines. Operating income[24] for the Combined Bank is broken down into the following segments: 41% retail banking, 25% corporate banking, 23% treasury, 6% international and 5% capital markets.

The scale of the Combined Bank will help achieve industry leading returns and productivity levels.

10.2.4 Highly complementary banks

The Combined Bank will leverage NCB and Samba Group's leading retail banking franchises, serving 26%[25] of the market in retail loans and 29%[26] of the market in retail liabilities. Building on these capabilities, the Combined Bank aspires to deliver best-in-class digital solutions, drive home ownership through growth in residential finance, foster SME development and lending and promote financial literacy and a culture of saving.

On the corporate banking side, the Combined Bank will leverage NCB's position as the largest institutional lender[27] and specialized financier[28] in the Kingdom, in conjunction with Samba Group's leading customer network to extend 27%[29] of corporate performing loans in the Saudi market. The ambition of the Combined Bank is to become the foremost trusted partner for top-tier Saudi corporates and institutions to support the Kingdom's landmark deals and mega projects, whilst facilitating trade and capital flows between the Kingdom and regional and global markets.

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[5] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[6] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[7] Based on market capitalisation as of 8 October 2020.
[8] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[9] Total market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric.
[10] Based on market capitalisation as of 8 October 2020.
[11] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[12] Total market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric

[13] Based on market capitalisation as of 8 October 2020.
[14] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[15] Total market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric

[16] Based on market capitalisation as of 8 October 2020

[17] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[18] Total market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric

[19] Based on market capitalisation as of 8 October 2020.
[20] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[21] Total market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric

[22] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[23] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[24] Based on aggregated financials as at 30 June 2020.
[25] Based on retail performing loans balances as at 30 June 2020.
[26] Based on aggregated financials as at 30 June 2020.
[27] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[28] Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.
[29] By corporate performing loans balances as at 30 June 2020, includes overdrafts wherever such delineation was provided in publicly available financial statements.

Building on the complementary portfolios of the two banks, the Combined Bank will become a leader in treasury and capital markets, managing SAR 316 billion (U.S.$ 84 billion)[30] in treasury assets (equivalent to 36% in market share), allowing for strong cross-selling capabilities.

The Combined Bank will own both NCB Capital and Samba Capital and Investment Management Company, who, together would form the biggest asset manager, brokerage and investment bank in Saudi Arabia. NCB has announced on the Saudi Stock Exchange website (Tadawul) on 9/5/1442H (corresponding to 24/12/2020G) that the committee responsible for preparing the integration plan has approved the merger of Samba Capital and Investment Management Company (Samba Capital) and NCB Capital Company once the Merger of Samba Group and NCB is completed, provided that the structure of the merger of NCB Capital Company and Samba Capital, the timing and all other details thereof, will be determined at a later stage. It should be noted that the committee's decision will not necessarily result in the merger of NCB Capital Company and Samba Capital, as it shall remain subject to the Completion of the Merger and obtaining the relevant regulatory approvals, in addition to other steps and procedures.

The integration of those two companies, to achieve the best synergies, will be studied as part of the integration plan for both banks and will be finally decided as part of the integration by the Combined Bank's board after completing the Merger.

10.2.5 Enhanced multi-channel distribution

The Combined Bank would be able to offer its customers end-to-end digital products and services and deliver convenient solutions through the development of new digital propositions. The Combined Bank will immediately provide unparalleled accessibility across the Kingdom, with 501 branches, 4,136 ATM machines and 126,831 point of sale devices (POS).[31]

10.2.6 Digitalisation

The Combined Bank is in a position of strength; both Banks have increasing digital penetration in the banking sector and digital financial transactions. In addition, in 2019, NCB was awarded best mobile banking application in the Kingdom and Samba Group was awarded best online cash management and treasury platform.

The Combined Bank plans to double down on digital and analytics and continue to enhance its artificial intelligence tools. It will aim at digitalising all products and services end-to-end and introduce cutting-edge technologies to its customers. It plans to grow the market through new ventures and partnerships and will heavily invest in data and analytics to create unparalleled and personalized customer experiences.

10.2.7 Enhanced liquidity and solid capital position to pursue growth

The Combined Bank will aim to leverage the cross-selling capabilities of both Banks through an improved operating model and the optimization of both banks' investment portfolios, benefitting from a robust and diversified funding structure, as well as an enhanced liquidity profile with an 82%[32] loan to deposit ratio (LDR). This is complemented with a solid and robust capital position. This strong foundation will allow the Combined Bank to pursue growth opportunities in local and global markets.

10.2.8 Catalysing delivery of Vision 2030

The Combined Bank will play a vital role in unlocking opportunities presented by Vision 2030's transformational agenda. The scale of the Combined Bank and its strong funding and capital base will allow it to tap into key growth areas and invest in rapidly developing sectors and projects in the Kingdom, accelerate growth in the SME sector, promote growth in housing stock and residential financing, and facilitate the development of Saudi Arabia's capital market as well as the continued digitalization of the economy.

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[30] Based on aggregated financials as at 30 June 2020.
[31] Based on aggregated numbers as included in SAMA's August 2020 Bulletin.
[32] Based on aggregated financials as at 30 June 2020.

10.2.9 Synergies and shareholder value

The Merger is expected to unlock approximately SAR 800 million (U.S.$ 213 million) annually fully phased in cost synergies after integration is complete, representing 9%[33] of the combined cost base, with significant value creation potential, driven by increased scale, sharing of best practices and annual efficiency gains. There is also potential for revenue synergies between the two banks. One-time cash integration costs are expected to be approximately SAR 1.1 billion (U.S.$ 293 million).

As a result of these synergies, the Merger is expected to be accretive to earnings per share for NCB and Samba Group shareholders, based on the annualised H1 2020 results for NCB and Samba Group (including fully phased in synergies and excluding one-time cash integration costs).

10.2.10 Growing international presence

The Combined Bank will have an expanded international network enabling the Combined Bank to facilitate international trade and capital flows. The Combined Bank will be better placed to pursue further strategic expansion opportunities to better connect with global markets.

10.2.11 Grooming future leaders of the industry

The Combined Bank will merge its talent pools and become a talent hub for the financial sector. Talent development will be a priority for the Combined Bank, as it aspires to groom future leaders of the industry through world-class training and development programs and offer rewarding career opportunities.

[33] Based on the total operating expenses before deducting the provision for impairment in the combined value of both banks for the year 2019.

10.3 DIRECTORS

10.3.1 The board of directors of NCB, as of 15/06/1442H (corresponding to 28/01/2021G), is comprised of nine (9) members, as follows:

Name	Nationality	Age	Position	Status	Representation	Date of Appointment	Ownership and indirect interest in NCB				Ownership and indirect interest in Samba Group			
							Direct	Indirect interest*	Total	Percentage	Direct	Indirect	Total	Percentage
Saeed Mohammed Al Ghamdi	Saudi	56	Chairman of Board of Directors	Non-Executive	Public Investment Fund	15/5/2018	722,478	N/A	722,478	0,02408%	N/A	N/A	-	-
Rashid Ibrahim Sharif	Saudi	44	Vice Chairman of the Board of Directors	Non-Executive	Public Investment Fund	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Anees Ahmed Moumina	Saudi	57	Member of the Board of Directors	Non-Executive	General Organization for Social Insurance	15/5/2018	39,900	3,000	42,900	0,00143%	157,826	109,166	266,992	0,01334
David Jeffrey Meek	British	54	Member of the Board of Directors	Non-Executive	Public Investment Fund	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Marshall Charles Bailey	British	54	Member of the Board of Directors	Non-Executive	Public Investment Fund	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Saud Sulaiman Al Juhani	Saudi	42	Member of the Board of Directors	Non-Executive	Public Pension Agency	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Mohammed Ali Al Hokal	Saudi	57	Member of the Board of Directors	Independent	-	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Ziad Mohamed Tunsi	Saudi	52	Member of the Board of Directors	Independent	-	15/5/2018	N/A	N/A	-	-	N/A	N/A	-	-
Zaid Abdulrahman Al Gwaiz	Saudi	56	Member of the Board of Directors	Independent	-	15/5/2018	1,500	N/A	1,500	0,0005%	N/A	N/A	-	-

Source: NCB and Samba Group

* Indirect interest includes any shares through:

- relatives of the relevant director (for the purposes of the above table, relatives mean the wife, children, and parents).
- any company controlled by the relevant director.

10.3.2 Proposed changes to the board of directors of NCB

Subject to procurement of relevant regulatory and shareholder approvals, both Banks have agreed pursuant to the Merger Agreement to take the necessary steps for implementing the following changes in respect of the Combined Bank board composition:

- to increase the Combined Bank board size from nine (9) to eleven (11) members following the Effective Date; and
- to appoint two (2) individuals (whom shall be nominated by Samba Group's current board within 30 thirty (30) days prior to the Effective Date) to fill in the two additional board seats following the Effective Date

As a result of the above changes, it is expected that, following the Effective Date, the composition of the board of the Combined Bank will be as follows:

- the current Substantial Shareholders of NCB and Samba Group (i.e. PIF, GOSI and PPA) will continue to have a number of directors representing them that is equal to their representation on the board of NCB as of the Completion (at present the PIF has four representatives, PPA and GOSI each have one representative in NCB board);
- two (2) directors will be nominated by Samba Group's current board (excluding the representatives of the Substantial Shareholders); and
- the remaining directors (currently, three (3) directors) will be from the then current board of NCB on the Effective Date (excluding the representatives of the Substantial Shareholders).

The two Banks have agreed, within five (5) Business Days following the Effective Date, to take the necessary steps in implementing the following:

- appoint Ammar AlKhudairy (the current chairman of Samba Group) as chairman of the board of directors of the Combined Bank;
- appoint Saeed Al Ghamdi (the current chairman of NCB) as managing director and group chief executive officer of the Combined Bank.

These changes will only take effect upon the Effective Date. Until then, the current boards and executive management teams of both Banks will continue to lead their respective Banks independently.

10.4 DESCRIPTION OF SAMBA GROUP

10.4.1 Overview

Since its establishment as a Saudi joint stock company, Samba Group has taken it upon itself to reach the highest stages of growth and prosperity by providing distinguished banking services that keep pace with the economic growth in the Kingdom and the aspirations of its customers until it became one of the largest financial institutions in the Kingdom that has a distinguished international rating and provides global financial services in the Kingdom and a number of other countries to meet the financial needs of its individual, corporate and institutional clients.

The leadership of the Samba Group is embodied by providing an integrated and comprehensive package of traditional financial, banking and advisory services and products, including those compatible with the provisions of Islamic Sharia, in accordance with the world-class standards. The Samba Group is also the first bank in the Kingdom to introduce the concept of private banking services, gold and diamond banking services, automatic teller machines, automatic deposit machines, and a number of other banking services and products. The Samba Group worked to expand the range of services provided to its customers with its components, supported by careful expertise and studies, taking into account the multiplicity of various economic activities, by providing an integrated range of banking products. The Samba Group has branches covering all parts of the Kingdom and a number of other countries in order to strengthen its presence regionally. The Samba Group provides its services to companies, large institutions, medium and small companies, and individual customers, including the most important companies and families in the Kingdom.

Samba Group activities are categorized under four main business divisions: retail division, the corporate division, the treasury division and the investment division. In addition, the bank provides brokerage services, asset management and investment banking services through its subsidiary Samba Capital and Investment Management Company (Samba Capital), which is wholly owned by the Samba Group. The group also owns other subsidiaries, a Samba Real Estate Company and Samba Global Markets Limited and Samba Funding Limited. Samba Group also owns a majority stake (84.51%) in Samba Bank Limited (SBL), which operates in Pakistan and provides commercial banking services and other services.

The key services provided under each of the main operating business segments are as follows.

10.4.1.1 Corporate Banking

The corporate banking division provides institutional, corporate, and commercial customers with a wide range of products and services including customers deposits, current accounts, demand accounts, saving accounts in addition to loans and other credit facilities. The local corporate banking division serves the banking needs of the small and medium-sized entities in the Kingdom.

10.4.1.2 Personal Banking

The personal banking division operates through a national network of branches and ATMs, complemented by a range of phone banking, e-banking, and mobile banking services. Products in this segment include: customers deposits, current accounts, demand accounts, saving accounts in addition to loans and speed cash transfer service "Speed Cash".

10.4.1.3 Investment Banking

The investment banking division of the Group works - through Samba Capital and Investment Management Company (Samba Capital) - to provide investment management services and all securities activities, including activities related to brokerage, asset management and investment funds, whether dealing, arranging, managing, advice or custody.

10.4.1.4 Treasury

This treasury division mainly manages capital markets and foreign exchange operations and trading in commission rates and financial derivatives for companies and major clients. It also manages financing for its operations, maintaining liquidity and managing financial position.

10.4.2 Strategy Overview of Samba Group

Samba Group's strategy aims to strengthen its position as a leading financial institution in the Kingdom and to provide world-class services and solutions to its customers, continuous development through innovation and initiative to provide the best services, and to invest in human resources through training and continuous development with the aim of sustainable excellence and raising the level of quality of services provided to customers. The group also seeks to provide rewarding returns to investors by following a long-term strategy that takes into account the alterations in the market.

10.4.3 Samba Group Board

The board of directors of Samba Group, as of 15/06/1442H (corresponding to 28/01/2021G), is comprised of ten (10) members, as follows:

Name	Nationality	Age	Position	Status	Representation	Date of Appointment	Ownership in Samba Group				Ownership in NCB			
							Direct	Indirect	Total	Percentage	Direct	Indirect	Total	Percentage
Ammar Abdulwahed Alkhudairy	Saudi	57	Chairman of Board of Directors	Non-Executive	-	20/1/2019	1000	N/A	1000	0.00005%	N/A	N/A	-	-
Yazed Abdulrahman Al-Humaid	Saudi	38	Vice Chairman of the Board of Directors	Non-Executive	Public Investment Fund	20/1/2019	N/A	N/A	-	-	N/A	N/A	-	-
Ibrahim Saad Al-Mojail	Saudi	42	Member of the Board of Directors	Non-Executive	Public Investment Fund	20/1/2019	848	17,263	18,111	0.00090%	150	1500	1650	0.00005%
Ali Hussain Reda	Saudi	59	Member of the Board of Directors	Non-Executive	Public Pension Agency	20/1/2019	300,000	N/A	300,000	0.01500%	14,002	N/A	14,002	0.00046%
Eyad Abdulrahman Al-Husain	Saudi	42	Member of the Board of Directors	Non-Executive	General Organization for Social Insurance	20/1/2019	N/A	N/A	-	-	N/A	N/A	-	-
Khaled Abdullah Al-Swailm	Saudi	64	Member of the Board of Directors	Independent	-	20/1/2019	2000	N/A	2000	0.00010%	N/A	N/A	-	-
Ali Hadi Al Mansour	Saudi	40	Member of the Board of Directors	Independent	-	20/1/2019	N/A	N/A	-	-	N/A	N/A	-	-
Fahad Ibrahim Al-Mufarrij	Saudi	58	Member of the Board of Directors	Independent	-	20/1/2019	32,633	N/A	32,633	0.00163	N/A	N/A	-	-
Abdullah Abdulrahman Al-Rowais	Saudi	55	Member of the Board of Directors	Independent	-	20/1/2019	5000	N/A	5000	0.00025%	N/A	N/A	-	-
Walid Sulaiman Abanumay	Saudi	53	Member of the Board of Directors	Independent	-	20/1/2019	560,017	211,407	771,424	0.03957%	439,551	N/A	439,551	0.01465%

Source: NCB and Samba Group

* Indirect interest includes any shares through:

- relatives of the relevant director (for the purposes of the above table, relatives mean the wife, children, and parents).
- any company controlled by the relevant director.

10.4.4 Companies in which Samba Group Holds Shares

If the Merger takes place, all assets and liabilities of Samba Group will be transferred to NCB, including the shares owned by Samba Group in other companies. We set out below a list of the companies in which Samba Group directly owns 30% or more its shares and summary of the main activities of such companies:

Name of entity	Legal form	Ownership interest	Country of incorporation	Principal activity
Samba Capital and Investment Management Company (Samba Capital	Closed joint stock company	100%	KSA	Securities activities.
Samba Bank Limited – Pakistan	Company limited by shares (listed)	84,51%	Pakistan	Commercial banking services.
Samba Real Estate Company	Limited liability company	100%	KSA	Registration and preservation of evacuated real estate assets in favor of the Group as collaterals.
Co-Invest Offshore Capital Limited (COCL	Company limited by shares	100%	Cayman Islands	Foreign investment management.
Samba Global Markets Limited	Company limited by shares	100%	Cayman Islands	Trading in financial derivatives.
Samba Funding Limited	Company limited by shares	100%	Cayman Islands	Generating liquidity for Samba Group by issuing debt securities.
Ras As Zawar Asset Leasing Company	Limited liability company	50%	KSA	Facilitate ensuring that financing activities are in compliance with Sharia requirements.
Saudi Kayan Asset Leasing Company	Limited liability company	50%	KSA	Facilitate ensuring that financing activities are in compliance with Sharia requirements.

10.5 THE VALUATION OF SAMBA GROUP

The Exchange Ratio (which determines the number of shares that will be issued to SFG shareholders in the Combined Bank as a result of the Merger) was agreed between NCB and SFG following detailed commercial negotiations between the Banks. In negotiating the Exchange Ratio, NCB made reference to advice and assistance from its respective advisers and a detailed review of due diligence information on SFG's businesses.

In reaching agreement on the Exchange Ratio, a number of valuation methodologies have been considered by NCB taking in to account the valuation analysis performed by J.P. Morgan. The main valuation methodologies included:

- Dividend discount valuation based on the present value of future dividends attributable to shareholders for each Bank;
    - Dividends were calculated based on certain internal financial analyses and projections for NCB and certain financial analyses and projections for SFG, in each case, as prepared by NCB's management with the assistance of the relevant advisors.

  - Discount rate, which was used to calculate the present value of future dividends, was an estimate of the banks' cost of equity, which was determined by application of the Capital Asset Pricing Model.

- Regression analysis to determine theoretical implied price-to-book value multiples for NCB and SFG:

  - Regression was implied from a selected peer group's price-to-book value multiples and return-on-average-equity rates

  - NCB and SFG book values and return-on-average-equity rates were calculated based on certain internal financial analyses and projections for NCB and certain financial analyses and projections for SFG, in each case, as prepared by NCB's management with the assistance of the relevant advisors

  - Price-to-book value multiples and return-on-average-equity rates for selected peers were obtained using Bloomberg, IBES and FactSet market data sources

- Price-to-earnings multiple analysis

  - Earnings were calculated based on certain internal financial analyses and projections for NCB and certain financial analyses and projections for SFG, in each case, as prepared by NCB's management with the assistance of the relevant advisors

  - Price-to-earnings multiples for selected peers were obtained using Bloomberg, IBES and FactSet market data sources

- Broker target prices

  - Average target prices were calculated based on target price recommendations provided by equity research coverage for both NCB and Samba

  - Implied market capitalizations were calculated based on the average target prices and number of shares outstanding at NCB and SFG

- Market valuation based on current market capitalization levels of NCB and SFG, and implied market capitalization levels from the three month volume weighted average prices of NCB and SFG

  - Market data was obtained using Bloomberg, IBES and FactSet market data sources

Post review of all the valuation methodologies with NCB, the final exchange ratio range used to determine the final agreed exchange ratio was within a range of values that was primarily based on the Dividend Discount valuation methodology, while being supported by the other aforementioned valuation methodologies. The final exchange ratio range submitted to the NCB Board of Directors was between 0.680 – 0.756 shares in NCB for each share in SFG.

In addition to the standalone valuation exercise, a comprehensive study of due diligence findings and synergies analysis was taken into account when determining the final exchange ratio by NCB, with the support of its advisors.

With the above considered, a final exchange ratio of 0.739 shares in NCB for each share in SFG was agreed. This implies a total number of fully paid-up Consideration Shares to be issued of 1,478,000,000 shares. The total nominal value of the Consideration Shares is SAR 14,780,000,000 based on a SAR 10 nominal share value for NCB. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 38.50 per NCB share on 8 October 2020 (the last business day prior to the announcement) is SAR 56,903,000,000[34], implying a per share value of SAR 28.45 per

[34] SAR 55,703,367,767 when excluding treasury shares.

outstanding SFG share which represents: (i) a premium of 3.5% to the closing share price of SFG of SAR 27.50 on 8 October 2020; (ii) a premium of 23.7% to the closing share price of SFG of SAR 23.00 on 24 June 2020. The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB shares on the last trading day prior to the Effective Date of the Merger.

J.P. Morgan Saudi Arabia ("JPMSA") rendered its written fairness opinion to the NCB board of directors on 11 October 2020, to the effect that, as of such date and based upon and subject to the factors and assumptions set forth therein, the Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to NCB. JPMSA provided advisory services and its opinion solely for the information and assistance of the NCB board of directors in connection with its consideration of the Merger. The JPMSA opinion is not a recommendation as to how any NCB Shareholder should vote with respect to the resolutions to be proposed at the NCB EGM or any other matter.

The following documents were reviewed by JPMSA in arriving at the opinion that the Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to NCB: (i) execution version dated 11th October 2020 of the Merger Agreement; (ii) execution version of the Framework Agreement entered into by NCB and SFG on 25 June 2020; (iii) draft dated 10th October of the Offer Document with respect to the Transaction; (iv) certain publicly available business and financial information concerning SFG and NCB, the industries in which they operate and certain other companies engaged in businesses comparable to them; (v) proposed financial terms of the Transaction in comparison with publicly available financial terms of other certain transactions involving companies deemed relevant and the consideration received for such companies; (vi) the financial and operating performance of SFG and NCB in comparison with publicly available information concerning certain other companies deemed relevant including the review of current and historical market prices of SFG shares and NCB shares and certain publicly traded securities of such other companies; (vii) the audited financial statements of NCB and SFG for the fiscal years ended 2017, 2018, 2019 and for the six months period ended 30 June 2020; (viii) certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by or at the direction of the managements of SFG and NCB relating to their respective businesses for the fiscal years ended 2017, 2018, 2019 and for the six months period ended 30 June 2020, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction; and (ix) other financial studies and analyses and considered such other information as deemed appropriate for the purposes in arriving at the opinion that the Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to NCB.

Furthermore, JPMSA has held discussions with certain members of the management of SFG and NCB with respect to certain aspects of the Transaction, and the past and current business operations of SFG and NCB, the financial condition and future prospects and operations of SFG and NCB, the effects of the Transaction on the financial condition and future prospects of NCB, and certain other matters necessary or appropriate to the opinion.

The full text of the written opinion of JPMSA, dated 11 October 2020, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex 2 to this Circular.

The following table summarises the results of the agreed valuation:

Total Number of the Consideration Shares	1,478,000,000 Consideration Shares, fully paid-up
Total Nominal Value of the Consideration Shares	SAR 14,478,000,000, with a nominal value of SAR 10 per share

Total Market Value of the Consideration Shares	SAR 56,903,000,000 based on NCB share price as of 08 October 2020G of SAR 38,50 (the day prior to the execution of the Merger Agreement), implying per share value of SAR 28,45, representing: • a premium of 3,5% to the closing share price of Samba Group of SAR 27,50 on 08 October 2020G (the day prior to the execution of the Merger Agreement). • a premium of 23,7% to the closing share price of Samba Group of SAR 23 on 24 June 2020G (the day prior to the execution of the Framework Agreement). The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to the Effective Date of the Merger. It should be noted that determining the total value of the Consideration Shares may affect the determination of the value of goodwill (For further information relating to goodwill impairment following the Merger, see Section (8.1.19) "*Risks relating to goodwill impairment following the Merger*" of this Circular.

10.6 RELATED PARTIES AND CONFLICTED DIRECTORS

The Merger involves a Related Party transaction as the PIF, GOSI and PPA are Substantial Shareholders in, and having representatives on the boards of, both Banks.

An exemption was obtained from the CMA from the requirements of Article 3(o) and Article 48 of the MARs, in which the shareholders who own shares in NCB and Samba Group and have representation on the board of NCB and/or Samba Group, will be entitled to vote on the Merger Resolutions in the EGM of one of the Banks, subject to the voting restrictions applicable to their representatives in board and committee meetings. Therefore, Shareholders that are Related Parties, who are PIF, GOSI and PPA, will be permitted to vote in the EGM of one of the Banks.

A number of NCB's directors and Samba Group's directors have an interest in the Merger. Therefore, each of Mr. Saeed Mohammed Al Ghamdi, Mr. Rashid Ibrahim Sharif, Mr. David Jeffrey Meek and Mr. Marshall Charles Bailey (in their capacity as the board representatives of the PIF in the NCB board), Mr. Anees Ahmed Moumina (in his capacity as the board representative of the GOSI in the NCB board and his direct and indirect ownership in Samba Group) and Mr. Saud Sulaiman Al Juhani (in his capacity as the board representative of the PPA in the NCB board) have declared their interest in the Merger and therefore did not vote on the NCB board resolution approving NCB's entry into the Merger Agreement. Furthermore, each of Mr. Yazed Abdulrahman Al Humaid (in his capacity as the board representatives of the Public Investment Fund in the Samba Group board), Dr. Ibrahim Saad Al Mojail (in his capacity as the board representative of the Public Investment Fund in the Samba Group board and his direct ownership in NCB), Mr. Eyad Abdulrahman Al Husain (in his capacity as the board representative of the General Organization for Social Insurance in the Samba Group board), Mr. Ali Hussain Reda (in his capacity as the board representative of the Public Pension Agency in the Samba Group board and his direct ownership in NCB) and Dr. Walid Sulaiman Abanumay (due to his direct ownership in NCB) have declared their interest in the Merger and therefore did not vote on the Samba Group board resolution approving Samba Group's entry into the Merger Agreement.

Furthermore, according to Article 191(4) of the Companies Law, a shareholder that holds shares in both NCB and Samba Group can only vote in the EGM of one of the Banks.

The following table sets out the names and shareholdings of the Related Parties and Conflicted Directors in relation to the Merger as of 15/06/1442H (corresponding to 28/01/2021G)).

Name	Nature of Related Party / Conflict	Direct Ownership in NCB		Direct Ownership in Samba Group	
		Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
Substantial Shareholders in both Banks					
Public Investment Fund	Substantial Shareholder in both NCB and Samba Group and have a representative on the board of both Banks	1,328,839,999	.4429%	458,269,500	22,9%
The Public Pension Agency	Substantial Shareholder in both NCB and Samba Group and have a representative on the board of both Banks	160,826,298	.536%	230,858,532	11,5%
The General Organization for Social Insurance (GOSI)	Substantial Shareholder in both NCB and Samba Group and have a representative on the board of both Banks	155,400,000	.518%	141,963,820	7,1%
Conflicted Directors on the board of NCB					
Mr. Saeed Mohammed Al Ghamdi	a representative of the PIF on the board of NCB	722,478	0,02408%	N/A	-
Mr. Rashid Ibrahim Sharif	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. Marshall Charles Bailey	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. David Jeffrey Meek	a representative of the PIF on the board of NCB	N/A	N/A	N/A	-
Mr. Saud Sulaiman Al Juhani	a representative of the PPA on the board of NCB	N/A	N/A	N/A	-
Mr. Anees Ahmed Moumina	a representative of the GOSI on the board of NCB and directly and indirectly owns shares in Samba Group	39,900	0,00133%	157,826	0,00789%

*source: NCB and Samba Group.

10.7 OWNERSHIP STRUCTURE PRIOR TO AND FOLLOWING THE MERGER

Upon Completion, the ownership of NCB's existing shareholders would constitute 67.4% of the share capital of the Combined Bank (excluding treasury shares for both Banks) and Samba Group's existing shareholders would own 32.6% of the share capital of the Combined Bank (excluding treasury shares for both Banks). The following table shows details of ownership in NCB of each of the public and the Substantial Shareholders of NCB and Samba Group prior to and following the Merger as of 15/06/1442H (corresponding to 28/01/2021G):

Shareholder	Pre- Completion		Post- Completion	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
PIF	1,328,839,999	44,29%	1,667,501,160	37,2%
GOSI	155,400,000	5,18%	260,311,263	5,8%
PPA	160,826,298	5,36%	331,430,753	7,4%
NCB directors*	766,878	0.03%	766,878	0.02%
NCB senior executives**	904,314	0.03%	904,314	0.02%
Treasury Shares	7,030,787	0.2%	43,424,213***	1,0%
The Public	1,346,231,724	44.9%	2,173,661,419	48.5%
Total	**3,000,000,000**	**100 %**	**4,478,000,000**	100%

*pursuant to the shares owned by NCB directors in NCB only, which include the shares they own directly and the shares in which they have an indirect interest.
** pursuant to the shares owned directly by NCB senior executives in NCB only.
*** represents the Combined Bank treasury shares which shall consist of the following: 1) NCB treasury shares on the Effective Date; 2) the Consideration Shares that will be issued against Samba Group treasury shares; and 3) NCB shares owned by Samba Group on the Effective Date.

The National Commercial Bank

(A Saudi Joint Stock Company)

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Introduction

The accompanying unaudited pro forma condensed consolidated financial information and related notes (the ''Pro forma financial information'') have been prepared pursuant to, and for the purpose of illustrating the anticipated effects, of the merger agreement executed between The National Commercial Bank ("NCB") and SAMBA Financial Group ("SAMBA") dated 24/02/1442H (corresponding to 11 October 2020G), on the consolidated financial position and consolidated financial performance of NCB. The merger agreement entails the merger (the "Merger") of SAMBA into NCB which will be accompanied by a transfer of all of SAMBA's assets and liabilities as of the date of the merger into NCB, against the agreed consideration (note 4). The completion of the Merger is subject to the occurrence or waiving of certain conditions precedent and is expected to occur in the first half of year 2021.

The Pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2020, 31 December 2019 and 30 June 2019 of NCB and the unaudited pro forma condensed consolidated statement of income for the six-months periods ended 30 June 2020 and 30 June 2019 and the unaudited pro forma condensed consolidated statement of income for the year ended 31 December 2019 of NCB giving effect to the Merger, as if the Merger had taken place on 1 January 2019 ("Deemed Merger Date"), and notes to the Pro forma financial information.

The purpose of the Pro forma financial information is to show the material effects that the Merger of NCB and SAMBA would have had on the historical consolidated statement of financial position and historical consolidated statement of income as if the two banks had already existed in the structure created by the merger since the Deemed Merger Date.

The preparation and presentation of the Pro forma financial information is based on certain pro forma assumptions (detailed in the Basis of preparation note) and has been prepared for illustrative purposes only. Moreover, because of its nature, the Pro forma financial information addresses a hypothetical situation and therefore, does not represent NCB's actual financial position and financial performance, and may not give a true picture of the financial position and financial performance of NCB upon completion of the Merger. In addition, the Pro forma financial information is not representative of the financial situation and performance that could have been observed if the indicated Merger had been undertaken at an earlier date nor is the Pro forma financial information indicative of the future operating results or financial position of NCB upon completion of the Merger.

The National Commercial Bank

(A Saudi Joint Stock Company)

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

AS AT

		30 June 2020				31 December 2019				30 June 2019			
	Note B	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000
ASSETS													
Cash and balances with SAMA		37,955,001	24,162,833	-	62,117,834	45,382,209	18,138,081	-	63,520,290	31,493,396	20,865,462	-	52,358,858
Due from banks and other financial institutions, net	3	14,554,696	1,339,034	-	15,893,730	16,565,294	3,628,391	-	20,193,685	14,127,769	11,961,269	(1,800,538)	24,288,500
Investments, net	3	146,305,827	93,193,277	(179,379)	239,319,725	134,076,572	85,013,253	(56,146)	219,033,679	126,629,790	79,249,940	-	205,879,730
Financing and advances, net	1	316,298,571	148,087,797	-	464,386,368	282,288,760	141,595,245	-	423,884,005	274,830,496	115,062,330	-	389,892,826
Positive fair value of derivatives, net	1;3	9,233,341	6,238,418	(499,534)	14,972,225	5,276,039	3,092,221	(269,048)	8,099,212	5,339,018	4,013,301	(203,877)	9,148,442
Investments in associates, net		439,375	-	-	439,375	438,483	-	-	438,483	449,931	-	-	449,931
Other real estate, net	1	1,113,039	-	125,345	1,238,384	1,283,387	-	4,345	1,287,732	1,226,523	-	5,953	1,232,476
Property, equipment and software, net	1	5,589,157	3,136,168	(367,473)	8,357,852	5,496,576	3,066,858	(359,602)	8,203,832	5,379,307	3,117,834	(379,206)	8,117,935
Right of use assets, net	1	1,579,131	-	367,473	1,946,604	1,669,825	-	359,602	2,029,427	1,787,133	-	379,206	2,166,339
Goodwill and other intangible assets arising on merger	4	-	-	27,152,698	27,152,698	-	-	27,152,698	27,152,698	-	-	27,152,698	27,152,698
Other assets	1;3	24,241,896	3,103,552	(619,668)	26,725,780	14,786,657	1,069,752	(292,339)	15,564,070	15,324,157	1,281,585	(219,605)	16,386,137
Total assets		**557,310,034**	**279,261,079**	**25,979,462**	**862,550,575**	**507,263,802**	**255,603,801**	**26,539,510**	**789,407,113**	**476,587,520**	**235,551,721**	**24,934,631**	**737,073,872**
LIABILITIES AND EQUITY													
LIABILITIES													
Due to banks and other financial institutions	3	74,083,005	28,634,360	-	102,717,365	62,186,044	15,646,808	-	77,832,852	61,593,983	14,249,646	(1,800,538)	74,043,091
Customers' deposits		380,398,487	187,259,334	-	567,657,821	353,389,315	180,165,680	-	533,554,995	327,438,403	168,305,643	-	495,744,046
Term loan		-	2,163,629	-	2,163,629	-	2,168,095	-	2,168,095	-	-	-	-
Debt securities issued	3	696,258	5,585,273	(179,379)	6,102,152	1,016,101	3,746,454	(56,146)	4,706,409	1,864,984	-	-	1,864,984
Negative fair value of derivatives, net	1;3	12,138,048	2,160,457	(494,323)	13,804,182	6,081,580	1,192,186	(287,994)	6,985,772	5,977,258	1,957,978	(213,652)	7,721,584
Other liabilities	3	16,058,990	7,084,248	(499,534)	22,643,704	14,802,485	7,235,746	(269,048)	21,769,183	12,601,268	6,466,854	(203,877)	18,864,245
Total liabilities		**483,374,788**	**232,887,301**	**(1,173,236)**	**715,088,853**	**437,475,525**	**210,154,969**	**(613,188)**	**647,017,306**	**409,475,896**	**190,980,121**	**(2,218,067)**	**598,237,950**
EQUITY													
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK													
Share capital	4	30,000,000	20,000,000	(5,220,000)	44,780,000	30,000,000	20,000,000	(5,220,000)	44,780,000	30,000,000	20,000,000	(5,220,000)	44,780,000
Share premium	4	-	-	56,090,100	56,090,100	-	-	56,090,100	56,090,100	-	-	56,090,100	56,090,100
Treasury shares	1;4;5	(371,028)	(942,219)	(550,766)	(1,864,013)	(357,971)	(962,080)	(548,356)	(1,868,407)	(357,971)	(976,000)	(544,826)	(1,878,797)
Statutory reserve	4;5	25,650,012	18,348,111	(18,348,111)	25,650,012	25,650,012	18,348,111	(18,348,111)	25,650,012	22,894,980	17,193,239	(17,193,239)	22,894,980
General reserve	4;5	-	130,000	(130,000)	-	-	130,000	(130,000)	-	-	130,000	(130,000)	-
Other reserves (cumulative changes in fair values)	4;5	1,100,538	2,748,107	(217,992)	3,630,653	866,542	2,752,040	(217,992)	3,400,590	669,476	2,442,842	(217,992)	2,894,326
Employees' share based payments reserve	1;4;5	184,782	-	26,220	211,002	202,508	-	23,810	226,318	145,037	-	20,280	165,317
Retained earnings	4;5	11,298,412	5,999,839	(4,496,753)	12,801,498	6,621,912	3,696,851	(4,496,753)	5,822,010	10,533,482	5,695,584	(5,651,625)	10,577,441
Proposed dividend		-	-	-	-	3,600,000	1,393,898	-	4,993,898	-	-	-	-
Foreign currency translation reserve		(4,975,172)	-	-	(4,975,172)	(4,694,978)	-	-	(4,694,978)	(4,637,370)	-	-	(4,637,370)
Equity attributable to shareholders of the Bank		**62,887,544**	**46,283,838**	**27,152,698**	**136,324,080**	**61,888,025**	**45,358,820**	**27,152,698**	**134,399,543**	**59,247,634**	**44,485,665**	**27,152,698**	**130,885,997**
Tier 1 Sukuk		10,200,000	-	-	10,200,000	7,000,000	-	-	7,000,000	7,000,000	-	-	7,000,000
Equity attributable to equity holders of the Bank		**73,087,544**	**46,283,838**	**27,152,698**	**146,524,080**	**68,888,025**	**45,358,820**	**27,152,698**	**141,399,543**	**66,247,634**	**44,485,665**	**27,152,698**	**137,885,997**
NON-CONTROLLING INTERESTS	4;5	847,702	89,940	-	937,642	900,252	90,012	-	990,264	863,990	85,935	-	949,925
Total equity		**73,935,246**	**46,373,778**	**27,152,698**	**147,461,722**	**69,788,277**	**45,448,832**	**27,152,698**	**142,389,807**	**67,111,624**	**44,571,600**	**27,152,698**	**138,835,922**
Total liabilities and equity		**557,310,034**	**279,261,079**	**25,979,462**	**862,550,575**	**507,263,802**	**255,603,801**	**26,539,510**	**789,407,113**	**476,587,520**	**235,551,721**	**24,934,631**	**737,073,872**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED

		For the six-months period ended 30 June 2020				For the year ended 31 December 2019				For the six-months period ended 30 June 2019			
	Note B	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000
Special commission income		9,525,359	3,971,888	(62,692)	13,434,555	20,527,145	8,426,784	(88,559)	28,865,370	10,079,635	4,219,698	(80,884)	14,218,449
Special commission expense		(1,630,548)	(1,018,491)	62,692	(2,586,347)	(4,720,595)	(2,050,136)	88,559	(6,682,172)	(2,418,127)	(966,206)	80,884	(3,303,449)
Net special commission income		**7,894,811**	**2,953,397**	**-**	**10,848,208**	**15,806,550**	**6,376,648**	**-**	**22,183,198**	**7,661,508**	**3,253,492**	**-**	**10,915,000**
Fee income from banking services, net	2	1,251,895	657,278	-	1,909,173	2,527,348	1,268,406	-	3,795,754	1,208,136	611,959	-	1,820,095
Exchange income, net		630,361	174,683	-	805,044	1,062,347	307,022	-	1,369,369	529,738	131,053	-	660,791
Income/(loss) from FVIS instruments, net	2	(60,553)	(130,339)	-	(190,892)	940,477	184,226	-	1,124,703	660,723	44,745	-	705,468
Gains/income on non-FVIS financial instruments, net	2	569,993	1,025,376	-	1,595,369	470,256	267,386	-	737,642	121,505	223,163	-	344,668
Other operating (expenses), net		(215,504)	109,786	-	(105,718)	(199,866)	196,663	-	(3,203)	(180,389)	102,152	-	(78,237)
Total operating income		**10,071,003**	**4,790,181**	**-**	**14,861,184**	**20,607,112**	**8,600,351**	**-**	**29,207,463**	**10,001,221**	**4,366,564**	**-**	**14,367,785**
Salaries and employee-related expenses		1,766,990	790,375	-	2,557,365	3,549,789	1,487,485	-	5,037,274	1,798,990	673,468	-	2,472,458
Rent and premises related expenses		157,411	168,616	-	326,027	355,306	334,279	-	689,585	176,408	153,230	-	329,638
Depreciation/amortisation of property, equipment, software, and ROU Assets	2	438,387	110,415	-	548,802	865,935	204,299	-	1,070,234	427,344	94,024	-	521,368
Other general and administrative expenses		858,535	462,917	-	1,321,452	1,560,021	851,765	-	2,411,786	879,327	399,724	-	1,279,051
Total operating expenses before impairment		**3,221,323**	**1,532,323**	**-**	**4,753,646**	**6,331,051**	**2,877,828**	**-**	**9,208,879**	**3,282,069**	**1,320,446**	**-**	**4,602,515**
Net impairment charge for expected credit losses	2	1,224,036	645,523	-	1,869,559	1,419,930	1,103,036	-	2,522,966	470,066	781,726	-	1,251,792
Total operating expenses		**4,445,359**	**2,177,846**	**-**	**6,623,205**	**7,750,981**	**3,980,864**	**-**	**11,731,845**	**3,752,135**	**2,102,172**	**-**	**5,854,307**
Income from operations, net		**5,625,644**	**2,612,335**	**-**	**8,237,979**	**12,856,131**	**4,619,487**	**-**	**17,475,618**	**6,249,086**	**2,264,392**	**-**	**8,513,478**
Other non-operating (expenses), net		(26,836)	-	-	(26,836)	62,447	-	-	62,447	(10,361)	-	-	(10,361)
Net income for the period/year before Zakat and income tax		**5,598,808**	**2,612,335**	**-**	**8,211,143**	**12,918,578**	**4,619,487**	**-**	**17,538,065**	**6,238,725**	**2,264,392**	**-**	**8,503,117**
Zakat and income tax expense		(599,731)	(383,485)	-	(983,216)	(1,434,712)	(628,807)	-	(2,063,519)	(732,367)	(264,126)	-	(996,493)
Net income for the period/year after Zakat and income tax		**4,999,077**	**2,228,850**	**-**	**7,227,927**	**11,483,866**	**3,990,680**	**-**	**15,474,546**	**5,506,358**	**2,000,266**	**-**	**7,506,624**
Net income for the period/year after Zakat and income tax attributable to:													
Equity holders of the Bank		4,921,925	2,226,511	-	7,148,436	11,401,436	3,984,295	-	15,385,731	5,461,130	1,998,910	-	7,460,040
Non-controlling interests		77,152	2,339	-	79,491	82,430	6,385	-	88,815	45,228	1,356	-	46,584
Net income for the period/year after Zakat and income tax		**4,999,077**	**2,228,850**	**-**	**7,227,927**	**11,483,866**	**3,990,680**	**-**	**15,474,546**	**5,506,358**	**2,000,266**	**-**	**7,506,624**
Basic earnings per share (expressed in SAR per share)		**1.58**	**1.14**	-	**1.55**	**3.68**	**2.04**	-	**3.35**	**1.76**	**1.02**	-	**1.62**
Diluted earnings per share (expressed in SAR per share)		**1.58**	**1.11**	-	**1.55**	**3.67**	**1.99**	-	**3.35**	**1.76**	**1.00**	-	**1.62**

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

A Basis of preparation

The accompanying Pro forma financial information of NCB has been presented for the purpose as set out in the Introduction section and has been prepared based on, and in accordance with, the following:

i. Unaudited interim condensed consolidated financial statements of NCB and SAMBA for the six-months period ended 30 June 2020, both prepared in accordance with (a) IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and (b) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of NCB and SAMBA. The unaudited interim condensed consolidated statement of financial position data and the unaudited interim condensed consolidated statement of income data of NCB and SAMBA as at and for the six-months period ended 30 June 2019 have been extracted from the comparative information of the unaudited interim condensed consolidated financial statements of NCB and SAMBA as at and for the six-months period ended 30 June 2020.

ii. Audited consolidated financial statements of NCB and SAMBA for the year ended 31 December 2019, both prepared in accordance with (a) International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA); and (b) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the NCB and SAMBA.

iii. Significant accounting policies of NCB applied in the preparation of its consolidated financial statements referred to under (i) and (ii) above. Those accounting policies are disclosed in NCB's consolidated financial statements (audited) for the year ended 31 December 2019 referred to under (ii) above. The significant accounting policies of SAMBA in the preparation of its financial statements, as referred to under (i) and (ii) above, are consistent with those of NCB. The principles of compilation of these Pro forma financial information and assumptions used are explained below in the Basis of preparation note.

iv. The requirements of, and instructions issued by, the regulatory authorities, including, instructions issued in relation to the overall form and presentation of the Pro forma financial information and in relation to the effective date of the Deemed Merger i.e. 1 January 2019 (as disclosed in note 4) for the purposes of computation of goodwill and other intangible assets.

v. IFRS 3, "Business Combination", in so far as applicable to the calculation of the goodwill and other intangible assets arising as of the effective date of Merger. Under IFRS 3 "Business combinations", NCB accounts for the Merger as an acquisition by NCB of SAMBA and is required to fair value the identifiable assets, liabilities and contingent liabilities acquired at the Deemed Merger Date and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on Merger. The determination of purchase consideration and fair value exercise (''purchase price allocation'') has not been carried out as at the date of this Pro forma financial information and accordingly the exercise may result in materially different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in the Pro forma financial information.

vi. IFRS 10, "Consolidated Financial Statements", in so far as applicable to the consolidation of the balances and amounts disclosed in the financial statement of SAMBA (as indicated in (i) and (ii)) into the Pro forma financial information. For the purposes of these Pro forma financial information all material inter-company transactions and balances between NCB and SAMBA have been eliminated.

The Pro forma financial information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Merger. The Pro forma financial information gives no indication of the results and future financial situation of the activities of NCB upon completion of the Merger.

The Merger will result in an increase in NCB issued share capital by issuance of 1,478,000,000 consideration shares (the "Consideration shares") of SAR 10 per share to the shareholders of SAMBA at the exchange ratio of 0.739 in consideration of the assets and liabilities of SAMBA that will be assumed by NCB on the Merger date.

Upon completion of the Merger, the total issued share capital of NCB will be SAR 44,780,000,000. Following the issue of Consideration shares, SAMBA shareholders would own approximately 32.6% of the total issued share capital of NCB. Following the Merger, SAMBA will cease to exist.

B Description of the pro forma adjustments

The pro forma adjustments made for purposes of the Pro forma financial information are based on information available as well as certain pro forma assumptions as described in these notes to the Pro forma financial information. As previously mentioned, the Pro forma financial information contains neither any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Merger. Furthermore, the Pro forma financial information does not contain any potential or future effects resulting from any possible remedies/regulatory requirements imposed on NCB upon completion of the Merger by regulatory authorities in connection with the Merger. In addition, the Pro forma financial information has not been adjusted for merger related costs.

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) (continued)

The pro forma adjustments included in the Pro forma financial information are as follows:

1. To ensure consistency of presentation in the Pro forma financial information between the condensed consolidated statement of financial position of NCB and SAMBA as at 30 June 2020 and 30 June 2019, and between the consolidated statement of financial position of NCB and SAMBA as at 31 December 2019, the following adjustments have been made:

- An amount of SAR 115 billion, SAR 142 billion and SAR 148 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Loans and advances, net” has been presented under “Financing and advances, net”;

- An amount of SAR 4 billion, SAR 3 billion and SAR 6 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Derivatives” (in the assets section) has been presented under “Positive fair value of derivatives, net”;

- An amount of SAR 379 million, SAR 360 million and SAR 367 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Right of use” (that was included under "Property and equipment") has been presented under “Right of use assets, net”;

- An amount of SAR 6 million, SAR 4 million and SAR 125 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Other real estate, net” (that was included under "Other assets") has been presented under “Other real estate, net”;

- An amount of SAR 2 billion, SAR 1 billion and SAR 2 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Derivatives” (in the liabilities section) has been presented under “Negative fair value of derivatives, net”; and

- An amount of SAR 20 million, SAR 24 million and SAR 26 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Equity based payments reserve" (that was included under "Treasury shares") has been presented under "Employees' share based payments reserve".

2. To ensure consistency of presentation between the condensed consolidated statement of income of NCB and SAMBA for the six-months periods ended 30 June 2020 and 30 June 2019, and between the consolidated statement of income of NCB and SAMBA for the year ended 31 December 2019, the following adjustments has been made:

- An amount of SAR 612 million, SAR 1.3 billion and SAR 657 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's ”Fees and commission income, net” has been presented under “Fee income from banking services, net”;

- An amount of SAR 87 million, SAR 20 million and SAR 49 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Trading income/(loss), net" has been presented under "Income/(loss) from FVIS instruments, net";

- An amount of SAR 145 million, SAR 190 million and SAR 186 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Trading income/(loss), net" has been presented under "Gains/income on non-FVIS financial instruments, net";

- An amount of SAR 78 million, SAR 78 million and SAR 839 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Gain on FVOCI debt, net” has been presented under “Gains/income on non-FVIS financial instruments, net”;

- An amount of SAR 94 million, SAR 204 million and SAR 110 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Depreciation” has been presented under “Depreciation/amortisation of property, equipment, software, and ROU Assets”; and

- An amount of SAR 782 million, SAR 1.1 billion and SAR 646 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Provision for credit impairment, net of recoveries” has been presented under “Net impairment charge for expected credit losses”.

3. Following intercompany balances and transactions between NCB and SAMBA have been eliminated:

- An amount of SAR 1.8 billion as of 30 June 2019 has been eliminated from "Due to banks and other financial institutions, net" and "Due from banks and other financial institutions, net";

- An amount of SAR 56 million and SAR 179 million as of 31 December 2019 and 30 June 2020, respectively has been eliminated from "Investments, net" and "Debt securities issued";

- An amount of SAR 214 million, SAR 288 million and SAR 494 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Other assets" and " Negative fair value of derivatives, net";

- An amount of SAR 204 million, SAR 269 million and SAR 500 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Positive fair value of derivative" and "other liabilities"; and

- An amount of SAR 81 million, SAR 89 million and SAR 63 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Special commission income" and "Special commission expense".

4. Following adjustments have been made to the Pro forma financial information to record the issuance of the Consideration shares by NCB to SAMBA's shareholders. For the Pro forma financial information purposes, the consideration for the Merger has been calculated on the basis of a share exchange at the rate of 0.739 shares in NCB for each share in SAMBA. The merger would result in issuance of 1,478,000,000 shares of NCB to replace SAMBA's issued share capital. This would result in 32.6% and 67.4% of ownership interest of SAMBA and NCB shareholders respectively in NCB upon completion of the Merger based on the total issued share capital of NCB post-merger, after considering the impact of treasury shares.

a) Pro forma Share Capital of NCB Post-Merger

	Units
Outstanding shares of SAMBA (in '000 units) as at 1 January 2019	2,000,000
Exchange ratio	0.739
Number of shares to be issued by NCB (in '000 units)	1,478,000
Par value of shares to be issued by NCB (in '000 SAR) **(A)**	14,780,000
Outstanding share capital of NCB (in '000 SAR) as at 1 January 2019 **(B)**	30,000,000
Total issued share capital of NCB post-Merger (in '000 SAR) (A+B)	44,780,000

Applying the rules of IFRS 3 for business combinations, the consideration for NCB's merger with SAMBA would be the fair value of 1,478,000,000 shares that NCB would have to issue to replace SAMBA's issued share capital.
The consideration has been calculated on the basis of NCB's closing price of SAR 47.95 per share published on the Saudi Stock Exchange "Tadawul" on 1 January 2019. This closing price and the value of the consideration are indicative and will be revised to reflect the market price of the shares of NCB on the date of the Merger.

b) Pro forma total consideration

The consideration is computed as follows:

Number of shares to be issued by NCB to SAMBA shareholders (in '000 units)	1,478,000
Multiplied by: share price of NCB (SAR) as at 1 January 2019	47.95
Total consideration (in '000 SAR) (as at 1 January 2019)	70,870,100

c) Pro forma share premium of NCB post-merger

As a result of above, share premium of SAR 56.090 billion arises on NCB's issuance of the Consideration shares for the Merger computed as follows:

Amounts in '000 SAR	
Total consideration	70,870,100
Less: Par value of shares issued by NCB to SAMBA shareholders	14,780,000
Share premium (as at 1 January 2019)	56,090,100

d) Pro forma Goodwill and Other Intangible Assets of NCB Post-Merger

Amounts in '000 SAR	
Total consideration	70,870,100
Less: Treasury shares	1,520,639
Less: Adjusted net assets of SAMBA as at 1 January 2019	42,196,763
Goodwill and other intangible assets arising on merger (as at 1 January 2019)	27,152,698

Goodwill and other intangible assets represents the excess of total consideration over adjusted net assets of SAMBA as at 1 January 2019 and the treasury shares held by SAMBA prior to the Deemed Merger date that have been assumed to be replaced with NCB shares (in accordance with the share swap ratio of 0.739 using market value of NCB's shares as of 1 January 2019) and the assumption that the merger had happened as at 1 January 2019.

Moreover, the Pro forma financial information does not include any fair value adjustments relating to the assets, liabilities and contingent liabilities of SAMBA as required by IFRS 3. A full fair value exercise will be undertaken as at the date of Merger.

The adjusted net assets of SAMBA have been computed by deducting other equity items which represent SAMBA's continuing interest in NCB upon completion of the Merger. These were excluded from the computation of goodwill and other intangible assets.

Amounts in '000 SAR	
Net assets of SAMBA as at 1 January 2019	42,305,935
Less: Other equity items	
Share based plan reserve	(16,370)
Non-controlling interest	(92,802)
Adjusted net assets of SAMBA (as at 1 January 2019)	42,196,763

e) Sensitivity of the post-merger pro forma share capital, share premium, total consideration and goodwill and other intangible assets.

The adjustments detailed under 4(a) to 4(d) have been drawn out on the basis of the Deemed Merger Date and accordingly the related computations reflect the effects of quoted share price of NCB as of that date and the adjusted net assets of SAMBA as of that date. As such, a change in the Deemed Merger Date to 30 June 2020 and using SAMBA's adjusted net assets as of 30 June 2020 and NCB share price as of 8 October 2020 (representing the date of announcement of the Merger on Tadawul) would yield the following:

	Share price	**Adjusted net assets**	**Share capital**	**Share premium**	**Treasury shares**	**Total consideration**	**Goodwill and other intangible assets**
	SAR	**---SAR '000 ---**					
30 June 2020	38.5	46,257,618	44,780,000	42,123,000	1,220,951	56,903,000	9,424,431

5. The Pro forma consolidated retained earnings, and other equity balances at the date of the Merger represents NCB's pre-Merger balances with the exception of share based plan reserve and non-controlling interests that have been retained as these represent continuing interest in NCB upon completion of the Merger.

The completion of the purchase price allocation may result in different values being attributed to the assets, liabilities and contingent liabilities of SAMBA, acquired as part of the Merger than those that are shown in the Pro forma financial information for illustrative purposes. Therefore, no adjustments to such provisional amounts have been made in the unaudited pro forma condensed consolidated statement of income or unaudited consolidated condensed statement of financial position, such as, in connection with intangible assets amortisation or goodwill impairment.

10.9 A COMPARISON OF NCB'S KEY PERFORMANCE INDICATORS ("KPI") AS OF 30 JUNE 2020G AS PER THE PRO-FORMA VS. NCB'S AUDITED FINANCIALS PRIOR TO AND FOLLOWING THE MERGER

The post-merger financial indicators and key performance indicators are indicative and are provided for illustrative purposes only. The financial post-merger indicators and key performance post-merger indicators are based on the pro-forma consolidated financial statements, and accordingly, these indicators do not reflect any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Merger. Furthermore, these indicators do not incorporate any potential or future effects resulting from any possible remedies/regulatory requirements imposed on NCB upon completion of the Merger by regulatory authorities in connection with the Merger. In addition, the Pro forma financial information has not been adjusted for merger related costs.

Financial indicators and KPIs at 30 June 2020G	NCB (before merger)	NCB (post merger)*
Financial indicators:		
Loans and advances, net	316,299	464,386
Total assets	557,310	862,551
Customer deposits	380,398	567,658
Equity	73,935	147,462
KPIs:		
Net special commission income margin	3.5%	3.1%
Return on average equity	13.9%	10.0%
Cost to income ratio	32.0%	32.0%
Net loans to deposits ratio	71.4%	70.5%
Non-performing loans ratio	1.8%	1.7%
Total CAR	19.0%	19.1%

** Based on the pro-forma financial statements*

The KPIs were calculated based on the following:

- **Net special commission income margin:** Calculated by dividing net special commission income by average yielding assets.
- **Return on average equity:** Calculated by dividing net income of the bank by average equity.
- **Cost to income ratio:** Calculated by dividing operating expenses (excluding any credit impairment provision) by operating income.
- **Net loans to deposits ratio:** Calculated by dividing the total weighted average of loans and advances by average customer deposits and long-term debt (as determined by SAMA).
- **Non-performing loans ratio:** Calculated by dividing non-performing loans and advances to total loans and advances.
- **Total CAR:** It is calculated by dividing total capital (Tier I and II) by total risk-weighted assets.

10.10 IMPACT ON OWNERSHIP

The Consideration Shares to be issued to SFG Shareholders will equate to a 32.6%[1] ownership interest in NCB. NCB Shareholders will hold a 67.4% ownership interest in NCB upon completion of the merger:

Bank		Pre-merger	Post-merger
NCB	*Total outstanding shares*	3,000,000,000	3,000,000,000
	Total treasury shares[35]	9,581,794	9,581,794
	Total outstanding shares excl. treasury shares	2,990,418,206	2,990,418,206
	% shareholding	100.0%	67.4%[1]
Samba	*Total outstanding shares*	2,000,000,000	1,478,000,000
	Total treasury shares[36]	42,164,112	31,159,279
	Total outstanding shares excl. treasury shares	1,957,835,888	1,446,840,721
	% shareholding	100.0%	32.6%[37]
Combined Bank	***Number of shares***		**4,478,000,000**[3]
	% shareholding		**100%**

10.11 IMPACT ON PROFITABILITY

The Merger is expected to bring significant value creation for the shareholders of NCB and SFG driven by the estimated cost synergies as disclosed. Based on the H1 2020 pro forma financial accounts, illustrative historical pro forma earnings per share will be SAR 1.55 per share for the Combined Bank as a result of the transaction (excluding the cost synergies disclosed). This compares to earnings per share of SAR 1.58 for NCB for the same time period based on the historical financial accounts for NCB for the same time period. To note, the illustrative historical pro forma earnings per share disclosed in the pro forma financial accounts has only been provided as an indication of pro forma financials at this stage, and the Combined Bank earnings per share might change as the Combined Bank submits the first set of unified financial accounts. Furthermore, the transaction is expected to be accretive to earnings per share for NCB and SFG shareholders based on the annualised H1 2020 results (including fully phased-in cost synergies of SAR 800 million and excluding one-time integration costs). Predicting specific outcomes in the future is not always reliable and hence when considering statements about forecasts, projections or estimates of future earnings growth on an illustrative basis, a level of caution must be applied. In assessing the extent of earnings per share accretion, the NCB Board and its advisors have taken a conservative view by not incorporating additional potential earnings from revenue synergies, which, if incorporated, would have led to a higher earnings per share accretion rate if realized.

In assessing the extent of annual cost synergies, the NCB Board took into account the potential execution risk of delivering such synergies and concluded that annual cost savings of SAR 800 million could be achieved. This level of cost savings would be equivalent to ~9% of the combined cost base based on the 2019 aggregated operating expenses before impairment for NCB and SFG. The savings are expected to be fully realized over the three years following Completion. In the event that future cost savings differ from the anticipated SAR 800 million annual estimate, the expected earnings per share accretion rate may differ from the disclosed estimates. When assessing the earnings expectations and potential accretion for the Combined Bank, the NCB Board considered the potential challenges in the economic environment including the material adverse impact of the COVID-19 pandemic on the various markets that both NCB and SFG operate in.

[35] As of September 30, 2020.
[36] Including Treasury Shares as of 30 September 2020
[37] Excluding treasury shares as of 30 September 2020.

After incorporating the earnings and the aforementioned anticipated cost synergies, the Board estimated an accretion in earnings per share for the shareholders of the Combined Bank to be in the range of 3-11%. In the event that future cost synergies are achieved in excess of anticipated levels, should revenue synergies be generated, and/or the future growth in earnings is greater than expected then the earnings per share accretion may be greater than that anticipated. Shareholders should not rely on the expectation of future earnings per share accretion in making their decision on how to vote on the Merger Resolutions, and should be cautious about forward-looking projections of future outcomes. Therefore, these statements should not be interpreted to mean that earnings per share of the Combined Bank following the Merger will necessarily equal or exceed historical published earnings per share of NCB shares.

10.12 IMPACT ON NCB'S CAPITAL ADEQUACY RATIO

The merger will be subject to customary accounting adjustments related to business combinations under International Financial Reporting Standard 3 ("**IFRS 3**") that establishes principles and requirements for how an acquirer in a business combination recognizes and measures acquired assets, liabilities, goodwill, and determines the necessary disclosures.

An evaluation of these accounting adjustments is being undertaken. At this point, based on the information currently available[38], it is expected that these adjustments may have an accretive impact on the combined bank's tier 1 capital ratio considering Pillar 1 RWAs. Having said that, the pro-forma tier 1 capital ratio of the Combined Bank is expected to remain at robust levels, taking into account the substantial capital buffers existing at both Banks which will be reinforced through strong capital generation from the Combined Bank's financial returns.

10.13 NCB HISTORICAL SHARE PRICE PERFORMANCE

Date	**NCB's Share Price (SAR)**
First day of each month for past year prior to the date of publishing the circular	
01/03/2020	42.50
01/04/2020	34.65
03/05/2020	34.65
01/06/2020	40.85
01/07/2020	37.10
05/08/2020	36.35
01/09/2020	36.75
01/10/2020	37.25
01/11/2020	38.60
01/12/2020	42.85
03/01/2021	43.05
01/02/2021	42.30
The last day prior to beginning of the offer period	
8/10/2020	38.50
The last available date before the publishing of the circular	
08/02/2021	42.75

[38] Based on H1'20 results.

11. FINANCIAL INFORMATION

11.1 INTRODUCTION

The following Management Discussion and Analysis ("**MD&A**") of the financial results of Samba Financial Group ("the Bank" or "the Group") is based on the consolidated audited financial statements for the years ended 31 December 2017G ("FY17G"), 2018G ("FY18G"), 2019G ("FY19G") and the interim consolidated financial statements for the six-month period ending 30 June 2019G ("YTD, 2019G") and 30 June 2020G ("YTD, 2020G"), together being the "**Financial Statements**"; and should be read in conjunction with the financial statements referred to above. Unless otherwise specified, the financial information presented in this discussion has been derived from the Financial Statements.

The figures in this MD&A have been rounded to the nearest SAR in millions. Therefore, if summed, the numbers may differ to those which are stated in the tables. Annual percentages, margins, expenses and CAGRs are based on the rounded figures.

11.2 DIRECTORS' DECLARATION

The members of the Board of Directors of NCB do not accept any responsibility for the accuracy and completeness of the information contained in this section. The information contained in this section has been obtained from publicly available information, including the Financial Statements of Samba Financial Group, as well as information provided by Samba Financial Group. Samba Financial Group has an obligation under the Merger Agreement to provide NCB with all necessary information required for the purpose of preparing this Circular. Samba Financial Group has also provided a customary guaranty in favour of NCB, under the Merger Agreement, that all information provided to NCB during the course of the due diligence process is true and accurate in all material respects and not misleading in a material respect. Samba Financial Group also guaranteed, under the Merger Agreement, that they have not intentionally withheld any material information from NCB, with the exception of information which has been redacted from the due diligence materials due to its confidentiality, sensitivity, or legal restrictions preventing its disclosure.

The information contained in this section was obtained from the audited Financial Statements of Samba Financial Group without making any material changes to them and these statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as modified by the SAMA for the accounting of Zakat and tax. For more details on the accounting framework adopted by Samba Group, refer to section (11.3) "*Summary of Significant Accounting Policies*" of this Circular.

NCB assumed that there is currently no intention to make any fundamental change in the nature of the activities of Samba Financial Group and that Samba Financial Group's operations were not interrupted in any way that could materially affect Samba Financial Group's financial position during the twelve-month period preceding the date of this Circular.

11.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and presentation

Samba's consolidated audited financial statements for the year ended 31 December 2019G 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 Public Accountants (SOCPA).

- The provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the by-laws of Samba Financial Group.

The consolidated financial statements of Samba as at and for the year ended 31 December 2018G, were prepared in compliance with International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019G, SAMA instructed the banks in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of consolidated income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, Samba changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 40 to the consolidated financial statements.

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, FVOCI, FVIS financial assets and liabilities and employee benefits which are stated at present value of their obligation. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

Under Article (37) of Samba's Articles of Association, Samba follows the Gregorian calendar for the purposes of preparing the consolidated financial statements.

The interim condensed consolidated financial statements of Samba as at and for the period ended 30 June 2020G and 30 June 2019G, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA.

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

In preparing the interim condensed consolidated financial statements for the period ended 30 June 2020G, the significant judgements made by management in applying Samba's accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited consolidated financial statements for the year ended 31 December 2019G.

For more details on the important accounting policies applied by Samba Financial Group, please refer to note 2 of the 2019G consolidated financial statements under [Appendix 3] of this Circular.

Impact of changes in accounting policies due to adoption of new standards

Effective from 1 January 2018G, Samba Financial Group has adopted two new accounting standards as follows:

- **IFRS 15 "Revenue from Contracts with Customers"**

  Samba has adopted IFRS 15 'Revenue from Contracts with Customers' issued in May 2014G and effective for mandatory compliance for annual periods commencing on or after 1 January 2018G. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several Standards and Interpretations within IFRS. Samba has carried out an internal assessment based on which it has concluded that the adoption of IFRS

15 will not have a material impact on the revenue recognition policy of Samba, which is already compliant with applicable IFRS.

- **IFRS 9 "Financial instruments"**

Samba has adopted IFRS 9 'Financial Instruments' issued in July 2014G with a mandatory application date of 1 January 2018G. The requirements of IFRS 9 represent a significant change from IAS 39 'Financial Instruments: Recognition and Measurement' applied earlier by Samba. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As permitted by IFRS 9, the Group has decided to continue accounting for hedging of risks in accordance with the requirements set out in IAS 39.

Classification of financial assets and financial liabilities

IFRS 9 allows for three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through income statement ("FVIS"). This classification is generally based, with the exception of equity instruments and derivatives, on the business model in which a financial asset and its contractual cash flows are managed. The standard eliminates the existing IAS 39 categories regarding held-to-maturity, loans and receivables, and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how Samba classifies financial assets under IFRS 9, see respective section for significant accounting policies.

IFRS 9 largely retains the existing requirements set out in IAS 39 for the classification of financial liabilities. However, although under IAS 39, all fair value changes of liabilities designated under the fair value option were recognized in statement of consolidated income, under IFRS 9 fair value changes are presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the issuer is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in statement of consolidated income.

Impairment of financial assets

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires Samba to record an allowance for ECLs for all loans and other debt financial assets not held at FVIS, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the ECLs over the life of the asset.

Transitional arrangements

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the modified retrospective approach which requires the recognition of the cumulative impact of adoption in equity.

- A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other reserves as at 1 January 2018G. Accordingly, the information presented for 2017G does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018G under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

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

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

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

For financial liabilities designated as at FVIS, it must be determined whether presenting the effects of changes in the issuer's credit risk in OCI would create or enlarge any an accounting mismatch in the statements of consolidated income.

Please refer to note 2 of the Financial Statements for the year 2018G for more details regarding IFRS 9: "Financial Instruments" and details on: (1): the original measurement categories according to IAS 39, and the new measurement categories according to IFRS 9 for Samba's financial assets and liabilities, (2) adjusting the carrying value in accordance with IAS 39 to the book value in accordance with IFRS 9 when applying IFRS 9, (3) the impact on retained earnings and other reserves, (4) Adjustment of the provision for credit impairment recorded in accordance with the requirements of IAS 39 to the provision for impairment of credit recorded in accordance with IFRS 9, (5) the classification of financial assets and financial liabilities.

Effective from 1 January 2019G, Samba has adopted new accounting standards as follows:

- **IFRS 16 "Leases"**

Effective 1 January 2019G, Samba has adopted IFRS 16 'Leases' issued in January 2016G International Accounting Standards Board (IASB). This standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

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

Samba has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of present value of the lease liability, using the interest rate at the time of first time application. As a practical expedient, Samba has opted to apply a single discount rate to a portfolio of leases with similar remaining lease term.

On adoption of IFRS 16, Samba has recognized lease liabilities recorded under other liabilities amounting to SAR 374 million and associated right-of-use assets amounting to SAR 394 million recorded under property and equipment in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019G. The associated rights-of-use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at 31 December 2019G.

The below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020G. The Management has assessed that the amendments have no significant impact on Samba's interim condensed consolidated financial statements.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 16: Leases for COVID-19 rent related concessions
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

For more details on the recent changes in accounting policies adopted by Samba Financial Group for the period ended 30 June 2020G, please refer to note 4 of the consolidated interim financial statements for the six-months period ended 30 June 2020G and note 2 of the audited consolidated financial statements for the year ended 31 December 2019G.

11.4 OPERATION RESULTS

11.4.1 Audited consolidated income statements for FY17G, FY18G, FY19G and unaudited interim income statements for YTD, 2019G and YTD, 2020G

Table (1): Audited consolidated income statements for the years ended 31 December 2017G, 2018G and 2019G and unaudited interim condensed consolidated financial statements for the six-months period ended 30 June 2019G and 30 June 2020G.

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G-2018G	YoY 2018G-2019G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Special commission income	6,928	7,538	8,427	4,220	3,972	8.8%	11.8%	(5.9%)	10.3%
Special commission expense	(1,196)	(1,386)	(2,050)	(966)	(1,018)	16.0%	47.9%	5.4%	31.0%
Special commission income, net	**5,732**	**6,152**	**6,377**	**3,253**	**2,953**	**7.3%**	**3.7%**	**(9.2%)**	**5.5%**
Fee and commission income, net	1,423	1,363	1,268	612	657	(4.2%)	(7.0%)	7.4%	(5.6%)
Exchange income, net	299	289	307	131	175	(3.4%)	6.4%	33.3%	1.4%
(Loss) / income from investment held at FVIS, net	150	102	204	132	(82)	(32.0%)	99.7%	(161.9%)	16.5%
Trading income / (loss), net	94	61	170	58	138	(35.4%)	179.3%	135.9%	34.3%
Gain on FVOCI debt, net	29	10	78	78	839	(66.9%)	709.0%	980.1%	63.5%
Other operating income, net	164	180	197	102	110	9.6%	9.1%	7.5%	9.4%
Total operating income	**7,892**	**8,157**	**8,600**	**4,367**	**4,790**	**3.4%**	**5.4%**	**9.7%**	**4.4%**
Salaries and employee related expenses	(1,310)	(1,245)	(1,487)	(673)	(790)	(5.0%)	19.4%	17.4%	6.5%
Rent and premises related expenses	(354)	(358)	(334)	(153)	(169)	1.1%	(6.5%)	10.0%	(2.8%)
Depreciation	(124)	(112)	(204)	(94)	(110)	(9.0%)	81.7%	17.4%	28.6%

Other general and administrative expenses	(792)	(736)	(852)	(400)	(463)	(7.1%)	15.7%	15.8%	3.7%
Total operating expenses before credit impairment provision	**(2,580)**	**(2,451)**	**(2,878)**	**(1,320)**	**(1,532)**	**(5.0%)**	**17.4%**	**16.0%**	**5.6%**
Provision for credit impairment, net of recoveries	(287)	(156)	(1,103)	(782)	(646)	(45.8%)	609.3%	(17.4%)	96.0%
Total operating expenses	**(2,867)**	**(2,607)**	**(3,981)**	**(2,102)**	**(2,178)**	**(9.1%)**	**52.7%**	**3.6%**	**17.8%**
Net income for the year/period before zakat and taxation	**5,024**	**5,550**	**4,619**	**2,264**	**2,612**	**10.5%**	**(16.8%)**	**15.4%**	**(4.1%)**
Zakat for the year / period	-	(2,436)	(577)	(243)	(329)	na	(76.3%)	35.4%	Na
Current and deferred tax for the year / period	-	(54)	(52)	(21)	(54)	na	(3.5%)	157.9%	Na
Net income for the year / period after zakat and taxation	**5,024**	**3,060**	**3,991**	**2,000**	**2,229**	**(39.1%)**	**30.4%**	**11.4%**	**(10.9%)**
KPIs *									
Basic and diluted earnings per share (in SAR/share)	2.51	1.53	1.99	1.00	1.11	(39.0%)	30.1%	11.4%	(11.0%)
Net special commission income margin	3.0%	3.2%	3.0%	3.2%	2.5%	(1.4%)	(7.3%)	(3.6%)	(4.4%)
Return on average equity	11.5%	7.0%	9.1%	9.2%	9.7%	10.8%	(17.5%)	9.3%	(4.4%)
Cost to income ratio	32.7%	30.1%	33.5%	30.2%	32.0%	(8.1%)	11.3%	5.8%	1.2%
Other metrics									
Number of employees at year / period end	3,360	3,290	3,614	3,383	3,611	(2.1%)	9.8%	6.7%	3.7%
Number of branches**	73	72	73	72	73	(1.4%)	1.4%	1.4%	0.0%

(*) Key performance indicators ("KPIs") are not audited for all the periods in the table above except for Basic and diluted Earnings per share (in SAR/ share).

(**)Number of licensed branched inside the Kingdom of Saudi Arabia .

Source: Audited consolidated Financial Statements, un-audited Interim Condensed Consolidated Financial Statements and Management information.

This section summarises the main historical financial results trends at a consolidated level, where all key components for the three financial years ended 31 December 2017G, 2018G and 2019G and unaudited interim condensed consolidated financial statements for the six-months period ended 30 June 2019G and 30 June 2020G are discussed in detail below.

11.4.1.1 Special Commission income

Table (2): Special commission income (audited) for the years ended 31 December 2017G, 2018G and 2019G and (unaudited) for the six-months period ended 30 June 2019G and 30 June 2020G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G-2018G	YoY 2018G-2019G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Investments	1,441	1,690	2,320	1,111	1,175	17.3%	37.2%	5.8%	26.9%
Loans and advances	5,135	5,397	5,758	2,883	2,735	5.1%	6.7%	(5.1%)	5.9%
Due from Banks and other financial institutions	352	451	350	226	62	28.0%	(22.5%)	(72.5%)	(0.4%)
Total special commission income	**6,928**	**7,538**	**8,427**	**4,220**	**3,972**	**8.8%**	**11.8%**	**(5.9%)**	**10.3%**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Special commission income increased by 8.8%, from SAR 6,928 million in 2017G to SAR 7,538 million in 2018G, as a result of the increase in: (1) special commission income on loans and advances, which represents the income earned on loans by SAR 262 million, (2) special commission income on investments, which represents income earned on the investment portfolio, by SAR 250 million, and (3) special commission income on due from Banks and other financial institutions, by SAR 99 million during the same period.

Despite the decrease in loans and advances from SAR 117,685 million at 31 December 2017G to SAR 113,709 million at 31 December 2018G, special commission income on loans and advances increased in 2018G, as a result of the improvement in loans and advances yields due to the re-pricing of the special commission rates on the loans and advances as the market witnessed an increase in special commission rates. Special commission income on investments increased in 2018G due to the improvement in investment yields which is in line with the increase in special commission rates, along with an increase in the total investment portfolio from SAR 63,912 million at 31 December 2017G to SAR 66,350 million at 31 December 2018G. As for the increase in special commission income on due from Banks and other financial institutions, it was due to the improvement in due from banks and financial institutions yields in line with the increase of special commission rates, in addition to the increase in due from Banks and other financial institutions balances from SAR 11,031 million at 31 December 2017G to SAR 17,622 million at 31 December 2018G.

Special commission income increased by 11.8%, from SAR 7,538 million in 2018G to SAR 8,427 million in 2019G, as a result of the increase in special commission income on investments by SAR 629 million and the increase in special commission income on loans and advances by SAR 360 million. This was offset by a decrease in special commission income on due from Banks and other financial institutions by an amount of SAR 101 million.

Special commission income on investments increased during the year 2019G due to the improvement in gross yields, as well as the increase in the investment portfolio from SAR 66,350 million at 31 December 2018G to SAR 85,013 million at 31 December 2019G. Special commission income on loans and advances increased during the year 2019G due to the increase in the loan and advances portfolio from SAR 113,709 million at 31 December 2018G to SAR 141,595 million at 31 December 2019G. As for the gross yields on loans and advances, it remained relatively stable during the same period.

Despite the improvement in the gross yields on due from Banks and other financial institutions in 2019G, special commission income on due from Banks and other financial institutions decreased due to the decrease in balances due from Banks and other financial institutions from SAR 17,622 million at 31 December 2018G to SAR 3,628 million at 31 December 2019G.

Special commission income decreased by 5.9%, from SAR 4,220 million in the six-months period ending 30 June 2019G to SAR 3,972 million in the six-months period ending 30 June

2020G, due to the decline in special commission income on due from Banks and other financial institutions by SAR 164 million and loans and advances by SAR 148 million.

The decline in special commission income on due from Banks and other financial institutions was driven by the decrease in due from Banks and other financial institutions balances from SAR 11,961 million at 30 June 2019G to SAR 1,339 million at 30 June 2020G.

Despite the increase in loans and advances from SAR 115,062 million at 30 June 2019G to SAR 148,088 million at 30 June 2020G, special commission income on loans and advances decreased due to the drop in their yield during the same period in line with the decrease in special commission rates in the market and the competitive re-pricing of special commissions rates on commercial loans.

Despite the increase in the investment portfolio from SAR 79,250 million at 30 June 2019G to SAR 93,193 million at 30 June 2020G, special commission income on investments remained relatively stable during the same period due to the decline in their yields as a result of the decline in special commission rates in the market in addition to the disposal of investments that carry high yields and replacing them with investments carrying lower yields.

11.4.1.2 Special Commission Expense

Table (3): Special commission expense (audited) for the years ended 31 December 2017G, 2018G and 2019G and (unaudited) for the six-months period ended 30 June 2019G and 30 June 2020G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G - 2018G	YoY 2018 G-2019 G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Due to Banks and other financial institutions	210	188	366	152	201	(10.4 %)	94.4%	32.0 %	32.0%
Customer deposits	985	1,198	1,631	814	712	21.6%	36.1%	(12.5 %)	28.6%
Term loan and debt securities in issue	-	-	53	-	105	na	na	na	na
Total special commission expense	**1,196**	**1,386**	**2,050**	**966**	**1,018**	16.0%	47.9%	5.4%	31.0%

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information.

Special commission expenses increased by 16.0%, from SAR 1,196 million in 2017G to SAR 1,386 million in 2018G as a result of the increase in special commission expenses incurred on customer deposits by an amount of SAR 213 million from SAR 985 million to SAR 1,198 million during the same period.

Special commission expenses incurred on customer deposits increased due to the increase in the average cost of funds of deposits in 2018G as compared to 2017G, in addition to the increase in customer deposits balance from SAR 167,923 million at 31 December 2017G to SAR 170,170 million at 31 December 2018G, which was mainly driven by the increase in time and savings deposits during the same period.

This was offset by a decrease in the special commission expenses on due to Banks and other financial institutions by SAR 22 million from SAR 210 million to SAR 188 million during the same period due to a decrease in average balances from SAR 9,234 million in 2017G to SAR 7,044 million in 2018G.

Special commission expenses increased by 47.9%, from SAR 1,386 million in 2018G to SAR 2,050 million in 2019G, mainly due to: (1) the increase in special commission expense on customer deposits by SAR 433 million from SAR 1,198 in 2018G to SAR 1,631 million in 2019G, and (2) the increase in special commission expenses on due to Banks and other financial institutions by SAR 178 million from SAR 188 million to SAR 366 million during the same period.

Special commission expenses on customer deposits increased during 2019G, as a result of the increase in the average cost of funds on deposits in line with the increase in special commission rates in the Saudi market, in addition to the increase in customer deposits from SAR 170,170 million at 31 December 2018G to SAR 180,166 million at 31 December 2019G mainly driven by the increase in time deposits.

Special commission expenses on due to Banks and other financial institutions increased as a result of the increase in the average cost of funds on interBank deposits, in addition to an increase in the balances of due to Banks and other financial institutions from SAR 7,872 million at 31 December 2018G to SAR 15,647 million at 31 December 2019G.

Special commission expenses increased by 5.4%, from SAR 966 million in the six-month period ending 30 June 2019G to SAR 1,018 million in the six-month period ending 30 June 2020G due to the issuance of loan and term bonds in the second half of 2019G and the first quarter of the year 2020G, bearing a financing cost of SAR 105 million in the six-month period ending 30 June 2020G. In addition to the increase in special commission expenses on due to Banks and other financial institutions by SAR 49 million from SAR 152 million in the six-month period ending 30 June 2019G to SAR 201 million in the six-month period ending 30 June 2020G. The latter increase was partially offset by a decrease in special commission expenses on customer deposits by SAR 101 million from SAR 814 million to SAR 712 million during the same period.

Despite the decrease in the average cost of due to Banks and other financial institutions during the same period, special commission expenses on due to Banks and other financial institutions increased due to the increase in balances from SAR 14,250 million at 30 June 2019G to SAR 28,634 million at 30 June 2020G.

Special commission expenses on customer deposits decreased in line with a decrease in the average cost of deposits and a change in the financing mix from time deposits to demand deposits.

11.4.1.3 Fees and commission income, net

Table (4): Fees and commission income, net (audited) for the years ended 31 December 2017G, 2018G and 2019G and (unaudited) interim condensed consolidated financial statements for the six-months period ended 30 June 2019G and 30 June 2020G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G-2018G	YoY 2018 G-2019 G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Share trading and fund management	296	281	271	135	152	(5.0%)	(3.3%)	12.5%	(4.2%)
Trade finance	379	328	272	133	113	(13.5%)	(16.8%)	(14.9%)	(15.2%)
Corporate finance and advisory	116	108	151	102	115	(7.5%)	40.0%	12.6%	13.8%
Other Banking services	804	849	783	351	350	5.6%	(7.7%)	(0.2%)	(1.3%)
Total fees and commission income	**1,594**	**1,565**	**1,478**	**721**	**731**	**(1.8%)**	**(5.5%)**	**1.3%**	**(3.7%)**
Cards	(115)	(130)	(141)	(68)	(49)	12.7%	8.1%	(29.0%)	10.4%
Other Banking services	(56)	(71)	(69)	(41)	(25)	27.4%	(2.9%)	(39.5%)	11.2%

Total fees and commission expense	**(171)**	**(201)**	**(210)**	**(109)**	**(73)**	**17.5%**	**4.2%**	**(33.0%)**	**10.6%**
Total fees and commission income, net	**1,423**	**1,363**	**1,268**	**612**	**657**	**(4.2%)**	**(7.0%)**	**7.4%**	**(5.6%)**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Fees and commission income

Fees and commission income decreased by 1.8%, from SAR 1,594 million in 2017G to SAR 1,565 million in 2018G, mainly due to: (1) the decrease in fees and commission income from trade finance by SAR 51 million, (2) the decrease in fees and commissions resulting from share trading and fund management amounting to SAR 15 million, partly offset by the increase in fees and commission income from other Banking services amounting to SAR 45 million during the same period.

Fees and commission income decreased by 5.5%, from SAR 1,565 million in 2018G to SAR 1,478 million in 2019G, due to: (1) the decrease in fees and commission income from trade finance by SAR 55 million, (2) the decrease in fees and commission income from other Banking services amounting to SAR 65 million, partly offset by the increase in fees and commission income from corporate finance and advisory by an amount of SAR 43 million, mainly due to the increase in the fees of corporate finance and advisory.

Fees and commission income increased by 1.3%, from SAR 721 million in the six-month period ending 30 June 2019G to SAR 731 million in the six-month period ending 30 June 2020, due to: (1) the increase in fees and commission income from share trading and fund management by an amount of SAR 17 million, (2) the increase in the fees and commission income from corporate finance and advisory by an amount of SAR 13 million during the same period, partially offset by the decrease in the fees and commission income from trade financing by an amount of SAR 20 million over the same period.

Fees and commission expense

Fees and commission expenses increased by 17.5%, from SAR 171 million in 2017G to SAR 201 million in 2018G, mainly due to the increase in fees and commission expenses on cards and other Banking services by an amount of SAR 15 million each during the same period.

Fees and commission expenses increased by 4.2%, from SAR 201 million in 2018G to SAR 210 million in 2019G due to the increase in fees and commission expenses from cards by an amount of SAR 11 million during the same period.

Fees and commission expenses decreased by 33.0%, from SAR 109 million in the six-month period ending 30 June 2019G to SAR 73 million in the six-month period ending 30 June 2020G, due to: (1) the decrease in fees and commission expenses from cards by an amount of SAR 20 million, and (2) the decrease in fees and commission expenses from other Banking services by SAR 16 million during the same period.

11.4.1.4 Other operating income

a) - Exchange income, net

Exchange income, net decreased by 3.4% from SAR 299 million in 2017G to SAR 289 million in 2018G. It subsequently increased in 2019G by 6.4%, from SAR 289 million in 2018G to SAR 307 million in 2019G.

Exchange income, net increased by 33.3%, from SAR 131 million in the six-month period ending 30 June 2019G to SAR 175 million in the six-month period ending 30 June 2020G. The increase in exchange income is attributed to the improvement in interbank profits on exchange transactions as a result of the increase in number of customers (primarily denominated in USD and SAR).

The change in exchange income is driven by volume of foreign exchange transactions and foreign currency exchange rate movements.

b) - Gains on investment held at FVIS, net

The gains on investments held at FVIS, net decreased by 32.0%, from SAR 150 million in 2017G to SAR 102 million in 2018G and increased by 99.7% in 2019G, from SAR 102 million in 2018G to SAR 204 million in 2019G due to changes in the market value of these investments.

In the six-month period ending 30 June 2020G, Samba recorded a loss of SAR 82 million in relation to investments held at FVIS, compared to a gain of SAR 132 million in the six-month period ending 30 June 2019G. This is due to the negative impact of the Covid-19 pandemic on the market value of such investments.

c) - Trading income, net

Trading income, net decreased by 35.4% from SAR 94 million in 2017G to SAR 61 million in 2018G due to the loss from trading in derivatives and others amounting to SAR 10 million in 2018G, as compared to a profit of SAR 79 million in 2017G.

Trading income, net increased by 179.3%, from SAR 61 million in 2018G to SAR 170 million in 2019G due to the increase in trading income of debt securities which amounted to SAR 118 million.

Trading income, net increased by 135.9% from SAR 58 million in the six-month period ending 30 June 2019G to SAR 138 million in the six-month period ending 30 June 2020G.

Trading income, net mainly consists of income from debt securities, and the fluctuation in trading income during previous periods / years is mainly due to the movement of the debt securities market value.

d) - Gains on FVOCI debt, net

Gains on FVOCI debt, net securities decreased by 66.9% from SAR 29 million in 2017G to SAR 10 million in 2018G, and increased in 2019G by 709.0%, from SAR 10 million in 2018G to SAR 78 million in 2019G due to the increase in the amount of debt investments sold during 2019G.

Gains on FVOCI debt, net increased by 980.1% from SAR 78 million in the six-month period ending 30 June 2019G to SAR 839 million in the six-month period ending 30 June 2020G due to the increase in the amount of debt investments sold, mainly government bonds over the same period.

e) Other operating income, net

Other operating income, net mainly consists of dividend income and income from other operations.

Other operating income, net increased by 9.6% from SAR 164 million in 2017G to SAR 180 million in 2018G, and increased further in 2019G by 9.1%, to SAR 197 million. The increase in 2018G and 2019G is due to the increase in dividend income, from SAR 153 million in 2017G to SAR 171 million in 2018G and SAR 188 million in 2019G.

Other operating income, net increased by 7.5% from SAR 102 million in the six-month period ending 30 June 2019G to SAR 110 million in the six-month period ending 30 June 2020G.

11.4.1.5 Operating expenses

Table (5): Operating expenses (audited) for the years ended 31 December 2017G, 2018G and 2019G and (unaudited) for the six-months period ended 30 June 2019G and 30 June 2002G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G-2018G	YoY 2018G-2019G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Salaries and employee related expenses	1,310	1,245	1,487	673	790	(5.0%)	19.4%	17.4%	6.5%
Rent and premises-related expenses	354	358	334	153	169	1.1%	(6.5%)	10.0%	(2.8%)
Depreciation	124	112	204	94	110	(9.0%)	81.7%	17.4%	28.6%
Other general and administrative expenses	792	736	852	400	463	(7.1%)	15.7%	15.8%	3.7%
Total operating expenses before credit impairment provision	**2,580**	**2,451**	**2,878**	**1,320**	**1,532**	**(5.0%)**	**17.4%**	**16.0%**	**5.6%**
Provision for credit impairment, net of recoveries	287	156	1,103	782	646	(45.8%)	609.3%	(17.4%)	96.0%
Total operating expenses	**2,867**	**2,607**	**3,981**	**2,102**	**2,178**	**(9.1%)**	**52.7%**	**3.6%**	**17.8%**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Operations expenses consisted of employees' salaries and related expenses, rent and premises-related expenses, depreciation, other general and administrative expenses, and provision for credit impairment net of recoveries.

Operating expenses decreased by 9.1% from SAR 2,867 million in 2017G to SAR 2,607 million in 2018G due to: (1) the decrease in the provision for credit impairment net of recoveries by SAR 132 million, (2) the decrease in salaries and employee related expenses by SAR 65 million, and (3) the decrease in other general and administrative expenses by SAR 56 million.

The provision for credit impairment, net of recoveries decreased by 45.8% from SAR 287 million in 2017G to SAR 156 million in 2018G due to the decrease in the loan portfolio from SAR 117,685 million at 31 December 2017G to SAR 113,709 million at 31 December 2018G.

Salaries and employee related expenses decreased by 5.0%, from SAR 1,310 million in 2017G to SAR 1,245 million in 2018G due to the decrease in the number of employees from 3,360 employees in 2017G to 3,290 employees in 2018G.

Other general and administrative expenses decreased by 7.1%, from SAR 792 million in 2017G to SAR 736 million in 2018G due to the decrease in legal and professional fees by SAR 48 million.

Operating expenses increased by 52.7% from SAR 2,607 million in 2018G to SAR 3,981 million in 2019G due to: (1) the increase in the provision for credit impairment net of recoveries by SAR 948 million, (2) the increase in employee related expenses by SAR 242 million, and (3) the increase in other general and administrative expenses by SAR 116 million.

Provision for credit impairment, net of recoveries increased by 609.3% from SAR 156 million in 2018G to SAR 1,103 million in 2019G, due to the deterioration in the quality of credit (loans) and the decline in the credit rating of some corporate customers over the same period.

Salaries and employee related expenses increased by 19.4%, from SAR 1,245 million in 2018G to SAR 1,487 million in 2019G due to the increase in the number of employees from 3,290 employees in 2018G to 3,614 employees in 2019G. The increase in salaries and employee related expenses is also due to the increase in the average salary per employee and an increase in bonuses in 2019G.

Other general and administrative expenses increased by 15.7%, from SAR 736 million in 2018G to SAR 852 million in 2019G due to the increase in legal and professional fees by SAR 103 million.

Operating expenses increased by 3.6%, from SAR 2,102 million in the six-month period ending 30 June 2019G to SAR 2,178 million in the six-month period ending 30 June 2020G, due to: (1) the increase in salaries and employee related expenses by SAR 117 million, and (2) the increase in other general and administrative expenses by SAR 63 million, offset by a decrease in the provision for credit impairment net of recoveries by SAR 136 million during the same period.

Salaries and employee related expenses increased by 17.4% from SAR 673 million in the six-month period ending 30 June 2019G to SAR 790 million in the six-month period ending 30 June 2020G due to the increase in the number of employees from 3,383 employees to 3,611 employees during the same period. The increase in salaries and employee related expenses is also due to the increase in the average salary per employee in the six-month period ending 30 June 2020G as compared to the average salary per employee in the six-month period ending 30 June 2019G.

Other general and administrative expenses increased by 15.8%, from SAR 400 million in the six-month period ending 30 June 2019G to SAR 463 million in the six-month period ending 30 June 2020G, due to the increase in donations made by Samba by SAR 51 million.

The provision for credit impairment net of recoveries, decreased by SAR 136 million from SAR 782 million in the six-month period ending 30 June 2019G to SAR 646 million in the six-month period ending 30 June 2020G.

11.4.1.6 Zakat

Table (6): Zakat (audited) for the years ended 31 December 2017G, 2018G and 2019G and (unaudited) for the six-months period ended 30 June 2019G and 30 June 2002G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	YTD Jun, 2019G Unaudited	YTD Jun, 2020G Unaudited	YoY 2017G-2018G	YoY 2018G-2019G	YTD Jun,19-YTD Jun,20	CAGR 2017G-2019G
Zakat - current	-	620	577	243	329	na	(7.0%)	35.4%	na
Zakat - prior period adjustment	-	1,816	-	-	-	na	(100.0%)	na	na
Total Zakat	-	2,436	577	243	329	na	(76.3%)	35.4%	na

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Zakat expense was nil during 2017G, as it was deducted directly from shareholders' equity in accordance with the accounting policies at the time. During 2019G, a change in the accounting treatment of zakat and income tax was made according to the latest instructions issued by the Saudi Arabian Monetary Agency, which led to the recognition of zakat and income tax on the income statement instead of being deducted directly from shareholders' equity. Samba reviewed this change retrospectively, as it recorded the zakat expense on the income statement in 2019G and 2018G.

Zakat expense amounted to SAR 2,436 million in 2018G due to the settlement agreement that Samba signed with the General Authority for Zakat and Income, in line with the directives issued by royal decree no. M / 26 dated 20 Rabih El Awwal 1440H (corresponding to 28 November 2018G), and ministerial resolution no. 1260 on 5 Rabih El Akhar 1440H (corresponding to 12 December 2018G) to settle the existing zakat obligations for the years 2006G through 2017G, which amounted to SAR 2,316 million and which was agreed to be repayable in 6 installments over a period of five years ending 1 December 2023G. Samba had paid two installments amounting to SAR 833 million up to December 2019G. Under the above stated agreement, Samba and the General Authority for Zakat and Income also agreed to pay the zakat for 2018G in accordance with the settlement framework within the royal decree and ministerial decisions. As a result of this agreement, all zakat disputes between Samba and the General Authority for Zakat and Income were agreed upon for the years 2006G until 2017G.

Zakat expense decreased by 76.3%, from SAR 2,436 million in 2018G to SAR 577 million in 2019G due to: (1) the decrease in zakat prior period adjustment, which was recorded in 2018G, amounting to SAR 1,816 million, and (2) the decrease in current year’s zakat expenses from SAR 620 million in 2018G to SAR 577 million in 2019G, in line with the decrease in net income for the year before zakat and tax from SAR 5,550 million to SAR 4,619 million during the same period.

Zakat expense increased by 35.4% from SAR 243 million in the six-month period ending June 2019G to SAR 329 million in the six-month period ending 30 June 2020G in line with the increase in net income before zakat and tax from SAR 2,262 million to SAR 2,612 million during the same period.

11.4.1.7 Net income for the years / periods after zakat and taxation

The net income for the year after zakat and tax decreased by 39.1%, from SAR 5,024 million in 2017G to SAR 3,060 million in 2018G due to the settlement agreement of zakat that Samba signed with the General Authority for Zakat and Income to settle the existing zakat obligations for the years 2006G to 2017G, which amounted to SAR 2,436 million, partially offset by the increase in net income before zakat and tax by SAR 525 million from SAR 5,024 million in 2017G to SAR 5,550 million in 2018G.

The net income before zakat and tax increased by 10.5% from SAR 5,024 million in 2017G to SAR 5,550 million in 2018G due to an increase in net special commission income by SAR 420 million in addition to a decrease in the total operating expenses by SAR 260 million over the same period, partially offset by: (1) the decrease in net fee and commission income by SAR 59 million, and (2) the decrease in net income on investments held at FVIS by an amount of SAR 48 million.

The net income for the year after zakat and tax increased by 30.4%, from SAR 3,060 million in 2018G to SAR 3,991 million in 2019G, due to the decrease in the zakat expense by SAR 1,859 million from SAR 2,436 million in 2018G to SAR 577 million in 2019G, partly offset by the decrease in net income for the year before zakat and tax by SAR 930 million from SAR 5,550 million to SAR 4,619 million during the same period.

The net income for the year before zakat and tax decreased by 16.8% from SAR 5,550 million in 2018G to SAR 4,619 million in 2019G due to an increase in the total operating expenses by SAR 1,374 million as a result of the increase in the provision for credit impairment net of recoveries by SAR 948 million, compared to the increase in total operating income by SAR 444 million during the same period.

The net income for the year after zakat and tax increased by 11.4%, from SAR 2,000 million in the six-month period ending 30 June 2019G to SAR 2,229 million in the six-month period ending 30 June 2020G due to the increase in net income before zakat and tax by SAR 350 million from SAR 2,262 million to SAR 2,612 million during the same period, compared to the decrease in current and deferred zakat and tax of SAR 84 million and SAR 38 million, respectively.

The net income for the year before zakat and tax increased by 15.5% from SAR 2,262 million in the six-month period ending 30 June 2019G to SAR 2,612 million in the six-month period ending 30 June 2020G due to the increase in the gain on FVOCI debt instruments of SAR 761 million from SAR 78 million to SAR 839 million during the same period. This increase was partially offset by: (1) the decrease in net special commission income by SAR 300 million, (2) the decrease in net gains on debt investment held at FVIS by SAR 214 million, and (3) the increase in total operating expenses by SAR 74 million.

11.4.2 Audited consolidated balance sheets as at 31 December 2017G, 2018G and 2019G and unaudited interim consolidated balance sheet at 30 June 2020G

Table (7): Balance sheets as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Assets				
Cash and balances with Central Banks	25,195	25,420	18,138	24,163
Due from banks and other financial institutions, net	11,031	17,622	3,628	1,339
Investments, net	63,912	66,350	85,013	93,193
Derivatives	6,515	3,446	3,092	6,238
Loans and advances, net	117,685	113,709	141,595	148,088
Property and equipment, net	2,639	2,693	3,067	3,136
Other assets	569	699	1,070	3,104
Total Assets	**227,546**	**229,938**	**255,604**	**279,261**
Liabilities				

Due to banks and other financial institutions	6,551	7,872	15,647	28,634
Customer deposits	167,923	170,170	180,166	187,259
Term loan	-	-	2,168	2,164
Debt securities in issue	-	-	3,746	5,585
Derivatives	3,976	2,457	1,192	2,160
Other liabilities	4,414	7,133	7,236	7,084
Total Liabilities	**182,864**	**187,632**	**210,155**	**232,887**
Equity				
Share capital	20,000	20,000	20,000	20,000
Statutory reserve	15,811	17,193	18,348	18,348
General reserve	130	130	130	130
Fair value and other reserves	99	218	2,752	2,748
Retained earnings	9,565	3,670	3,697	6,000
Proposed dividend	-	1,998	1,394	-
Treasury stocks	(1,022)	(996)	(962)	(942)
Total equity attributable to equity holders of the Bank	**44,583**	**42,213**	**45,359**	**46,284**
Non-controlling interest	99	93	90	90
Total Equity	**44,682**	**42,306**	**45,449**	**46,374**
Total Liabilities and Equity	**227,546**	**229,938**	**255,604**	**279,261**
KPIs*				
Net loans to deposit ratio**	70.6%	64.6%	70.4%	68.6%
Non-performing loans ratio	0.9%	1.3%	1.3%	1.4%
Liquidity coverage ratio	232.8%	242.2%	229.2%	242.0%
Net stable funding ratio	131.1%	139.8%	129.5%	120.5%
Tier 1 CAR (Audited 2017G - 2019G)	20.6%	22.1%	20.5%	18.7%
Total CAR (Audited 2017G - 2019G)	21.1%	22.7%	21.1%	19.1%
Growth in loans and advances	(6.0%)	(3.4%)	24.5%	4.6%
Growth in customers' deposits	(2.4%)	1.3%	5.9%	3.9%

(*) Key performance indicators ("KPIs") are not audited for all the periods in the table above except for specifically mentioned.
(**) As per the LDR presented in regulatory reports submitted by Samba.

Source: Audited Consolidated Financial Statements, un-audited interim Condensed Consolidated Financial Statements and Management information

This section summarises the main historical financial position trends at a consolidated level, where all key components for the three years ended 31 December 2017G, 2018G, 2019G and 30 June 2020G are discussed in detail below.

11.4.2.1 Cash and balances with Central Banks

Table (8): Cash and balances with central banks as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Cash in hand	1,214	1,269	1,226	1,615
Statutory deposit	9,242	8,827	9,244	10,050
Current account	665	158	526	1,349
Money market placements	14,073	15,165	7,143	11,150
Total	**25,195**	**25,420**	**18,138**	**24,163**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements

Cash and balances with central banks include: (1) cash in hand and current account and cash held in branches, safes, ATMs, and cheques, (2) statutory deposit which mainly represents the amount that must be kept with central banks against deposits, and (3) money market placements. The fluctuations in these accounts are mainly attributed to Samba's liquidity management and the size of customer deposits, as Samba must maintain a statutory deposit with central banks at specific percentages of time deposits, demand deposits, savings deposits and other deposits, calculated in accordance with the requirements of the Banking Supervision Law and the regulations issued by SAMA.

Cash and balances with central banks increased by SAR 225 million, from SAR 25,195 million at 31 December 2017G to SAR 25,420 million at 31 December 2018G, as a result of the increase in money market deposits by SAR 1,092 million from SAR 14,073 million at 31 December 2017G to SAR 15,165 million at 31 December 2018G.

However, this increase was partially offset by a decrease in a current account by SAR 507 million from SAR 665 million at 31 December 2017G to SAR 158 million at 31 December 2018G, and a decrease in a statutory deposit of SAR 415 million from SAR 9,242 million at 31 December 2017G to SAR 8,827 million at 31 December 2018G. Despite the increase in deposits from SAR 167,923 million at 31 December 2017G to SAR 170,170 million at 31 December 2018G, statutory deposits decreased mainly due to the decrease in demand deposits from SAR 99,546 million to SAR 93,880 million over the same period, which are subject to a higher percentage than other deposits.

Cash and balances with central banks decreased by SAR 7,282 million, from SAR 25,420 million at 31 December 2018G to SAR 18,138 million at 31 December 2019G, due to a decrease in money market deposits by SAR 8,022 million from SAR 15,165 million at 31 December 2018G to SAR 7,143 million at 31 December 2019G, as these deposits were used to finance loans and investments.

Cash and balances with central banks increased by SAR 6,025 million from SAR 18,138 million at 31 December 2019G to SAR 24,163 million at 30 June 2020G, as a result of the increase in money market deposits by SAR 4,007 million and the increase in the current account by SAR 823 million along with the increase in cash with central banks by an amount of SAR 389 million. In addition to the increase in a statutory deposit by SAR 806 million in line with the increase in customer deposits from SAR 180,166 million to SAR 187,259 million over the same period. These increases occurred as a result of Samba’s liquidity management, which was more precautionary and effective, given the low liquidity and the repercussions of the COVID-19 pandemic on the Saudi market.

11.4.2.2 Due from and due to banks and other financial institutions

Table (9): Due from and due to banks and other financial institutions as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Due from banks and other financial institutions, net				
Current accounts	3,230	3,321	2,609	814
Money market placements	7,801	14,317	1,023	532
Total due from banks and other financial institutions	**11,031**	**17,639**	**3,632**	**1,347**
Credit impairment provision	-	(16)	(4)	(8)
Total due from banks and other financial institutions, net	**11,031**	**17,622**	**3,628**	**1,339**
Due to banks and other financial institutions				
Current accounts	581	1,953	621	2,105
Money market deposits	5,971	5,918	15,026	26,529
Total due to banks and other financial institutions	**6,551**	**7,872**	**15,647**	**28,634**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Due from and due to banks and other financial institutions include: (1) current accounts that represent interest-free balances with other banks, and (2) money market placements that represent short-term loans made to local and foreign banks. The fluctuations in these accounts are mainly attributed to Samba's liquidity management.

Due from banks and other financial institutions increased by SAR 6,591 million from SAR 11,031 million at 31 December 2017G to SAR 17,622 million at 31 December 2018G as a result of an increase in money market placements by an amount of SAR 6,516 million from SAR 7,801 million at 31 December 2017G, to SAR 14,317 million at 31 December 2018G. This increase is due to Samba managing their balance sheet more effectively (profitability and liquidity) in accordance with the Saudi market conditions in general, and inline with Samba's strategy.

Due from banks and other financial institutions decreased by SAR 13,994 million from SAR 17,622 million at 31 December 2018G to SAR 3,628 million at 31 December 2019G due to a decrease in money market deposits by SAR 13,295 million from SAR 14,317 million at 31 December 2018G to SAR 1,023 million at 31 December 2019G. Subsequently, it decreased by SAR 2,289 million from SAR 3,628 million at 31 December 2019G to SAR 1,339 million at 30 June 2020G, as a result of the decrease in current accounts by SAR 1,795 million. The decrease in due from banks and other financial institutions between 31 December 2018G and 30 June 2020G is due to diversion of funds into loans and investments portfolios, in line with Samba's expansion strategy.

Due to banks and other financial institutions include (1) current accounts that represent interest-free accounts deposited by other Banks, and (2) money market deposits that represent short-term loans provided by other Banks. The fluctuations in these accounts are due to Samba's short-term financing needs.

Due to banks and other financial institutions increased by SAR 1,320 million from SAR 6,551 million at 31 December 2017G to SAR 7,872 million at 31 December 2018G due to an increase in current accounts by an amount of SAR 1,372 million due to the increase in the balances of the Dubai branch in addition to Samba's liquidity management.

Due to banks and other financial institutions increased by SAR 7,775 million from SAR 7,872 million at 31 December 2018G to SAR 15,647 million at 31 December 2019G due to an increase in money market deposits by an amount of SAR 9,107 million. Due to banks and other financial institutions increased from SAR 15,647 million at 31 December 2019G to SAR 28,634 million at 30 June 2020G due to an increase in money market deposits by SAR 11,503 million. The increase in due to banks and other financial institutions between 31 December 2018G and 30 June 2020G is due to Samba's expansion strategy, in addition to diversifying its sources of funds.

11.4.2.3 Investments

Table (10): Investments as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Investments held at fair value through income statement (FVIS)				
Fixed rate securities	315	2,222	2,497	372
Structured credits	63	194	179	177
Hedge funds	1,899	1,655	1,964	1,985
Private equities	-	795	1,078	1,742
Equities	-	453	383	228
Total investments held at fair value through income statement	**2,277**	**5,319**	**6,100**	**4,503**
Investments held at fair value through other comprehensive income (FVOCI)				
Fixed rate securities	9,747	18,383	33,788	40,339
Floating rate notes	11,019	28,725	27,420	31,298
Equities	2,999	3,193	4,084	3,472
Private equities	621	-	-	-
Total investments held at fair value through other comprehensive income / available for sale	**24,387**	**50,301**	**65,292**	**75,109**
Investments held at amortized cost, net				
Fixed rate securities	18,306	10,734	13,625	13,586
Floating rate notes	15,295	-	-	-
Mudaraba investments	469	-	-	-
Credit impairment provision	-	(3)	(4)	(6)
Total investments held at amortized cost, net	**34,070**	**10,731**	**13,621**	**13,581**
Investments held to maturity				
Fixed rate securities	3,179	-	-	-
Total investments held to maturity	**3,179**	**-**	**-**	**-**
Total investments, net	**63,912**	**66,350**	**85,013**	**93,193**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

At 30 June 2020G, Samba's investment portfolio consisted of debt securities (SAR 85,596 million), equities (SAR 3,700 million), hedge funds (SAR 1,985 million), private equities (SAR 1,742 million), and structured credits (SAR 177 million) against a credit impairment provision of SAR 6 million. Most of the debt securities within Samba's investment portfolio relate to Saudi government bonds and treasury bonds.

Samba has adopted IFRS 9 – ‘Financial Instruments’ (issued in July 2014G) with a mandatory application date of 1 January 2018G. The requirements of IFRS 9 represent a significant change from IAS 39 ‘Financial Instruments: Recognition and Measurement’ applied earlier by Samba. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. IFRS 9 allows for three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through income statement (“FVIS”). Apart from equity instruments and derivatives, this classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. As a result of the transition to IFRS 9, investments held at amortized cost amounted to SAR 14 million and investments held at fair value through other comprehensive income amounted to SAR 32 million. Moreover, a total of SAR 25,916 million has been reclassified from investments held at amortized cost has to investments held at fair value through other comprehensive income (relating to fixed and floating commission bonds).

The investment portfolio of Samba increased by SAR 2,438 million from SAR 63,912 million at 31 December 2017G to SAR 66,350 million at 31 December 2018G driven by the increase in investments held at fair value through other comprehensive income by SAR 3,042 million from SAR 2,277 million at 31 December 2017G to SAR 5,319 million at 31 December 2018G.

The investment portfolio of Samba increased by SAR 18,663 million from SAR 66,350 million at 31 December 2018G to SAR 85,013 million at 31 December 2019G due to: (1) an increase in investments held at fair value through other comprehensive income by SAR 14,991 million from SAR 50,301 million at 31 December 2018G to SAR 65,292 million at 31 December 2019G, and (2) an increase in investments held at amortized cost by SAR 2,890 from SAR 10,731 million at 31 December 2018G to SAR 13,621 million at 31 December 2019G.

The investment portfolio of Samba increased by SAR 8,180 million from SAR 85,013 million at 31 December 2019G to SAR 93,193 million at 30 June 2020G, driven by the increase in investments held at fair value through other comprehensive income by SAR 9,817 million from SAR 65,292 million at 31 December 2019G to SAR 75,109 million at 30 June 2020G. This was partially offset by a decrease in investments held at fair value through income statement by SAR 1,597 million from SAR 6,100 million to SAR 4,503 million during the same period.

The increase in Samba's investment portfolio between 31 December 2017G and 30 June 2020G, was part of Samba's expansion strategy.

A) Investments held at fair value through income statement (FVIS)

Investments held at fair value through income statement increased by SAR 3,042 million, from SAR 2,277 million at 31 December 2017G to SAR 5,319 million at 31 December 2018G, as a result of the increase in fixed-rate bonds by SAR 1,906 million.

Investments held at fair value through income statement increased by SAR 781 million, from SAR 5,319 million at 31 December 2018G to SAR 6,100 million at 31 December 2019G, as a result of the increase in hedge funds by SAR 309 million and the increase in private equities by the value of SAR 283 million.

Investments held at fair value through income statement decreased by SAR 1,597 million, from SAR 6,100 million at 31 December 2019G to SAR 4,503 million at 30 June 2020G, due to the decrease in fixed-rate bonds as a result of the sale and maturity of bonds issued by the Saudi Government.

B) Investments held at fair value through other comprehensive income (FVOCI)

Investments held at fair value through other comprehensive income increased by SAR 25,914 million, from SAR 24,387 million at 31 December 2017G to SAR 50,301 million at 31 December 2018G, mainly due to the reclassification of SAR 25,916 million of the investments held at amortized cost mainly attributed to the investments held at fair value through other comprehensive income, following the adoption of IFRS 9.

Investments held at fair value through other comprehensive income increased by SAR 14,991 million, from SAR 50,301 million at 31 December 2018G to SAR 65,292 million at 31 December 2019G, mainly as a result of the increase in fixed-commission debt securities by SAR 15,405 million due to the purchase of fixed-rate debt securities.

Investments held at fair value through other comprehensive income increased by SAR 9,817 million, from SAR 65,292 million at 31 December 2019G to SAR 75,109 million at 30 June 2020G, as a result of the increase in fixed-commission bonds by SAR 6,551 million due to the purchase of additional fixed-rate debt securities.

C) Investments held at amortised cost

Investments held at amortised cost decreased by SAR 23,339 million, from SAR 34,070 million at 31 December 2017G to SAR 10,731 million at 31 December 2018G, mainly as a result of reclassifying a total of SAR 25,916 million from investments held at amortized cost to investments held at fair value through other comprehensive income, following the adoption of IFRS 9.

Investments held at amortized cost increased by SAR 2,890 million, from SAR 10,731 million at 31 December 2018G to SAR 13,621 million at 31 December 2019G, as a result of the increase in fixed rate debt securities by SAR 2,891 million.

Investments held at amortized cost remained relatively stable with a slight decrease amounting to SAR 40 million, from SAR 13,621 million at 31 December 2019G to SAR 13,581 million at 30 June 2020G.

D) Investments held to maturity

Investments held to maturity decreased from SAR 3,179 million at 31 December 2017G to nil at 31 December 2018G, as a result of changes in accounting policies in line with the adoption of IFRS 9, which led to their reclassification from being investments held to maturity to investments at amortized cost.

11.4.2.4 Loans and advances, net

Table (11): Loans and advances, net as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Performing loans and advances				
Credit cards	1,550	1,418	1,429	1,212
Consumer loans	17,022	16,165	17,118	18,727
Commercial loans and advances	99,786	97,117	123,832	128,726
Others	174	129	392	685
Total gross performing loans and advances	**118,532**	**114,829**	**142,771**	**149,351**
Non-performing loans and advances				
Credit cards	-	-	-	-
Consumer loans	13	11	36	36
Commercial loans and advances	1,103	1,473	1,883	2,154
Others	10	6	5	5
Total gross non-performing loans and advances	**1,127**	**1,489**	**1,924**	**2,196**
Total gross loans and advances	**119,659**	**116,319**	**144,695**	**151,547**
Credit impairment provision	(1,975)	(2,610)	(3,100)	(3,459)
Total loans and advances, net	**117,685**	**113,709**	**141,595**	**148,088**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

The loan portfolio decreased by SAR 3,976 million from SAR 117,685 million at 31 December 2017G to SAR 113,709 million at 31 December 2018G. This decline is attributed to a decrease in all loans and advances during the same period, mainly commercial loans and advances and consumer loans by SAR 2,300 million and SAR 859 million, respectively.

During the period between 31 December 2018G and 31 December 2019G, the loan portfolio increased by SAR 27,887 million or 24.5% from SAR 113,709 million to SAR 141,595 million, due to the increase in commercial loans and advances by SAR 27,124 million from SAR 98,590 million at 31 December 2018G to SAR 125,714 million at 31 December 2019G.

During the period between 31 December 2019G and 30 June 2020G, the loan portfolio increased by SAR 6,493 million or 4.6% from SAR 141,595 million to SAR 148,088 million. This increase was primarily driven by commercial loans and advances, which increased by SAR 5,167 million, in addition to an increase in consumer loans by SAR 1,609 million.

During the period between 31 December 2018G and 30 June 2020G, the loan and advances portfolio increased by SAR 34,379 million was driven by Samba's growth strategy.

At 30 June 2020G, the loan portfolio was diversified across various sectors. Consumer loans and credit cards accounted for 13.2% of the total portfolio. As for the rest of the commercial loans, they were distributed among various sectors as follows: commerce sector (12.6% of total loans), manufacturing (11.9%), building and construction (11.3%), services (electricity, gas, water and health services) (9.9%), transportation and communication (9.0%), banks and other financial institutions (6.7%), and other sectors (38.6%), including services, agriculture, fishing, mines, mining, and others.

At 30 June 2020G, the fair value of collaterals amounted to SAR 83,515 million, compared to SAR 87,779 million at 31 December 2019G, SAR 52,468 million at 31 December 2018G, and SAR 65,219 million at 31 December 2017G. During the period between 31 December 2017G and 30 June 2020G, the change in the fair value of collaterals in line with the change in the balance of loans and advances. In addition to the risks related to the borrowers and their corresponding operating sectors and economic environment. The increase in fair value of the collateral in 2019G was driven by the financing facilities offered by Samba to its customers to participate in the Aramco initial public offering in exchange for pledging shares with Samba.

At 30 June 2020G, the collateral coverage for the total loans reached 55.1% compared to 60.7%, 45.1% and 54.5% at 31 December 2019G, 31 December 2018G and 31 December 2017G respectively. The collateral coverage increased in the fiscal year 2019G due to the increase in the collateralised financing facilities that Samba offered to its customers to participate in the Aramco IPO.

The loan portfolio maturity profile remained relatively stable, as the loan portfolio maturing during the year constituted 52.5% of the loan portfolio at 30 June 2020G, compared to 53.2% at 31 December 2019G.

The loan portfolio was concentrated in the Kingdom of Saudi Arabia, accounting for 85.4% of the loan portfolio at 30 June 2020G, compared to 85.8%, 91.0% and 92.4% at 31 December 2019G, 31 December 2018G, and 31 December 2017G, respectively. The remainder of the loan portfolio was distributed mainly among the other GCC countries and the Middle East and North America regions. As at 30 June 2020G, the ratio of loans to GCC countries was 12.5%, compared to 9.9%, 7.2% and 6.0% at 31 December 2019G, 31 December 2018G, and 31 December 2017G, respectively.

A) Commercial loans and advances

At 30 June 2020G, commercial loans and advances were mainly related to the corporate banking services (52.4%), the public sector (15.4%), the Dubai branch (10.0%), private banking services (7.3%), and financial institutions (7.2%).

Commercial loans and advances decreased by SAR 2,300 million, from SAR 100,890 million at 31 December 2017G to SAR 98,590 million at 31 December 2018G, mainly due to the repayment of several commercial loans in the third quarter of 2018G.

Commercial loans and advances increased by SAR 27,124 million from SAR 98,590 million at 31 December 2018G to SAR 125,714 million at 31 December 2019G, due to the increase in borrowings to existing and new customers by SAR 11,802 million, in addition to the increase in financing to customers in the public sector and the Dubai branch, by an amount of SAR 5,894 million and SAR 6,573 million, respectively.

Commercial loans and advances increased by SAR 5,167 million, from SAR 125,714 million at 31 December 2019G to SAR 130,881 million at 30 June 2020G, mainly due to the increase in financing of existing and new borrowers within the corporate banking division by SAR 4,171 million.

B) Consumer loans

At 30 June 2020G, consumer loans consisted of personal loans for individuals (61.0%), and real estate mortgages (39.0%).

Consumer loans decreased slightly by SAR 859 million, from SAR 17,035 million at 31 December 2017G to SAR 16,176 million at 31 December 2018G due to a decrease in personal loans for individuals by SAR 642 million, from SAR 11,574 million to SAR

10,932 million during the same period, in addition to a decrease in real estate mortgages by SAR 211 million, from SAR 5,166 million to SAR 4,955 million during the same period.

Consumer loans increased by SAR 978 million, from SAR 16,176 million at 31 December 2018G to SAR 17,154 million at 31 December 2019G due to an increase real estate mortgages by SAR 1,189 million, from SAR 4,955 million to SAR 6,144 million during the same period.

Consumer loans increased by SAR 1,609 million, from SAR 17,154 million at 31 December 2019G to SAR 18,764 million at 30 June 2020G, as a result of activating the direct sales channel in the fourth quarter of 2019G and promoting special deals with certain sectors (especially Government sectors). The real estate mortgage portfolio continued to drive the increase in consumer loans, as mortgage loans increased by SAR 1,167 million, from SAR 6,144 million to SAR 7,311 million during the same period.

C) Credit cards

Credit cards decreased by SAR 132 million, from SAR 1,550 million at 31 December 2017G to SAR 1,418 million at 31 December 2018G. Credit cards remained relatively stable between 31 December 2018G and 31 December 2019G, with a slight increase by an amount of SAR 12 million, reaching SAR 1,429 million at 31 December 2019G. Subsequently, credit cards decreased by SAR 217 million, from SAR 1,429 million at 31 December 2019G to SAR 1,212 million at 30 June 2020G, due to the decrease in international sales as a result of the COVID-19 pandemic.

D) Credit quality of the loans and advances portfolio

At 1 January 2018G Samba adopted IFRS 9 – ‘Financial Instruments’ instead of IAS 39 – ‘Financial instruments: Recognition and Measurement’. The new standard had implied fundamental changes to the accounting of loans and advances, especially with respect to provisions, whereas the previously incurred loss model of assessing impairments under IAS 39 was replaced with an expected credit loss model (“ECL”). The re-measurement impact of the transition to IFRS 9 on loans and advances amounted to SAR 881 million. Please refer to note 2 (impact of changes in accounting policies due to adoption of new standards) under the annual consolidated financial statements ending 31 December 2019G.

Between 31 December 2017G and 31 December 2019G, performing loans increased from SAR 118,532 million to SAR 142,771 million, and non-performing loans increased from SAR 1,127 million to SAR 1,924 million, over the same period.

Samba's non-performing loans ratio increased from 0.9% at 31 December 2017G to 1.3% at 31 December 2019G, following the increase in non-performing loans from SAR 1,127 million at 31 December 2017G to SAR 1,924 million at 31 December 2019G. This increase is due to the deterioration in the credit quality of Samba's loans. Total credit impairment provisions increased by SAR 1,125 million from SAR 1,975 million at 31 December 2017G to SAR 3,100 million at 31 December 2019G, in line with the increase in non-performing loans during the same period. Accordingly, the ratio of total provisions to total non-performing loans decreased from 175.2% at 31 December 2017G and 31 December 2018G to 161.1% at 31 December 2019G.

During the period between 31 December 2019G and 30 June 2020G, performing loans increased from SAR 142,771 million to SAR 149,351 million, and non-performing loans increased from SAR 1,924 million to SAR 2,196 million. This led to a slight increase in the non-performing loan ratio from 1.3% at 31 December 2019G, to 1.4% at 30 June 2020G. As a result, the provision for credit impairment increased from SAR 3,100 million at 31 December 2019G to SAR 3,459 million at 30 June 2020G. The ratio of total provisions to total non-performing loans continued to decline from 161.1% at 31 December 2019G to 157.5% at 30 June 2020G.

The increase in non-performing loans during the period between 31 December 2017G and 30 June 2020G, was largely driven by the trade, construction, and other sectors.

11.4.2.5 Customers' deposits

Table (12): Customers' deposits as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Demand	99,546	93,880	93,715	109,685
Time	54,884	62,681	73,669	62,331
Saving	7,225	7,701	7,563	8,191
Others	6,268	5,908	5,219	7,053
Total customers' deposits	**167,923**	**170,170**	**180,166**	**187,259**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements and Management information

Customer deposits consist of: (1) demand deposits, (2) time deposits, (3) saving deposits, and (4) others. Time and demand deposits represent an average of 92% of total customer deposits over the period between 31 December 2017G and 30 June 2020G.

Customer deposits increased by SAR 2,247 million, from SAR 167,923 million at 31 December 2017G to SAR 170,170 million at 31 December 2018G. The increase in deposits is mainly attributed to the increase in time deposits by SAR 7,796 million, from SAR 54,884 million at 31 December 2017G to SAR 62,681 million at 31 December 2018G. This was partially offset by a decrease in demand deposits by SAR 5,666 million from SAR 99,546 million at 31 December 2017G to SAR 93,880 million at 31 December 2018G.

Customer deposits increased by SAR 9,996 million, from SAR 170,170 million at 31 December 2018G, to SAR 180,166 million at 31 December 2019G, mainly due to the increase in time deposits by SAR 10,988 million, from SAR 62,681 million at 31 December 2018G to SAR 73,669 million at 31 December 2019G.

Customer deposits increased by SAR 7,094 million from SAR 180,166 million at 31 December 2019G to SAR 187,259 million at 30 June 2020G as a result of the increase in demand deposits by SAR 15,970 million, from SAR 93,715 million at 31 December 2019G to SAR 109,685 million at 30 June 2020G. This was partly offset by a decrease in time deposits by SAR 11,338 million from SAR 73,669 million at 31 December 2019G to SAR 62,331 million at 30 June 2020G.

The increase in customer deposits between 31 December 2017G and 30 June 2020G is due to the increase in public sector deposits and corporate deposits.

This increase was also due to management practice in effectively managing the bank's profitability and liquidity based on market conditions and special commission rate expectations.

11.4.2.6 Other Balance Sheet captions

A) Derivatives (under assets)

Derivatives under assets represent the positive fair value of the derivatives.

The positive fair value of derivative contracts decreased by SAR 3,069 million from SAR 6,515 million at 31 December 2017G to SAR 3,446 million at 31 December 2018G and then decreased by SAR 354 million to SAR 3,092 million at 31 December 2019G.

The positive fair value contracts for derivatives increased by SAR 3,146 million from SAR 3,092 million at 31 December 2019G to SAR 6,238 million at 30 June 2020G.

Positive values changed for the above periods due to movements in market rates to which these derivatives are sensitive and to the volumes of derivatives outstanding.

B) Property and equipment, net

Property and equipment increased by SAR 55 million from SAR 2,639 million at 31 December 2017G to SAR 2,693 million at 31 December 2018G, following the increase in net capital work in progress by SAR 117 million and additions relating to furniture, equipment and vehicles by SAR 39 million and partially offset by the increase in accumulated depreciation by SAR 116 million.

Property and equipment increased by SAR 373 million, from SAR 2,693 million at 31 December 2018G to SAR 3,067 million at 31 December 2019G as a result of: (1) additions to lands and buildings by an amount of SAR 1,200 million (following the capitalization of the new head office), (2) additions to leasehold improvements amounting to SAR 383 million, and (3) reclassification of right-of-use assets with a net value of SAR 438 million in accordance with the application of IFRS 16 - Lease Contracts. This was partially offset by a decrease in capital work-in-progress by an amount of SAR 1,497 million during the same period and depreciation expenses, which amounted to SAR 204 million.

Property and equipment of SAR 69 million, increased from SAR 3,067 million at 31 December 2019G to SAR 3,136 million at 30 June 2020G.

C) Other assets

Other assets increased by SAR 130 million, from SAR 569 million at 31 December 2017G to SAR 699 million at 31 December 2018G, mainly due to the increase in Islamic Tawarruq transactions with brokers by SAR 60 million from SAR 125 million to SAR 186 million during the same period.

Other assets increased by SAR 371 million from SAR 699 million at 31 December 2018G to SAR 1,070 million at 31 December 2019G, due to: (1) an increase in receivables by SAR 166 million from SAR 207 million to SAR 373 million, (2) an increase in Islamic Tawarruq transactions by SAR 124 million from SAR 186 million to SAR 310 million, and (3) the increase in margins on the account of selling and buying transactions with brokers by an amount of SAR 104 million from SAR 36 million to SAR 140 million during same period.

During the six-month period ending 30 June 2020G, other assets increased significantly by SAR 2,034 million to reach SAR 3,104 million, due to the increase in the interbank clearing account related to short-term receivables by SAR 1,523 million, in addition to the increase in margins on the account of buying and selling transactions with brokers by SAR 261 million from SAR 140 million to SAR 401 million during the same period.

D) Term loan

Samba entered into a syndicated, unsecured floating rate loan arrangement at 17 July 2019G in the amount of USD 575 million (equivalent to SAR 2,156 million) for a period of 3 years for general banking purposes and was held at amortized cost. The loan carries a variable special commission rate based on the market. Term loan amounted to SAR 2,168 million at 31 December 2019G and remained relatively stable between 31 December 2019G and 30 June 2020G, and amounted to SAR 2,164 million at 30 June 2020G.

E) Debt securities in issue

Samba, through a special purpose establishment, has completed the issuance of USD 1 billion in bonds (equivalent to about SAR 3,750 million) part of the medium-term bond program totaling to USD 5 billion (equivalent to SAR 18,750 million). These bonds are not guaranteed and issued under a program for a period of five years starting from the draw date at 2 October 2019G and subject to early redemption according to the Samba option in accordance with the terms and conditions of the issue. These bonds are listed on the Irish Stock Exchange and have been held at amortised cost.

Debt securities in issue amounted to SAR 3,746 million (that were registered in the fiscal year ending on 31 December 2019G), after the first issuance completed by Samba on 2 October 2019G. Samba completed on 29 January 2020G a second issuance that amounted to SAR 1,839 million, and as such the debt securities in issue amounted to SAR 5,585 million at 30 June 2020G.

F) Derivatives (under liabilities)

Derivatives under liabilities represent the negative fair value of the derivatives.

The negative fair value of derivatives decreased by an amount of SAR 1,519 million, from SAR 3,976 million at 31 December 2017G to SAR 2,457 million at 31 December 2018G, and then decreased by SAR 1,265 million, reaching to SAR 1,192 million in 2019G.

The negative fair value of the derivatives increased by 968 million Saudi riyals, from SAR 1,192 million at 31 December 2019G to SAR 2,160 million at 30 June 2020G.

Negative values changed for the above periods due to movements in market rates to which these derivatives are sensitive and to the volumes of derivatives outstanding.

G) Other liabilities

Other liabilities increased by SAR 2,720 million from SAR 4,414 million at 31 December 2017G to SAR 7,133 million at 31 December 2018G, as a result of: (1) recording amounts payable to the General Authority for Zakat in relation to the settlement agreement amounting to SAR 1,853 million, (2) the credit impairment provision against loan obligations and financial guarantee contracts amounted to SAR 1,636 million in the fiscal year ending 31 December 2018G due to the adoption of IFRS 9, which resulted in additional provisions under expected credit losses model in relation to commitments and contingent liabilities recorded under other liabilities.

Other liabilities remained relatively stable during the period between 31 December 2018G and 31 December 2019G, and amounted to SAR 7,236 million at 31 December 2019G. During the first half of 2020G, other liabilities decreased slightly by SAR 151 million, to reach SAR 7,084 million at 30 June 2020G, due to: (1) a decrease in zakat and tax payables by SAR 202 million from SAR 1,117 million at 31 December 2019G to SAR 916 million at 30 June 2020G, (2) a decrease in customer deposits against Aramco-related IPO by SAR 106 million, partly offset by an increase in deferred clearing accounts by an amount of SAR 130 million related to interbank settlement accounts.

H) Equity

Equity decreased by SAR 2,376 million, from SAR 44,682 million at 31 December 2017G to SAR 42,306 million at 31 December 2018G, mainly due to the decrease in retained earnings by SAR 5,895 million. Despite Samba's positive net income of SAR 3,060 million, the retained earnings decreased by SAR5,895 million due to: (1) the change in accounting policies that led to a decrease by an amount of SAR 2,522 million (2), the payment of dividends of SAR 3,088 million and proposed dividends of SAR 1,998 million, and (3) the transfer of SAR 1,382 million from retained earnings to statutory reserve.

Equity increased by SAR 3,143 million, from SAR 42,306 million at 31 December 2018G to SAR 45,449 million at 31 December 2019G, as a result of the increase in fair value reserves and others by SAR 2,534 million mainly related to financial assets listed at fair value through other comprehensive income.

Equity increased by SAR 925 million from SAR 45,449 million at 31 December 2019G to SAR 46,374 million at 30 June 2020G, as a result of Samba's net income of SAR 2,229 million during the six-month period ending on 30 June 2020G, partially offset by dividends payments of SAR 1,394 million.

11.4.2.7 Capital adequacy

Table (13): Capital adequacy as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Credit risk RWA	187,944	174,970	197,080	222,723
Operational risk RWA	13,304	13,719	14,221	14,657
Market risk RWA	15,166	11,996	16,998	19,943
Total risk weighted assets	**216,414**	**200,686**	**228,299**	**257,323**
Tier I capital	44,623	44,271	46,907	48,045
Tier II capital	1,127	1,256	1,341	1,122
Total capital (Tier I & II)	**45,749**	**45,527**	**48,248**	**49,168**
Capital adequacy ratio (Tier I)	**20.6%**	**22.1%**	**20.5%**	**18.7%**
Capital adequacy ratio (Tier I + II)	**21.1%**	**22.7%**	**21.1%**	**19.1%**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements

Tier I capital comprises the share capital, statutory, general and other reserves, qualifying non-controlling interest and retained earnings less any intangible assets of the Bank as at the year-end. Tier II capital comprises of a prescribed amount of eligible provisions.

SAMA through its circular number 391000029731 dated 15 Rabih El Awwal 1439AH (4 December 2017G), which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 can be transitioned over 5 years, which has been availed by the Bank effective January 2018G.

During the period between 31 December 2017G and 30 June 2020G, Samba's capital adequacy ratio remained higher than the ratio required under Basel III and the requirements of SAMA.

Risk-weighted assets decreased from SAR 216,414 million at 31 December 2017G to SAR 200,686 million at 31 December 2018G due to the decrease in credit risk weighted assets from SAR 187,944 million to SAR 174,970 million due to the decrease in loans and advances during the same period. As for the total capital, it decreased slightly from SAR 45,749 at 31 December 2017G to SAR 45,527 million at 31 December 2018G.

Accordingly, the capital adequacy ratio (Tier I + II) increased from 21.1% on December 31, 2017 to 22.7% on December 31, 2018.

Risk weighted assets increased from SAR 200,686 million at 31 December 2018G to SAR 228,299 million at 31 December 2019G and SAR 257,323 million at 30 June 2020G, driven by the increase in credit and market risk weighted assets in line with Samba's expansion strategy to increase its loans and investments portfolios. As for the total capital, it increased from SAR 45,527 at 31 December 2018G to SAR 48,248 million at 31 December 2019G and SAR 49,168 million at 30 June 2020G, driven by the increase in fair value reserves for financial assets held at fair value through other comprehensive income.

Despite the increase in total capital, the total capital adequacy ratio decreased from 22.7% at 31 December 2018G to 21.1% at 31 December 2019G and 19.1% at 30 June 2020G, respectively due to the significant increase in risk-weighted assets over the same period.

11.4.2.8 Loan commitments and financial guarantees contracts

Table (14): Loan commitments and financial guarantees as at 31 December 2017G, 2018G and 2019G and 30 June 2020G

SAR in millions	31 Dec 2017G	31 Dec 2018G	31 Dec 2019G	30 Jun 2020G
	Audited	**Audited**	**Audited**	**Unaudited**
Letters of guarantee	34,051	31,369	30,164	29,354
Letters of credit	5,805	4,962	4,709	4,825
Irrevocable commitments to extend credit	3,074	2,614	3,522	4,924
Acceptances	1,834	1,514	1,112	1,169
Others	687	830	929	986
Total loan commitments and financial guarantees contracts	**45,451**	**41,289**	**40,436**	**41, 258**

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements

Loan commitments and financial guarantees contracts consist mainly of letters of guarantee, credit, acceptances and irrevocable credit commitments along with others. The main purpose of these tools is to ensure that clients have funds available upon request.

Guarantees and letters of credit (which represent irrevocable guarantees by Samba to pay if the customer is unable to fulfil his obligations to other parties) carry the same credit risk as loans and advances. Letters of credit (which are considered as written undertakings by Samba, on behalf of the client, that allow the other party to withdraw funds according to special terms and conditions) are usually guaranteed by the goods that are being bought using the facility, and thus they often carry less risk. Acceptances represent Samba's undertakings to pay bills drawn by customers. Samba expects most acceptances to be presented before being reimbursed by the customers. The cash requirements under these instruments are much less than the amount committed because Samba expects customers to fulfil their basic obligations.

Irrevocable credit commitments represent the unused portion of approved credit facilities in the form of loans, advances, guarantees and letters of credit. With respect to loan commitments and financial guarantees contracts, Samba is potentially exposed to a loss in an amount equal to the total unused liabilities. However, the potential loss amount, which cannot be determined immediately, is expected to be significantly less than the total unused liability because most irrevocable commitments to extend credit require clients to maintain specified credit standards. The total outstanding irrevocable commitments to extend credit does not necessarily represent future cash requirements because many of these obligations are terminated or expired without the required financing being provided.

Loan commitments and financial guarantees contracts decreased by SAR 4,162 million from SAR 45,451 million at 31 December 2017G to SAR 41,289 million at 31 December 2018G, due to: (1) a decrease in letters of guarantee from SAR 34,051 million to SAR 31,369 million, and (2) decrease in letters of credit from SAR 5,805 million to SAR 4,962 million during the same period.

Loan commitments and financial guarantees contracts decreased by SAR 853 million from SAR 41,289 million at 31 December 2018G to SAR 40,436 million at 31 December 2019G, due to the decrease in letters of guarantee by SAR 1,205 million, and a decrease in acceptances by SAR 402 million partly offset by an increase in non-cash credit commitments by SAR 908 million.

Loan commitments and financial guarantees remained relatively stable between 31 December 2019G and 30 June 2020G and reached 41,258 million at 30 June 2020G mainly on the back of the increase in irrevocable credit commitments by SAR 772 million and offset by a decrease in letters of guarantee by SAR 810 million.

11.4.3 Cash flow statements for the years 2017G, 2018G and 2019G and the nine months period ended 30 June 2019G and 2020G

Table (15): Cash flow statements for the years 2017G, 2018G and 2019G and the six-month period ended 30 June 2019G and 2020G

SAR in millions	2017G Audited	2018G Audited	2019G Audited	2019 Q2 Unaudited	2020 Q2 Unaudited
Operating activities					
Net income for the year / period before zakat and taxation	5,024	5,550	4,619	2,264	2,612
Adjustments to reconcile net income to net cash from operating activities:					
Amortization of premium and accretion of discount on non-trading investments, net	30	(29)	(29)	2	(20)
Income from investments held at FVIS, net	(150)	(102)	(204)	(132)	82
Gain on FVOCI debt, net	(29)	(10)	(78)	(78)	(839)
Depreciation	124	112	204	94	110
Gain on disposal of property and equipment, net	(8)	(0)	(2)	(0)	0
Provision for credit impairment, net of recoveries / reversals	287	156	1,103	782	646
Interest on term loan and debt securities in issue, net of discount	-	-	55	-	104
Net (increase) / decrease in operating assets					
Statutory deposits with Central Banks	318	415	(417)	(41)	(806)
Due from Banks and other financial institutions maturing after ninety days	(5,289)	(4,303)	9,343	8,401	963
Investments held at FVIS	674	2,296	203	349	(2,257)
Derivatives	(2,073)	3,069	354	(568)	(3,146)
Loans and advances	7,262	2,986	(28,992)	(2,133)	(7,121)
Other assets	266	(130)	(371)	(583)	(2,034)
Net (increase) / decrease in operating liabilities					
Due to Banks and other financial institutions	(4,329)	1,320	7,775	6,378	12,988
Customer deposits	(4,023)	2,247	9,996	(1,864)	7,094
Derivatives	2,491	(1,621)	(1,265)	(499)	968
Other liabilities	(560)	(448)	197	(784)	265
	16	**11,508**	**2,492**	**11,588**	**9,609**
Zakat and income tax	-	(991)	(832)	(455)	(565)

Net cash from / (used in) operating activities	**16**	**10,517**	**1,660**	**11,132**	**9,044**
Investing activities					
Proceeds from sale and matured non-trading investments	6,794	14,059	8,267	2,638	43,101
Purchase of non-trading investments	(19,738)	(18,413)	(24,249)	(13,596)	(48,497)
Purchase of property and equipment, net of exchange adjustments	(253)	(168)	(580)	(110)	(222)
Proceeds from sale of property and equipment	8	1	4	11	42
Net cash used in investing activities	**(13,188)**	**(4,521)**	**(16,557)**	**(11,058)**	**(5,577)**
Financing activities					
Dividends paid	(2,575)	(3,126)	(3,404)	(1,977)	(1,337)
Term loan	-	-	2,156	-	(31)
Debt securities	-	-	3,704	-	1,761
Treasury stocks, net	59	72	81	47	37
Net cash from / (used in) financing activities	**(2,516)**	**(3,054)**	**2,536**	**(1,930)**	**430**
Increase / (Decrease) in cash and cash equivalents	**(15,689)**	**2,943**	**(12,361)**	**(1,855)**	**3,897**
Cash and cash equivalents at the beginning of the year / period	36,662	20,973	23,916	23,916	11,555
Cash and cash equivalents at the end of the year / period	**20,973**	**23,916**	**11,555**	**22,061**	**15,452**
Supplemental non-cash information					
Net changes in fair value and transfers to Statements of Consolidated Income	199	184	2,670	2,269	77
Right of use assets	-	-	438	379	367

Source: Audited Consolidated Financial Statements, un-audited interim condensed consolidated Financial Statements

11.4.3.1 Cash from operating activities

Net income before zakat and tax increased by SAR 525 million during the period between 2017G and 2018G, mainly driven by the increase in net special commission income by SAR 420 million.

Net income before zakat and tax decreased by SAR 930 million during the period between 2018G and 2019G, mainly driven by: (1) the increase in the total operating expenses, and (2) the increase in the provision for credit impairment net of recoveries, partially offset by an increase in net special commission income and income from other operations.

In the six-month period ending 30 June 2020G, net income before zakat and tax increased by SAR 348 million due to the increase in the gains on debt securities listed at fair value through other comprehensive income, against the decrease in net special commission income.

The changes in operating assets and liabilities negatively impacted net cash from operating activities during 2017G (a decrease of SAR 5,263 million), mainly due to the following:

- Increase of SAR 5,289 million in due from Banks and other financial institutions maturing after ninety days;
- Decrease of SAR 4,329 million in due to Banks balances and other financial institutions;
- Decrease of SAR 4,023 million in customer deposits, partially offset by;
- A net decrease of SAR 7,262 million in loans and advances.

The changes in operating assets and liabilities positively impacted net cash from operating activities during 2018G (an increase of SAR 5,831 million), mainly due to the following:

- Decrease of SAR 2,986 million in loans and advances;
- Decrease of SAR 2,296 million in investments held at fair value through income statement;
- Increase of SAR 2,247 million in customer deposits, partially offset by;
- Increase of SAR 4,303 million in balances due from Banks and other financial institutions maturing after ninety days.

The changes in operating assets and liabilities negatively impacted net cash from operating activities during 2019G (a decrease of SAR 3,177 million), mainly due to the following:

- Increase of SAR 28,992 million in loans and advances, partially offset by;
- Decrease of SAR 9,343 million in due from Banks and other financial institutions maturing after ninety days;
- Increase of SAR 9,996 million in customer deposits;
- Increase of SAR 7,775 million in due to Banks balances and other financial institutions.

The changes in operating assets and liabilities positively impacted net cash from operating activities during the six-months period ending 30 June 2020G (an increase of SAR 6,914 million), mainly due to the following:

- Increase of SAR 12,988 million in due to Bank balances and other financial institutions;
- Increase of SAR 7,094 million in customer deposits, partially offset by;
- Increase of SAR 7,122 million in loans and advances;
- Increase of SAR 3,146 million in derivatives (under assets);
- Increase of SAR 2,257 million in investments held at fair value through income statement;
- Increase of SAR 2,034 million in other assets.

11.4.3.2 Cash used in investing activities

Net cash used in investing activities decreased from SAR 13,188 million in 2017G to SAR 4,521 million in 2018G due to: (1) The increase in proceeds from the sale and maturity of investments held at fair value through the income statement by an amount of SAR 7,265 million from SAR 6,794 million in 2017G to SAR 14,059 million in 2018G, (2) the decrease in purchases of investments held at fair value through income statement from SAR 19,738 million in 2017G to SAR 18,413 million in 2018G.

Net cash used in investing activities increased from SAR 4,521 million in 2018G to SAR 16,557 million in 2019G due to: (1) lower proceeds from the sale and maturity of investments held at fair value through income statement by an amount of SAR 5,791 million from SAR 14,059 million in 2018G to SAR 8,267 million in 2019G, (2) an increase in investment purchases held at fair value through income statement of SAR 5,836 million from SAR 18,413 million in 2018G to SAR 24,249 million in 2019G.

The net cash used in investing activities during the six-month period ending 30 June 2020G has decreased as compared to the six-month period ended 30 June 2019G, by an amount of SAR 5,481 million from SAR 11,058 million to SAR 5,577 million, due to higher proceeds from the sale and maturity of investments held at fair value through income statement by an amount of SAR 40,462 million, from SAR 2,638 million during the six-month period ending 30 June 2019G to SAR 43,101 million during the six-month period ending 30 June 2020G, partially offset by the increase in purchases of investments held at fair value through income statement of SAR 34,901 million from SAR 13,596 million to SAR 48,497 million during the same period.

11.4.3.3 Cash from / (used in) financing activities

Net cash used in financing activities increased from SAR 2,516 million in 2017G to SAR 3,054 million in 2018G due to the increase in dividends paid by the amount of SAR 551 million from SAR 2,575 million to SAR 3,126 million during the same period.

Cash generated from financing activities amounted to SAR 2,536 million in 2019G, as compared to cash used in financing activities of SAR 3,054 million in 2018G, due to the issuance of debt bonds and term loan during 2019G, which amounted to SAR 3,704 million and SAR 2,156, respectively, partially offset by an increase in dividends paid by SAR 278 million from SAR 3,126 million in 2018G to SAR 3,404 million in 2019G.

Cash generated from financing activities amounted to SAR 430 million in the six-month period ending 30 June 2020G, as compared to cash used in financing activities of SAR 1,930 million in the six-month period ending 30 June 2019G, due to an increase in debt securities of SAR 1,761 million in the six-month period ended 30 June 2020G after the second issuance was completed by Samba on 29 January 2020G, in addition to the decrease in dividends paid of SAR 639 million from SAR 1,977 million in the six-month period ending 30 June 2019G to SAR 1,337 million in the six-month period ending 30 June 2020G.

12. LEGAL INFORMATION

12.1 NCB DIRECTORS' DECLARATION

The directors of NCB provide the following confirmations:

(i) the Merger does not constitute a breach of the relevant laws and regulations in Saudi Arabia;

(ii) the issuance of the Consideration Shares does not constitute a breach of any contract or agreement entered into by NCB, subject to Section (8.1.2) ("*Risks related to integrating the existing businesses carried on by NCB and Samba Group after the Merger*") of this Circular;

(iii) this section includes all the material legal information about the Merger Agreement which NCB Shareholders should take into consideration to make a well-informed voting decision; and

(iv) there is no other material legal information within this section relating to NCB the omission of which would make any statement herein misleading.

Other than as disclosed in this Circular, the independent members of the board of directors of NCB, other than the Conflicted Directors, acknowledge that they do not have any direct or indirect interest in any of NCB's shares or in any of the shares or businesses of Samba Group, or in any contracts, signed or to be signed, between the parties to the Merger, and that they confirm their full independence in respect of the Merger.

The members of the board of directors of NCB (other than the Conflicted Directors) believe that the Merger is fair and reasonable, having conducted the necessary professional due diligence as they deem appropriate under the circumstances with the support of their advisors and considering the market position prevailing at the time of the publication of this Circular in addition to the future growth prospects of the Combined Bank, including the potential synergies and JP Morgan Saudi Arabia's opinion (being NCB's financial advisor in connection with the Merger), dated 23/2/1442H (corresponding to 11 October 2020G) to the NCB's board of directors (a copy of such opinion is attached as Annex (2) of this Circular) to the effect that, as of that date and based upon and subject to the factors and assumptions set forth therein, the JP Morgan Saudi Arabia believes that the Exchange Ratio agreed on in the Merger Agreement is fair from a financial point of view to NCB.

The members of the board of directors of NCB (other than the Conflicted Directors) further believe that the Merger is in the best interests of NCB and its shareholders and therefore unanimously recommend that NCB Shareholders approve the Merger Resolutions. In arriving at this recommendation, the members of the board of directors of NCB have also received and considered external advice on legal, accounting, financial, strategic and other matters relating to the Merger.

All board members of NCB who will vote on the Merger Resolutions at NCB EGM will vote, with respect to their shareholding, in favour of the Merger Resolutions.

In giving its recommendation, the board of directors (other than the Conflicted Directors) of NCB has not had regard to specific investment objectives, financial situation, tax or Zakat position or the individual circumstances of any individual NCB shareholder. As different NCB shareholders have different investment objectives and portfolios, the board of directors of NCB recommends that each individual NCB shareholder consults its own independent financial advisor in relation to the Merger and relies on its own examination of the Merger and the information herein with regard to such NCB shareholder's individual objectives, financial situation and needs.

12.2 SUMMARY OF THE LEGAL STRUCTURE OF THE MERGER

The Merger is intended to be effected by way of a statutory merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulations. Subject to the satisfaction of the conditions to the Merger summarized in Section (12.5) ("*Terms and Conditions of the Merger Agreement*") of this Circular (none of which may be amended or waived without the consent of both Banks), and upon Completion the assets and liabilities of Samba Group will be transferred to NCB, and NCB will continue to exist and Samba Group will cease to exist as a legal entity and its shares will be cancelled and the Consideration Shares will be issued to Samba Group shareholders that appear on the share register of Samba Group immediately after close of trading on the second trading period following the Effective Date.

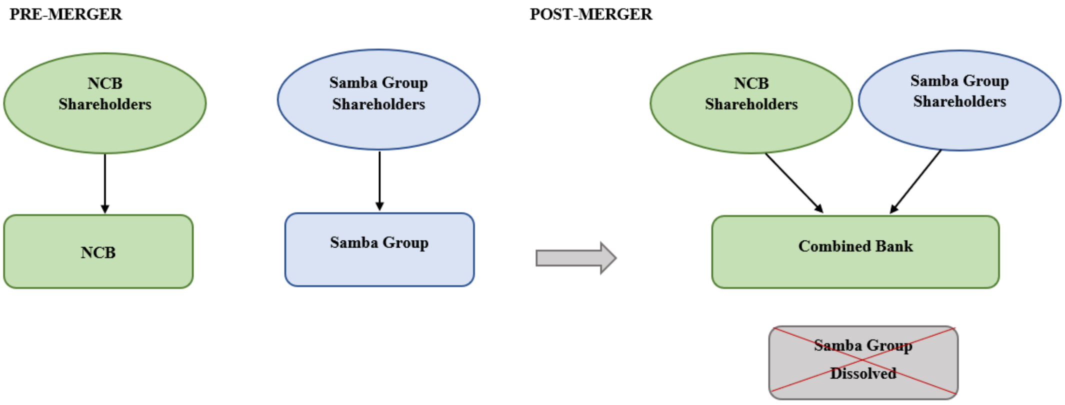
Pursuant to the Merger Agreement, the two Banks have agreed on the final Exchange Ratio of 0.739 shares in NCB for each share Samba Group shareholders own in Samba Group. This implies a total number of 1,478,000,000 Consideration Shares to be issued with a nominal value of SAR 10 per share, all of which are fully paid. The total nominal value of the Consideration Shares is SAR 14,780,000,000. The Consideration Shares will be issued by way of a capital increase, which will increase NCB fully paid-up capital by 49,3% from SAR 30,000,000,000 to SAR 44,780,000,000 and the number of its issued shares will increase from 3,000,000,000 to 4,478,000,000 fully paid-up. Upon Completion NCB's existing shareholders would own 67.4% of the Combined Bank (excluding treasury shares for both Banks) and Samba Group's existing shareholders would own 32.6% of the Combined Bank (excluding treasury shares for both Banks).

The total value of the Merger is determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 14,780,000,000. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 38.50 per NCB share on 21/02/1442H (corresponding to 08 October 2020G) (which is the last trading day prior to prior to the execution of the Merger Agreement) is SAR 56,903,000,000. The total value of the Consideration Shares (as will be recorded on the financial accounts of NCB) will be determined at a later stage on the basis of the closing price of NCB share on the last trading day prior to the Effective Date of the Merger. It should be noted that determining the total value of the Consideration Shares may affect the determination of the value of goodwill. For further information relating to goodwill impairment following the Merger, see Section (08.1.19) "*Risks relating to goodwill impairment following the Merger*" of this Circular.

In the event that the Exchange Ratio calculation produces a fractional share, the resulting figure will be rounded down to the nearest share. For example, if a Samba Group Shareholder holds 100 Samba Group shares, he or she will receive 73 Consideration Shares on the Effective Date (and not 74 Consideration Shares). NCB shall aggregate all fractional entitlements and sell, based on the shares market price at the time, the corresponding NCB shares on behalf of all Samba Group shareholders who would otherwise have been entitled to receive a fractional NCB share in the market for cash, and subsequently distribute the net cash proceeds to such Samba Group shareholders proportionate to their respective fractional entitlements within a period not exceeding thirty (30) days from Completion. Any expenses in relation to the sale of fractional shares, will be paid from the proceeds of such sale.

The two Banks have agreed under the Merger Agreement to appoint a specialized consulting firm to provide its advice regarding the name, logo and identity of the Combined Bank. Accordingly, the committee responsible for preparing the integration plan resolved that the proposed name (Saudi National Bank) shall be the new name of the Combined Bank upon the Effective Date of the Merger.

The below diagram is a simplified description of the Merger structure.



12.3 APPROVALS REQUIRED TO EFFECT THE MERGER

12.3.1 Government Approvals

A number of regulatory approvals must be obtained for the purposes of the implementation of the Merger as follows:

a) SAMA non-objection on the implementation of the Merger, the Capital Increase and the proposed amendments to the bylaws of NCB (as stipulated in Annex 1 of this Circular).
b) GAC non-objection on the economic concentration with respect to the Merger.
c) CMA approval for the Capital Increase request and publication of this Circular.
d) Tadawul approval for listing of the Consideration Shares on Tadawul.
e) MOC approval on the proposed amendments to NCB bylaws (as set out in Annex 1 of this Circular).
f) CMA approval to publish the invitation for the NCB EGM and Samba Group EGM. The EGM date will be announced on the Tadawul website.

All government approvals mentioned above have been obtained.

Whereas Samba Group has a Subsidiary in the Islamic Republic of Pakistan, the two Banks have applied for the approval of the State Bank of Pakistan and the Competition Commission of the Islamic Republic of Pakistan in relation to the transfer of ownership of Samba Group in this Subsidiary to the Combined Bank as part of the Merger. The approval of the Competition Commission of the Islamic Republic of Pakistan in this regard has been obtained. The initial approval has also been obtained from the State Bank of Pakistan, and a final approval is expected to be obtained at a later stage.

A number of regulatory authorities outside the Kingdom will also be notified about the change in control of Samba Group branches or change of ownership as a result of the Merger. Some of these authorities have the right not to accept such change (for more details about the risks related to not obtaining foreign regulatory approvals or failure to notify the relevant authorities (as applicable), please refer to Section (8.4.4) "*Risks relating to the interpretations and application of laws and regulations*" of this Circular).

12.3.2 Creditors' Objection Period

According to Article (193) of the Companies Law, any creditor of Samba Group has the right to object the Merger during the creditors' objection period (which shall be 30 days from the date of publishing the EGM resolutions approving the Merger). If any objection is raised during such period then the Merger will be suspended until such creditor withdraws its objection or until Samba Group pays such debt (if it is due and payable), or upon Samba Group or NCB providing sufficient guarantee to pay such debt (if the debt is not due). For more details on the creditors' objection period, see Section (12.7.3) "*Creditor Objection Period*" of this Circular.

12.4 SUMMARY OF MATERIAL CONTRACTS

12.4.1 Merger Agreement

On 24/02/1442H (corresponding to 11 October 2020G), NCB and Samba Group entered into the Merger Agreement. This Merger Agreement sets out the terms and conditions of the Merger (and NCB's and Samba Group's obligations in relation to the implementation of the Merger. The Merger Agreement contains limited warranties given by NCB and Samba Group on a reciprocal basis as well as restrictions on the conduct of business. For further details about the conditions to the Merger, see Section (12.5) ("*Terms and Conditions of the Merger Agreement*") of this Circular.

The Merger Agreement is subject to the approvals of NCB Shareholders and Samba Group shareholders. According to Article 191(4) of the Companies Law, a shareholder that holds shares in both NCB and Samba Group can only vote on the Merger Resolutions in the EGM of one of the Banks. For further details about voting and the banks EGM, see Section (12.7.2) ("*EGM Approval*") of this Circular.

12.4.1.1 Conduct of Business Requirements

The Merger Agreement included an obligation on the two Banks to refrain from taking particular actions in breach of specific restrictions stipulated in the Merger Agreement in relation to the method of conducting their business during the period between the date of entering into the Merger Agreement until the Effective Date of the Merger or the date on which the Merger Agreement is terminated in accordance with its terms (whichever occurs earlier) without obtaining the consent of the other party, noting that the other party cannot withhold its consent without a reasonable cause.

In the event that one of the two Banks violates any of these restrictions and this violation results in the occurrence of a Material Adverse Event, the other party will then have the right to terminate the Merger Agreement pursuant to a notice to be submitted to the violating party. For further details about the provisions for terminating the Merger Agreement, see Section (12.4.1.4) "*Termination of the Merger Agreement*" of this Circular.

The restrictions related to the conduct of business stipulated in the Merger Agreement require that none of the two Banks and members of their group act, or agree to act, in a way that would violate any of these restrictions, unless this is legally required. The following is a summary of the conduct of business requirements:

a) limiting the business that the two Banks and members of their group carry out to their ordinary course of business that is substantially consistent with their previous practices, provided that the relevant regulations are not violated in all cases;

b) refrain from making any material amendments or alterations to the general nature or scope of the business of the bank or any of its group members, or conducting any new material activities;

c) in relation to NCB, refrain from acquiring, or disposing of, any loan or loans with a value exceeding SAR 5,000,000,000 (or its equivalent in another currency);

d) in relation to Samba Group, refrain from acquiring, or disposing of, any loan or loans with a value exceeding SAR 2,500,000,000 (or its equivalent in another currency);

e) in relation to NCB, and with the exception of what falls within the ordinary course of business, refrain from acquiring, or disposing of, any material assets or entering into or amending an agreement or incurring any obligation in relation to such assets if that action will result in incurring compensation, expenses or obligations exceeding an amount of SAR 300,000,000 (or equivalent in another currency) in relation to a single asset, or a total amount of SAR 600,000,000 (or its equivalent in another currency) in relation to a group of assets;

f) in relation to Samba Group, and with the exception of what falls within the ordinary course of business, refrain from acquiring, or disposing of, any material assets or entering into or amending an agreement or incurring any obligation in relation to such assets if that action will result in incurring compensation, expenses or obligations exceeding an amount of SAR 150,000,000 (or equivalent in another currency) in relation to a single asset, or a total amount of SAR 300,000,000 (or its equivalent in another currency) in relation to a group of assets. In all cases, Samba Group shall refrain from incurring any amount exceeding SAR 25,000,000 in connection with any investment in the information technology of the Samba Group without the prior approval of NCB, unless this is required under the relevant regulations;

g) in relation to the two Banks (without members of their group), not to declare, make, set aside or pay any dividend or other distributions (whether in cash or in the form of share grants or any other form) for any period, unless this is consistent with (or less than) the change in the net profit of the relevant bank compared to the last similar period in which dividends were distributed based on its interim financial statements or audited financial statements (as the case may be);

h) not to amend the share capital;

i) not to increase or decrease the number of treasury shares or dealing in such shares;

j) not to amend the bylaws (other than as agreed pursuant to the Merger Agreement or as necessary or desirable to comply with applicable law);

k) not to employ new employees (except for the purpose of filling a pre-existing vacancy, and this does not include the CEO position or any position that is directly referenced to the CEO, for which a replacement may not be employed); and

l) not to employ any person whose services have been sought through external advisory firms or labour service providers.

12.4.1.2 Exceptions of Conduct of Business Requirements

The two Banks have agreed to determine a number of exceptions to the restrictions on conduct of business that allow each of the two Banks to carry out specific business and actions without being considered in breach of the restrictions on conduct of business referred to above, which are as follows:

a) All dealings in respect of the operation of any employee share, including the buy-back of treasury shares for the purposes of any such scheme, the vesting (i.e. transfer) of any of the Banks shares to employees under any such scheme, the award or allocation of any of the Banks shares under any such scheme, and all payments of dividends in respect of any such shares (as permitted by the Merger Agreement), in each case in accordance with applicable laws and the provisions of any such scheme that is in force as at the Merger Agreement date;
b) With respect to NCB, all dealings and expenditure in respect of the establishment, and operation, of NCB’s branch in London, United Kingdom, including (without limitation) (a) entering into the applicable leases; and (b) procuring the construction, development, fit-out and furnishings;
c) With respect to NCB, all dealing in respect of the merger of, or similar or alternative transaction concerning, AlAhli Takaful Company; and
d) With respect to Samba Group, all dealings and expenditure in respect of the establishment, and operation, of the offices and/or branches in Abu Dhabi, the Dubai International Financial Centre (DIFC) and King Abdullah Financial District (KAFD) including (without limitation): (a) entering into the applicable leases; and (b) procuring the construction, development, fit-out and furnishings.

12.4.1.3 Corporate Governance of the Combined Bank

Subject to procurement of relevant regulatory and shareholder approvals, both Banks have agreed pursuant to the Merger Agreement to take the necessary steps for implementing the following changes in respect of the Combined Bank board composition:

– to increase the Combined Bank board size from nine (9) to eleven (11) members following the Effective Date; and

– to appoint two (2) individuals (whom shall be nominated by Samba Group's current board within thirty (30) days prior to the Effective Date) to fill in the two additional board seats following the Effective Date.

As a result of the above changes, it is expected that, following the Effective Date, the composition of the board of the Combined Bank will be as follows:

– the current Substantial Shareholders of NCB and Samba Group (i.e. PIF, GOSI and PPA) will continue to have a number of directors representing them that is equal to their representation on the board of NCB as of the Completion (at present the PIF has four representatives, PPA and GOSI each have one representative in NCB board);

– two (2) directors will be nominated by Samba Group's current board (excluding the representatives of the Substantial Shareholders); and

– the remaining directors (currently, three (3) directors) will be from the then current board of NCB on the Effective Date (excluding the representatives of the Substantial Shareholders).

The two Banks have agreed, within five (5) Business Days following the Effective Date, to take the necessary steps in implementing the following:

– appoint Ammar AlKhudairy (the current chairman of Samba Group) as chairman of the board of directors of the Combined Bank; and

– appoint Saeed Al Ghamdi (the current chairman of NCB) as managing director and group chief executive officer of the Combined Bank.

These changes will only take effect upon the Effective Date. Until then, the current boards and executive management teams of both Banks will continue to lead their respective Banks independently.

12.4.1.4 Termination of the Merger Agreement

The Merger Agreement shall expire with immediate effect and thus all the rights and obligations of the two Banks under the Merger Agreement (with the exception of some rights and obligations that remain binding even after termination of the Merger Agreement, such as confidentiality and dispute resolution) will be terminated in any of the following cases:

1. NCB or Samba Group provides notice of termination of the Merger Agreement to the other party following breach by the other party of the Merger Agreement where such breach constitutes a Material Adverse Event including the following:
    a. to breach the obligations under clause (5) of the Merger Agreement which relates to the preparation and submission of required documentation to the CMA to approve the Offer Document and NCB's capital increase application, as well as the provision of all required information to facilitate the other party in preparing such documents.
    b. to breach any restrictions on the conduct of business set out in Section (12.4.1.1) of this Circular without the written approval of the other party.
    c. to breach any of the warranties which stipulate that all information provided to the other party in connection with the Merger including information that was provided during the course of the due diligence process and during the preparation of the Merger documents, including this Circular, was as at the date as to which it speaks true and accurate (in all material respects) and not misleading in a material respect; and warranties that neither party

has knowingly withheld any information that is material in the context of the Merger save for information which it has redacted at the knowledge of the other party during the due diligence investigation phase.

d. to provide a termination notice to the other party in the event that any of the required foreign approvals (which both Banks have agreed on its procurement necessity) obligations specified in the Merger Agreement (including (i) preparation and submission of CMA required documents for the CMA to provide its approval of publication of this Circular and NCB's capital increase; and (ii) providing all information required to the other party in order to prepare such documents);

2. NCB or Samba Group provides a termination notice to the other Bank in the event that any of the required foreign approvals (which both Banks have agreed as being necessary) specified in the Merger Agreement have been sought but not obtained (and the notifying party is reasonably confident that such approval shall not be obtained before the date of the NCB EGM and the Samba Group EGM); and the notifying party reasonably believes that the failure to obtain such approval is likely to have a material adverse effect on the Combined Bank;

3. Failing to satisfy any of Merger Agreement conditions or waive any conditions thereof prior to or on the long stop date being 11/10/2021G (unless both Banks agree in writing on another date);

4. the Effective Date does not occur prior to or on the final cut-off date set on 11 October 2021G (unless the Banks agree on another date, in writing); or

5. NCB and Samba Group agree to do so in writing.

12.5 TERMS AND CONDITIONS OF THE MERGER AGREEMENT

The Merger Agreement contains a number of conditions which are required to be satisfied for the purpose of effecting the Merger. The two Banks have committed to satisfy such conditions as soon as possible and coordinate with each other in order to satisfy these conditions. The two Banks have also agreed that it is not permissible to amend or waive any of these conditions without the written consent of both Banks. These conditions are summarized as follows:

1) obtaining all required approvals from SAMA with respect to the Merger;
2) obtaining all required approvals from the CMA with respect to the Merger;
3) obtaining the approval of Tadawul in relation to the listing of the Consideration Shares on Tadawul including any other approvals required from Tadawul with respect to the Merger;
4) obtaining GAC's non-objection with respect to the Merger or the expiry of the time period for reviewing the economic concentration application by GAC as specified in the Competition Law;
5) obtaining the approval of the MOC, SAMA or CMA (as applicable) in respect of the proposed amendments to NCB bylaws as set out in Annex 1 of this Circular;
6) obtaining all required consents and/or waivers from all relevant parties in connection with Samba Group's Euro Medium Term Notes Programme, or such notes being repaid or redeemed in full;
7) approving the Merger Resolutions by the requisite majority of NCB shares represented at the NCB EGM;
8) approving the Merger Resolutions by the requisite majority of Samba Group shares represented at the Samba Group EGM ;
9) no breach of the warranties provided by either Banks pursuant to the Merger Agreement, unless such breach is capable of remedy, where the breach has been remedied to the reasonable satisfaction of the non-breaching party; these warranties are as follows:
    a) each bank has the authority to enter into the Merger Agreement and execute all obligations arising thereof;
    b) all obligations arising out of the Merger Agreements are binding on both Banks;
    c) the execution of the Merger Agreement and all arising obligations thereof will not result in:
        1. a material breach on the bylaws of either Banks; or

2. a material breach to any material agreement or giving a right to a third party to terminate any material agreement to which any of the Banks is a party thereof (pursuant to the definition stipulated in the Merger Agreement), which would have a material adverse effect on the Merger or the Exchange Ratio, unless such agreement has been disclosed to the other Bank.

10) the creditor objection period having expired without any objections from the creditors, or in the event that any objection is submitted during this period, all Samba Group creditor objections (if any) having been withdrawn or addressed in accordance with the Companies Law;
11) no governmental body in the Kingdom (including any governmental authority or semi-governmental entity, legislative or regulatory agency, including the CMA, SAMA and GAC) having issued any resolution, law, instructions, order, ruling, or decree prohibiting the completion of the Merger in accordance with the terms of the Merger Agreement; and
12) the non-occurrence of a Material Adverse Event.

12.6 OTHER AGREEMENTS

Except for the framework agreement and the Merger Agreement, there are no other documents or agreements related to the Merger.

12.7 PROCEDURES REQUIRED TO EFFECT THE MERGER

Subject to satisfying all of the conditions set out in the Merger Agreement, there are certain procedures required to be completed for the purpose of effecting the Merger, which are as follows:

12.7.1. Government Approvals

A number of regulatory approvals must be obtained for the purposes of the implementation of the Merger as follows:

a) SAMA non-objection on the implementation of the Merger, the Capital Increase and the proposed amendments to the bylaws of NCB (as stipulated in Annex 1 of this Circular).

b) GAC non-objection on the economic concentration with respect to the Merger.

c) CMA approval for the Capital Increase request and publication of this Circular.

d) Tadawul approval for the listing of the Consideration Shares on Tadawul.

e) MOC approval for the proposed amendments to NCB bylaws (as set out in Annex 1 of this Circular).

f) CMA approval to publish the invitation for the NCB EGM and Samba Group EGM noting that the EGM date will be announced on the Tadawul website.

All government approvals mentioned above have been obtained.

Whereas Samba Group has a Subsidiary in the Islamic Republic of Pakistan, the two Banks have applied for the approval of the State Bank of Pakistan and the Competition Commission of the Islamic Republic of Pakistan in relation to the transfer of ownership of Samba Group in this Subsidiary to the Combined Bank as part of the Merger. The approval of the Competition Commission of the Islamic Republic of Pakistan in this regard has been obtained. The initial approval has also been obtained from the State Bank of Pakistan, and a final approval is expected to be obtained at a later stage.

In addition, other regulatory bodies outside the Kingdom will also be notified about the change in control of Samba Group branches or the change of ownership as a result of the Merger. Some of these bodies have the right not to accept such change (for more details about the risks related to failing to obtain foreign regulatory approvals or failure to notify the relevant authorities (as applicable), please refer to Section (8.4.4) "*Risks relating to the interpretations and application of laws and regulations*" of this Circular).

12.7.2. EGM Approval

The Merger is also conditional upon obtaining separate approvals at EGMs by NCB shareholders and Samba Group shareholders as follows:

a) obtaining the requisite majority approval of NCB shares represented at the NCB EGM on the Merger Resolutions; and
b) obtaining the requisite majority approval of Samba Group shares represented at the Samba Group EGM on the Merger Resolutions.

NCB and Samba Group will submit an application to the CMA to obtain its approval to convene the NCB EGM and Samba Group EGM shortly after the publication of this Circular. Following the CMA approval, NCB and Samba Group will publish the invitation for the respective EGMs, which shall be convened within a maximum period of twenty-eight (28) days as of the date of publishing this Circular (or any other date as agreed between the Banks and approved by the CMA).

The NCB EGM shall be valid only if attended by a number of shareholders representing at least one half of the capital of NCB. If such quorum is not met, a call shall be made for a second EGM to be held one hour after the expiry of the period prescribed for holding the first EGM (provided that the invitation to hold the first EGM shall indicate the possibility of holding a second EGM one hour after the end of the period specified for the first EGM in the event that the quorum required for holding the EGM is not met). The second EGM shall be valid only if attended by a number of Shareholders representing at least one fourth of the capital of NCB. If such quorum is not met, NCB shall obtain the approval of the CMA to hold a third EGM. Upon obtaining the approval of the CMA, NCB will publish the invitation for the EGM, and the EGM will be held after a period of not less than twenty-one (21) days as of the date of publishing the invitation. In all cases, the third EGM shall be valid regardless of the number of shareholders represented therein.

All shareholders who appear in the shareholders register of NCB and Samba Group (as applicable) by the end of trading on the same day of the relevant EGM will be eligible to vote (whether in person, by proxy or via remote/electronic voting), pursuant to the relevant procedures. the delegation of a proxy must be in writing, signed by the relevant shareholder and attested by the Chamber of Commerce, one of the banks, the CMA authorized persons, notary public, or persons authorized to notarize documentation. The proxy must show the original copy of the proxy in the EGM, along with a copy of the national identification, passport, or residence permit.

Merger Resolutions shall be approved in the NCB EGM if issued by a majority of three quarters of the shares represented in the EGM, either attending in person or by proxy. Furthermore, pursuant to Article 191(4) of the Companies Law, a shareholder that holds shares in both NCB and Samba Group can only vote on Merger Resolutions in the EGM of one of the Banks.

Shareholders are also able to vote on the EGM agenda remotely/electronically by using "Tadawulaty" which is a service provided by Tadawul, provided that the shareholders are registered with "Tadawulaty". The registration with "Tadawulaty" and the ability to vote remotely on the EGM agenda is available to all shareholders free of charge. For more information, please visit: www.tadawulaty.com.sa. The remote/electronic voting will commence at least three (3) days prior to the date of the EGM, and the exact dates during which the remote/electronic voting will be available will be announced as part of the EGM invitation.

Votes in the EGM shall be calculated on the basis of one (1) vote per share. Shareholders who fail to attend the EGM (whether in person or via remote/electronic voting) or instruct a proxy to attend on his or her behalf will forfeit their rights to vote in such EGM and their shares will not be counted as represent.

Whilst all shareholders have the right to vote on the resolutions proposed at the NCB EGM to approve the Merger (unless they are restricted due to a conflict of interest or any other restriction imposed by the relevant Saudi laws and regulations), shareholders residing outside of Saudi Arabia are hereby made aware that this Circular was not filed, notified or registered with any regulatory authority outside Saudi Arabia. Therefore, if a shareholder is based in a jurisdiction where voting on the Merger based on this

Circular requires any steps to be taken by NCB to lawfully enable such shareholder to vote on the Merger then that shareholder should not vote on the resolutions to be proposed at the NCB EGM. If such shareholder has nevertheless voted on the Merger Resolutions, then NCB reserves the right, after agreeing with Samba Group, not to proceed with the Merger unless the relevant resolutions are approved by the requisite majorities without counting the vote of that shareholder.

12.7.3. Creditors objection period

Following the EGM approval, NCB and Samba Group will publish the EGM resolutions. The publication shall stipulate the right of any creditors of Samba Group who are objecting to the Merger to notify Samba Group by registered letter delivered to Samba Group's main office, provided that such notification shall be given within thirty (30) days of the EGM resolutions publication date.

In accordance with the Companies Law, the Merger Resolutions take effect thirty (30) days after they are published provided that no credit objection has been made against the Merger by any of Samba Group creditors. If any objections are received within the aforesaid period the Merger shall be suspended until the relevant creditor withdraws its objection, Samba Group pays the relevant debt (if it is payable), or either Samba Group or NCB submits a sufficient guarantee or collateral to pay the debt (if it is not payable).

Pursuant to the Merger Agreement, the parties agreed that if an objection is raised by a creditor to the Samba Group during the Creditor Objection Period, the Merger will be suspended unless:

- the relevant creditor waives the objection to the Merger;
- either Samba Group pays any such creditor the amount due or agrees with such creditors to postpone the payment if such amount is payable prior to the end of the Creditor Objection Period or either Samba Group or NCB provides sufficient guarantee or collateral for the settlement of the amount due if such amount is payable after the end of the Creditor Objection Period, provided that such guarantee or collateral shall only become legally binding on NCB after the Effective Date; or
- a court of competent jurisdiction determines in a final judgment to reject an application of the creditor to suspend the Merger.

The two Banks also agreed to coordinate with each other and to take specific measures when dealing with any objection to ensure that they agree on the procedure to be taken with respect to each objection.

After the end of the Creditor Objection Period, Samba Group shall announce the results of such period on Tadawul as follows:

- confirmation that no creditor objections have been received by Samba Group during the Creditor Objection Period or that such objections were received but were since waived by the creditor(s), satisfied by Samba Group, payment has been postponed, a guarantee has been provided, or, to the extent applicable, that the court has rejected the application of the creditor(s) to suspend the Merger; or
- setting out the details of the creditor objections received and not satisfied in full as may be agreed between Samba Group and NCB. In such event, NCB shall also, after completing the settlement of all the objections received, announce such event on the Tadawul website.

12.7.4. Effective Date of the Merger

Following the later of (i) the expiry of the Creditor Objection Period or (ii) the resolution of the creditors objections (as explained above), the Merger Resolutions will become effective and the assets and liabilities of Samba Group will be transferred to NCB, and NCB will continue to exist and Samba Group will cease to exist as a legal entity by operation of law and its shares will be cancelled and the Consideration Shares will be issued to the shareholders of Samba Group that appear on the share register of Samba Group immediately after close of trading on the second trading period following the Effective Date. NCB shall issue an announcement on Tadawul confirming that the Merger has become effective.

12.8 LITIGATION AGAINST NCB

NCB and its Subsidiaries are involved in a number of existing litigation cases or claims, which are within their ordinary course of business, in addition to a number of labour claims, noting that none of these litigation cases or claims may have material effect on NCB's or any its Subsidiaries' business or its financial position. Furthermore, to the best of NCB's knowledge, there is no potential litigation or claim which may have a martial effect on NCB's or any of its Subsidiaries' business or financial position.

12.9 LITIGATION AGAINST SAMBA GROUP

Samba Group and its Subsidiaries are involved in a number of existing litigation cases or claims, which are within their ordinary course of business, in addition to a number of labour claims.

NCB has, based on the information provided by Samba Group, assessed the risks associated with these cases and concluded that a number of cases may result in an adverse financial impact on the Combined Bank if judgements were passed in favour of the plaintiffs. The value of the claims under these cases exceeds the amount of (SAR 6,000,000,000) as of the end of the third quarter of 2020G, noting that initial court rulings have been issued in favor of Samba Group to dismiss a number of these cases, in which the value of the claims exceed (SAR 4,000,000,000), however, such rulings are not final and are subject to appeal.

As these cases have not been provisioned for in the financial statements of Samba Group, NCB has taken these risks into account when agreeing on the Exchange Ratio, noting that the level of damage that was assumed based on the risks that was assessed may be less or greater than the actual damages which may affect the Combined Bank if the courts rule out in favour of the plaintiffs.

It has also become clear to NCB that there is a claim outside the Kingdom that may have an adverse effect on the Combined Bank and its reputation in the event that the court rules in favour of the plaintiffs, noting that the value of this claim is not specified and noting as well that Samba Group has confirmed (based on its counsel's advice outside the Kingdom) that this case is considered low risks, meaning that the chances of Samba Group winning the case are very good.

Furthermore, with the exception of the above case, there is no (based on Samba Group's confirmations) potential litigation cases or claims that could materially affect the business or financial position of Samba Group and its Subsidiaries.

For further information relating to Samba Group's risks pertaining to these lawsuits, see Section (8.2.2) ("*Risks relating to legal disputes and claims against Samba Group*") of this Circular.

12.10 BANKRUPTCY

None of the NCB directors (or the proposed directors of the Combined Bank), senior executives or the board secretary of the NCB board has been the subject of any bankruptcy action.

12.11 INSOLVENCY

None of the directors of NCB (or proposed directors of the Combined Bank), the senior executives or the board secretary of the NCB board, in the preceding five years, has been employed by any insolvent company in a managerial or supervisory capacity.

13. STATEMENTS BY EXPERTS

The advisors whose names are set in Section (3) ("*Corporate Directory*") of this Circular have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular, and do not themselves, their employees or their employees' relatives have any shareholding or interest of any kind in NCB or any of its Subsidiaries. No testimony from an expert was included in the Circular.

14. EXPENSES

The costs and expenses of completing the Merger are estimated at SAR 75,000,000. Such expenses include the fees of the legal advisor, financial advisor, auditors, financial due diligence advisor and other advisors, in addition to government fees, marketing, publication and other expenses related to the Merger. It should be noted that the costs and expenses referred to above do not include the NCB and Samba Group integration costs following Completion (for further details about the integration cost, see Section (8.1.8) ("*Risks relating to realising the anticipated cost savings, growth opportunities, synergies and other benefits anticipated from the Merger*").

15. WAIVERS

A waiver has been obtained from the CMA with respect to requirements set out under paragraph (o) of Article 3 and Article 48 of the MARs, whereby the Substantial Shareholders, who own shares in NCB and Samba Group and have representation in the board of NCB and/or Samba Group, will be entitled to vote on the Merger Resolutions in the EGM of either one of the Banks, subject to the voting restrictions applicable to their representatives in board and committee meetings. Therefore, Shareholders that are Related Parties (i.e. PIF, PPA, and GOSI) will be permitted to vote in the EGM of one of the Banks.

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16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office of NCB in Jeddah and its branch in Riyadh during normal business hours on any Business Day from the date of publication of this Circular up until the date of the NCB EGM:

1) The bylaws and articles of association of Samba Group, including all the amendments made to it to date (if any);
2) The Merger Agreement;
3) The audited financial statements of Samba Group for the financial years ended 31 December 2017G, 31 December 2018G, 31 December 2019G, and the six-month period ended on 30 June 2020G;
4) Valuation Report;
5) Pro forma condensed consolidated statement (unaudited); and
6) Advisors' consent letters to the use their names and logos in the Circular.

ANNEX 1
NCB BYLAWS AMENDMENTS IN CONNECTION WITH THE MERGER[39]

Article 1 of the Bylaws shall be deleted and replaced by the following text as the new Article 1:

1. the Saudi National Bank is a Saudi joint stock Company, incorporated in accordance with the provisions of the Companies Law and its Implementing Rules and Regulations, the Banking Control Law and its Implementing Rules and Regulations, and pursuant to the provisions of these Bylaws.

2. Samba Financial Group, with commercial registration number 1010035319 dated 6/2/1401H (corresponding to 13/12/1980G) ("**Samba Group**") merged into the Company, and all the rights, movable and immovable assets, and obligations of Samba Group were transferred to the Company. The Company is the successor to Samba Group in all of the above.

Article 2 of the Bylaws shall be deleted and replaced by the following text as the new Article 2:

The Company's name is the Saudi National Bank, a listed joint stock Company.

Article 3 of the Bylaws shall be deleted and replaced by the following text as the new Article 3:

Board of Directors: The Board of Directors of the Saudi National Bank

Bank: the Saudi National Bank

Company: the Saudi National Bank

SAMA: Saudi Central Bank

Authority: The Capital Market Authority.

Member: Any duly appointed member of the Board of Directors of the Saudi National Bank.

Bylaws: The Bylaws of the the Saudi National Bank as approved by the Extraordinary General Assembly.

Person: Any natural or juristic person.

Modern Technological Means: All means of communication, by which their purpose are realized by the knowledge of the notified person, including but without being limited to, (electronic mails, mobile text messages, personal electronic account with the Bank, etc….).

Capital Market Law: The Capital Market Law, promulgated by virtue of the Royal Decree No. (M/30), dated 02/06/1424 H., its Implementing Rules and Regulations and any of its subsequent amendments.

Banking Control Law: The Banking Control Law, promulgated by virtue of the Royal Decree No. (M/5), dated 22/02/1386 H., its Implementing Rules and Regulations and any of its subsequent amendments.

Shareholder: The owner of any share of the Company's issued shares.

Companies Law: The Companies Law promulgated by virtue of the Royal Decree No. (M/3), dated 28/01/1437 H., its issued Implementing Rules, Regulations and Instructions or any of its subsequent amendments.

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[39] Note: NCB intends to make a number of general amendments (not related to the Merger) to the bylaws, which will be voted on in the general assembly that will be held to vote on the Merger. It should be noted that the amended texts contained in this Annex reflect those amendments, as applicable. For more information on the nature of these general amendments, please review the assembly's agenda for the Merger, which will be published on the website of the Saudi Stock Exchange (Tadawul) at a later time.

Laws: All applicable laws and regulations in the Kingdom of Saudi Arabia issued by the competent authorities, as amended from time to time.

Article 6 of the Bylaws shall be deleted and replaced by the following text as the new Article 6:

The Company's head office shall be in the City of Riyadh. However, under a resolution by the Extraordinary General Assembly, the Company may move its head office to any other place in the Kingdom. The Company may open branches and offices and appoint agents therefor, within and outside the Kingdom, after obtaining the approval of SAMA and having a resolution passed by the Board of Directors, with due consideration to the laws and regulations in force in the Kingdom in that regard.

Article 8 of the Bylaws shall be deleted and replaced by the following text as the new Article 8:

The Company's capital is at Forty-Four Billion and Seven Hundred and Eighty Million Saudi Riyals (SAR 44,780,000,000), divided into Four Billion and Four Hundred Seventy-Eight Million (SAR 4,478,000,000) ordinary shares of equal value, with a nominal value of SR. (10) Ten Saudi Riyals each, fully paid-up, and such shares vest equal rights and obligations in all the Shareholders.

Article 16 of the Bylaws shall be deleted and replaced by the following text as the new Article 16:

The Company shall be managed by a Board of Directors consisting of eleven (11) members to be elected by the Ordinary General Assembly – upon obtaining the non-objection from SAMA – for a period of three (3) years by applying the cumulative voting method, after obtaining the non-objection from SAMA. A member whose term of office expires may be re-elected.

Article 19(1) of the Bylaws shall be deleted and replaced by the following text as the new Article 19(1):

If the position of one of the members of the Board of Directors becomes vacant, then the Board shall appoint a member in such vacant position, after obtaining a letter of non-objection from SAMA, provided that such member shall meet the experience and efficiency conditions. The Ministry of Commerce and the Authority shall be notified accordingly in accordance with the times set by each body, and that such appointment shall be brought before the Ordinary General Assembly in its first meeting in order to approve such appointment. The new member shall complete the term of his predecessor.

Article 24(2)(a) of the Bylaws shall be deleted and replaced by the following text as the new Article 24(2)(a):

1) Quorum of Meetings of the Board of Directors:

> a) A meeting of the Board of Directors shall be valid only if attended by at least six (6) members, or on their behalf.

ANNEX 2
FINANCIAL ADVISOR'S FAI`RNESS OPINION

J.P.Morgan

11th October, 2020

The Board of Directors
National Commercial Bank
King Abdul Aziz Street,
P.O. Box 3555,
Jeddah 21481,
Kingdom of Saudi Arabia

Members of the Board of Directors:

You have requested our opinion, as an independent financial advisor, as to the fairness, from a financial point of view, to National Commercial Bank (the "Company") of the Exchange Ratio (as defined below) in the proposed merger (the "Transaction") of the Company with Samba Financial Group ("Samba").

Pursuant to the Merger Agreement (the "Agreement"), to be entered into between the Company and Samba, Samba will merge with and into the Company, and each outstanding share of par value SAR10 per share in the share capital of Samba (the "Samba Shares"), will be converted into the right to receive 0.739 shares (the "Exchange Ratio") of par value SAR10 per share in the share capital of the Company (the "Company Shares").

Please be advised that while certain provisions of the Transaction are summarised above, the terms of the Transaction are more fully described in the Agreement. As a result, the description of the Transaction and certain other information contained herein is qualified in its entirety by reference to the more detailed information set out or incorporated by reference in the Agreement.

In arriving at our opinion, we have (i) reviewed the execution version dated 11th October 2020 of the Agreement; (ii) reviewed the Framework Agreement entered into by the Company and Samba on 25 June 2020; (iii) reviewed a draft dated 10th October of the Offer Document with respect to the Transaction (the "Offer Document"); (iv) reviewed certain publicly available business and financial information concerning Samba and the Company, the industries in which they operate and certain other companies engaged in businesses comparable to them; (v) compared the proposed financial terms of the Transaction with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies; (vi) compared the financial and operating performance of Samba and the Company with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Samba Shares and the Company Shares and certain publicly traded securities of such other companies;

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(vii) reviewed the audited financial statements of the Company and Samba for the fiscal years ended 2017, 2018, 2019 and for the six months period ended 30 June 2020; (viii) reviewed certain internal, unaudited financial analyses, projections, assumptions and forecasts prepared by or at the direction of the managements of Samba and the Company relating to their respective businesses for the fiscal years ended 2017, 2018, 2019 and for the six months period ended 30 June 2020, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the Transaction (the "Synergies"); and (ix) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of Samba and the Company with respect to certain aspects of the Transaction, and the past and current business operations of Samba and the Company, the financial condition and future prospects and operations of Samba and the Company, the effects of the Transaction on the financial condition and future prospects of the Company, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed, with your consent, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by Samba and the Company or otherwise reviewed by or for us. We have not independently verified any such information or its accuracy or completeness and, pursuant to our engagement letter with the Company, we did not assume any obligation to undertake any such independent verification. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of Samba or the Company under any laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections, assumptions and forecasts provided to us or derived therefrom, including the Synergies, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Samba and the Company to which such analyses, projections, assumptions or forecasts relate. We express no view as to such analyses, projections or forecasts (including the Synergies) or the assumptions on which they were based and the Company has confirmed that we may rely upon such analyses, projections, assumptions and forecasts (including the Synergies) in the delivery of this opinion. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will have the tax consequences described in the Offer Document and in discussions with, and materials furnished to us by, representatives and advisors of the Company, and will be consummated as described in the Agreement, and that the definitive Agreement and Offer Document will not differ in any material respects from the drafts thereof furnished to us. We have also assumed that the representations and warranties made by the Company and Samba in the Agreement and the related agreements are and will be true and

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correct in all respects material to our analysis. We are not legal, regulatory, accounting or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on Samba or the Company or on the contemplated benefits of the Transaction. In giving our opinion, we have relied on the Company's commercial assessments of the Transaction. The decision as to whether or not the Company enters into a Transaction (and the terms on which it does so) is one that can only be taken by the Company.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion.

Our opinion is limited to the fairness, from a financial point of view, to the Company of the Exchange Ratio in the proposed Transaction and we express no opinion as to the fairness of the Transaction to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Exchange Ratio in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion herein as to the price at which the Company Shares or the Samba Shares will trade at any future time. As a result, other factors after the date hereof may affect the value of the businesses of the Company and Samba after consummation of the Transaction, including but not limited to (i) the total or partial disposition of the share capital of the Company by shareholders of the Company within a short period of time after the effective date of the Transaction, (ii) changes in prevailing interest rates and other factors which generally influence the price of securities, (iii) adverse changes in the current capital markets, (iv) the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Company or Samba, (v) any necessary actions by or restrictions of governmental agencies or regulatory authorities, and (vi) timely execution of all necessary agreements to complete the Transaction on terms and conditions that are acceptable to all parties at interest. No opinion is expressed as to whether any alternative transaction might be more beneficial to the Company.

We have acted as financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company for our services, a substantial portion of which will become payable only if the proposed Transaction is consummated. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. During the two years preceding the date

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of this letter, we and our affiliates have had commercial or investment banking relationships with the Company for which we and such affiliates have received customary compensation. Such services during such period have included acting as financial adviser to the Company in 2019 in connection with its potential merger with Riyad Bank. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other significant financial advisory or other significant commercial or investment banking relationships with Samba. In addition, we and our affiliates hold, on a proprietary basis, less than 1% of the outstanding common stock of each of the Company and Samba. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Company or Samba for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Exchange Ratio in the proposed Transaction is fair, from a financial point of view, to the Company.

This letter is provided solely to the benefit of the Board of Directors of the Company in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. We have given, and not withdrawn, our consent to the inclusion of this opinion in the shareholder circular to be published by the Company in connection with the Transaction, subject to our prior review and approval of its terms, but it may not otherwise be disclosed publicly in any manner without our prior written approval. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction or any other matter.

The opinion is issued in the Arabic language and reliance may only be placed on this opinion as issued in the Arabic language. If any translations of this opinion are delivered, they are provided only for ease of reference and any English translations will have no legal effect and we make no representation as to (and accept no liability in respect of) the accuracy nor completeness of any such translations. The opinion issued in the Arabic language will prevail should there be any discreprencies between the Arabic and English versions.

Very truly yours,

J.P. Morgan Saudi Arabia Company

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ANNEX 3
THE ANNUAL AUDITED FINANCIAL STATEMENTS OF SAMBA GROUP

AS AT 31 DECEMBER 2017G, 31 DECEMBER 2018G, 31 DECEMBER 2019G AND THE SIX-MONTH PERIOD ENDED ON 30 JUNE 2020G

SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT FOR THE
YEAR ENDED DECEMBER 31, 2017

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Samba Financial Group (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statements of consolidated financial position as at December 31, 2017, and the statement of consolidated income, statement of consolidated comprehensive income, statement of consolidated changes in equity and statement of consolidated cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes from 1 to 39.

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, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

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:

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Zakat The Group files its zakat return with the General Authority of Zakat and Tax ("GAZT") on an annual basis. The GAZT has issued assessment orders for the years from 2004 up to 2009, which resulted in significant additional exposure amounting to Saudi Riyals 1,309 million. The additional assessments mainly relate to zakat resulting from certain long-term investments being considered as non-deductible by the GAZT for the purpose of computation of Zakat base and the addition of long-term financing to the Zakat base which consequently increased the zakat exposure. The interpretations of the GAZT are being challenged by the Group and the appeal proceedings are underway before the Higher Appeals Committee. Assessments for the years 2010 onwards are yet to be raised by the GAZT. However, in line with the assessments finalized by the GAZT for the years 2004 to 2009 which are currently being appealed, if long-term investments are disallowed and long-term financing is added to the Zakat base this would result in significant additional zakat exposure.The amount of the potential additional zakat exposure related to the years 2010 onwards are not disclosed in the consolidated financial statements as management believes that this can be prejudicial to the Bank and might affect the Bank's position in this matter. The management makes judgments about the incidence and quantum of zakat liabilities (which are subject to the future outcome of assessments by the GAZT) and based on such assessment, management is confident of a favourable outcome of the appeal process. We consider this as a key audit matter as it involves significant management estimation and assessment and the additional demand by the GAZT are material to the consolidated financial statements. Refer to note 2.26 of the consolidated financial statements for the accounting policies relating to	• In order to assess the status and likely outcome of the matter, we obtained the correspondence between the Group, GAZT and Group's independent external tax and zakat consultants to determine the amount of additional assessments made by the GAZT. We further obtained the related appeal documents to confirm the fact that the matter has been contested at various appellate forums and to assess the status of the outcome of those appeals. • We held meetings with those charged with governance and executive management of the Group to obtain an update on the Zakat matter and the results of their interactions with the relevant appeal committees. • We also used our internal specialist to assess the appropriateness of the exposure disclosed for the years assessed by the GAZT, and the appropriateness of management's judgements relating to the zakat matter in light of the facts and circumstances of the Group. • We also assessed the appropriateness of disclosures included in the consolidated financial statements of the Group.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Zakat and note 25 for the related disclosures for Zakat	
Impairment of available for sale investments As at December 31, 2017, the Group had aggregate available for sale investments of Saudi Riyals 24.39 billion. These investments comprise equities, sukuk and other investments, which are subject to the risk of impairment due to either adverse market situations and / or liquidity constraints faced by the issuers. For assessing the impairment of equity instruments, management monitors volatility of share prices and uses the criteria of significant or prolonged decline in fair values below costs as the basis for determining impairment. A significant or prolonged decline in fair value below cost represents an objective evidence of impairment. The determination of what is significant or prolonged requires judgment. In assessing whether it is significant, the decline in the fair value is evaluated against the original cost of the equity instrument. In assessing whether it is prolonged, the period in which the fair value of the equity instrument has been below its original cost is assessed and evaluated. Management considers sukuk and other debt instruments to be impaired when there is evidence of a deterioration in the financial health of the investee or else due to industry, country or sector performance, changes in technology and operational and financing cash flows which may result in the Bank not recovering substantially all of its principal and interest payment. We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the consolidated financial statements. Refer to note 2.14 of the consolidated financial statements for the accounting policy relating to the impairment of available for sale investments, note 2.5(c) for the critical accounting estimates and	We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for identifying significant or prolonged decline in the fair value of available for sale equity investments. For equity investments, on sample basis, we: • Assessed the appropriateness of management's criteria for determining the significant or prolonged decline in the value of investments; • Evaluated the basis for determining the fair value of investments; • Tested the valuations; and • Considered price fluctuation / movement during the holding period to determine if the decline in the fair value of the investment meets the significant or prolonged criteria. For sukuk and other debt instruments, on a sample basis, we assessed the creditworthiness of counter parties and assessed likely timing of cash flows from the instrument to evaluate any defaults based on the contractual terms and conditions of the issuance of these investments.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samha Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
judgments, and notes 28 and 30 for the disclosures of credit and market risks, respectively.	
Loan impairment At December 31, 2017, gross loans and advances of the Group were Saudi Riyals 119.66 billion against which impairment provision of Saudi Riyals 1.97 billion was maintained. This includes impairment against specific corporate loans and collective impairment recorded on a portfolio basis. We considered this as a key audit matter as the Group makes complex and subjective judgments and makes assumptions to determine the impairment and the timing of recognition of such impairment. In particular, the determination of impairment against loans and advances includes: o The identification of impairment events and methods and judgments used to calculate impairment against specific corporate loans and advances; o The use of assumptions underlying the calculation of collective impairment for portfolios of loans and advances, and the use of models to make those calculations; and o An assessment of the Group's exposure to certain industries affected by short-term economic conditions. Refer to note 2.13 of the consolidated financial statements for the accounting policy, note 2.5(a) which details the significant accounting estimates and judgments relating to impairment against loans and advances, note 2.14 which explains the impairment assessment methodology used by the Group and note 6 which details the disclosure of impairment against loans and advances.	We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for establishing and monitoring both specific and collective impairment provisions. These included controls over the identification of impaired loans and advances and the calculation of impairment provisions. We also tested entity level controls over the modelling process including model review and monitoring, approval of assumptions by senior management and the Group's relevant Committees, the data transfer from source systems to impairment model and model output to the general ledger. We tested a sample of loans and advances to form our own assessment as to whether impairment events had occurred and to assess whether impairment had been identified and recorded in a timely manner. For loans and advances, which are individually assessed for impairment, we considered the assumptions underlying the impairment identification including forecasted future cash flows, discount rates and estimated recovery, including recovery from any underlying collateral, etc. For individually assessed loans and advances, our sample also included exposures relating to borrowers operating in industries adversely affected by the current economic conditions. For collective impairment, we also assessed the appropriateness of the qualitative and

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
	quantitative changes in the underlying loan portfolio. We also tested, on a sample basis, extraction of data used in the models including grading of corporate loans, movements between various grades of corporate loans and analysis of loans into delinquency bandings for the retail portfolio.
Valuation of derivatives The Group has entered into various derivatives including commission rate swaps ("swaps"), forward foreign exchange contracts ("forwards"), currency, commission rate equity and commodity options ("options") and other derivative contracts. Swaps, forwards, options and other derivative contracts include over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of hedge ineffectiveness impact the hedge accounting as well. We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation in general and in certain cases due to use of complex modelling techniques and the valuation inputs that are not market observable. Refer to the significant accounting policies notes 2.5(b) for significant accounting estimates in connection with fair value of unquoted financial instruments, 2.7 to the consolidated financial statements for accounting policy relating to derivatives and hedge accounting and note 9 which discloses the derivative positions as at the reporting date.	We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuation of derivatives and hedge accounting including the testing of relevant automated controls covering the fair valuation process of derivatives. We selected a sample of derivatives and: • Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations. • Checked the accuracy and appropriateness of the key inputs to the valuation model. • Performed independent valuations of the derivatives and compared the result with management's valuation. • Checked hedge effectiveness performed by the Group and the related hedge accounting. • Considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of available for sale investments Available for sale investments comprise debt and equity investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates. Estimation uncertainty exists for those instruments which are not traded in an active market and where the internal modelling techniques use: ▪ significant observable valuation inputs (i.e. level 2 instruments); and ▪ significant unobservable valuation inputs (i.e. level 3 instruments). Estimation uncertainty is particularly high for level 3 instruments. The valuation of the Group's available for sale investments categorised as level 2 and 3 was considered a key audit matter given the degree of complexity involved in valuing these financial instruments and significance of the judgment and estimates made by management. Refer to notes 2.12(b) and 2.5(b) to the consolidated financial statements which explains the Group's accounting policy for available for sale investments and related estimates and judgements of management.	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for performing valuation of investments classified as available for sale, which are not traded in an active market. • We performed an assessment of the methodology and the appropriateness of inputs used to value available for sale investments not traded in an active market. • We tested the valuation of a sample of available for sale investments not traded in an active market. As part of these audit procedures, we assessed the key inputs used in the valuation.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Bank's 2017 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 2017 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 modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association, 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.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young	**PricewaterhouseCoopers**
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Abdulaziz A. Al-Sowailim	**Omar M. Al Sagga**
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License Number 277	License Number 369

Ernst & Young & Co. Public Accountants
Professional Licence No. 45

PricewaterhouseCoopers
Certified Public Accountants
License No. 25

9 Jumad Al Thani 1439H
(February 25, 2018)

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2017 and 2016

	Notes	2017 SAR'000	2016 (Restated) SAR'000
ASSETS			
Cash and balances with Central Banks	3	25,195,066	37,344,514
Due from banks and other financial institutions	4	11,031,480	9,599,656
Investments, net	5	63,912,410	51,392,810
Derivatives	9	6,514,708	4,442,059
Loans and advances, net	6, 33	117,684,729	125,234,330
Property and equipment, net	7	2,638,884	2,510,180
Other assets	8	633,802	965,038
Total Assets		**227,611,079**	**231,488,587**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	6,551,464	10,880,778
Customer deposits	11, 33	167,987,571	172,075,716
Derivatives	9	3,976,298	1,485,629
Other liabilities	12	4,413,594	4,501,696
Total Liabilities		**182,928,927**	**188,943,819**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	14	20,000,000	20,000,000
Statutory reserve	15	15,811,044	14,554,971
General reserve	15	130,000	130,000
Other reserves		98,514	(78,428)
Retained earnings		9,564,853	7,884,606
Proposed dividend	25	-	997,753
Treasury stocks		(1,021,743)	(1,045,623)
Total equity attributable to equity holders of the Bank		**44,582,668**	**42,443,279**
Non-controlling interest		99,484	101,489
Total Equity		**44,682,152**	**42,544,768**
Total Liabilities and Equity		**227,611,079**	**231,488,587**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh **Chief Financial Officer**	**Fahd Al-Mufarrij** **Director**	**Rania Nashar** **Chief Executive Officer**

Samba Financial Group

STATEMENTS OF CONSOLIDATED INCOME
For the years ended December 31, 2017 and 2016

	Notes	2017 SAR'000	2016 SAR'000
Special commission income	18	6,927,740	6,691,752
Special commission expense	18	1,195,515	1,309,468
Special commission income, net		**5,732,225**	**5,382,284**
Fees and commission income, net	19	1,422,735	1,584,807
Exchange income, net		298,702	563,920
Income from investments held at FVIS, net		150,073	49,396
Trading income (loss), net	20	94,377	(14,538)
Gains on non-trading investments, net	21	29,037	35,767
Other operating income,net	22	164,417	158,821
Total operating income		**7,891,566**	**7,760,457**
Salaries and employee related expenses	23	1,310,354	1,339,059
Rent and premises related expenses		353,941	350,504
Depreciation	7	123,565	121,341
Other general and administrative expenses		792,250	743,744
Provision for credit losses, net of recoveries	6	287,166	200,146
Total operating expenses		**2,867,276**	**2,754,794**
Net income for the years		**5,024,290**	**5,005,663**
Attributable to:			
Equity holders of the Bank		5,021,065	5,002,912
Non-controlling interest		3,225	2,751
		5,024,290	**5,005,663**
Basic and diluted earnings per share for the year (SAR)	24	**2.51**	**2.50**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh
Chief Financial Officer

Fahd Al-Mufarrij
Director

Rania Nashar
Chief Executive Officer

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016

	2017 SAR'000	2016 SAR'000
Net income for the years	5,024,290	5,005,663
Other comprehensive income for the year – items that may be reclassified subsequently to the statements of consolidated income:		
- Exchange differences on translation of foreign operations	(27,399)	(11,135)
Available for sale financial assets:		
- Change in fair values	130,481	(109,273)
- Transfers to statements of consolidated income	(29,037)	(39,495)
Cash flow hedges:		
- Change in fair values	153,826	(82,789)
- Transfers to statements of consolidated income	(56,159)	(51,761)
Other comprehensive income (loss) for the years	**171,712**	**(294,453)**
Total comprehensive income for the years	**5,196,002**	**4,711,210**
Attributable to:		
Equity holders of the Bank	5,198,007	4,718,977
Non-controlling interest	(2,005)	(7,767)
Total	**5,196,002**	**4,711,210**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016

		Attributable to equity holders of the Bank			Other reserves								
(SR '000)	Note	Share capital	Statutory reserve	General reserve	Exchange translation reserve	AFS financial assets	Cash flow hedges	Retained earnings	Proposed dividends	Treasury stocks	Total	Non-controlling interest	Total equity
Balance at the beginning of the year as originally reported		20,000,000	14,554,971	130,000	(168,991)	217,056	(126,493)	7,884,606	1,234,000	(1,045,623)	42,679,526	101,489	42,781,015
Effect of change in accounting policy	37	-	-	-	-	-	-	-	(236,247)	-	(236,247)	-	(236,247)
Balance at the beginning of the year as restated		20,000,000	14,554,971	130,000	(168,991)	217,056	(126,493)	7,884,606	997,753	(1,045,623)	42,443,279	101,489	42,544,768
Transfer to statutory reserve	15	-	1,256,073	-	-	-	-	(1,256,073)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	34,855	-	23,880	58,735	-	58,735
Dividend paid for 2017 (interim) and 2016 (final)	25	-	-	-	-	-	-	(1,494,400)	(997,753)	-	(2,492,153)	-	(2,492,153)
Subtotal		20,000,000	15,811,044	130,000	(168,991)	217,056	(126,493)	5,168,988	-	(1,021,743)	40,009,861	101,489	40,111,350
Net income for the year		-	-	-	-	-	-	5,021,065		-	5,021,065	3,225	5,024,290
Other comprehensive (loss)/income for the year	16	-	-	-	(22,169)	101,444	97,667	-	-	-	176,942	(5,230)	171,712
Total comprehensive income for the year		-	-	-	(22,169)	101,444	97,667	5,021,065	-	-	5,198,007	(2,005)	5,196,002
Provision for zakat & income tax	25	-	-	-	-	-	-	(625,200)	-	-	(625,200)	-	(625,200)
Balance at end of the year		20,000,000	15,811,044	130,000	(191,160)	318,500	(28,826)	9,564,853	-	(1,021,743)	44,582,668	99,484	44,682,152
Balance at the beginning of the year as originally reported		20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	1,134,000	(1,046,336)	40,250,601	109,256	40,359,857
Effect of change in accounting policy	37	-	-	-	-	-	-	-	(239,110)	-	(239,110)	-	(239,110)
Balance at the beginning of the year as restated		20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	894,890	(1,046,336)	40,011,491	109,256	40,120,747
Transfer to statutory reserve	15	-	1,251,416	-	-	-	-	(1,251,416)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	43,235	-	713	43,948	-	43,948
Dividend,zakat and income tax paid for 2016 (Interim) and dividend paid for 2015 (final)	25	-	-	-	-	-	-	(1,200,000)	(894,890)	-	(2,094,890)	-	(2,094,890)
Proposed final dividend 2016		-	-	-	-	-	-	(997,753)	997,753	-	-	-	-
Subtotal		20,000,000	14,554,971	130,000	(168,374)	365,824	8,057	3,117,941	997,753	(1,045,623)	37,960,549	109,256	38,069,805
Net income for the year		-	-	-	-	-	-	5,002,912	-	-	5,002,912	2,751	5,005,663
Other comprehensive loss for the year	16	-	-	-	(617)	(148,768)	(134,550)	-	-	-	(283,935)	(10,518)	(294,453)
Total comprehensive income for the year		-	-	-	(617)	(148,768)	(134,550)	5,002,912	-	-	4,718,977	(7,767)	4,711,210
Provision for zakat & income tax	25	-	-	-	-	-	-	(236,247)	-	-	(236,247)	-	(236,247)
Balance at end of the year (Restated)		20,000,000	14,554,971	130,000	(168,991)	217,056	(126,493)	7,884,606	997,753	(1,045,623)	42,443,279	101,489	42,544,768

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended December 31, 2017 and 2016

	Notes	2017 SAR'000	2016 SAR'000
OPERATING ACTIVITIES			
Net income for the years		5,024,290	5,005,663
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments,net		30,036	(45,136)
Income from investments held at FVIS, net		(150,073)	(49,396)
Gain on non-trading investments, net	21	(29,037)	(35,767)
Depreciation	7	123,565	121,341
Gain on disposal of property and equipment, net	22	(7,792)	(73)
Provision for credit losses, net of recoveries	6	287,166	200,146
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		318,040	266,597
Due from banks and other financial institutions maturing after ninety days		(5,289,215)	2,016,017
Investments held for trading		674,255	728,276
Derivatives		(2,072,649)	(1,835,927)
Loans and advances		7,262,435	4,566,754
Other assets		331,236	(264,867)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,329,314)	(8,316,452)
Customer deposits		(4,088,145)	271,182
Derivatives		2,490,669	875,728
Other liabilities		(559,954)	798,545
Net cash from operating activities		**15,513**	**4,302,631**
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		6,794,354	80,447,570
Purchase of non-trading investments		(19,737,691)	(62,634,939)
Purchase of property and equipment, net of exchange adjustments		(252,521)	(370,028)
Proceeds from sale of property and equipment		8,044	5,792
Net cash (used in) / from investing activities		**(13,187,814)**	**17,448,395**
FINANCING ACTIVITIES			
Dividends paid		(2,575,233)	(2,283,938)
Treasury stocks, net		58,735	43,948
Net cash used in financing activities		**(2,516,498)**	**(2,239,990)**
(Decrease) / increase in cash and cash equivalents		**(15,688,799)**	**19,511,036**
Cash and cash equivalents at the beginning of the year	26	36,662,047	17,151,011
Cash and cash equivalents at the end of the year	26	**20,973,248**	**36,662,047**
Special commission received during the year		6,793,429	6,661,570
Special commission paid during the year		1,526,606	834,029
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		199,111	(283,318)

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh	**Fahd Al-Mufarrij**	**Rania Nashar**
Chief Financial Officer	**Director**	**Chief Executive Officer**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

1. General

Samba Financial Group (the Bank), a joint stock company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980) through its 73 branches (2016: 72 branches) in the Kingdom of Saudi Arabia and three overseas branches (2016: three branches). The Bank including its overseas branches employed 3,360 full time direct staff at the year-end (2016: 3,560). The Bank is listed on the Saudi Arabian stock exchange and its head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides Shariah approved Islamic banking products to its customers.

The consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group":

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the securities business regulations issued by the Capital Market Authority (CMA), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company under commercial registration number 1010237159 issued in Riyadh dated 6 Shaa'ban 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advising and custody businesses. The company is licensed by the CMA and has commenced its business effective January 19, 2008. Samba Capital was converted from a limited liability company to a closed joint stock company on 28 Rajab 1438H (April 25, 2017), which is the date of commercial registration of the closed joint stock company.

During the current year, Samba Capital has formed a wholly owned subsidiary "Samba Investment Real Estate Company" which is incorporated in the Kingdom of Saudi Arabia under commercial registration number 1010715022 issued in Riyadh dated 23 Shawaal 1438H (July 17, 2017). The company has been formed as a limited liability company (sole ownership) and is engaged in managing real estate projects for on and on behalf of a mutual fund managed by Samba Capital.

Samba Bank Limited, Pakistan (SBL)

An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on Pakistan Stock Exchange.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments through an entity; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757 issued in Riyadh dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed as a limited liability company with the approval of Saudi Arabian Monetary Authority (SAMA) and is engaged in managing real estate projects on behalf of the Bank.

Samba Global Markets Limited

A wholly owned company incorporated as a limited liability company under the laws of Cayman Islands on February 1, 2016, with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax (See note 2.2 below).The Group prepares its consolidated financial statements also to comply with the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and its Articles of Association.

2.2 Basis of preparation and presentation

The consolidated financial statements of the Group have been prepared:

- in accordance with 'International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings; and

- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Article of Association of the Bank.

Further, the above SAMA Circular has also repealed the existing Accounting Standards for Commercial Banks, as promulgated by SAMA, and are no longer applicable from January 1, 2017. Refer note 2.26 for the accounting policy of zakat and income tax and note 37 for the impact of change in the accounting policy resulting from the SAMA Circular.

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, available for sale and FVIS financial assets and liabilities. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

Under article 37 of the Bank's Articles of Association, the Gregorian calendar is observed for reporting the consolidated financial statements.

These consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

2.3 Consolidation

These consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies except for Co-Invest Offshore Capital Limited (COCL) whose financial statements are made up to the previous quarter end for consolidation purposes to meet the group reporting timetable. However any material changes during the interim period are adjusted for the purposes of consolidation. In addition, wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Significant intragroup balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed-off during the year are included in the statement of consolidated income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net income or loss and net assets not owned, directly or indirectly, by the Group in subsidiaries and are presented in the statements of consolidated income and within equity in the statements of consolidated financial position separately from the equity holders of the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of acquisition is measured at the fair value of the consideration given at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as intangible asset – goodwill.

In addition to the subsidiaries stated above under note 1, the Bank is also party to certain special purpose entities which are formed with the approval of SAMA solely to facilitate certain Shariah complaint financing arrangements. The Bank has concluded that these entities cannot be consolidated as it does not control these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

2.4 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 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 best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). 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.

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

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

2.5 Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(a) Impairment for credit losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recognized, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment of borrowers in a group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques including models are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Impairment of available for sale equity investments

The Group exercises judgment to consider impairment on its available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, management evaluates among other factors, the normal volatility in share price. In addition, management considers impairment to be appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.6 Settlement date accounting

All regular way purchases and sales of financial instruments are recognized and derecognized on the settlement date. 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. For financial instruments held at fair value, the Group accounts for any change in fair values between the trade date and the reporting date.

2.7 Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

Derivative financial instruments are designated as held for trading unless they are part of an effective hedging relationship. Any changes in the fair values of derivatives that are held for trading purposes are taken directly to the statements of consolidated income.

Hedge accounting

Hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability.

In order to qualify for hedge accounting, the hedge is required to be highly effective at inception i.e. the changes in the fair value or the 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 the 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. Hedge accounting is discontinued when the designation is revoked, the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting.

In relation to fair value hedges that meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to change in fair value is recognized immediately in the statements of consolidated income. The corresponding change in fair value of the hedged item is adjusted against the carrying amount and is recognized in the statements of consolidated income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment to the carrying value resulting from fair value changes is amortized to the statements of consolidated income over the remaining life of the hedged item.

In relation to cash flow hedges that meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under equity and the ineffective portion, if any, is recognized in the statements of consolidated income. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statements of consolidated income in Net trading income. Gains or losses recognized initially in other reserves are transferred to the statements of consolidated income in the period in which the hedged item impacts the statements of consolidated income.

2.8 Foreign currencies

The consolidated financial statements are denominated and presented in Saudi Arabian Riyals, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year (other than monetary items that form part of the net investments in a foreign operation) are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. 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 underlying financial asset. Non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost are translated using the spot exchange rates as at the date of the initial transaction.

Realized and unrealized gains or losses on exchange are credited or charged to the statements of consolidated income.

The assets and liabilities of overseas branches and subsidiaries are translated at the rate of exchange prevailing at the reporting date. The statements of income of overseas branches and subsidiaries are translated at the average exchange rates for the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity through the statement of consolidated comprehensive income.

2.9 Offsetting

Financial assets and liabilities are offset and reported net in the statements of consolidated financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.10 Revenue recognition

Special commission income and expense including the fees which are considered an integral part of the effective yield of a financial instrument, are recognized in the statements of consolidated income using the effective yield method, and include premiums amortized and discounts accreted during the year. Special commission income on loans and advances which is received but not earned is netted off against the related assets.

Fee from banking services are recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the loan when it is drawn down. Portfolio and other management advisory and service fees are recognized 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 recognized rateably over the period when the service is being provided. Dividend income is recognized when declared and right to receive is established. Any fee income received but not earned is classified as "other liability".

The calculation of the effective commission rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition or the issue of financial asset or liability.

Exchange income is recognized as and when it arises. For presentation purposes, "Exchange income, net" includes exchange related gains and losses from derivative financial instruments and translated foreign currency assets and liabilities.

2.11 Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statements of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, available for sale and other investments at amortized 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 the sale and the repurchase price is treated as special commission expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statements of consolidated financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

2.12 Investments

All investment securities are initially recognized at fair value and except for investments held at FVIS, include the acquisition costs associated with the investment. Transaction costs if any are not added to fair value measurement at initial recognition of investments held at FVIS and are included in the statement of consolidated income. Premiums are amortized and discounts are accreted using the effective yield method and are taken to statements of consolidated income.

For securities that are traded in organized financial markets, fair value is determined by reference to the prevailing quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected future cash flows or the underlying net asset base of the security.
Following initial recognition of investment securities, subsequent transfers between the various classes of investment are not ordinarily permissible. Subsequent measurement for each class of investments are determined as follows:

a) Held at fair value through income statement (FVIS)
Investments in this category are classified as either held for trading or those designated as FVIS upon initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term. An instrument which is part of a portfolio classified as held for trading, may include items held for a longer period of time due to market conditions or position management. An investment may be designated as FVIS by the management if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases; or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

After initial recognition, investments are measured at fair value and gains and losses arising from any change in the fair value are recognized in the statements of consolidated income for the period in which it arises.

b) Available for sale
Investments that are classified as available for sale are subsequently measured at fair value. For available for sale investments where fair value has not been hedged, any gain or loss arising from a change in the fair value is recognized directly through the statements of consolidated comprehensive income in fair value reserve under equity until the investment is derecognized or considered impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statements of consolidated income for the period.

Any gain or loss arising from a change in the fair value of available for sale investments that are part of an effective hedging relationship is recognized directly in the statements of consolidated income to the extent of the changes in fair value being hedged.

c) Other Investments held at amortized cost
Investments with fixed or determinable payments that are not quoted in an active market, other than those purchased with the intent to be sold immediately or in the short term and are not classified as available for sale, are classified as other investments held at amortized cost. Such investments where fair value has not been hedged are stated at amortized cost, less provision for

any impairment. Any gain or loss is recognized in the statements of consolidated income when the investment is derecognized or impaired.

d) Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than those that the Group designates as FVIS, available for sale and those that meet the definition of other investments held at amortized cost are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition on an effective yield method.

Any gain or loss on such investments is recognized in the statements of consolidated income when the investment is derecognized or impaired.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Group's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

2.13 Loans and advances

Loans and advances are non-derivative financial assets having fixed or determinable payments that are not quoted in an active market.

All loans and advances are initially measured at fair value including acquisition charges associated with the loans and advances, if any. Following initial recognition, subsequent transfers between the various classes of loans and advances is not ordinarily permissible.

Loans and advances that are not quoted in an active market and for which fair value has not been hedged are stated at amortized cost. For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

For presentation purposes, provision for credit losses is netted from loans and advances.

2.14 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. Objective evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted. Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognized based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of consolidated income.

Renegotiation activity is designed to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activity may involve extending the payment arrangements and/or the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

(a) Impairment of financial assets held at amortized cost

A financial asset is classified as impaired when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A specific provision for credit losses due to impairment of a loan or any other financial asset held at amortized cost is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective special commission rate.

In addition to specific provision for credit losses, a provision for collective impairment is made on a portfolio basis for credit losses where there is an objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions.

For financial assets at amortised cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statements of consolidated income.

(b) Impairment of financial assets held as available for sale

For financial assets held as available for sale at fair value, where a loss has been recognised directly under equity, the cumulative net loss recognised in equity is transferred to the statements of consolidated income when the asset is considered to be impaired. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

However, for equity investments held as available for sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss against available for sale equity instruments cannot be reversed through the statements of consolidated income as long as the asset continues to be recognised i.e. any increase in fair value after impairment can only be recognised in equity. On de-recognition, any cumulative gain or loss previously recognised in equity is included in the statements of consolidated income for the period.

2.15 Other real estate owned

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related real estate, less any cost to sell.

Subsequent to the initial recognition, these other real estate owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gains or losses on disposal and unrealized losses on revaluation are credited or charged to the statements of consolidated income.

2.16 Property and equipment

Property and equipment are stated at historical cost 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
Leasehold improvements	Over the lease period or economic life (10 years), whichever is shorter
Furniture, equipment and vehicles	Up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals of property and equipment are included in the statements of consolidated income.

2.17 Intangible assets - goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Bank's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses, which are charged to the statements of consolidated income. An impairment test for goodwill is carried out annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss recorded against goodwill cannot be reversed.

2.18 Financial liabilities

All financial liabilities including customer and money market deposits and debt securities issued are initially recognized at fair value less transaction costs except for financial liabilities measured at FVIS where transactions cost, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statements of consolidated income.

Subsequently, all special commission bearing financial liabilities other than those held at FVIS are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement. Special commission bearing deposits for which there is an associated fair value hedging relationship are adjusted for fair value to the extent hedged.

Financial liabilities held at FVIS comprise market linked financial liabilities which are customer deposits where the rate of return is benchmarked to the performance of underlying instruments such as currencies, equities or commodities. At maturity, the repayment of principal amount to the customers is in accordance with the contractual terms. After initial recognition these deposits are measured at fair value and any gains or losses arising from the change in fair value are included in the statements of consolidated income for the year.

2.19 Financial guarantees

In the ordinary course of business, the Group extends credit related commitments consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the unamortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of guarantees. The premium received is recognized in the statements of consolidated income over the life of the guarantee.

2.20 Provisions

Provisions are recognized when a reliable estimate can be made 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.

2.21 Cash and cash equivalents

For the purpose of the statements of consolidated cash flows, cash and cash equivalents comprise cash, balances with Central Banks and reverse repos (excluding statutory deposit) and due from banks and other financial institutions having an original maturity of three months or less.

2.22 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.23 Equity-based payments

The Bank offers its eligible employees an equity-settled share-based payment plan (the "Plan") as approved by SAMA.

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Bank are offered shares at a predetermined benchmark price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Bank delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of these plans is measured by reference to the fair value at the date on which the shares are granted. The fair value of the plan is determined with reference to the market value of the shares at the inception of the plan using the discounted cash flow model.

The cost of the plans is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled the shares ('the vesting date'). The cumulative expense recognized for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of consolidated income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party to acquire a beneficial interest in the underlying shares solely to manage the price risks associated with the above plans. Under the provisions of such agreement, the Bank, at no point, becomes the legal owner of the underlying shares.

2.24 Employee benefit obligations

The Bank operates an end of service benefit plan for its employees. The provision under this plan is made based on an actuarial valuation of the Bank's liability under the Saudi Arabian Labour Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries.

2.25 Treasury stock

Treasury stocks are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these stocks are carried at the amount equal to the consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its equity-based payment plans and also include stocks acquired in settlement of customer debt.

2.26 Zakat and income taxes

Under Saudi Arabian Zakat and Income tax laws, Zakat and income taxes are the liabilities of the Saudi and foreign shareholders, respectively.

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are not charged to the Bank's statements of consolidated income. They are paid on behalf of and are deducted from the dividends paid to the shareholders. Please refer to Note 2.29 for change in accounting policy. Overseas branches and subsidiaries are subject to income tax as per rules and regulations of the country in which they reside.

2.27 Investment management services

The Bank offers certain investment management and advisory services to its customers through its subsidiary. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds in consultation with professional investment advisors. The Bank's investment in these funds is included in the FVIS or available for sale investments and fees earned are disclosed under related party transactions.

Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund and the investors' right to remove the fund manager. Based on the assessment carried out by the Bank, it has concluded that it acts as an agent for the investors in all the cases and therefore it has not consolidated these funds in these financial statements.

In addition, the assets held in a trust or fiduciary capacity are not treated as assets of the Bank or that of its subsidiary and accordingly are not included in the Group's statements of consolidated financial position.

2.28 Shariah approved banking products

In addition to conventional banking, the Bank offers its customers certain Shariah compliant banking products, which are approved by its Shariah Board.

All Shariah compliant banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

2.29 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the:-

- amendment to accounting policy relating to Zakat and income tax. The Bank now accrues liabilities for Zakat and income tax on a quarterly basis. Previously, Zakat and income tax were deducted from dividends upon payment of dividend to the shareholders and were recognized as liabilities at that time. The above change in accounting policy has been retrospectively accounted for in these consolidated financial statements and therefore, corresponding figures have been restated and the effects of the above change are disclosed in note 37 to the consolidated financial statements. Consistent with previous years, Zakat and income tax continues to be charged to retained earnings as required by SAMA circular relating to accounting for Zakat and Income tax.

- amendments to IAS 7: Statement of cash flows on disclosure initiative - This amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This did not have any significant impact on the financial position or the performance of the Group.

3. Cash and balances with Central Banks

	2017 SAR '000	2016 SAR '000
Cash in hand	1,214,448	1,395,760
Statutory deposit	9,242,179	9,560,219
Current account	665,026	405,159
Money market placements	14,073,413	25,983,376
Total	**25,195,066**	**37,344,514**

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other Central Banks at stipulated percentages of its demand, savings, time and other deposits, as calculated at the end of each month. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

4. Due from banks and other financial institutions

	2017 SAR '000	2016 SAR '000
Current accounts	3,230,367	4,553,282
Money market placements	7,801,113	5,046,374
Total	**11,031,480**	**9,599,656**

The qualitative analysis of due from banks and other financial institutions is as follows:

	2017 SAR '000	2016 SAR '000
Investment grade	10,643,643	9,253,863
Non Investment Grade	387,837	345,793
Total	**11,031,480**	**9,599,656**

5. Investments, net

a) Investment securities are classified as follows:

i) Held at fair value through income statement (FVIS)

	Domestic		International		Total	
	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000
Fixed rate securities	262,159	127,676	53,187	733,888	**315,346**	**861,564**
Structured credits	-	-	62,784	90,645	**62,784**	**90,645**
Hedge funds	-	-	1,898,941	1,848,775	**1,898,941**	**1,848,775**
Equities	-	-	-	269	-	**269**
Total Held at FVIS	**262,159**	**127,676**	**2,014,912**	**2,673,577**	**2,277,071**	**2,801,253**

FVIS investments above include investments held for trading of SAR 312.8 million (2016: SAR 861.8 million). The designated FVIS investments included above are so designated when the financial instruments include one or more embedded derivatives or are being evaluated on a fair value basis and are in accordance with the documented risk management strategy of the Group.

ii) Available for sale

	Domestic		International		Total	
	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000
Fixed rate securities	2,378,119	2,399,443	7,369,155	6,727,937	**9,747,274**	**9,127,380**
Floating rate notes	4,227,774	2,689,583	6,791,386	4,563,371	**11,019,160**	**7,252,954**
Private equity	-	-	620,956	671,500	**620,956**	**671,500**
Equities	2,918,704	2,661,369	80,492	31,911	**2,999,196**	**2,693,280**
Total Available for sale	**9,524,597**	**7,750,395**	**14,861,989**	**11,994,719**	**24,386,586**	**19,745,114**

iii) Held to maturity

	International		Total	
	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000
Fixed rate securities	3,178,930	2,981,574	**3,178,930**	**2,981,574**
Total Held to maturity	**3,178,930**	**2,981,574**	**3,178,930**	**2,981,574**

iv) **Other investments held at amortized cost, net**

	Domestic		International		Total	
	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000	2017 SAR '000	2016 SAR '000
Fixed rate securities	18,148,605	10,640,725	157,452	137,214	**18,306,057**	**10,777,939**
Floating rate notes	15,294,513	14,923,715	-	-	**15,294,513**	**14,923,715**
Mudaraba investments	-	-	469,253	163,215	**469,253**	**163,215**
Total other investments held at amortized cost	**33,443,118**	**25,564,440**	**626,705**	**300,429**	**34,069,823**	**25,864,869**
Total investments, net	**43,229,874**	**33,442,511**	**20,682,536**	**17,950,299**	**63,912,410**	**51,392,810**

b) The composition of investments is as follows:

	2017 (SAR'000)			2016 (SAR'000)		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed rate securities	12,584,217	18,963,390	**31,547,607**	12,435,562	11,312,895	**23,748,457**
Floating rate notes	10,852,760	15,460,913	**26,313,673**	7,110,269	15,066,400	**22,176,669**
Equities	3,003,504	616,648	**3,620,152**	2,697,975	667,074	**3,365,049**
Mudaraba investments	-	469,253	**469,253**	-	163,215	**163,215**
Others	62,784	1,898,941	**1,961,725**	90,645	1,848,775	**1,939,420**
Total	**26,503,265**	**37,409,145**	**63,912,410**	**22,334,451**	**29,058,359**	**51,392,810**

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, sukuks, treasury bills, hedge funds and private equities. In view of the nature of the market for such securities, carrying values are determined either by using an appropriate pricing model or net asset values, as provided by independent third parties. Included in fixed rate securities above are securities pledged under repurchase agreements with other banks and customers whose carrying value at December 31, 2017 was SAR 4,867 million (2016: SAR 2,967 million). Also see note 17(d).

Mudaraba is an arrangement approved by the Shariah Board under which the Bank provides funds to customers for a specified business activity. The returns under such arrangements are shared between the Bank and customer on a predetermined basis. Mudaraba investments are included under 'Other investments held at amortized cost'. The fair values of these Mudaraba investments are not expected to be significantly different from their carrying values.

c) The analysis of unrecognized gains and losses and fair values of held to maturity and other investments held at amortized cost are as follows:

	2017 (SAR'000)				2016 (SAR'000)			
	Carrying value	**Gross unrecognized gain**	**Gross unrecognized loss**	**Fair value**	**Carrying value**	**Gross unrecognized gain**	**Gross unrecognized loss**	**Fair value**
Held to maturity:								
Fixed rate securities	3,178,930	82,454	-	3,261,384	2,981,574	150,313	-	3,131,887
Total held to maturity	**3,178,930**	**82,454**	**-**	**3,261,384**	**2,981,574**	**150,313**	**-**	**3,131,887**
Other investments held at amortized cost:								
Fixed rate securities	18,306,057	3,155	(434,785)	17,874,427	10,777,939	3,655	(267,553)	10,514,041
Floating rate notes	15,294,513	-	-	15,294,513	14,923,715	-	-	14,923,715
Mudaraba investments	469,253	-	-	469,253	163,215	-	-	163,215
Total other investments held at amortized cost	**34,069,823**	**3,155**	**(434,785)**	**33,638,193**	**25,864,869**	**3,655**	**(267,553)**	**25,600,971**
Grand total	**37,248,753**	**85,609**	**(434,785)**	**36,899,577**	**28,846,443**	**153,968**	**(267,553)**	**28,732,858**

d) Credit quality of investments

The credit quality of investment portfolio is as follows:

	2017 SAR '000	2016 SAR '000
Saudi government, government backed bonds and treasury bills	38,946,758	30,035,993
Investment grade	21,535,824	17,878,650
Non-investment grade	401,570	422,586
Others	3,028,258	3,055,581
Total	**63,912,410**	**51,392,810**

The Bank uses its internal ratings to rate the credit quality of the investment portfolio. Investments classified under investment grade above comprise of credit exposures equivalent to Aaa to Baa3 ratings under Moody's ratings methodology. Investments classified as 'Others' mainly comprise of equities and hedge funds which are not rated.

e) The investments by counter-party are as follows:

	2017 SAR '000	2016 SAR '000
Government and quasi government	46,416,280	37,739,592
Banks and other financial institutions	12,326,385	8,568,277
Corporate	2,197,525	2,091,666
Hedge funds	1,898,941	1,848,775
Others	1,073,279	1,144,500
Total	**63,912,410**	**51,392,810**

6. Loans and advances, net

a) Loans and advances are classified as follows:

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,549,623	17,021,699	99,786,440	174,273	**118,532,035**
Non-performing loans and advances	-	13,363	1,103,460	10,492	**1,127,315**
Total held at amortized cost	**1,549,623**	**17,035,062**	**100,889,900**	**184,765**	**119,659,350**
Provision for credit losses	(52,442)	(226,693)	(1,688,678)	(6,808)	**(1,974,621)**
Loans & advances, net	**1,497,181**	**16,808,369**	**99,201,222**	**177,957**	**117,684,729**

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,389,502	18,267,992	105,944,113	428,207	**126,029,814**
Non-performing loans and advances	-	14,565	1,050,178	11,448	**1,076,191**
Total held at amortized cost	**1,389,502**	**18,282,557**	**106,994,291**	**439,655**	**127,106,005**
Provision for credit losses	(41,028)	(227,337)	(1,586,270)	(17,040)	**(1,871,675)**
Loans & advances, net	**1,348,474**	**18,055,220**	**105,408,021**	**422,615**	**125,234,330**

Loans and advances, net includes Shariah-approved banking products in respect of Murabaha, Ijara and Tawarruq finance, which are stated at amortized cost less provision for credit losses amounting to SAR 71,079 million (2016 :SAR 74,953 million).

b) Movement in provision for credit losses are as follows:

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	41,028	227,337	1,586,270	17,040	**1,871,675**
Provided during the year, net	11,414	592	165,858	(9,418)	**168,446**
Bad debts written off	-	(115)	(43,816)	(30)	**(43,961)**
Recoveries of amounts previously provided	-	(325)	(16,535)	(274)	**(17,134)**
Exchange adjustment	-	(796)	(3,099)	(510)	**(4,405)**
Balance at the end of the year	**52,442**	**226,693**	**1,688,678**	**6,808**	**1,974,621**

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	42,867	207,190	1,735,167	32,526	**2,017,750**
Provided during the year, net	(1,839)	21,236	66,874	(14,638)	**71,633**
Bad debts written off	-	(213)	(210,780)	(481)	**(211,474)**
Recoveries of amounts previously provided	-	(876)	(7,314)	(392)	**(8,582)**
Exchange adjustment	-	-	2,323	25	**2,348**
Balance at the end of the year	**41,028**	**227,337**	**1,586,270**	**17,040**	**1,871,675**

During the year, the Group has charged an amount of SAR 287.2 million (2016: SAR 200.1 million) to the statements of consolidated income on account of provision for credit losses which is net of recoveries of amounts previously provided and net direct write-offs.

c) Credit quality of loans and advances

i) Ageing of loans and advances past due but not impaired

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Less than 90 days	101,917	779,080	1,259,391	-	**2,140,388**
90 days and more	31,795	93,983	118,039	-	**243,817**
Total	**133,712**	**873,063**	**1,377,430**	**-**	**2,384,205**

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Less than 90 days	106,554	763,243	1,033,313	-	**1,903,110**
90 days and more	40,564	99,286	-	-	**139,850**
Total	**147,118**	**862,529**	**1,033,313**	**-**	**2,042,960**

ii) Economic sector risk concentration for the loans and advances and the related credit loss provision as follows:

2017 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	681,854	-	242	**681,612**
Banks and other financial institutions	5,028,716	-	19,627	**5,009,089**
Agriculture and fishing	4,050,608	440	9,415	**4,041,633**
Manufacturing	18,761,309	192,262	251,697	**18,701,874**
Mining and quarrying	1,436,027	-	7,019	**1,429,008**
Electricity, water, gas and health services	12,059,269	20,048	46,908	**12,032,409**
Building and construction	16,648,939	710,701	1,001,986	**16,357,654**
Commerce	18,110,827	165,672	161,264	**18,115,235**
Transportation and communication	9,153,683	1,402	38,011	**9,117,074**
Services	2,775,771	941	26,165	**2,750,547**
Consumer loans and credit cards	18,571,322	13,363	279,135	**18,305,550**
Other	11,253,710	22,486	133,152	**11,143,044**
Total	**118,532,035**	**1,127,315**	**1,974,621**	**117,684,729**

2016 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	818,687	-	-	**818,687**
Banks and other financial institutions	4,053,931	-	22,422	**4,031,509**
Agriculture and fishing	4,621,550	318	13,733	**4,608,135**
Manufacturing	19,215,021	102,842	288,997	**19,028,866**
Mining and quarrying	1,323,914	-	6,874	**1,317,040**
Electricity, water, gas and health services	11,523,444	21,172	47,187	**11,497,429**
Building and construction	16,130,496	734,208	769,642	**16,095,062**
Commerce	22,220,294	175,890	187,153	**22,209,031**
Transportation and communication	11,065,763	1,402	55,743	**11,011,422**
Services	2,983,367	2,481	45,786	**2,940,062**
Consumer loans and credit cards	19,657,494	14,565	268,365	**19,403,694**
Other	12,415,853	23,313	165,773	**12,273,393**
Total	**126,029,814**	**1,076,191**	**1,871,675**	**125,234,330**

iii) Analysis of loans and advances which are neither past due nor impaired:

	2017 SAR '000	2016 SAR '000
Investment grade loans and advances	17,077,301	17,711,182
Consumer loans and credit cards	17,095,016	18,647,846
Non-investment grade	80,974,644	86,859,155
Unrated	1,000,869	768,671
Total	**116,147,830**	**123,986,854**

The Bank uses its internal ratings to rate the credit quality of the loans and advances portfolio. Loans and advances classified under investment grade above comprise of credit exposures equivalent to Aaa to Baa3 ratings under Moody's ratings methodology.

d) Collateral

Fair value of collateral held by Bank against loans and advances by each category are as follows:

	2017 SAR '000	2016 SAR '000
Neither past due nor impaired	63,021,343	57,879,057
Past due but not impaired	1,952,858	12,862,323
Impaired	244,755	249,125
Total	**65,218,956**	**70,990,505**

The collateral consists of deposits, financial guarantees, marketable securities and real estate. Those collaterals which are not readily convertible into cash (i.e. real estate) are accepted by the Bank with the intent for them to be disposed of in case of default by the customer.

7. Property and equipment, net

	Land and buildings (SAR'000)	Leasehold improvements (SAR'000)	Furniture, equipment and vehicles (SAR'000)	2017 Total (SAR'000)	2016 Total (SAR'000)
Cost					
Balance at the beginning of the year	915,033	656,067	1,345,904	**2,917,004**	**2,846,823**
Additions	3,459	22,571	70,396	**96,426**	**87,739**
Disposals	-	(2,668)	(4,118)	**(6,786)**	**(16,279)**
Exchange adjustment	-	-	(1,048)	**(1,048)**	**(1,279)**
Balance at the end of the year	**918,492**	**675,970**	**1,411,134**	**3,005,596**	**2,917,004**
Accumulated depreciation					
Balance at the beginning of the year	574,769	536,984	1,209,166	**2,320,919**	**2,210,579**
Charge for the year	11,166	35,150	77,249	**123,565**	**121,341**
Disposals	-	(2,516)	(4,018)	**(6,534)**	**(10,560)**
Exchange adjustment	(12)	-	(152)	**(164)**	**(441)**
Balance at the end of the year	**585,923**	**569,618**	**1,282,245**	**2,437,786**	**2,320,919**
Net book value as at December 31, 2017	**332,569**	**106,352**	**128,889**	**567,810**	
Net book value as at December 31, 2016	**340,264**	**119,083**	**136,738**		**596,085**
Capital work in progress				2,071,074	1,914,095
Total				**2,638,884**	**2,510,180**

8. Other assets

	2017 SAR '000	2016 SAR '000
Accounts receivable	158,871	160,776
Other real estate, net	4,757	11,415
Goodwill	21,404	22,604
Other	448,770	770,243
Total	**633,802**	**965,038**

9. Derivatives

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

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

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 customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges.

Forward commission rate agreements are individually negotiated commission rate futures that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, based on a notional principal for an agreed period of time.

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 stipulated period, a specified amount of a currency, commodity, equity or financial instrument at a pre-determined price.

Swaptions are options on swaps and entail an option on the fixed rate component of a swap. An option on a swap provides the purchaser or holder of the option the right, but not the obligation to enter into a swap where it pays fixed rates against receipt of a floating rate index at a future date.

Derivatives 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 in order to, inter alia, 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, with the expectation of profiting from, price differentials between markets or products.

Derivatives held for hedging purposes

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 commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statements of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. The Group also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including the details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

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

All derivatives are reported at fair value on the statements of consolidated financial position. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received from or paid to a given counterparty pursuant to a valid master netting agreement.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

				Notional amounts by term to maturity			
2017	**Positive Fair value SAR '000**	**Negative Fair value SAR '000**	**Notional amount SAR '000**	**Within 3 Months SAR'000**	**3-12 Months SAR'000**	**1-5 Years SAR'000**	**Over 5 Years SAR'000**
Held for trading							
Commission rate swaps	6,231,314	4,970,558	141,672,493	9,823,864	15,498,684	91,988,025	24,361,920
Commission rate futures and options	35,455	40,300	12,404,532	5,933,629	840,500	4,972,220	658,183
Forward foreign exchange contracts	139,574	186,108	29,118,406	11,719,330	12,350,851	5,048,225	-
Currency options	120,316	121,395	8,000,585	3,838,029	3,890,739	271,817	-
Swaptions	16,537	233	4,498,310	-	4,498,310		-
Equity and commodity options	115,618	115,618	1,342,478	77,478	-	1,265,000	-
Held as cash flow hedges							
Commission rate swaps	43,218	14,261	4,747,500	-	770,000	952,500	3,025,000
Sub-total	6,702,032	5,448,473	**201,784,304**	**31,392,330**	**37,849,084**	**104,497,787**	**28,045,103**
Cash collateral received / paid	(187,324)	(1,472,175)					
Total	**6,514,708**	**3,976,298**					

2016	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Notional amounts by term to maturity Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
Held for trading							
Commission rate swaps	3,788,223	3,388,485	111,190,682	903,214	19,325,706	63,252,704	27,709,058
Commission rate futures and options	25,100	30,368	5,011,454	226,938	28,125	3,597,408	1,158,983
Forward foreign exchange contracts	231,433	104,650	34,929,272	18,314,824	13,768,804	2,845,644	-
Currency options	318,614	297,223	39,767,990	13,170,387	19,038,140	7,559,463	-
Swaptions	61,141	53,710	5,625,000	-	5,625,000	-	-
Equity and commodity options	119,700	119,700	1,847,442	125,053	226,059	1,496,330	-
Held as fair value hedges:							
Commission rate futures and options	-	10,378	1,613,625	1,613,625	-	-	-
Held as cash flow hedges							
Commission rate swaps	47,301	90,999	7,003,200	-	280,700	4,660,000	2,062,500
Sub-total	4,591,512	4,095,513	**206,988,665**	**34,354,041**	**58,292,534**	**83,411,549**	**30,930,541**
Cash collateral received / paid	(149,453)	(2,609,884)					
Total	**4,442,059**	**1,485,629**					

The tables below show a summary of hedged items, the nature of the risk being hedged, the hedging instrument and their fair values:

Description of hedged items	Fair value	Nature of hedge	Hedging instrument	Positive fair value	Negative fair value
2017 (SR '000)					
Floating rate notes	4,756,723	Cash flow	Commission rate swaps	43,218	14,261
2016 (SR '000)					
Floating rate notes	7,000,158	Cash flow	Commission rate swaps	47,301	90,999
Fixed rate notes	1,411,406	Fair Value	Commission rate futures and options	-	10,378

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Group generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Also, as a result of firm commitments in foreign currencies, the Group is exposed to foreign exchange and special commission rate risks which are hedged with cross currency special commission rate swaps.

Below is the schedule indicating as at 31 December, the periods when the cash flows arising from the hedged item are expected to occur and when they are expected to affect statements of consolidated income:

2017 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	17,828	86,830	489,780	422,518	**1,016,956**

2016 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	36,494	120,666	799,943	339,177	**1,296,280**

Approximately 25% (2016: 37%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 13% (2016: 10%) of the positive fair value contracts are with any single counter-party at the reporting date.

10. Due to banks and other financial institutions

	2017 SAR '000	2016 SAR '000
Current accounts	580,665	459,948
Money market deposits	5,970,799	10,420,830
Total	**6,551,464**	**10,880,778**

Money market deposits include deposits against the sale of fixed rate securities of SAR 3,823 million (2016: SAR 2,403 million) with an agreement to repurchase the same at fixed future dates.

11. Customer deposits

Customer deposits comprise of the following:

	2017 SAR '000	2016 SAR '000
Demand	99,546,112	103,678,452
Savings	7,224,513	7,009,304
Time	54,884,115	53,407,586
Other	6,332,831	7,980,374
Total	**167,987,571**	**172,075,716**

Time deposits include deposits accepted under Shariah approved banking product contracts of SAR 29,201 million (2016: SAR 27,716 million).

Time deposits include deposits against sale of fixed rate securities of SAR 681 million (2016: SAR 630) with agreements to repurchase the same at fixed future dates. Other customer deposits include SAR 1,322 million (2016: SAR 1,308 million) of margins held against facilities extended to customers.

Included in time deposits are market linked customer deposits amounting to SAR 560 million (2016: SAR 444.2 million), which are designated FVIS liabilities. The deposits are so designated when they include one or more embedded derivatives or are being evaluated on a fair value basis in accordance with the documented risk management strategy of the Group.

The above include foreign currency deposits as follows:

	2017 SAR '000	2016 SAR '000
Demand	10,610,726	12,468,112
Savings	941,626	813,406
Time	10,917,618	10,194,982
Other	338,124	283,022
Total	**22,808,094**	**23,759,522**

12. Other liabilities

	2017 SAR '000	2016 SAR '000
Accounts payable	976,380	834,116
Employee benefit obligations (note 13)	436,604	375,405
Unearned fee income	279,529	321,284
Customer initial public offering deposits	21,340	36,818
Other	2,699,741	2,934,073
Total	**4,413,594**	**4,501,696**

13. Employee benefit obligations

The Bank operates an End of Service benefit plan for its employees based on the Saudi Arabian Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of consolidated financial position and movement in the obligation during the year based on its present value are as follows:

	2017 SAR'000	2016 SAR'000
Balance at the beginning of the period	373,257	368,834
Current service cost	78,343	32,857
Special commission expense	15,475	13,915
Benefits paid	(38,549)	(42,349)
Balance at the end of the period	**428,526**	**373,257**

An independent actuarial valuation is carried out every year for position ending October 31st. Provision held against actuarial valuation as of the end of year is SR 436.6 million (2016: SR 375.4 million). There are various assumptions used in determination of present value of defined benefit obligation of which discount rate and salary increase level are principal which are assumed to be at 4% (2016: 4%) and 2% (2016: 2%) respectively.

The actuarial liability would be increased to SR 451.3 million (2016: SR 394.5 million) had the discount rate used in the assumption been lower by 1% and the liability would be decreased to SR 408.1 million (2016: SR 354.2 million) had the discount rate used in the assumption been higher by 1%. Similarly, the actuarial liability would be increased to SR 439.9 million (2016: SR 383.8 million) had the salary increase rate used in the assumption been higher by 1% and the liability would be decreased to SR 418.3 million (2016: SR 363.7 million) had the salary increase rate used in the assumption been lower by 1%. The weighted average duration of the defined benefit obligation is approximately 4 years.

14. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2016: 2,000 million shares) of SAR 10 each.

15. Statutory and general reserves

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia and the Articles of Association of the Bank, a minimum of 25% of the net income for the year is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. The statutory reserve is currently not available for distribution. During the year, the bank transferred SAR 1,256 million (2016: 1,251 million) to the statutory reserve from the retained earnings.

In addition, as and when considered appropriate, the Bank makes an appropriation to general reserve for general banking risks.

16. Fair value reserves

The movement in fair value reserves during the year attributable to the equity shareholders of the Group is set out below:

2017 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	(126,493)	217,056	**90,563**
Change in fair value during the year	153,826	130,481	**284,307**
Transfer to statements of consolidated income	(56,159)	(29,037)	**(85,196)**
Balance at end of the year	**(28,826)**	**318,500**	**289,674**

2016 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	8,057	365,824	**373,881**
Change in fair value during the year	(82,789)	(109,273)	**(192,062)**
Transfer to statements of consolidated income	(51,761)	(39,495)	**(91,256)**
Balance at end of the year	**(126,493)**	**217,056**	**90,563**

17. Commitments and contingencies

a) Legal proceedings

No provision has been made in relation to legal proceedings existing as at December 31, 2017 and 2016 as no material costs are expected to be incurred.

b) Capital commitments

The Group's capital commitments as at December 31, 2017 amounted to SAR 242 million (2016: SAR 166 million). These commitments represent contractual obligations in respect of building, construction and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and irrevocable commitments to extend credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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. 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 collateralized by the underlying shipments of goods to which they relate, and therefore have 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. Cash requirements under these instruments are considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unused portion of approved facilities 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 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 may expire or terminate without being funded.

i) The contractual maturity structure for the Group's credit related commitments and contingencies are as follows:

2017 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	2,882,614	2,617,101	305,504	-	5,805,219
Letters of guarantee	10,523,730	15,340,490	8,185,941	1,815	34,051,976
Acceptances	1,009,302	811,517	3,847	9,376	1,834,042
Irrevocable commitments to extend credit	1,383,172	694,508	896,147	100,000	3,073,827
Other	-	8,020	71,228	607,929	687,177
Total	**15,798,818**	**19,471,636**	**9,462,667**	**719,120**	**45,452,241**

2016 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	3,137,414	2,316,020	510,234	2,250	5,965,918
Letters of guarantee	7,750,835	17,826,725	10,593,883	2,344	36,173,787
Acceptances	894,851	548,300	9,448	-	1,452,599
Irrevocable commitments to extend credit	1,341,992	1,516,984	269,746	54,302	3,183,024
Other	-	-	36,723	186,048	222,771
Total	**13,125,092**	**22,208,029**	**11,420,034**	**244,944**	**46,998,099**

The unused portion of commitments outstanding as at December 31, 2017 which can be revoked unilaterally at any time by the Group amounts to SAR 88,057 million (2016: SAR 95,823 million)

ii) The analysis of credit related commitments and contingencies by counter-party are as follows:

	2017 SAR '000	2016 SAR '000
Corporate	40,345,805	42,729,752
Banks and other financial institutions	4,804,294	4,121,101
Other	302,142	147,246
Total	**45,452,241**	**46,998,099**

d) Assets pledged

Assets pledged as collateral with other financial institutions and others as security against borrowings are as follows:

	2017 SAR'000		2016 SAR'000	
	Assets	Related liabilities	Assets	Related liabilities
Investments classified as available for sale and FVIS	4,867,283	4,854,533	2,967,304	3,033,470

e) Operating lease commitments

There are no non-cancelable operating lease commitments as of December 31, 2017 and 2016.

18. Special commission income and expense

Special commission income on:	2017 SAR '000	2016 SAR '000
Investments:		
Available for sale	658,803	604,424
Held to maturity	106,048	123,571
Other investments held at amortized cost	675,793	543,693
	1,440,644	**1,271,688**
Due from banks and other financial institutions	352,195	201,887
Loans and advances	5,134,901	5,218,177
Total	**6,927,740**	**6,691,752**
Special commission expense on:		
Due to banks and other financial institutions	210,298	143,148
Customer deposits	985,217	1,166,320
Total	**1,195,515**	**1,309,468**

19. Fee and commission income, net

Fee and commission income on:	2017 SAR '000	2016 SAR '000
Share trading and fund management	295,544	356,552
Trade finance	378,606	387,587
Corporate finance and advisory	116,492	218,674
Other banking services	803,532	774,075
Total	**1,594,174**	**1,736,888**
Fee and commission expense on:		
Cards	(115,462)	(109,870)
Other banking services	(55,977)	(42,211)
Total	**(171,439)**	**(152,081)**
Fee and commission income, net	**1,422,735**	**1,584,807**

20. Trading income (loss), net

	2017 SAR '000	2016 SAR '000
Debt securities	15,653	16,867
Derivatives and others	78,724	(31,405)
Total	**94,377**	**(14,538)**

21. Gains on non-trading investments, net

	2017 SAR '000	2016 SAR '000
Available for sale	28,195	39,495
Other investments held at amortized cost	842	(3,728)
Total	**29,037**	**35,767**

22. Other operating income, net

	2017 SAR '000	2016 SAR '000
Gain on disposal of property and equipment	7,792	73
Gain on disposal of other real estate	2,341	6,770
Dividend income	152,772	140,496
Other income	1,512	11,482
Total	**164,417**	**158,821**

23. Salaries and employee related expenses

The Bank's compensation policy complies with the regulatory requirements of SAMA and international standards of Financial Stability Forum with respect to compensation. This policy is applicable to all businesses across the Group in the Kingdom of Saudi Arabia as well as its overseas branches and fully owned subsidiaries as far as it is consistent with the legal and regulatory requirements of respective host countries where the Group operates. SBL also has a compensation policy in place which is in line with the SAMA guidelines and the local rules and regulations

The policy defines the level and categories of key employees whose goals setting, performance measurement and appraisal processes are based on a balanced scorecard approach that links the financial performance evaluation with associated risks, at the overall Bank level. Key employees consist of senior executives (officers who are in senior and leadership roles whose appointment is subject to the no objection by SAMA), Key Risk Takers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk taking roles on behalf of the Group) and Key Risk Controllers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk controlling roles on behalf of the Group.)

Compensation structure at the Group consists of (a) fixed components viz., base salary, allowances and benefits; as well as (b) variable components viz., performance bonus and equity based scheme. These components are designed to reflect the level of responsibility and role of the employee, as well as the business area in which the employee works.

The Group's overall variable compensation pool is derived from the Risk Adjusted Net Income of the Group which takes into account significant existing and potential risks in order to protect Group's capital adequacy and to mitigate risk of potential future losses. A process of distributing variable compensation payments over three annual instalments is in place for key employees. The proportion of deferred payments is determined based on the level and seniority and/or responsibility of the key employee. A portion of deferred variable compensation is also awarded in the form of equity based long term bonus scheme. Remuneration of employees working in control functions such as Risk Management, Credit, Compliance, Internal Audit, Financial Control, Legal etc. are determined independently from the business units monitored by them. Further, claw-back arrangements are included to address adverse future performance. No guaranteed bonuses are allowed. Through these mechanisms, the Group has successfully achieved the policy objectives of ensuring that the overall variable compensation takes into account risks associated with financial performance and adjustments to deferred compensation are considered pursuant to any negative future impact arising out of decisions made during the current period.

Variable compensation is awarded to eligible employees in the form of cash, equities or a combination of both. The proportion of variable compensation to be paid in either form is determined based on the level of responsibility and role of the individual employee, as well as the business area in which the employee works and commensurate to the risk taking or controlling ability of the employee.

In accordance with regulatory requirements on corporate governance, the Bank's Board of Directors has established a Nomination and Remuneration Committee (NRC) which comprises of three non-executive directors and chaired by an independent board member. The NRC is responsible for the overall architecture and oversight of the compensation system. The committee reviews the compensation policy from time to time to ensure its adequacy and effectiveness. Accordingly, the policy was last revised in December 2017 to reflect the amended organization structure and approval hierarchy. The NRC makes its recommendations to the Board on the level and composition of remuneration after taking into account the Risk Management Group's input. NRC also periodically reviews the progress of the compensation policy implementation and ensures that its stated objectives are achieved in line with the laid out guidelines.

The following is a breakup of the compensation paid to the Group's employees for the years 2017 and 2016:

	Number of Employees		Fixed Compensation SAR'000		Variable Compensation Paid – SAR'000					
Category	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
					Cash		Shares		Total	
Senior executives*	19	21	28,766	30,443	29,882	32,981	3,619	3,190	33,501	36,171
Employees engaged in risk taking activities	927	895	328,602	330,704	65,429	67,753	5,182	5,285	70,611	73,038
Employees engaged in control functions	749	756	188,480	188,528	19,051	19,286	2,061	1,970	21,112	21,256
Other employees	1,665	1,888	205,755	233,059	5,075	4,858	115	214	5,190	5,072
Other outsourced employees	170	195	17,033	19,070	419	600	-	-	419	600
Total	**3,530**	**3,755**	768,636	801,804	**119,856**	**125,478**	**10,977**	**10,659**	**130,833**	**136,137**
Variable compensation and other employee related cost accrued or paid during the year**			541,718	537,255						
Total salaries & employee related expenses			**1,310,354**	**1,339,059**						

* Senior executives are employees whose appointment requires approval from SAMA.

** Other employee related costs include insurance premium paid, GOSI contribution, relocation charges, recruitment expenses, training and development cost, employee related costs for SBL and certain other non-recurring employee related costs.

24. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net income for the years 2017 and 2016 by 2,000 million shares.

25. Dividend, Zakat and income tax

a) Dividend

During the current year, a gross interim dividend of SR 1,807 million was approved by the Board of Directors. After deducting Zakat, this interim dividend resulted in a net payment of SR 0.75 per share to the Saudi shareholders.

In 2016, the total gross dividends amounted to SR 2,434 million of which SR 1,200 was paid as interim dividend. After deducting Zakat, this resulted in a total net payment of SR 0.95 per share to Saudi shareholders for 2016 of which SR 0.45 per share was paid as interim dividend. The proposed final dividend is included within equity until approved by the shareholders' annual general assembly.

b) Zakat and Income Tax Liabilities

Zakat and income taxes are the liabilities of the Saudi and foreign shareholders respectively. The zakat liability of Saudi shareholders is calculated on their share in the equity and the net income. However, the tax liability of foreign shareholders is calculated on their share in the net income.

Zakat attributable to Saudi shareholders for the year is estimated at SR 592 million (2016: SR 525 million) on a shareholding of 96.44% (2016: 96.44%) which will be deducted from their share of dividend. Zakat liability for the current year has been calculated on a prudent basis considering dis-allowance of certain long-term investments held by the Bank, as advised by our external advisors based on the General Authority of Zakat and Income Tax (the "GAZT") current practices. The Bank, however, as a matter of principle, disagrees with this calculation and intends to contest it with the appropriate authorities should the GAZT disallows long term investments in the Bank's Zakat assessments. Income tax liability of the foreign shareholders on their current year's share of income is estimated at SR 33 million (2016: SR 33 million) on a shareholding of 3.56% (2016: 3.56%). Unpaid income tax liability for the current year or earlier years, if any, will be deducted from their share of dividend for the year.

c) Status of Zakat and Income Tax Assessments

The Bank has filed its Zakat and Income Tax returns with the GAZT and paid Zakat and Income Tax for the financial years up to and including the year 2016. The Bank has received the assessment for the years upto 2009 in which the GAZT raised additional demand aggregating to SR 1,309 million for the years 2004 to 2009. These additional demands are principally on account of disallowance of long-term investments and the addition of long-term financing to the Zakat base by the GAZT. The basis for the additional Zakat liability is being contested by the Bank before the Higher Appeals Committee. The Bank is confident of a favourable outcome from the appeal process and has therefore not made any provisions in respect of the above.

The assessment of the years 2010 to 2016 are yet to be raised by the GAZT. However, if long-term investments are disallowed and long-term financing is added to the Zakat base in line with the assessments finalized by the GAZT for the years referred to above, it would result in significant additional zakat exposure to the Bank which remains an industry wide issue and disclosure of which might affect the Bank's position in this matter.

26. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statements of consolidated cash flows comprise the following:

	2017 SAR '000	2016 SAR '000
Cash and balances with Central Banks excluding statutory deposit (note 3)	15,952,887	27,784,295
Due from banks and other financial institutions	5,020,361	8,877,752
Total	**20,973,248**	**36,662,047**

27. Operating segments

The Group is organized into the following main operating segments:

Consumer banking – comprises individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate banking – comprises corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well the Group's customer derivative portfolios and its corporate advisory business.

Treasury – principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statement of financial position.

Investment banking – engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with three overseas branches and three overseas subsidiaries. However, the results of the overseas operations are not material to the Group's overall consolidated financial statements.

On June 8, 2016, the Board of Directors of the Group has decided to close the operations of UK branch as its operations are no longer consistent with the business strategy of the Group. The management believes that the financial impact of this decision will not be material to the overall operations of the Group.

Transactions between the business segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on market based inter-bank rates. There are no other material items of income or expense or other internal revenues between the operating segments.

a) The Group's total assets and liabilities as at December 31, 2017 and 2016, together with special commission income net, total operating income, total operating expenses, provision for credit losses, net income, capital expenditure and depreciation expenses for the years then ended, by operating segment, are as follows:

2017 (SAR'000)	Consumer banking	Corporate banking	Treasury	Investment banking	Total
Total assets	33,445,962	100,998,517	92,995,571	171,029	**227,611,079**
Total liabilities	92,159,792	81,293,041	9,356,841	119,253	**182,928,927**
Special commission income, net	2,128,091	2,258,283	1,317,860	27,991	**5,732,225**
Total operating income	2,772,732	2,998,261	1,667,113	453,460	**7,891,566**
Total operating expenses, of which:	1,763,693	785,330	131,131	187,122	**2,867,276**
- Depreciation	48,590	66,942	1,033	7,000	**123,565**
- Provision for credit losses	138,746	148,420	-	-	**287,166**
Net income	1,009,039	2,212,931	1,535,982	266,338	**5,024,290**
Capital expenditure	112,286	107,237	28,608	5,274	**253,405**

2016 (SAR'000)	Consumer banking	Corporate banking	Treasury	Investment banking	Total
Total assets	35,981,789	105,514,466	89,902,651	89,681	**231,488,587**
Total liabilities	98,866,851	77,580,201	12,395,017	101,750	**188,943,819**
Special commission income, net	2,129,217	1,974,385	1,261,290	17,392	**5,382,284**
Total operating income	2,789,400	2,776,001	1,606,184	588,872	**7,760,457**
Total operating expenses, of which:	1,774,785	667,194	129,693	183,122	**2,754,794**
- Depreciation	48,161	62,319	823	10,038	**121,341**
- Provision for credit losses	149,396	50,750	-	-	**200,146**
Net income	1,014,615	2,108,807	1,476,491	405,750	**5,005,663**
Capital expenditure	114,154	247,998	6,791	1,923	**370,866**

b) The Group's credit exposure by operating segment is as follows:

2017 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	26,191,252	91,431,143	74,943,911	62,313	**192,628,619**
Commitments and contingencies	277,257	26,216,832	760,560	-	**27,254,649**
Derivatives	50,773	2,414,578	10,316,316	-	**12,781,667**
2016 (SAR'000)					
Balance sheet risk assets	28,272,467	96,945,718	58,298,918	16,145	**183,533,248**
Commitments and contingencies	371,405	27,202,007	300,428	-	**27,873,840**
Derivatives	24,541	1,052,742	4,509,934	-	**5,587,217**

Balance sheet risk assets comprise of the carrying value of the assets at the reporting date, excluding cash and balances with central banks, derivatives, property and equipment and other assets. Credit exposures relating to commitments, contingencies and derivatives are stated at their credit equivalent amounts as prescribed by central banks.

28. Credit Risk

Credit risk is the risk that a customer will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss. The Group seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses. The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases the Group may also close out transactions and settle on a net present value basis.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks. Debt instruments included in the Group's investment portfolio are mainly sovereign risk instruments. Analysis of investments by counterparty and the composition of loans and advances is provided in notes 5 and 6 to the consolidated financial statements, respectively. The nature and extent of credit risk relating to derivative instruments and commitments and contingencies is provided in notes 9 and 17, respectively. The Group classifies its exposure into ten risk categories that are compatible with internationally recognized ratings. Of these, seven categories are for performing and three for non-performing. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The risk rating categories drive the due diligence and approval process, and these ratings are reviewed at least annually or sooner if any adverse signs are visible. These categories also form the basis for managing credit concentrations and identifying problem credits.

Exposures falling below a certain classification threshold are considered to be impaired, and appropriate specific provisions are made against these loans by comparing the present value of expected future cash flows for each such exposure with its carrying amount on the basis of criteria prescribed by IAS 39. Impairment and uncollectible are also measured and recognized on a portfolio basis for a group of similar credit exposure that are not individually identified as impaired.

28.1 Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2017 SAR'000	2016 SAR'000
ASSETS		
Due from banks and other financial institutions	11,031,480	9,599,656
Investments, net	60,292,258	48,027,761
Loans and advances, net	117,684,729	125,234,330
Other assets exposed to credit risk	158,871	160,776
Total	**189,167,338**	**183,022,523**
Contingent liabilities and commitments	27,254,649	27,873,840
Derivatives	12,781,667	5,587,217
Total	**229,203,654**	**216,483,580**

29. Geographical concentration

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure are as follows:

2017 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with central banks	24,479,448	583,953	-	-	-	131,665	-	**25,195,066**
Due from banks and other financial institutions	3,847,983	3,490,562	776,759	2,585,031	-	5,573	325,572	**11,031,480**
Investments, net	44,131,875	3,236,622	6,323,621	7,367,469	63,025	152,326	2,637,472	**63,912,410**
Derivatives	5,988,334	151,970	-	350,702	-	-	23,702	**6,514,708**
Loans and advances, net	108,685,805	7,058,821	426,858	102	-	-	1,513,143	**117,684,729**
Total	**187,133,445**	**14,521,928**	**7,527,238**	**10,303,304**	**63,025**	**289,564**	**4,499,889**	**224,338,393**
Liabilities								
Due to banks and other financial institutions	1,095,599	535,856	3,076,489	144,488	-	4,630	1,694,402	**6,551,464**
Customer deposits	164,723,592	1,063,264	38,635	340,800	520	18,611	1,802,149	**167,987,571**
Derivatives	3,945,790	5,872	941	-	-	-	23,695	**3,976,298**
Total	**169,764,981**	**1,604,992**	**3,116,065**	**485,288**	**520**	**23,241**	**3,520,246**	**178,515,333**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	20,737,457	2,943,704	1,059,114	425,251	18,426	1,461,012	609,685	**27,254,649**
Derivatives	4,982,898	185,589	6,803,541	800,036	-	-	9,603	**12,781,667**
Total	**25,720,355**	**3,129,293**	**7,862,655**	**1,225,287**	**18,426**	**1,461,012**	**619,288**	**40,036,316**

2016 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with central banks	36,842,978	331,439	1,292	-	-	168,805	-	**37,344,514**
Due from banks and other financial institutions	3,471,636	2,165,529	1,650,370	1,963,663	-	10,546	337,912	**9,599,656**
Investments, net	34,811,912	1,113,293	3,860,987	7,711,247	59,300	2,361,746	1,474,325	**51,392,810**
Derivatives	4,144,460	5,064	246	286,624	-	-	5,665	**4,442,059**
Loans and advances, net	117,892,220	5,203,930	769,680	45,024	-	-	1,323,476	**125,234,330**
Total	**197,163,206**	**8,819,255**	**6,282,575**	**10,006,558**	**59,300**	**2,541,097**	**3,141,378**	**228,013,369**
Liabilities								
Due to banks and other financial institutions	1,856,504	5,647,036	1,754,250	125,819	-	787	1,496,382	**10,880,778**
Customer deposits	168,599,369	1,531,193	61,587	212,192	-	722	1,670,653	**172,075,716**
Derivatives	1,226,954	2,598	20	251,507	-	-	4,550	**1,485,629**
Total	**171,682,827**	**7,180,827**	**1,815,857**	**589,518**	**-**	**1,509**	**3,171,585**	**184,442,123**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	21,878,648	2,853,474	912,302	388,099	5,432	1,127,883	708,002	**27,873,840**
Derivatives	2,258,980	154,652	2,760,046	403,716	-	-	9,823	**5,587,217**
Total	**24,137,628**	**3,008,126**	**3,672,348**	**791,815**	**5,432**	**1,127,883**	**717,825**	**33,461,057**

Credit exposures are stated at their credit equivalent amounts as prescribed by SAMA.

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit losses are as follows:

(SAR '000)	Non-performing loans and advances		Provision for credit losses	
	2017	2016	2017	2016
Kingdom of Saudi Arabia	926,914	981,378	1,834,284	1,761,998
Other GCC and Middle East	121,219	10,227	61,662	30,989
Europe	-	-	-	-
Other countries	79,182	84,586	78,675	78,688
Total	**1,127,315**	**1,076,191**	**1,974,621**	**1,871,675**

30. 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, and equity prices. The Group classifies exposures to market risk into either trading or non-trading / banking-book.

a) Market Risk -Trading Book

The Group has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group periodically applies a Value at Risk (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 simulation models to assess the possible changes in the market value of the trading book based on historical data. 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 normal distribution.

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 one day. The use of 99% confidence level depicts that within a one-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 its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Asset and Liability Committee (ALCO) for its review.

The Group's VAR related information for the year ended December 31, 2017 and 2016 is as shown below.

2017 (SAR '000)	Foreign exchange risk	Special commission risk	Total
VAR as at December 31	9,756	2,499	**12,255**
Average VAR for the year	7,851	11,220	**19,071**
2016 (SAR '000)			
VAR as at December 31	11,060	6,396	**17,456**
Average VAR for the year	6,731	23,362	**30,093**

b) Market Risk – Non-Trading or Banking Book

Market risk on non-trading or banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) 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 special commission rate gap limits for stipulated periods. The Group monitors daily positions and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in special commission rates, with other variables held constant, on the Group's statements of consolidated 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, based on non-trading financial assets and financial liabilities held as at December 31, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate available for sale financial assets, including the effect of any associated hedges as at December 31, for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap.

All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are presented below:

	Increase/ decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				
Currency			**6 months or less**	**6 to 12 months**	**1-5 years**	**Over 5 years**	**Total 2017 (SAR'000)**
SAR	+1 bps	(21,455)	(1,461)	(1,012)	(6,486)	(3,123)	**(12,082)**
	-1 bps	21,455	1,461	1,012	6,486	3,123	**12,082**
US Dollar	+1 bps	(2,391)	(364)	(277)	(1,071)	(587)	**(2,299)**
	-1 bps	2,391	364	277	1,071	587	**2,299**
Euro	+1 bps	127	16	54	61	-	**131**
	-1 bps	(127)	(16)	(54)	(61)	-	**(131)**

	Increase/ decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				
Currency			**6 months or less**	**6 to 12 months**	**1-5 years**	**Over 5 years**	**Total 2016 (SAR'000)**
SAR	+1 bps	(18,316)	(1,025)	(660)	(4,250)	(2,126)	**(8,061)**
	-1 bps	18,316	1,025	660	4,250	2,126	**8,061**
US Dollar	+1 bps	(1,585)	(361)	(301)	(1,468)	(803)	**(2,933)**
	-1 bps	1,585	361	301	1,468	803	**2,933**
Euro	+1 bps	198	57	116	28	-	**201**
	-1 bps	(198)	(57)	(116)	(28)	-	**(201)**

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market commission rates on its financial position and cash flows. The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. 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-balance sheet 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.

2017 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	14,073,413	-	-	-	11,121,653	**25,195,066**
Due from banks and other financial institutions	4,153,613	3,647,500	-	-	3,230,367	**11,031,480**
Investments, net	28,146,697	3,632,208	12,520,232	14,094,180	5,519,093	**63,912,410**
Derivatives	6,514,708	-	-	-	-	**6,514,708**
Loans and advances, net	66,507,562	30,755,528	12,918,171	7,501,855	1,613	**117,684,729**
Property and equipment, net	-	-	-	-	2,638,884	**2,638,884**
Other assets	-	-	-	-	633,802	**633,802**
Total Assets	**119,395,993**	**38,035,236**	**25,438,403**	**21,596,035**	**23,145,412**	**227,611,079**
Liabilities and equity						
Due to banks and other financial institutions	5,920,354	34,408	2,990	13,047	580,665	**6,551,464**
Customer deposits	34,711,767	18,560,516	705,726	8,130,619	105,878,943	**167,987,571**
Derivatives	3,976,298	-	-	-	-	**3,976,298**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total equity	-	-	-	-	44,682,152	**44,682,152**
Total liabilities and equity	**44,608,419**	**18,594,924**	**708,716**	**8,143,666**	**155,555,354**	**227,611,079**
On balance sheet gap	74,787,574	19,440,312	24,729,687	13,452,369	(132,409,942)	
Off balance sheet gap	(5,326,950)	(855,938)	6,182,888			
Total commission rate sensitivity gap	**69,460,624**	**18,584,374**	**30,912,575**	**13,452,369**	**(132,409,942)**	
Cumulative commission rate sensitivity gap	**89,460,624**	**88,044,998**	**118,957,573**	**132,409,942**		

2016 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	25,983,376	-	-	-	11,361,138	**37,344,514**
Due from banks and other financial institutions	4,371,374	675,000	-	-	4,553,282	**9,599,656**
Investments, net	20,756,525	2,445,235	10,538,666	12,438,560	5,213,824	**51,392,810**
Derivatives	4,442,059	-	-	-	-	**4,442,059**
Loans and advances, net	66,850,844	35,271,164	14,534,891	8,567,376	10,055	**125,234,330**
Property and equipment, net	-	-	-	-	2,510,180	**2,510,180**
Other assets	-	-	-	-	965,038	**965,038**
Total Assets	**122,404,178**	**38,391,399**	**25,073,557**	**21,005,936**	**24,613,517**	**231,488,587**
Liabilities and equity						
Due to banks and other financial institutions	8,517,589	1,903,241	-	-	459,948	**10,880,778**
Customer deposits	35,108,229	24,588,991	719,670	-	111,658,826	**172,075,716**
Derivatives	1,485,629	-	-	-	-	**1,485,629**
Other liabilities	-	-	-	-	4,501,696	**4,501,696**
Total equity	-	-	-	-	42,544,768	**42,544,768**
Total liabilities and equity	**45,111,447**	**26,492,232**	**719,670**	**-**	**159,165,238**	**231,488,587**
On balance sheet gap	77,292,731	11,899,167	24,353,887	21,005,936	(134,551,721)	
Off balance sheet gap	6,917,487	(7,000,482)	82,995	-	-	
Total commission rate sensitivity gap	**84,210,218**	**4,898,685**	**24,436,882**	**21,005,936**	**(134,551,721)**	
Cumulative commission rate sensitivity gap	**84,210,218**	**89,108,903**	**113,545,785**	**134,551,721**		

The off balance sheet gap represents the net notional amounts of off-balance sheet financial instruments, which are used to manage the commission rate risk.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and hedging strategies, which are monitored daily. At the end of the year, the Group had the following significant net currency exposures:

	2017 (SAR'000) Long/(Short)	2016 (SAR'000) Long/(Short)
United States Dollar	3,591,871	1,344,355
United Arab Emirates Dirham	298,887	256,549
United Kingdom Pound Sterling	(64,337)	(62,746)
Pakistan Rupee	821,009	844,647
Euro	(120,562)	(108,488)

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2017 and 2016 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 statements of consolidated 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 statements of consolidated income or equity; whereas a negative effect shows a potential net reduction in statements of consolidated income or equity.

	2017 (SAR'000)			2016 (SAR'000)		
Currency exposures	Change in currency rate	Effect on net income	Effect on equity	Change in currency rate	Effect on net income	Effect on equity
US Dollar	1%	136,575	(700)	1%	64,340	(663)
Euro	1%	(2,744)	349	1%	3,680	656

iii) Equity Price Risk

Equity price 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. Assuming all other variables are held constant, a 1% increase or decrease in the value of Group's available for sale quoted equity investments at December 31, 2017 would have a corresponding increase or decrease in equity by SR 36.2 million (2016: SR 33.6 million).

31. 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 be less readily available. To mitigate this risk, management has diversified funding sources and manages its assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of savings and time deposits (2016: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2016: 20%) of its deposit liabilities, in the form of cash, gold, Saudi Government securities or assets that 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 against Saudi Government securities up to 100% (2016: 100%) of the nominal value of securities held.

i) Maturity profile of Group's assets, liabilities and equity

The management regularly monitors the maturity profile to ensure that adequate liquidity is maintained. The tables below summarize the maturity profile of the Group's assets, liabilities and equity based on the contractual maturities as at the reporting date. For presentation purposes, the demand, saving and other deposits amounting to SAR 113,103 million (2016: SAR 118,668 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2017 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	14,073,413	-	-	-	11,121,653	**25,195,066**
Due from banks and other financial institutions	4,153,613	3,647,500	-	-	3,230,367	**11,031,480**
Investments, net	4,232,368	1,112,007	17,900,875	35,148,067	5,519,093	**63,912,410**
Derivatives	1,236,145	1,025,097	2,995,146	1,258,320	-	**6,514,708**
Loans and advances, net	26,422,726	33,878,917	36,709,257	20,174,207	499,622	**117,684,729**
Property and equipment, net	-	-	-	-	2,638,884	**2,638,884**
Other assets	-	-	-	-	633,802	**633,802**
Total Assets	**50,118,265**	**39,663,521**	**57,605,278**	**56,580,594**	**23,643,421**	**227,611,079**
Liabilities and Equity						
Due to banks and other financial institutions	5,920,354	34,408	2,990	13,047	580,665	**6,551,464**
Customer deposits	35,617,873	18,560,516	705,726	-	113,103,456	**167,987,571**
Derivatives	720,541	638,566	1,877,999	739,192	-	**3,976,298**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total equity	-	-	-	-	44,682,152	**44,682,152**
Total Liabilities and Equity	**42,258,768**	**19,233,490**	**2,586,715**	**752,239**	**162,779,867**	**227,611,079**

2016 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	25,983,376	-	-	-	11,361,138	**37,344,514**
Due from banks and other financial institutions	4,371,374	675,000	-	-	4,553,282	**9,599,656**
Investments, net	2,219,325	1,797,998	12,634,760	29,526,903	5,213,824	**51,392,810**
Derivatives	145,658	573,100	2,488,852	1,234,449	-	**4,442,059**
Loans and advances, net	32,544,174	31,589,512	39,118,797	21,825,579	156,268	**125,234,330**
Property and equipment, net	-	-	-	-	2,510,180	**2,510,180**
Other assets	-	-	-	-	965,038	**965,038**
Total Assets	**65,263,907**	**34,635,610**	**54,242,409**	**52,586,931**	**24,759,730**	**231,488,587**
Liabilities and Equity						
Due to banks and other financial institutions	8,517,589	1,903,241	-	-	459,948	**10,880,778**
Customer deposits	28,732,362	23,955,554	719,670	-	118,668,130	**172,075,716**
Derivatives	48,185	179,480	809,022	448,942	-	**1,485,629**
Other liabilities	-	-	-	-	4,501,696	**4,501,696**
Total equity	-	-	-	-	42,544,768	**42,544,768**
Total Liabilities and Equity	**37,298,136**	**26,038,275**	**1,528,692**	**448,942**	**166,174,542**	**231,488,587**

ii) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of Group's financial liabilities at December 31 based on contractual undiscounted repayment obligations. The totals in this table do not match with the statements of consolidated financial position as special commission payments with contractual maturities are included in the table on an undiscounted basis. The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The table below does not reflect the expected cash flows indicated by the deposit retention history of the Group. Contractual maturity of the financial guarantees is shown under note 17(c).

2017 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	5,923,873	34,929	3,328	15,639	580,665	**6,558,434**
Customer deposits	35,692,035	18,767,371	724,188	-	113,103,456	**168,287,050**
Derivatives	771,689	693,508	2,049,825	1,018,427	-	**4,533,449**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total	**42,387,597**	**19,495,808**	**2,777,341**	**1,034,066**	**118,097,715**	**183,792,527**

2016 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	8,524,969	1,909,603	-	-	459,948	**10,894,520**
Customer deposits	28,794,996	24,310,442	750,806	-	118,668,130	**172,524,374**
Derivatives	60,189	224,618	1,056,441	754,496	-	**2,095,744**
Other liabilities	-	-	-	-	4,501,696	**4,501,696**
Total	**37,380,154**	**26,444,663**	**1,807,247**	**754,496**	**123,629,774**	**190,016,334**

32. Fair values of financial instruments

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

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);
Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

The fair values of the financial assets, financial liabilities and the derivative financial instruments classified under the appropriate valuation hierarchy, are given below:

2017 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	271,273	2,005,798	-	**2,277,071**
Investments available for sale	12,435,528	11,314,953	636,105	**24,386,586**
Investments held to maturity	3,081,404	179,980	-	**3,261,384**
Other investments held at amortized cost	-	33,168,940	469,253	**33,638,193**
Derivative assets	344	6,514,364	-	**6,514,708**
Loans and advances, net	-	118,030,004	-	**118,030,004**
Total	**15,788,549**	**171,214,039**	**1,105,358**	**188,107,946**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	559,543	-	**559,543**
Derivative liabilities	-	3,976,298	-	**3,976,298**
Total	-	**4,535,841**	-	**4,535,841**

2016 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	836,734	1,964,519	-	**2,801,253**
Investments available for sale	11,940,048	7,137,993	667,073	**19,745,114**
Investments held to maturity	2,958,548	173,339	-	**3,131,887**
Other investments held at amortized cost	-	25,437,756	163,215	**25,600,971**
Derivative assets	1,487	4,440,572	-	**4,442,059**
Loans and advances, net	-	125,484,447	-	**125,484,447**
Total	**15,736,817**	**164,638,626**	**830,288**	**181,205,731**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	444,203	-	**444,203**
Derivative liabilities	719	1,484,910	-	**1,485,629**
Total	719	**1,929,113**	-	**1,929,832**

During the year, there has been no transfer within levels of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets held at FVIS and available for sale:

	2017 SAR '000	2016 SAR '000
Balance at the beginning of the year	667,073	804,277
Total realized and unrealized losses in statement of consolidated income and statement of consolidated comprehensive income	(45,505)	(58,221)
Purchases	129,287	183,227
Settlements	(114,750)	(262,210)
Balance at the end of the year	**636,105**	**667,073**

The fair values of other on-balance sheet financial instruments, except for other investments held at amortized cost and held-to-maturity investments which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements. The Group's portfolio of loans and advances to customers is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates the carrying value, subject to any significant movement in credit spreads. The fair value of the remaining portfolio is not significantly different from its carrying values. The fair values of special commission bearing customers' deposits carried at amortised cost, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of these instruments.

The estimated fair values of held-to-maturity investments and other investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 5(c).

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

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as Level 2 are fair-valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the reporting date. The movement in Level 3 financial instruments during the year relates to fair value movement only.

33. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by Central Banks. The year-end balances resulting from such transactions included in the consolidated financial statements are as follows:

	2017 SAR '000	2016 SAR '000
Directors, other major shareholders, key management personnel and their affiliates:		
Loans and advances	113,503	486,573
Customer deposits	19,302,051	8,998,300
Commitments and contingencies	12,316	14,335
Mutual funds:		
Customer deposits	329,152	1,256,152

Other major shareholders represent shareholdings of more than 5% of the Bank's issued and paid up share capital, as listed on Tadawul. Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2017 SAR '000	2016 SAR '000
Special commission income	10,466	10,657
Special commission expense	297,377	186,566
Fee and commission income, net	155,674	212,773
Directors' remuneration	5,109	4,260

The total amount of compensation paid to key management personnel during the year is as follows:

	2017 SAR '000	2016 SAR '000
Short-term employee benefits	59,111	56,806
Post-employment, termination and share-based payments	6,940	6,804

Key management personnel are those persons, including the Chief Executive Officer, having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly.

34. Capital Adequacy

The Group monitors the adequacy of its capital using the methodology 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. These ratios measure capital adequacy by comparing the Group's eligible capital with its statements of financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. During the year, the Group has fully complied with such regulatory capital requirements.

The management reviews on a periodical basis capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in it current business activities and future growth plans. In making such assessment, the management also considers the Group's business plan along with economic conditions which directly and indirectly affect the business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, operational and market risks, at December 31 are as follows:

	2017 SR'000	2016 SR'000
Samba Financial Group (consolidated)		
Credit risk RWA	187,944,475	171,634,477
Operational risk RWA	13,303,620	13,122,515
Market risk RWA	15,165,875	11,325,363
Total RWA	216,413,970	196,082,355
Tier I capital	44,622,638	42,810,511
Tier II capital	1,126,685	1,223,471
Total tier I & II capital	45,749,323	44,033,982
Capital adequacy ratio %		
Tier I ratio	**20.6%**	**21.8%**
Tier I + II ratio	**21.1%**	**22.5%**
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	**19.16%**	**24.1%**
Tier I + II ratio	**19.50%**	**25.1%**

Tier I capital comprises the share capital, statutory, general and other reserves, qualifying non-controlling interest and retained earnings less any intangible assets of the Bank as at the year-end. Tier II capital comprises of a prescribed amount of eligible provisions.

35. Investment management services

The investment management services are provided by Samba Capital and Investment Management Company, a 100% owned subsidiary of the Bank. The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SAR 31,708 million (2016: SAR 28,929 million). This includes funds managed under Shariah-approved portfolios amounting to SAR 14,766 million (2016: SAR 12,586 million).

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

36. Equity-based payments

The Bank has following equity-based long term bonus plans outstanding at the end of the year. Significant features of these plans are as follows:

Number of outstanding plans	5
Grant date	Between June 2013 and April 2017
Maturity date	Between June 2018 and April 2022
Number of shares granted on the grant date, adjusted for bonus share issue	1,716,185
Benchmark price per share at grant date, adjusted for bonus share issue	Between SAR 25.8 and 20.94
Vesting period	5 years
Vesting conditions	Participating employees to remain in service
Method of settlement	Equity
Valuation model	Discounted Cash Flow
Fair value per share on grant date adjusted for bonus share issue	Between SAR 17.5 and 22.5

The fair value of shares granted during the year was SAR 7.4 million (2016: SAR 6.9 million). The inputs used to calculate fair value of the shares granted during the year were the market price at the grant date, life of the plan, expected dividends and annual risk free rate of return.

The shares are granted only under a service condition with no market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above equity-based payment plans for the year 2017 is SAR 4.7 million (2016: SAR 4.0 million).

37. **Prior period restatements and reclassifications**

a. The change in the accounting policy for Zakat and income tax (as explained in note 2.29) has the following impacts on the line items of statements of consolidated financial position and consolidated changes in equity:

As at December 31, 2016			
Account	**Balance as previously reported SR'000**	**Effect of restatement SR'000**	**Balance as restated SR'000**
Other liabilities	4,265,449	236,247	4,501,696
Proposed dividends	1,234,000	(236,247)	997,753

As at January 1, 2016			
STATEMENT OF FINANCIAL POSITION	**Balance as previously reported SR'000**	**Effect of restatement SR'000**	**Balance as restated SR'000**
ASSETS			
Cash and balances with central banks	15,299,930	-	15,299,930
Due from banks and other financial institutions	14,415,818	-	14,415,818
Investments, net	69,952,186	-	69,952,186
Derivatives	2,606,132	-	2,606,132
Loans and advances, net	130,001,230	-	130,001,230
Property and equipment, net	2,267,212	-	2,267,212
Other assets	700,171	-	700,171
Total Assets	**235,242,679**	-	**235,242,679**
LIABILITIES AND EQUITY			
Due to banks and other financial institutions	19,197,230	-	19,197,230
Customer deposits	171,804,534	-	171,804,534
Derivatives	609,901	-	609,901
Other liabilities	3,271,157	239,110	3,510,267
Total liabilities	**194,882,822**	**239,110**	**195,121,932**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	20,000,000	-	20,000,000
Statutory reserve	13,303,555	-	13,303,555
General reserve	130,000	-	130,000
Other reserves	205,507	-	205,507
Retained earnings	6,523,875	-	6,523,875
Proposed dividend	1,134,000	(239,110)	894,890
Treasury stocks	(1,046,336)	-	(1,046,336)
Total equity attributable to equity holders of the Bank	**40,250,601**	**(239,110)**	**40,011,491**
Non-controlling interest	109,256	-	109,256
Total equity	**40,359,857**	**(239,110)**	**40,120,747**
Total liabilities and equity	**235,242,679**	-	**235,242,679**

b. Certain other prior year balances have also been reclassified to conform to the current year presentation. The effect of these reclassifications was not material to the consolidated financial statements.

38. **Accounting Standards issued but not yet effective**

- IFRS 9 - Financial Instruments

Implementation Strategy
In July 2014, the IASB issued the final version of 'IFRS 9 - Financial Instruments', which will replace 'IAS 39 – Financial Instruments: Recognition and Measurement'. This new standard includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The mandatory application date for IFRS 9 is from 1 January 2018. The Group considers it to be a significant project and has therefore set up an internal high-level multidisciplinary project implementation committee comprising of senior members from Financial Control, Risk Management and other business groups to oversee and direct the implementation of IFRS 9 across the Group. At the banking sector level, SAMA has provided the necessary implementation guidance to all the Saudi banks. The Group is now in the final phase of implementation, whereby a parallel run exercise is currently under process together with various levels of validation.

The significant areas impacted by application of IFRS 9 are as follows:

Classification and Measurement
Under IFRS 9, the classification and measurement of financial assets depends on how these are managed by the Group as per its approved business model and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at Amortized Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Income Statement (FVIS). The accounting for financial liabilities will largely be the same and no major changes are expected by the Bank.

The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some reclassification of financial assets measured at amortized cost or fair value compared with the existing standard IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to the composition of statement of consolidated financial position, the Bank expects that the overall impact of any change will not be significant.

Impairment of Financial Assets
With the implementation of IFRS 9, the impairment allowances will be recognized based on a forward looking Expected Credit Loss (ECL) model applied to those financial assets that are not measured via FVIS. This mainly includes loans and advances, investments, due from banks and other financial institutions that are measured at AC or FVOCI, financial guarantees and credit commitments. No impairment loss will be recognized on equity investments. The key inputs of measurement in an ECL model are the Probabilities of Default (PD), Loss Given Default (LGD) and the Exposure at Default. These parameters are derived from internally developed statistical models, other historical data and are periodically adjusted for forward looking information.

The Group plans to categorize its financial assets into the following three stages in accordance with the IFRS 9 methodology:

Stage 1 – Performing assets: Financial assets that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on a statistical model using both a twelve-month PD and an LGD percentage.

Stage 2 – Underperforming or Watch-list assets: Financial assets that have significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on a statistical model derived using both a life time PD which takes into consideration the future outlook and an LGD percentage.

Stage 3 – Impaired assets: For financial assets that are considered to be impaired, the Group will recognize the impairment allowance based on a methodology using a life time PD and the LGD is assessed based on a qualitative and quantitative evaluation of the recovery prospects for these assets.

The Bank will adopt a forward-looking approach in its assessment of ECLs. The forward-looking elements will include economic forecasts covering key macroeconomic factors (e.g. unemployment, GDP growth, inflation, special commission rates and other market-related variables) obtained through internal and external sources. The forward looking PD used to determine the impairment allowance will be computed based on future scenarios and their respective likelihood of occurrence.

Using the impairment approaches under IFRS 9 will result in an increase in the total level of impairment allowances over the present IAS 39 determined level. This is due to major changes in the underlying methodology which include the application of a lifetime ECL to exposures that are larger than the ones for which there is objective evidence of impairment in accordance with IAS 39.

Hedge Accounting
The general hedge accounting requirements under IFRS 9 aim to simplify hedge accounting by creating a stronger link with risk management strategy of the Group and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. However, at this point they do not explicitly address macro hedge accounting strategies, which are particularly important for banks. As a result, IFRS 9 permits an accounting policy choice to remain with the current IAS 39 hedge

accounting. Based on the analysis performed to date, the Group has exercised the accounting policy choice to continue with IAS 39 hedge accounting and therefore is not currently planning to change its hedge accounting.

Expected Impact

According to the transitional provisions of IFRS 9, the Group is permitted to recognize any difference between previous carrying amounts of the financial assets under IAS 39 and the carrying amounts at the beginning of the application date through its opening balance of retained earnings. The combined impact of this initial adjustment is estimated to be a reduction of approximately 5% to the opening balance of the Group's equity. The Group's capital ratios will also be impacted by such an adjustment to the equity, but this impact is not expected to be greater than 0.65% of the current levels, notwithstanding the five year transitionary arrangements allowed by SAMA. Furthermore, with the implementation of IFRS 9, the Group also expects greater volatility in its annual impairment charges as compared to the existing methodology which is currently governed by IAS 39 and the prevailing SAMA guidelines. This may impact the Group's future profitability as well as its regulatory capital levels.

It should however be noted that the above assessment is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 may vary from this estimate as the Group continues to refine and recalibrate its models, methodologies and processes with continuing related regulatory guidance and developments.

The new standard also introduces extensive disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

Governance and Controls

The governance structure and controls is currently under implementation in line with the IFRS 9 guidance document which calls for the establishment of an approved governance framework with detailed policies and controls, including roles and responsibilities of the various stakeholders.

The other Accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning 1 January 2018 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

- IFRS 15: Revenue from Contracts with Customers - New revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 2: Share-based Payment - The amendments cover measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. Effective for the annual periods beginning on or after 1 January 2018.
- IFRS 16: Leases - The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. Effective for the annual periods beginning on or after 1 January 2019.
- Amendments to IAS 40: Investment Property - The amendments clarify that to transfer to, or from, investment properties there must be a change in use. If a property has changed use, there should be an assessment of whether the property meets the definition and this change must be supported by evidence.
- Amendments to IAS 28: Investments in associates and joint ventures - The amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.
- Amendments to IFRIC 22: Foreign currency transactions and advance consideration - The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.
- Annual improvements 2014 – 2016 cycle - These amendments impact two standards:
  - IFRS 1: First-time adoption of IFRS - regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IFRS 19 and IFRS 10 effective from January 1, 2018.
  - IAS 28: Investments in associates and joint ventures - regarding measuring an associate or joint venture at fair value effective January 1, 2018.

39. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors' on February 21, 2018 (5 Jumada II 1439H).

SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REPORT FOR THE
YEAR ENDED DECEMBER 31, 2018

samba سامبا

PUBLIC

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Samba Financial Group (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated financial position as at December 31, 2018, and the statement of consolidated income, the statement of consolidated comprehensive income, the statement of consolidated changes in equity and the statement of consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

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:

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment of loans and advances

At 31 December 2018, gross loans and advances of the Group were SR 116.3 billion against which a credit impairment provision of SR 2.6 billion was maintained.

During the year, the Group has adopted IFRS 9 which introduced forward looking expected credit loss (ECL) impairment model. On adoption, the Group has applied the requirement of IFRS 9 retrospectively without restating the comparatives. The adoption of IFRS 9 resulted in transition adjustment of SR 2.5 billion to the Group's equity as at 1 January 2018 and the impact of transition are explained in note 2.4 (a) (ii) to the consolidated financial statements.

We considered impairment of loans and advances as a key audit matter as the determination of ECL involves signficant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:

➤ Categorisation of loans in Stages 1, 2 or 3 based on identification of
(a) exposures with a significant increase in credit risk since their origination
(b) individually impaired / default exposures

➤ Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc.

➤ The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model.</td><td>We have obtained an understanding of management's assessment of impairment of loans and advances including the IFRS 9 implementation process, the Group's internal rating model, the Group's credit impairment provision policy and the ECL modelling methodology.

We compared the Group's impairment provision policy and ECL methodology with the requirements of IFRS 9.

We assessed the design and implementation, and tested the operating effectiveness of controls over:

➤ the modelling process including governance over monitoring of the model and approval of key assumptions;

➤ the classification of borrowers in various stages and timely identification of significant increase in credit risk ("SICR"); and

➤ integrity of data input into the ECL system.

We assessed the Group's criteria for determination of significant increase in credit risk and identification of impaired / default exposures and their classification into various stages.

For a sample of customers, we assessed:

➤ the internal ratings determined by the management based on Group's internal rating model;

➤ the staging as identified by management; and

➤ management's computations for ECL.

We assessed the underlying assumptions including forward looking assumptions used by the Group in ECL calculations.</td></tr>
</table>

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Impairment of loans and advances (continued)	
Refer to the significant accounting policies note 2.4 and 2.15 to the consolidated financial statements for the adoption of IFRS 9 – Financial Instruments and significant accounting policy relating to impairment of financial assets and note 2.6 (a) 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 and note 6 which contains the disclosure of impairment against loans and advances and note 28 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	Where management overlays were used, we assessed those overlays and the governance process around such overlays. We tested the completeness of exposures used by the management for the ECL calculation as of 31 December 2018. Where relevant, we involved specialists to assist us in reviewing model calculations and data integrity. As the Goup has used the modified restrospective approach for adoption of IFRS 9, we performed all the above mentioned tasks to evaluate management's computation of adjustment to the Group's equity as at 1 January 2018 (as a result of adoption of IFRS 9). We assessed the disclosures included by management in the consolidated financial statements..

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Valuation of derivatives	
The Group has entered into various derivatives including commission rate swaps ("swaps"), forward foreign exchange contracts ("forwards"), currency, commission rate equity and commodity options ("options") and other derivative contracts. Swaps, forwards, options and other derivative contracts include over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations. The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of hedge ineffectiveness impact the hedge accounting as well. We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation in general and in certain cases due to use of complex modelling techniques and the valuation inputs that are not market observable. *Refer to the significant accounting policies notes 2.6 (b) for significant accounting estimates in connection with fair value of unquoted financial instruments, 2.8 to the consolidated financial statements for accounting policy relating to derivatives and hedge accounting and note 9 which discloses the derivative positions as at the reporting date.*	We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuation of derivatives and hedge accounting including the testing of relevant automated controls covering the fair valuation process of derivatives. We selected a sample of derivatives and: • Tested derivatives by comparing the terms and conditions with relevant agreements and deal confirmations. • Tested the key inputs to the valuation model. • Performed independent valuations of the derivatives and compared the results with management's valuation. • Checked hedge effectiveness performed by the Group and the related hedge accounting. • Considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Bank's 2018 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 2018 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 modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Companies' Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association, 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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

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 Companies' Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

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Certified Public Accountant
License Number 471

25 Jumada Al Awal 1440H
(January 31, 2019)

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2018 and 2017

	Notes	2018 SAR'000	2017 SAR'000
ASSETS			
Cash and balances with Central Banks	3	25,419,604	25,195,066
Due from banks and other financial institutions	4	17,622,026	11,031,480
Investments, net	5	66,350,254	63,912,410
Derivatives	9	3,445,772	6,514,708
Loans and advances, net	6, 33	113,708,562	117,684,729
Property and equipment, net	7	2,693,443	2,638,884
Other assets	8	698,639	568,885
Total Assets		**229,938,300**	**227,546,162**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	7,871,574	6,551,464
Customer deposits	11, 33	170,170,046	167,922,654
Derivatives	9	2,355,100	3,976,298
Other liabilities	12	7,233,049	4,413,594
Total Liabilities		**187,629,769**	**182,864,010**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	14	20,000,000	20,000,000
Statutory reserve	15	17,193,239	15,811,044
General reserve	15	130,000	130,000
Other reserves		217,992	98,514
Retained earnings		3,672,591	9,564,853
Proposed dividend	25	1,998,000	-
Treasury stocks		(996,093)	(1,021,743)
Total equity attributable to equity holders of the Bank		**42,215,729**	**44,582,668**
Non-controlling interest		92,802	99,484
Total Equity		**42,308,531**	**44,682,152**
Total Liabilities and Equity		**229,938,300**	**227,546,162**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh
Chief Financial Officer

Fahd Al-Mufarrij
Director

Rania Nashar
Chief Executive Officer

STATEMENTS OF CONSOLIDATED INCOME
For the years ended December 31, 2018 and 2017

	Notes	2018 SAR'000	2017 SAR'000
Special commission income	18	7,538,190	6,927,740
Special commission expense	18	1,386,298	1,195,515
Special commission income, net		**6,151,892**	**5,732,225**
Fees and commission income, net	19	1,363,351	1,422,735
Exchange income, net		288,508	298,702
Income from investments held at FVIS, net		102,035	150,073
Trading income net	20	60,932	94,377
Gains on FVOCI debt /non-trading investments, net	21	9,601	29,037
Other operating income, net	22	180,201	164,417
Total operating income		**8,156,520**	**7,891,566**
Salaries and employee related expenses	23	1,245,347	1,310,354
Rent and premises related expenses		357,667	353,941
Depreciation	7	112,426	123,565
Other general and administrative expenses		756,783	792,250
Provision for credit impairment, net of recoveries / reversals	6	155,518	287,166
Total operating expenses		**2,627,741**	**2,867,276**
Net income for the years		**5,528,779**	**5,024,290**
Attributable to:			
Equity holders of the Bank		5,520,149	5,021,065
Non-controlling interest		8,630	3,225
		5,528,779	**5,024,290**
Basic and diluted earnings per share for the year (SAR)	24	**2.76**	**2.51**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh Chief Financial Officer	Fahd Al-Mufarrij Director	Rania Nashar Chief Executive Officer

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017

	2018 SAR'000	2017 SAR'000
Net income for the years	5,528,779	5,024,290
Other comprehensive income for the year – items that cannot be reclassified subsequently to the statements of consolidated income:		
FVOCI financial assets - equities:		
- Change in fair values	454,287	-
Other comprehensive income for the years - items that may be reclassified subsequently to the statements of consolidated income:		
Exchange differences on translation of foreign operations	(79,153)	(27,399)
FVOCI debt / AFS financial assets:		
- Change in fair values	(190,102)	130,481
- Transfers to statements of consolidated income	(9,601)	(29,037)
Cash flow hedges:		
- Change in fair values	(18,997)	153,826
- Transfers to statements of consolidated income	(51,974)	(56,159)
Other comprehensive income for the years	**104,460**	**171,712**
Total comprehensive income for the years	**5,633,239**	**5,196,002**
Attributable to:		
Equity holders of the Bank	5,639,921	5,198,007
Non-controlling interest	(6,682)	(2,005)
Total	**5,633,239**	**5,196,002**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

		Attributable to equity holders of the Bank											
					Other reserves								
(SR '000)	Note	Share capital	Statutory reserve	General reserve	Exchange translation reserve	FVOCI/ AFS financial assets	Cash flow hedges	Retained earnings	Proposed dividends	Treasury stocks	Total	Non-controlling interest	Total equity
Balance at the beginning of the year as originally reported		**20,000,000**	**15,811,044**	**130,000**	**(191,160)**	**318,500**	**(28,826)**	**9,564,853**	**-**	**(1,021,743)**	**44,582,668**	**99,484**	**44,682,152**
Effect of change in accounting policy	2.4	-	-	-	-	(294)	-	(2,521,531)	-	-	**(2,521,825)**	**-**	**(2,521,825)**
Balance at the beginning of the year as restated		**20,000,000**	**15,811,044**	**130,000**	**(191,160)**	**318,206**	**(28,826)**	**7,043,322**	**-**	**(1,021,743)**	**42,060,843**	**99,484**	**42,160,327**
Transfer to statutory reserve	15	-	1,382,195	-	-	-	-	(1,382,195)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	46,722	-	25,650	**72,372**	**-**	**72,372**
Dividend paid for 2018 (interim) and 2017 (final)	25	-	-	-	-	-	-	(3,088,348)	-	-	**(3,088,348)**	**-**	**(3,088,348)**
Proposed dividend 2018 (final)		-	-	-	-	-	-	(1,998,000)	1,998,000	-	**-**	**-**	**-**
Subtotal		**20,000,000**	**17,193,239**	**130,000**	**(191,160)**	**318,206**	**(28,826)**	**621,501**	**1,998,000**	**(996,093)**	**39,044,867**	**99,484**	**39,144,351**
Net income for the year		-	-	-	-	-	-	5,520,149	-	-	**5,520,149**	**8,630**	**5,528,779**
Other comprehensive (loss)/income for the year	16	-	-	-	(83,942)	274,685	(70,971)	-	-	-	**119,772**	**(15,312)**	**104,460**
Total comprehensive income for the year		-	-	-	**(83,942)**	**274,685**	**(70,971)**	**5,520,149**	-	-	**5,639,921**	**(6,682)**	**5,633,239**
Provision for zakat & income tax – current year	25	-	-	-	-	-	-	(653,000)	-	-	**(653,000)**	**-**	**(653,000)**
Provision for zakat – prior years	25	-	-	-	-	-	-	(1,816,059)	-	-	**(1,816,059)**	**-**	**(1,816,059)**
Balance at end of the year		**20,000,000**	**17,193,239**	**130,000**	**(275,102)**	**592,891**	**(99,797)**	**3,672,591**	**1,998,000**	**(996,093)**	**42,215,729**	**92,802**	**42,308,531**
Balance at the beginning of the year		**20,000,000**	**14,554,971**	**130,000**	**(168,991)**	**217,056**	**(126,493)**	**7,884,606**	**997,753**	**(1,045,623)**	**42,443,279**	**101,489**	**42,544,768**
Transfer to statutory reserve	15	-	1,256,073	-	-	-	-	(1,256,073)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	34,855	-	23,880	**58,735**	-	**58,735**
Dividend paid for 2017 (interim) and 2016 (final)	25	-	-	-	-	-	-	(1,494,400)	(997,753)	-	**(2,492,153)**	**-**	**(2,492,153)**
Subtotal		**20,000,000**	**15,811,044**	**130,000**	**(168,991)**	**217,056**	**(126,493)**	**5,168,988**	**-**	**(1,021,743)**	**40,009,861**	**101,489**	**40,111,350**
Net income for the year		-	-	-	-	-	-	5,021,065	-	-	**5,021,065**	3,225	**5,024,290**
Other comprehensive (loss)/income for the year	16	-	-	-	(22,169)	101,444	97,667	-	-	-	**176,942**	(5,230)	**171,712**
Total comprehensive income for the year		-	-	-	**(22,169)**	**101,444**	**97,667**	**5,021,065**	-	-	**5,198,007**	**(2,005)**	**5,196,002**
Provision for zakat & income tax	25	-	-	-	-	-	-	(625,200)	-	-	**(625,200)**	-	**(625,200)**
Balance at end of the year		**20,000,000**	**15,811,044**	**130,000**	**(191,160)**	**318,500**	**(28,826)**	**9,564,853**	**-**	**(1,021,743)**	**44,582,668**	**99,484**	**44,682,152**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended December 31, 2018 and 2017

	Notes	2018 SAR'000	2017 SAR'000
OPERATING ACTIVITIES			
Net income for the years		**5,528,779**	**5,024,290**
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments,net		(28,792)	30,036
Income from investments held at FVIS, net		(102,035)	(150,073)
Gain on FVOCI debt / non-trading investments, net	21	(9,601)	(29,037)
Depreciation	7	112,426	123,565
Gain on disposal of property and equipment, net	22	(300)	(7,792)
Provision for credit impairment, net of recoveries / reversals	6	155,518	287,166
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		414,937	318,040
Due from banks and other financial institutions maturing after ninety days		(4,303,299)	(5,289,215)
Investments held for trading		2,296,234	674,255
Derivatives		3,068,936	(2,072,649)
Loans and advances		2,986,177	7,262,435
Other assets		(129,754)	266,319
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,320,110	(4,329,314)
Customer deposits		2,247,392	(4,023,228)
Derivatives		(1,621,198)	2,490,669
Other liabilities		(1,418,039)	(559,954)
Net cash from operating activities		**10,517,491**	**15,513**
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		14,058,883	6,794,354
Purchase of non-trading investments		(18,412,750)	(19,737,691)
Purchase of property and equipment, net of exchange adjustments		(167,897)	(252,521)
Proceeds from sale of property and equipment		1,212	8,044
Net cash used in investing activities		**(4,520,552)**	**(13,187,814)**
FINANCING ACTIVITIES			
Dividends paid		(3,126,090)	(2,575,233)
Treasury stocks, net		72,372	58,735
Net cash used in financing activities		**(3,053,718)**	**(2,516,498)**
Increase / (decrease) in cash and cash equivalents		**2,943,221**	**(15,688,799)**
Cash and cash equivalents at the beginning of the year	26	20,973,248	36,662,047
Cash and cash equivalents at the end of the year	26	**23,916,469**	**20,973,248**
Special commission received during the year		7,460,463	6,793,429
Special commission paid during the year		(1,488,901)	(1,526,606)
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		183,613	199,111

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh	**Fahd Al-Mufarrij**	**Rania Nashar**
Chief Financial Officer	**Director**	**Chief Executive Officer**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

1. General

Samba Financial Group (the Bank), a joint stock company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980) through its 72 branches (2017: 73 branches) in the Kingdom of Saudi Arabia and three overseas branches (2017: three branches). The Bank including its overseas branches employed 3,290 full time direct staff at the year-end (2017: 3,360). The Bank is listed on the Saudi Arabian stock exchange and its head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides Shariah approved Islamic banking products to its customers.

The consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group"

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the securities business regulations issued by the Capital Market Authority (CMA), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company under commercial registration number 1010237159 issued in Riyadh dated 6 Shaa'ban 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advising and custody businesses. The company is licensed by the CMA and has commenced its business effective January 19, 2008. Samba Capital was converted from a limited liability company to a closed joint stock company on 28 Rajab 1438H (April 25, 2017), which is the date of commercial registration of the closed joint stock company.

During 2017, Samba Capital has formed a wholly owned subsidiary "Samba Investment Real Estate Company" which is incorporated in the Kingdom of Saudi Arabia under commercial registration number 1010715022 issued in Riyadh dated 23 Shawaal 1438H (July 17, 2017). The company has been formed as a limited liability company (sole ownership) and is engaged in managing real estate projects for and on behalf of a mutual fund managed by Samba Capital.

Samba Bank Limited, Pakistan (SBL)

An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on Pakistan Stock Exchange.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments through an entity; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757 issued in Riyadh dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed as a limited liability company with the approval of Saudi Arabian Monetary Authority (SAMA) and is engaged in managing real estate projects on behalf of the Bank.

Samba Global Markets Limited

A wholly owned company incorporated as a limited liability company under the laws of Cayman Islands on February 1, 2016, with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax (See note 2.2 below).The Group prepares its consolidated financial statements also to comply with the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and Articles of Association of the Bank.

2.2 Basis of preparation and presentation

The consolidated financial statements of the Group have been prepared:

- in accordance with 'International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings; and

- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Bank.

Further, the above SAMA Circular has also repealed the existing Accounting Standards for Commercial Banks, as promulgated by SAMA, and are no longer applicable from January 1, 2017. Refer note 2.27 for the accounting policy of zakat and income tax.

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, FVOCI, FVIS financial assets and liabilities and employee benefits which are stated at present value of their obligation. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

Under article 37 of the Bank's Articles of Association, the Gregorian calendar is observed for reporting the consolidated financial statements.

These consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

2.3 Consolidation

These consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies except for Co-Invest Offshore Capital Limited (COCL) whose financial statements are made up to the previous quarter end for consolidation purposes to meet the group reporting timetable. However any material changes during the interim period are adjusted for the purposes of consolidation. In addition, wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Significant intragroup balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed-off during the year are included in the statement of consolidated income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net income or loss and net assets not owned, directly or indirectly, by the Group in subsidiaries and are presented in the statements of consolidated income and within equity in the statements of consolidated financial position separately from the equity holders of the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of acquisition is measured at the fair value of the consideration given at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as intangible asset – goodwill.

In addition to the subsidiaries stated above under note 1, the Bank is also party to certain special purpose entities which are formed with the approval of SAMA solely to facilitate certain Shariah complaint financing arrangements. The Bank has concluded that these entities cannot be consolidated as it does not control these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

2.4 Impact of changes in accounting policies due to adoption of new standards

The accounting policies adopted are consistent with those of the previous financial year except for the below:-

Effective January 1, 2018, the Group has adopted two new accounting standards issued by the International Accounting Standards Board (IASB) and the impact of the adoption of these standards is explained below:

IFRS 15 - Revenue from Contracts with Customers

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 and effective for mandatory compliance for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. The Group has carried out an internal assessment based on which it has concluded that adoption of IFRS 15 will not have a material impact on the revenue recognition policy of the Group which is already compliant with applicable IFRS.

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a mandatory application date of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement applied earlier by the Group. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Classification of financial assets and financial liabilities

IFRS 9 allows for three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through income statement ("FVIS"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Bank classifies financial assets under IFRS 9, see respective section of significant accounting policies.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in statement of consolidated income, under IFRS 9 fair value changes are presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the issuer is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in statement of consolidated income.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVIS, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the ECLs over the life of the asset.

Transitional arrangements

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the modified retrospective approach which requires the recognition of the cumulative impact of adoption in equity.

- A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

  i) The determination of the business model within which a financial asset is held.
  ii) The designation and revocation of previous designated financial assets and financial liabilities as measured at FVIS.
  iii) The designation of certain investments in equity instruments, not held for trading, as FVOCI.

For financial liabilities designated as at FVIS, the determination of whether presenting the effects of changes in the issuer's credit risk in OCI would create or enlarge an accounting mismatch in the statements of consolidated income.

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

a) Financial Assets and Financial Liabilities

i) Re-classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at January 1, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
			SAR '000	
Financial Assets				
Cash and balances with Central Banks	AC	AC	25,195,066	25,195,066
Due from banks and other financial institutions	AC	AC	11,031,480	11,007,946
Investments, net:				
- Fixed rate securities	FVIS	FVIS	315,346	315,346
- Structured credits	FVIS	FVIS	62,784	62,784
- Hedge funds	FVIS	FVIS	1,898,941	1,898,941
- Fixed & floating rate securities	AFS	FVOCI	20,766,434	20,752,938
- Equities & private equities	AFS	FVIS	821,459	821,459
- Equities & private equities	AFS	FVOCI	2,798,693	2,798,693
- Fixed & floating rate securities	AC	FVOCI	25,916,221	25,898,145
- Fixed rate securities & Mudaraba	AC	AC	11,332,532	11,318,846
Derivatives	FVIS	FVIS	6,514,708	6,514,708
Loans and advances, net	L & R	AC	117,684,729	116,803,537
Other assets	AC	AC	568,885	568,885
			224,907,278	**223,957,294**
Financial Liabilities				
Due to banks and other financial institutions	AC	AC	6,551,464	6,551,464
Customer deposits	AC	AC	167,363,111	167,363,111
Customer deposits	FVIS	FVIS	559,543	559,543
Derivatives	FVIS	FVIS	3,976,298	3,976,298
Other liabilities	AC	AC	4,413,594	5,985,435
			182,864,010	**184,435,851**

ii) Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

	IAS 39 carrying amount as at December 31, 2017	Reclassification	Re-measurement	IFRS 9 carrying amount as at January 1, 2018
		SAR '000		
Financial Assets:				
Amortized Cost				
Cash and balances with Central Banks	25,195,066	-	-	**25,195,066**
Due from bank and other financial institutions	11,031,480	-	(23,534)	**11,007,946**
Investments, net	37,248,753	(25,916,221)	(13,686)	**11,318,846**
Loans and advances, net	117,684,729	-	(881,192)	**116,803,537**
Other assets	568,885	-	-	**568,885**
Total amortized cost	**191,728,913**	**(25,916,221)**	**(918,412)**	**164,894,280**
Available for sale				
Investments, net	**24,386,586**	**(24,386,586)**	**-**	**-**
Fair value through other comprehensive income				
Investments (Debt)	-	46,682,655	(31,572)	**46,651,083**
Investment (Equity)	-	2,798,693	-	**2,798,693**
Total FVOCI	-	**49,481,348**	**(31,572)**	**49,449,776**
Fair value through income statement				
Investments, net	2,277,071	821,459	-	**3,098,530**
Derivatives	6,514,708	-	-	**6,514,708**
Total FVIS	**8,791,779**	**821,459**	**-**	**9,613,238**
Financial Liabilities:				
Amortized cost:				
Due to banks and other financial institutions	6,551,464	-	-	**6,551,464**
Customer deposits	167,363,111	-	-	**167,363,111**
Other liabilities	4,413,594	-	1,571,841	**5,985,435**
Total amortized cost	**178,328,169**	**-**	**1,571,841**	**179,900,010**
Fair value through income statement :				
Customer deposits	559,543	-	-	**559,543**
Derivatives	3,976,298	-	-	**3,976,298**
Total FVIS	**4,535,841**	**-**	**-**	**4,535,841**

iii) Impact on retained earnings and other reserves

	Retained earnings	Other reserves
	SAR '000	
Closing balance under IAS 39 (December 31, 2017)	9,564,853	98,514
Reclassifications / re-measurement under IFRS 9	(2,363)	(294)
Recognition of expected credit impairment provisions under IFRS 9 (including lease receivables, loan commitments and financial guarantee contracts including those measured at FVOCI)	(2,519,168)	-
Opening balance under IFRS 9 (January 1, 2018)	**7,043,322**	**98,220**

b) The following table reconciles the credit impairment provisions recorded as per the requirements of IAS 39 and to that of IFRS 9:

	December 31, 2017 (IAS 39)	Re-classification	Re-measurement	January 1, 2018 (IFRS 9)
		SAR '000		
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9):				
Due from banks and other financial institutions	-	-	23,534	23,534
Investments, net	-	-	13,686	13,686
Loans and advances, net	1,974,621	-	881,192	2,855,813
Total	**1,974,621**	**-**	**918,412**	**2,893,033**
AFS & Held to maturity (IAS 39)/Financial assets at amortised cost (IFRS 9):				
Investment, net	-	-	**28,915**	**28,915**
Loan commitments and financial guarantee contracts	-	-	**1,571,841**	**1,571,841**
Total	**1,974,621**	**-**	**2,519,168**	**4,493,789**

c) Classification of financial assets and financial liabilities:

The following tables provide carrying value of financial assets and financial liabilities in the statement of consolidated financial position.

	December 31, 2018 (IFRS 9)					
	Mandatorily at FVIS	Designated as at FVIS	FVOCI – debt instruments	FVOCI – equity investments	Amortized cost	Total carrying amount
			SAR '000			
Financial Assets						
Cash and balances with Central Banks	-	-	-	-	25,419,604	25,419,604
Due from banks and other financial institutions	-	-	-	-	17,622,026	17,622,026
Investments, net	3,096,791	2,221,845	47,107,352	3,193,448	10,730,818	66,350,254
Derivatives	3,445,772	-	-	-	-	3,445,772
Loans and advances, net	-	-	-	-	113,708,562	113,708,562
Other assets	-	-	-	-	698,639	698,639
Total financial assets	**6,542,563**	**2,221,845**	**47,107,352**	**3,193,448**	**168,179,649**	**227,244,857**
Financial Liabilities						
Due to banks and other financial institutions	-	-	-	-	7,871,574	7,871,574
Customer deposits	950,707	-	-	-	169,219,339	170,170,046
Derivatives	2,355,100	-	-	-	-	2,355,100
Other liabilities	-	-	-	-	7,233,049	7,233,049
Total financial liabilities	**3,305,807**	**-**	**-**	**-**	**184,323,962**	**187,629,769**

	December 31, 2017 (IAS 39)						
	Trading / FVIS	Designated as FVIS	Held to maturity	Loans and receivables	Available for sale	Amortized cost	Total carrying amount
	SAR '000						
Financial Assets							
Cash and balances with Central Banks	-	-	-	-	-	25,195,066	**25,195,066**
Due from banks and other financial institutions	-	-	-	-	-	11,031,480	**11,031,480**
Investments, net	315,346	1,961,725	3,178,930	-	24,386,586	34,069,823	**63,912,410**
Derivatives	6,514,708	-	-	-	-	-	**6,514,708**
Loans and advances, net	-	-	-	117,684,729	-	-	**117,684,729**
Other assets	-	-	-	-	-	568,885	**568,885**
Total financial assets	**6,830,054**	**1,961,725**	**3,178,930**	**117,684,729**	**24,386,586**	**70,865,254**	**224,907,278**
Financial Liabilities							
Due to banks and other financial institutions	-	-	-	-	-	6,551,464	**6,551,464**
Customer deposits	-	559,543	-	-	-	167,363,111	**167,922,654**
Derivatives	3,976,298	-	-	-	-	-	**3,976,298**
Other liabilities	-	-	-	-	-	4,413,594	**4,413,594**
Total financial liabilities	**3,976,298**	**559,543**	**-**	**-**	**-**	**178,328,169**	**182,864,010**

Classification of financial assets
On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVIS.

Financial Assets at amortised cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as 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.

Financial Assets at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as 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 or losses are recognised in statement of consolidated income.

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.

Financial Assets at FVIS
All other financial assets are classified as measured at FVIS. This may include equity held for trading and debt securities not classified neither as AC or FVOCI.

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

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

Business model assessment

The Group 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. For example, 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

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 a 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. periodic reset of interest rates).

Designation at fair value through income statement

At initial recognition, the Group has designated certain financial assets at FVIS. Before January 1, 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.

Policy applicable before January 1, 2018

All money market deposits, customer deposits, term loans, subordinated debts and other debt securities in issue are initially recognized at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through income statement or the Group has opted to measure a liability at FVIS as per the requirements of IFRS 9.

For financial liabilities classified as FVIS using fair value option, after the initial recognition any changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the income statement. Amounts in OCI relating to own credit risk are not recycled to the income statement even when the liability is derecognized and the amounts are realized.

Financial guarantees and loan commitments that the Group chose to measure at FVIS will have all fair value movements recognized in the income statement.

2.5 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 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 best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). 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.

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

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

2.6 Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(a) Credit Impairment losses on financial instruments held at amortised cost and FVOCI debt

The Group reviews its financial assets portfolios to assess impairment on a quarterly basis. 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. Refer to Note 28 (b) for additional information.

(b) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques including models are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.7 Settlement date accounting

All regular way purchases and sales of financial instruments are recognized and derecognized on the settlement date. 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. For financial instruments held at fair value, the Group accounts for any change in fair values between the trade date and the reporting date.

2.8 Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

Derivative financial instruments are designated as held for trading unless they are part of an effective hedging relationship. Any changes in the fair values of derivatives that are held for trading purposes are taken directly to the statements of consolidated income.

Policy applicable from January 1, 2018

Derivatives may be embedded in another contractual arrangement (a host contract). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

Policy applicable before January 1, 2018

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated as FVIS. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of income.

Hedge accounting

Hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability.

In order to qualify for hedge accounting, the hedge is required to be highly effective at inception i.e. the changes in the fair value or the 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 the 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. Hedge accounting is discontinued when the designation is revoked, the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting.

In relation to fair value hedges that meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to change in fair value is recognized immediately in the statements of consolidated income. The corresponding change in fair value of the hedged item is adjusted against the carrying amount and is recognized in the statements of consolidated income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment to the carrying value resulting from fair value changes is amortized to the statements of consolidated income over the remaining life of the hedged item.

In relation to cash flow hedges that meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under equity and the ineffective portion, if any, is recognized in the statements of consolidated income. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statements of consolidated income in Net trading income. Gains or losses recognized initially in other reserves are transferred to the statements of consolidated income in the period in which the hedged item impacts the statements of consolidated income.

2.9 Foreign currencies

The consolidated financial statements are denominated and presented in Saudi Arabian Riyals, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year (other than monetary items that form part of the net investments in a foreign operation) are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. 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 underlying financial asset. Non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost are translated using the spot exchange rates as at the date of the initial transaction.

Realized and unrealized gains or losses on exchange are credited or charged to the statements of consolidated income.

The assets and liabilities of overseas branches and subsidiaries are translated at the rate of exchange prevailing at the reporting date. The statements of income of overseas branches and subsidiaries are translated at the average exchange rates for the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity through the statement of consolidated comprehensive income.

2.10 Offsetting

Financial assets and liabilities are offset and reported net in the statements of consolidated financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.11 Revenue recognition

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 and is effective for mandatory compliance for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS.

Special commission income and expense including the fees which are considered an integral part of the effective yield of a financial instrument, are recognized in the statements of consolidated income using the effective yield method, and include premiums amortized and discounts accreted during the year. Special commission income on loans and advances which is received but not earned is netted off against the related assets.

Fee from banking services are recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the loan when it is drawn down. Portfolio and other management advisory and service fees are recognized 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 recognized rateably over the period when the service is being provided. Dividend income is recognized when declared and right to receive is established. Any fee income received but not earned is classified as "other liability".

The calculation of the effective commission rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition or the issue of financial asset or liability.

Exchange income is recognized as and when it arises. For presentation purposes, "Exchange income, net" includes exchange related gains and losses from derivative financial instruments and translated foreign currency assets and liabilities.

2.12 Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statements of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, FVOCI and amortized 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 the sale and the repurchase price is treated as special commission expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statements of consolidated financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

2.13 Investments

Policy applicable from January 1, 2018

The Investments caption in the statement of consolidated financial position include:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective yield method;
- debt and equity investment securities mandatorily measured at FVIS or designated as at FVIS; these are at fair value with changes recognised immediately in statement of consolidated income;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in statement of consolidated income in the same manner as for financial assets measured at amortised cost:

- special commission income using the effective yield method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from statement of consolidated changes in equity to statement of consolidated income.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to statement of consolidated income and no impairment is recognised in statement of consolidated income. Dividends are recognised in statement of consolidated income unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of such investment.

Policy applicable before January 1, 2018

All investment securities are initially recognized at fair value and except for investments held at FVIS, include the acquisition costs associated with the investment. Transaction costs if any are not added to fair value measurement at initial recognition of investments held at FVIS and are included in the statement of consolidated income. Premiums are amortized and discounts are accreted using the effective yield method and are taken to statements of consolidated income.

For securities that are traded in organized financial markets, fair value is determined by reference to the prevailing quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected future cash flows or the underlying net asset base of the security.

Following initial recognition of investment securities, subsequent transfers between the various classes of investment are not ordinarily permissible. Subsequent measurement for each class of investments are determined as follows:

a) Held at fair value through income statement (FVIS)
Investments in this category are classified as either held for trading or those designated as FVIS upon initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term. An instrument which is part of a portfolio classified as held for trading, may include items held for a longer period of time due to market conditions or position management. An investment may be designated as FVIS by the management if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases; or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel.

After initial recognition, investments are measured at fair value and gains and losses arising from any change in the fair value are recognized in the statements of consolidated income for the period in which it arises.

b) Available for sale
Investments that are classified as available for sale are subsequently measured at fair value. For available for sale investments where fair value has not been hedged, any gain or loss arising from a change in the fair value is recognized directly through the statements of consolidated comprehensive income in fair value reserve under equity until the investment is derecognized or considered impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statements of consolidated income for the period.

Any gain or loss arising from a change in the fair value of available for sale investments that are part of an effective hedging relationship is recognized directly in the statements of consolidated income to the extent of the changes in fair value being hedged.

c) Other Investments held at amortized cost
Investments with fixed or determinable payments that are not quoted in an active market, other than those purchased with the intent to be sold immediately or in the short term and are not classified as available for sale, are classified as other investments held at amortized cost. Such investments where fair value has not been hedged are stated at amortized cost, less provision for any impairment. Any gain or loss is recognized in the statements of consolidated income when the investment is derecognized or impaired.

d) Held to maturity
Investments having fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than those that the Group designates as FVIS, available for sale and those that meet the definition of other investments held at amortized cost are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition on an effective yield method.

Any gain or loss on such investments is recognized in the statements of consolidated income when the investment is derecognized or impaired.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Group's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

2.14 Loans and advances

Policy applicable from January 1, 2018

Loans and advances are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective yield method.

Policy applicable before January 1, 2018

Loans and advances are non-derivative financial assets having fixed or determinable payments that are not quoted in an active market.

All loans and advances are initially measured at fair value including acquisition charges associated with the loans and advances, if any. Following initial recognition, subsequent transfers between the various classes of loans and advances is not ordinarily permissible.

Loans and advances that are not quoted in an active market and for which fair value has not been hedged are stated at amortized cost. For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

For presentation purposes, provision for credit losses is netted from loans and advances.

2.15 Impairment of financial assets

Policy applicable from January 1, 2018

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

- financial assets that are debt instruments;
- credit related commitments and contingencies;
- loans and advances; and
- due from banks and other financial institutions.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which 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 (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

ECL is a probability-weighted estimate of credit impairment. It is 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 Group 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 derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- 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 a 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 Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a 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 addition, a retail loan that is overdue for 90 days or more is considered impaired.

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.
- 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 consolidated financial position

Loss allowance for ECL are presented in the statement of consolidated 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, classified under "other liabilities";
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of consolidated financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. 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.

Policy applicable before January 1, 2018

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. Objective evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted. Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognized based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of consolidated income.

Renegotiation activity is designed to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activity may involve extending the payment arrangements and/or the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

(a) Impairment of financial assets held at amortized cost

A financial asset is classified as impaired when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A specific provision for credit losses due to impairment of a loan or any other financial asset held at amortized cost is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective special commission rate.

In addition to specific provision for credit losses, a provision for collective impairment is made on a portfolio basis for credit losses where there is an objective evidence that unidentified losses exist at the reporting date. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions.

For financial assets at amortised cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statements of consolidated income.

(b) Impairment of financial assets held as available for sale

For financial assets held as available for sale at fair value, where a loss has been recognised directly under equity, the cumulative net loss recognised in equity is transferred to the statements of consolidated income when the asset is considered to be impaired. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

However, for equity investments held as available for sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss against available for sale equity instruments cannot be reversed through the statements of consolidated income as long as the asset continues to be recognised i.e. any increase in fair value after impairment can only be recognised in equity. On de-recognition, any cumulative gain or loss previously recognised in equity is included in the statements of consolidated income for the period.

2.16 Other real estate owned

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related real estate, less any cost to sell.

Subsequent to the initial recognition, these other real estate owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gains or losses on disposal and unrealized losses on revaluation are credited or charged to the statements of consolidated income.

2.17 Property and equipment

Property and equipment are stated at historical cost 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
Leasehold improvements	Over the lease period or economic life (10 years), whichever is shorter
Furniture, equipment and vehicles	Up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals of property and equipment are included in the statements of consolidated income.

2.18 Intangible assets - goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Bank's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses, which are charged to the statements of consolidated income. An impairment test for goodwill is carried out annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss recorded against goodwill cannot be reversed.

2.19 Financial liabilities

Policy applicable from January 1, 2018

The Group initially recognises financial liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVIS, transaction costs that are directly attributable to its acquisition or issue. The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVIS. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Policy applicable before January 1, 2018

All financial liabilities including customer and money market deposits and debt securities issued are initially recognized at fair value less transaction costs except for financial liabilities measured at FVIS where transactions cost, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statements of consolidated income.

Subsequently, all special commission bearing financial liabilities other than those held at FVIS are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement. Special commission bearing deposits for which there is an associated fair value hedging relationship are adjusted for fair value to the extent hedged.

Financial liabilities held at FVIS comprise market linked financial liabilities which are customer deposits where the rate of return is benchmarked to the performance of underlying instruments such as currencies, equities or commodities. At maturity, the repayment of principal amount to the customers is in accordance with the contractual terms. After initial recognition these deposits are measured at fair value and any gains or losses arising from the change in fair value are included in the statements of consolidated income for the year.

2.20 Loan commitments and financial guarantee contracts

In the ordinary course of business, the Group extends credit related commitments consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the unamortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of guarantees. The premium received is recognized in the statements of consolidated income over the life of the guarantee.

2.21 Provisions

Provisions are recognized when a reliable estimate can be made 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.

2.22 Cash and cash equivalents

For the purpose of the statements of consolidated cash flows, cash and cash equivalents comprise cash, balances with Central Banks and reverse repos (excluding statutory deposit) and due from banks and other financial institutions having an original maturity of three months or less.

2.23 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition of a financial asset, the difference between the carrying amount of the asset 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 recognised in OCI is recognised in statement of consolidated income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of consolidated income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.24 Equity-based payments

The Bank offers its eligible employees an equity-settled share-based payment plan (the "Plan") as approved by SAMA.

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Bank are offered shares at a predetermined benchmark price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Bank delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of these plans is measured by reference to the fair value at the date on which the shares are granted. The fair value of the plan is determined with reference to the market value of the shares at the inception of the plan using the discounted cash flow model.

The cost of the plans is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled the shares ('the vesting date'). The cumulative expense recognized for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of consolidated income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party to acquire a beneficial interest in the underlying shares solely to manage the price risks associated with the above plans. Under the provisions of such agreement, the Bank, at no point, becomes the legal owner of the underlying shares.

2.25 Employee benefit obligations

The Bank operates an end of service benefit plan for its employees. The provision under this plan is made based on an actuarial valuation of the Bank's liability under the Saudi Arabian Labour Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries.

The present value of the employee benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Net special commission expense and other expenses related to defined benefit obligation are recognised in statement of consolidated income.

2.26 Treasury stock

Treasury stocks are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these stocks are carried at the amount equal to the consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its equity-based payment plans and also include stocks acquired in settlement of customer debt.

2.27 Zakat and income taxes

Under Saudi Arabian Zakat and Income tax laws, Zakat and income taxes are the liabilities of the Saudi and foreign shareholders, respectively.

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year. The Bank accrues liabilities for Zakat and income tax on a quarterly basis. Previously, Zakat and income tax were deducted from dividends upon payment of dividend to the shareholders and were recognized as liabilities at that time.

Zakat and income taxes are not charged to the Bank's statements of consolidated income. They are paid on behalf of and are deducted from the dividends paid to the shareholders. Overseas branches and subsidiaries are subject to income tax as per rules and regulations of the country in which they reside.

2.28 Investment management services

The Bank offers certain investment management and advisory services to its customers through its subsidiary. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds in consultation with professional investment advisors. The Bank's investment in these funds is included in the FVIS or FVOCI investments and fees earned are disclosed under related party transactions.

Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund and the investors' right to remove the fund manager. Based on the assessment carried out by the Bank, it has concluded that it acts as an agent for the investors in all the cases and therefore it has not consolidated these funds in these financial statements.

In addition, the assets held in a trust or fiduciary capacity are not treated as assets of the Bank or that of its subsidiary and accordingly are not included in the Group's statements of consolidated financial position.

2.29 Shariah approved banking products

In addition to conventional banking, the Bank offers its customers certain Shariah compliant banking products, which are approved by its Shariah Board.

All Shariah compliant banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

3. Cash and balances with Central Banks

	2018 SAR '000	2017 SAR '000
Cash in hand	1,269,215	1,214,448
Statutory deposit	8,827,242	9,242,179
Current account	158,200	665,026
Money market placements	15,164,947	14,073,413
Total	**25,419,604**	**25,195,066**

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other Central Banks at stipulated percentages of its demand, savings, time and other deposits, as calculated at the end of each month. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

4. Due from banks and other financial institutions

	2018 SAR '000	2017 SAR '000
Current accounts	3,304,568	3,230,367
Money market placements	14,317,458	7,801,113
Total	**17,622,026**	**11,031,480**

5. Investments, net

a) Investment securities are classified as follows:

i) Held at fair value through income statement (FVIS)

	Domestic		International		Total	
	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000
Fixed rate securities	1,905,609	262,159	316,236	53,187	**2,221,845**	**315,346**
Structured credits	-	-	194,167	62,784	**194,167**	**62,784**
Hedge funds	-	-	1,655,271	1,898,941	**1,655,271**	**1,898,941**
Private equities	-	-	794,716	-	**794,716**	-
Equities	450,190	-	2,447	-	**452,637**	-
Total Held at FVIS	**2,355,799**	**262,159**	**2,962,837**	**2,014,912**	**5,318,636**	**2,277,071**

ii) Held at fair value through other comprehensive income (FVOCI) / Available for sale

	Domestic		International		Total	
	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000
Fixed rate securities	14,075,219	2,378,119	4,307,320	7,369,155	**18,382,539**	**9,747,274**
Floating rate notes	19,273,818	4,227,774	9,450,995	6,791,386	**28,724,813**	**11,019,160**
Private equity	-	-	-	620,956	**-**	**620,956**
Equities	3,176,732	2,918,704	16,716	80,492	**3,193,448**	**2,999,196**
Total Held at FVOCI / AFS	**36,525,769**	**9,524,597**	**13,775,031**	**14,861,989**	**50,300,800**	**24,386,586**

At January 1, 2018 the Group designated certain equity investments shown in the above table as FVOCI. In 2017, these investments were classified as available for sale. The FVOCI designation was made because the investments are expected to be held for strategic purposes and the dividend recognised during the year under these investments amounted to SR 139.7 million. None of these strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

iii) Held to maturity

	International		Total	
	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000
Fixed rate securities	-	3,178,930	**-**	**3,178,930**
Total Held to maturity	**-**	**3,178,930**	**-**	**3,178,930**

iv) Held at amortized cost, net

	Domestic		International		Total	
	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000	2018 SAR '000	2017 SAR '000
Fixed rate securities	10,598,725	18,148,605	135,183	157,452	**10,733,908**	**18,306,057**
Floating rate notes	-	15,294,513	-	-	**-**	**15,294,513**
Mudaraba investments	-	-	-	469,253	**-**	**469,253**
Credit impairment provision	(3,090)	-	-	-	**(3,090)**	**-**
Total held at amortized cost	**10,595,635**	**33,443,118**	**135,183**	**626,705**	**10,730,818**	**34,069,823**
Total investments, net	**49,477,203**	**43,229,874**	**16,873,051**	**20,682,536**	**66,350,254**	**63,912,410**

b) The composition of investments is as follows:

	2018 (SAR'000)			2017 (SAR'000)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	8,087,104	23,248,098	**31,335,202**	12,584,217	18,963,390	**31,547,607**
Floating rate notes	13,112,595	15,612,218	**28,724,813**	10,852,760	15,460,913	**26,313,673**
Equities	3,643,370	797,431	**4,440,801**	3,003,504	616,648	**3,620,152**
Mudaraba investments	-	-	-	-	469,253	**469,253**
Others	-	1,849,438	**1,849,438**	62,784	1,898,941	**1,961,725**
Total	**24,843,069**	**41,507,185**	**66,350,254**	**26,503,265**	**37,409,145**	**63,912,410**

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, sukuks, treasury bills, hedge funds and private equities. In view of the nature of the market for such securities, carrying values are determined either by using an appropriate pricing model or net asset values, as provided by independent third parties. Included in fixed rate securities above are securities pledged under repurchase agreements with other banks and customers whose carrying value at December 31, 2018 was SAR 1,197 million (2017: SAR 4,867 million). Also see note 17(d).

Mudaraba is an arrangement approved by the Shariah Board under which the Bank provides funds to customers for a specified business activity. The returns under such arrangements are shared between the Bank and customer on a predetermined basis. Mudaraba investments are included under 'investments held at amortized cost'. The fair values of these Mudaraba investments are not expected to be significantly different from their carrying values.

c) **The analysis of unrecognized gains and losses and fair values of held to maturity and investments held at amortized cost are as follows:**

	2018 (SAR'000)				2017 (SAR'000)			
	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value
Held to maturity:								
Fixed rate securities	-	-	-	-	3,178,930	82,454	-	3,261,384
Total held to maturity	-	-	-	-	**3,178,930**	**82,454**	-	**3,261,384**
Held at amortized cost:								
Fixed rate securities	10,730,818	-	(361,880)	10,368,938	18,306,057	3,155	(434,785)	17,874,427
Floating rate notes	-	-	-	-	15,294,513	-	-	15,294,513
Mudaraba investments	-	-	-	-	469,253	-	-	469,253
Total investments held at amortized cost	**10,730,818**	-	**(361,880)**	**10,368,938**	**34,069,823**	**3,155**	**(434,785)**	**33,638,193**
Grand total	**10,730,818**	-	**(361,880)**	**10,368,938**	**37,248,753**	**85,609**	**(434,785)**	**36,899,577**

d) **The investments by counter-party are as follows:**

	2018 SAR '000	2017 SAR '000
Government and quasi government	45,670,022	46,416,280
Banks and other financial institutions	8,899,924	12,326,385
Corporate	9,919,142	2,197,525
Hedge funds	1,663,806	1,898,941
Others	197,360	1,073,279
Total	**66,350,254**	**63,912,410**

6. Loans and advances, net

a) **Loans and advances are classified as amortised cost and detailed as follows:**

2018 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Performing loans and advances	1,417,523	16,165,086	97,117,394	129,134	**114,829,137**
Non-performing loans and advances	-	10,617	1,472,649	6,141	**1,489,407**
Total	**1,417,523**	**16,175,703**	**98,590,043**	**135,275**	**116,318,544**
Credit impairment provision	(120,624)	(316,978)	(2,166,952)	(5,428)	**(2,609,982)**
Loans & advances, net	**1,296,899**	**15,858,725**	**96,423,091**	**129,847**	**113,708,562**

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Performing loans and advances	1,549,623	17,021,699	99,786,440	174,273	**118,532,035**
Non-performing loans and advances	-	13,363	1,103,460	10,492	**1,127,315**
Total	**1,549,623**	**17,035,062**	**100,889,900**	**184,765**	**119,659,350**
Credit impairment provision	(52,442)	(226,693)	(1,688,678)	(6,808)	**(1,974,621)**
Loans & advances, net	**1,497,181**	**16,808,369**	**99,201,222**	**177,957**	**117,684,729**

Loans and advances, net includes Shariah-approved banking products in respect of Murabaha, Ijara and Tawarruq finance, which are stated at amortized cost less provision for credit impairment amounting to SAR 67,540 million (2017: SAR 71,079 million).

b) Movement in provision for credit impairment are as follows:

2018 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year, as reported	**52,442**	**226,693**	**1,688,678**	**6,808**	**1,974,621**
Effect of change in accounting policy (note 2.4b)	52,884	94,107	731,607	2,594	881,192
Balance at the beginning of the year, restated	**105,326**	**320,800**	**2,420,285**	**9,402**	**2,855,813**
Provided during the year, net	28,458	(750)	106,346	(1,965)	**132,089**
Bad debts written off	-	(125)	(249,939)	-	**(250,064)**
Recoveries of amounts previously provided	(19,855)	(1,037)	(101,052)	(7,457)	**(129,401)**
Exchange adjustment	6,695	(1,910)	(8,688)	5,448	**1,545**
Balance at the end of the year	**120,624**	**316,978**	**2,166,952**	**5,428**	**2,609,982**

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	41,028	227,337	1,586,270	17,040	**1,871,675**
Provided during the year, net	11,414	592	165,858	(9,418)	**168,446**
Bad debts written off	-	(115)	(43,816)	(30)	**(43,961)**
Recoveries of amounts previously provided	-	(325)	(16,535)	(274)	**(17,134)**
Exchange adjustment	-	(796)	(3,099)	(510)	**(4,405)**
Balance at the end of the year	**52,442**	**226,693**	**1,688,678**	**6,808**	**1,974,621**

During the year, the Group has charged an amount of SAR 155.5 million (2017: SAR 287.2 million) to the statements of consolidated income on account of provision for credit impairment which is net of recoveries of amounts previously provided and net direct write-offs.

c) Credit quality of loans and advances

i) Ageing of loans and advances past due but not impaired

2018 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Less than 90 days	102,463	814,249	2,643,278	-	**3,559,990**
90 days and more	31,429	75,123	135,954	-	**242,506**
Total	**133,892**	**889,372**	**2,779,232**	-	**3,802,496**

2017 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Less than 90 days	101,917	779,080	1,259,391	-	**2,140,388**
90 days and more	31,795	93,983	118,039	-	**243,817**
Total	**133,712**	**873,063**	**1,377,430**	**-**	**2,384,205**

ii) Economic sector risk concentration for the loans and advances and the related credit loss provision as follows:

2018 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	653,482	-	136	**653,346**
Banks and other financial institutions	4,767,314	-	6,541	**4,760,773**
Agriculture and fishing	4,144,348	440	20,417	**4,124,371**
Manufacturing	17,913,187	162,616	282,664	**17,793,139**
Mining and quarrying	2,000,074	-	9,248	**1,990,826**
Electricity, water, gas and health services	13,371,104	15,849	45,232	**13,341,721**
Building and construction	15,101,316	969,997	1,135,186	**14,936,127**
Commerce	17,499,430	298,521	412,782	**17,385,169**
Transportation and communication	8,022,809	1,402	43,538	**7,980,673**
Services	2,656,436	941	37,282	**2,620,095**
Consumer loans and credit cards	18,106,874	23,054	447,159	**17,682,769**
Other	10,592,763	16,587	169,797	**10,439,553**
Total	**114,829,137**	**1,489,407**	**2,609,982**	**113,708,562**

2017 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	681,854	-	242	**681,612**
Banks and other financial institutions	5,028,716	-	19,627	**5,009,089**
Agriculture and fishing	4,050,608	440	9,415	**4,041,633**
Manufacturing	18,761,309	192,262	251,697	**18,701,874**
Mining and quarrying	1,436,027	-	7,019	**1,429,008**
Electricity, water, gas and health services	12,059,269	20,048	46,908	**12,032,409**
Building and construction	16,648,939	710,701	1,001,986	**16,357,654**
Commerce	18,110,827	165,672	161,264	**18,115,235**
Transportation and communication	9,153,683	1,402	38,011	**9,117,074**
Services	2,775,771	941	26,165	**2,750,547**
Consumer loans and credit cards	18,571,322	13,363	279,135	**18,305,550**
Other	11,253,710	22,486	133,152	**11,143,044**
Total	**118,532,035**	**1,127,315**	**1,974,621**	**117,684,729**

d) Collateral

Fair value of collateral held by Bank against loans and advances by each category are as follows:

	2018 SAR '000	2017 SAR '000
Neither past due nor impaired	48,547,435	63,021,343
Past due but not impaired	3,698,194	1,952,858
Impaired	222,403	244,755
Total	**52,468,032**	**65,218,956**

The collateral consists of deposits, financial guarantees, marketable securities and real estate. Those collaterals which are not readily convertible into cash (i.e. real estate) are accepted by the Bank with the intent for them to be disposed of in case of default by the customer. The Group's policies regarding obtaining collaterals have not significantly changed during the year and there has been no significant change in the overall quality of the collaterals held by the Group since the prior year.

7. Property and equipment, net

	Land and buildings (SAR'000)	Leasehold improvements (SAR'000)	Furniture, equipment and vehicles (SAR'000)	2018 Total (SAR'000)	2017 Total (SAR'000)
Cost					
Balance at the beginning of the year	918,492	675,970	1,411,134	**3,005,596**	**2,917,004**
Additions	1,956	13,082	45,839	**60,877**	**96,426**
Disposals	-	(34)	(1,772)	**(1,806)**	**(6,786)**
Exchange adjustment	-	-	(5,127)	**(5,127)**	**(1,048)**
Balance at the end of the year	**920,448**	**689,018**	**1,450,074**	**3,059,540**	**3,005,596**
Accumulated depreciation					
Balance at the beginning of the year	585,923	569,618	1,282,245	**2,437,786**	**2,320,919**
Charge for the year	11,137	31,679	69,610	**112,426**	**123,565**
Disposals	-	-	(894)	**(894)**	**(6,534)**
Exchange adjustment	-	-	4,529	**4,529**	**(164)**
Balance at the end of the year	**597,060**	**601,297**	**1,355,490**	**2,553,847**	**2,437,786**
Net book value as at December 31, 2018	**323,388**	**87,721**	**94,584**	**505,693**	
Net book value as at December 31, 2017	**332,569**	**106,352**	**128,889**		**567,810**
Capital work in progress				2,187,750	2,071,074
Total				**2,693,443**	**2,638,884**

8. Other assets

	2018 SAR '000	2017 SAR '000
Accounts receivable	207,379	158,871
Other real estate, net	5,447	4,757
Goodwill	16,921	21,404
Other	468,892	383,853
Total	**698,639**	**568,885**

9. Derivatives

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

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

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 customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges.

Forward commission rate agreements are individually negotiated commission rate futures that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, based on a notional principal for an agreed period of time.

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 stipulated period, a specified amount of a currency, commodity, equity or financial instrument at a pre-determined price.

Swaptions are options on swaps and entail an option on the fixed rate component of a swap. An option on a swap provides the purchaser or holder of the option the right, but not the obligation to enter into a swap where it pays fixed rates against receipt of a floating rate index at a future date.

Derivatives 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 in order to, inter alia, 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, with the expectation of profiting from, price differentials between markets or products.

Derivatives held for hedging purposes

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 commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statements of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. The Group also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including the details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

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

All derivatives are reported at fair value on the statements of consolidated financial position. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received from or paid to a given counterparty pursuant to a valid master netting agreement.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

				Notional amounts by term to maturity			
2018	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
Held for trading							
Commission rate swaps	3,296,534	2,573,683	137,105,216	7,006,806	13,539,282	93,983,860	22,575,268
Commission rate futures and options	66,970	95,052	10,455,028	2,247,063	345,000	7,736,145	126,820
Forward foreign exchange contracts	57,572	65,825	14,389,936	5,736,950	2,174,922	6,478,064	-
Currency options	53,146	52,654	1,556,786	1,057,299	499,487	-	-
Swaptions	-	-	-	-	-	-	-
Equity and commodity options	159,529	178,622	2,704,346	15,000	2,689,346	-	-
Held as fair value hedges:							
Commission rate futures and options	-	17,731	1,842,375	1,842,375	-	-	-
Commission rate swaps	61,253	117,694	3,562,500	-	-	375,000	3,187,500
Held as cash flow hedges							
Commission rate swaps	19,943	59,898	4,532,500	170,000	120,000	662,500	3,580,000
Sub-total	3,714,947	3,161,159	**176,148,687**	**18,075,493**	**19,368,037**	**109,235,569**	**29,469,588**
Cash collateral received / paid	(269,175)	(806,059)					
Total	**3,445,772**	**2,355,100**					

2017	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Notional amounts by term to maturity: Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
Held for trading							
Commission rate swaps	6,231,314	4,970,558	141,672,493	9,823,864	15,498,684	91,988,025	24,361,920
Commission rate futures and options	35,455	40,300	12,404,532	5,933,629	840,500	4,972,220	658,183
Forward foreign exchange contracts	139,574	186,108	29,118,406	11,719,330	12,350,851	5,048,225	-
Currency options	120,316	121,395	8,000,585	3,838,029	3,890,739	271,817	-
Swaptions	16,537	233	4,498,310	-	4,498,310		-
Equity and commodity options	115,618	115,618	1,342,478	77,478	-	1,265,000	-
Held as fair value hedges:							
Commission rate futures and options	-	-	-	-	-	-	-
Held as cash flow hedges							
Commission rate swaps	43,218	14,261	4,747,500	-	770,000	952,500	3,025,000
Sub-total	6,702,032	5,448,473	**201,784,304**	**31,392,330**	**37,849,084**	**104,497,787**	**28,045,103**
Cash collateral received / paid	(187,324)	(1,472,175)					
Total	**6,514,708**	**3,976,298**					

The tables below show a summary of hedged items, the nature of the risk being hedged, the hedging instrument and their fair values:

Description of hedged items	Fair value	Nature of hedge	Hedging instrument	Positive fair value	Negative fair value
2018 (SR '000)					
Floating rate notes	4,541,222	Cash flow	Commission rate swaps	19,943	59,898
Fixed rate notes	998,573	Fair Value	Commission rate futures and options	-	42,883
Fixed rate futures	3,327,632	Fair Value	Commission rate swaps	61,253	117,694
2017 (SR '000)					
Floating rate notes	4,756,723	Cash flow	Commission rate swaps	43,218	14,261

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Group generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Also, as a result of firm commitments in foreign currencies, the Group is exposed to foreign exchange and special commission rate risks which are hedged with cross currency special commission rate swaps.

Below is the schedule indicating as at 31 December, the periods when the cash flows arising from the hedged item are expected to occur and when they are expected to affect statements of consolidated income:

2018 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	57,931	165,954	581,620	283,301	**1,088,806**

2017 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	17,828	86,830	489,780	422,518	**1,016,956**

Approximately 33% (2017: 25%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 13% (2017: 13%) of the positive fair value contracts are with any single counter-party at the reporting date.

10. Due to banks and other financial institutions

	2018 SAR '000	2017 SAR '000
Current accounts	1,953,097	580,665
Money market deposits	5,918,477	5,970,799
Total	**7,871,574**	**6,551,464**

Money market deposits include deposits against the sale of fixed rate securities of SAR 545 million (2017: SAR 3,823 million) with an agreement to repurchase the same at fixed future dates.

11. Customer deposits

Customer deposits comprise of the following:

	2018 SAR '000	2017 SAR '000
Demand	93,880,192	99,546,112
Savings	7,699,602	7,224,513
Time	62,460,929	54,884,115
Other	6,129,323	6,267,914
Total	**170,170,046**	**167,922,654**

Time deposits include deposits accepted under Shariah approved banking product contracts of SAR 33,999 million (2017: SAR 30,428 million).

Time deposits include deposits against sale of fixed rate securities of SAR 393 million (2017: SAR 681) with agreements to repurchase the same at fixed future dates.

Included in time deposits are market linked customer deposits amounting to SAR 951 million (2017: SAR 560 million), which are designated FVIS liabilities. The deposits are so designated when they include one or more embedded derivatives or are being evaluated on a fair value basis in accordance with the documented risk management strategy of the Group. There were no significant gains or losses attributable to changes in the credit risk on these deposits in 2018 and 2017.

Other customer deposits include SAR 1,158 million (2017: SAR 1,322 million) of margins held against facilities extended to customers.

The above include foreign currency deposits as follows:

	2018 SAR '000	2017 SAR '000
Demand	4,344,981	10,346,387
Savings	1,082,667	1,079,852
Time	21,862,428	10,779,392
Other	240,242	338,124
Total	**27,530,318**	**22,543,755**

12. Other liabilities

	2018 SAR '000	2017 SAR '000
Accounts payable	828,336	976,380
Employee benefit obligations (note 13)	517,500	436,604
Unearned fee income	247,779	279,529
Customer initial public offering deposits	7,414	21,340
Payable to GAZT under Settlement Agreement (note 25 c)	1,852,850	-
Credit Impairment provision against loan commitments and financial guarantee contracts (note 28 c)	1,635,951	-
Other	2,143,219	2,699,741
Total	**7,233,049**	**4,413,594**

13. Employee benefit obligations

The Bank operates an End of Service benefit plan for its employees based on the Saudi Arabian Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of consolidated financial position and movement in the obligation during the year based on its present value are as follows:

	2018 SAR'000	2017 SAR'000
Balance at the beginning of the year	428,526	373,257
Current service cost	102,985	78,343
Special commission expense	16,446	15,475
Benefits paid	(35,077)	(38,549)
Balance at the end of the year	**512,880**	**428,526**

An independent actuarial valuation is carried out during fourth quarter every year for evaluation of adequacy of provision held. Provision held against actuarial valuation as of the end of year is SR 517.5 million (2017: SR 436.6 million). There are various assumptions used in determination of present value of defined benefit obligation of which discount rate and salary increase level are principal which are assumed to be at 4.5% (2017: 4%) and 2% (2017: 2%) respectively.

The actuarial liability would be increased to SR 541.6 million (2017: SR 451.3 million) had the discount rate used in the assumption been lower by 1% and the liability would be decreased to SR 487.3 million (2017: SR 408.1 million) had the discount rate used in the assumption been higher by 1%. Similarly, the actuarial liability would be increased to SR 542.0 million (2017: SR 439.9 million) had the salary increase rate used in the assumption been higher by 1% and the liability would be decreased to SR 486.5 million (2017: SR 418.3 million) had the salary increase rate used in the assumption been lower by 1%. The weighted average duration of the defined benefit obligation is approximately 5 years.

14. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2017: 2,000 million shares) of SAR 10 each.

15. Statutory and general reserves

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia and the Articles of Association of the Bank, a minimum of 25% of the net income for the year is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. The statutory reserve is currently not available for distribution. During the year, the bank transferred SAR 1,382 million (2017: 1,256 million) to the statutory reserve from the retained earnings.

In addition, as and when considered appropriate, the Bank makes an appropriation to general reserve for general banking risks.

16. Fair value reserves

The movement in fair value reserves during the year attributable to the equity shareholders of the Group is set out below:

2018 (SR'000)	**Cash flow hedges**	**FVOCI financial assets**	**Total**
Balance at beginning of the year as reported	**(28,826)**	**318,500**	**289,674**
Effect of change in accounting policy	-	(294)	**(294)**
Change in fair value during the year	(18,997)	284,286	**265,289**
Transfer to statements of consolidated income	(51,974)	(9,601)	**(61,575)**
Balance at end of the year	**(99,797)**	**592,891**	**493,094**

2017 (SR'000)	**Cash flow hedges**	**Available for sale financial assets**	**Total**
Balance at beginning of the year	(126,493)	217,056	**90,563**
Change in fair value during the year	153,826	130,481	**284,307**
Transfer to statements of consolidated income	(56,159)	(29,037)	**(85,196)**
Balance at end of the year	**(28,826)**	**318,500**	**289,674**

17. Commitments and contingencies

a) Legal proceedings

No provision has been made in relation to legal proceedings existing as at December 31, 2018 and 2017 as no material costs are expected to be incurred.

b) Capital commitments

The Group's capital commitments as at December 31, 2018 amounted to SAR 362 million (2017: SAR 242 million). These commitments represent contractual obligations in respect of building, construction and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and irrevocable commitments to extend credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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. 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 collateralized by the underlying shipments of goods to which they relate, and therefore have 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. Cash requirements under these instruments are considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unused portion of approved facilities 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 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 may expire or terminate without being funded.

i) The contractual maturity structure for the Group's credit related commitments and contingencies are as follows:

2018 (SAR '000)	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	2,967,783	1,511,518	482,580	-	**4,961,881**
Letters of guarantee	8,166,435	13,849,475	9,352,013	1,517	**31,369,440**
Acceptances	1,179,731	324,544	1,088	9,322	**1,514,685**
Irrevocable commitments to extend credit	142,145	42,560	2,429,571	-	**2,614,276**
Other	-	8,020	59,893	762,205	**830,118**
Total	**12,456,094**	**15,736,117**	**12,325,145**	**773,044**	**41,290,400**

2017 (SAR '000)	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	2,882,614	2,617,101	305,504	-	**5,805,219**
Letters of guarantee	10,523,730	15,340,490	8,185,941	1,815	**34,051,976**
Acceptances	1,009,302	811,517	3,847	9,376	**1,834,042**
Irrevocable commitments to extend credit	1,383,172	694,508	896,147	100,000	**3,073,827**
Other	-	8,020	71,228	607,929	**687,177**
Total	**15,798,818**	**19,471,636**	**9,462,667**	**719,120**	**45,452,241**

The unused portion of commitments outstanding as at December 31, 2018 which can be revoked unilaterally at any time by the Group amounts to SAR 98,210 million (2017: SAR 88,057 million)

ii) The analysis of credit related commitments and contingencies by counter-party are as follows:

	2018 SAR '000	**2017 SAR '000**
Corporate	35,955,390	40,345,805
Banks and other financial institutions	5,013,370	4,804,294
Other	321,640	302,142
Total	**41,290,400**	**45,452,241**

d) Assets pledged

Assets pledged as collateral with other financial institutions and others as security against borrowings are as follows:

	2018 SAR'000		**2017 SAR'000**	
	Assets	**Related liabilities**	**Assets**	**Related liabilities**
Investments classified as FVOCI / available for sale and FVIS	1,196,612	1,165,521	4,867,283	4,854,533

e) Operating lease commitments

There are no non-cancelable operating lease commitments as of December 31, 2018 and 2017.

18. Special commission income and expense

	2018 SAR '000	2017 SAR '000
Special commission income on:		
Investments:		
FVOCI / AFS	617,339	658,803
Amortised Cost / Held to maturity and investments held at amortized cost	1,072,812	781,841
	1,690,151	**1,440,644**
Due from banks and other financial institutions	450,874	352,195
Loans and advances	5,397,165	5,134,901
Total	**7,538,190**	**6,927,740**
Special commission expense on:		
Due to banks and other financial institutions	188,420	210,298
Customer deposits	1,197,878	985,217
Total	**1,386,298**	**1,195,515**

19. Fee and commission income, net

Fee and commission income on:	2018 SAR '000	2017 SAR '000
Share trading and fund management	280,737	295,544
Trade finance	327,582	378,606
Corporate finance and advisory	107,812	116,492
Other banking services	848,611	803,532
Total	**1,564,742**	**1,594,174**
Fee and commission expense on:		
Cards	(130,078)	(115,462)
Other banking services	(71,313)	(55,977)
Total	**(201,391)**	**(171,439)**
Fee and commission income, net	**1,363,351**	**1,422,735**

20. Trading income, net

	2018 SAR '000	2017 SAR '000
Debt securities	71,239	15,653
Derivatives and others	(10,307)	78,724
Total	**60,932**	**94,377**

21. Gains on FVOCI debt / non-trading investments, net

	2018 SAR '000	2017 SAR '000
FVOCI / AFS	9,601	28,195
Amortised Cost / Other investments held at amortized cost	-	842
Total	**9,601**	**29,037**

22. Other operating income, net

	2018 SAR '000	2017 SAR '000
Gain on disposal of property and equipment	300	7,792
Gain on disposal of other real estate	-	2,341
Dividend income	171,215	152,772
Other income	8,686	1,512
Total	**180,201**	**164,417**

23. Salaries and employee related expenses

The Bank's compensation policy complies with the regulatory requirements of SAMA and international standards of Financial Stability Forum with respect to compensation. This policy is applicable to all businesses across the Group in the Kingdom of Saudi Arabia as well as its overseas branches and subsidiaries as far as it is consistent with the legal and regulatory requirements of respective host countries where the Group operates. SBL also has a compensation policy in place which is in line with the SAMA guidelines and the local rules and regulations

The policy defines the levels and categories of key employees whose goals setting, performance measurement and appraisal processes are based on a scorecard approach that links the financial performance evaluation with associated risks, at the overall Bank level. Key employees consist of senior executives (officers who are in senior and leadership roles whose appointment is subject to the no objection by SAMA), Key Risk Takers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk taking roles on behalf of the Group) and Key Risk Controllers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk controlling roles on behalf of the Group.)

Compensation structure at the Group consists of (a) fixed components viz., base salary, allowances and benefits; as well as (b) variable components viz., performance bonus and equity based scheme. These components are designed to reflect the level of responsibility and role of the employee, as well as the business area in which the employee works.

The Group's overall variable compensation pool is derived from the Risk Adjusted Net Income of the Group which takes into account significant existing and potential risks in order to protect Group's capital adequacy and to mitigate risk of potential future losses. A process of distributing variable compensation payments over three annual instalments is in place for key employees. The proportion of deferred payments is determined based on the level and seniority and/or responsibility of the key employee. A portion of deferred variable compensation is also awarded in the form of equity based "long term bonus scheme". Remuneration of employees working in control functions such as Risk Management, Credit, Compliance, Internal Audit, Financial Control, Legal etc. are determined independently from the business units monitored by them. Further, claw-back arrangements are included to address adverse future performance. No guaranteed bonuses are allowed. Through these mechanisms, the Group has successfully achieved the policy objectives of ensuring that the overall variable compensation takes into account risks associated with financial performance and adjustments to deferred compensation are considered pursuant to any negative future impact arising out of decisions made during the current period.

Variable compensation is awarded to eligible employees in the form of cash, equities or a combination of both. The proportion of variable compensation to be paid in either form is determined based on the level of responsibility and role of the individual employee, as well as the business area in which the employee works and commensurate to the performance delivery, risk taking or controlling ability of the employee.

In accordance with regulatory requirements on corporate governance, the Bank's Board of Directors has established a Nomination and Remuneration Committee (NRC) which comprises of three non-executive directors and chaired by an independent board member. The NRC is responsible for the overall architecture, oversight and monitoring of the compensation system. The committee reviews the compensation policy periodically to ensure its adequacy and effectiveness. Accordingly, the policy was last revised in September 2018 and reflects the amended organization structure and approval hierarchy. The NRC makes its recommendations to the Board on the level and composition of remuneration after taking into account the Risk Management Group's input. NRC also periodically reviews the progress of the compensation policy implementation and ensures that its stated objectives are achieved in line with the guidelines.

The following is a breakup of the compensation paid to the Group's employees for the years 2018 and 2017:

	Number of Employees		Fixed Compensation SAR'000		Variable Compensation Paid – SAR'000					
Category	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
					Cash		**Shares**		**Total**	
Senior executives*	20	19	29,733	28,766	31,945	29,882	6,263	3,619	38,208	33,501
Employees engaged in risk taking activities	880	927	317,064	328,602	68,575	65,429	8,193	5,182	76,768	70,611
Employees engaged in control functions	780	749	190,875	188,480	20,101	19,051	2,773	2,061	22,874	21,112
Other employees	1,610	1,665	193,131	205,755	5,067	5,075	125	115	5,192	5,190
Other outsourced employees	207	170	20,366	17,033	420	419	-	-	420	419
Total	**3,497**	**3,530**	751,169	768,636	**126,108**	**119,856**	**17,354**	**10,977**	**143,462**	**130,833**
Variable compensation and other employee related cost accrued or paid during the year**			494,178	541,718						
Total salaries & employee related expenses			**1,245,347**	**1,310,354**						

* Senior executives are employees whose appointment requires approval from SAMA.

** Other employee related costs include insurance premium paid, GOSI contribution, relocation charges, recruitment expenses, training and development cost, employee related costs for SBL and certain other non-recurring employee related costs.

24. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net income for the years 2018 and 2017 by 2,000 million shares.

25. Dividend, Zakat and income tax

a) Dividend

The Board of Directors has proposed a final gross dividend of SR 2,324 million for 2018 (2017: SR 1,807 million). After deducting the applicable Zakat, this will yield a net payment of SR 1.0 per share to the Saudi shareholders of the Bank (2017: SR 0.75). The total net dividend for the year to Saudi shareholders is SR 1.8 per share (2017: SR 0.75 per share) of which SR 0.8 (2017: SR 0.75) was paid as interim dividend earlier during the year. The total interim gross dividend during 2018 amounted to SR 1,911 million (2017: SR 1,807 million) making full year total gross dividends of SR 4,235 million (2017: SR 3,614 million).

The proposed final dividend is included within equity until approved by the shareholders' annual general assembly.

b) Zakat and Income Tax Liabilities

Zakat attributable to Saudi shareholders for the current year is estimated at SR 443.6 million (2017: SR 592 million) for the Bank on an approximate shareholding of 97.7% (2017: 96.44%) which will be deducted from their share of dividend. Zakat liability for the current year has been calculated based on the settlement framework agreed by the Bank with the General Authority for Zakat and Income (the "GAZT") as part of settlement of Zakat for the years 2006-17 detailed below and will be paid to the GAZT latest by 30 April 2019.

Income tax liability of the foreign shareholders on their current year's share of income is estimated at SR 33 million (2017: SR 33 million) on an approximate shareholding of 2.3% (2017: 3.56%). Unpaid income tax liability for the current year or earlier years, if any, will be deducted from their share of dividend for the year.

c) Status of Zakat and Income Tax Assessments

During the current year, the Bank has reached a Settlement Agreement (the "Agreement") with the GAZT to comply with the directives provided by Royal Decree No. M/26 dated 20/3/1440H (November 28, 2018) and the Ministerial Resolution No. 1260 dated 05/04/1440H (December 12, 2018), in order to settle outstanding Zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 2,316 million, payable in 6 instalments over a period of 5 years ending December 1, 2023. The Bank has already paid the first instalment of SR 463 million during December 2018. The amount payable to GAZT have been reclassified under "Other Liabilities" in the consolidated financial statements. Under the Agreement, the Bank and GAZT have also agreed to settle Zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all Zakat related disputes between the Bank and the GAZT pertaining to the years 2006 to 2017 stand resolved.

The Bank will continue to contest its appeals before the Appellate Committee of Tax Disputes and Violations for the years 2004-2005 with respect to Zakat and for the income taxes for the years 2004-2009. The Bank is confident of a favourable outcome from the appeal process.

The Bank has filed its Zakat and Income Tax returns with the GAZT and paid Zakat and Income Taxes for the years up to and including the year 2017, except for the amounts agreed as a liability under the Agreement which will be paid to GAZT as and when they fall due.

26. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statements of consolidated cash flows comprise the following:

	2018 SAR '000	2017 SAR '000
Cash and balances with Central Banks excluding statutory deposit (note 3)	16,592,362	15,952,887
Due from banks and other financial institutions	7,324,107	5,020,361
Total	**23,916,469**	**20,973,248**

27. Operating segments

The Group is organized into the following main operating segments:

Consumer banking – comprises individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate banking – comprises corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well the Group's customer derivative portfolios and its corporate advisory business.

Treasury – principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statement of financial position.

Investment banking – engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with three overseas branches and three overseas subsidiaries. However, the results of the overseas operations are not material to the Group's overall consolidated financial statements.

On June 8, 2016, the Board of Directors of the Group has decided to close the operations of UK branch as its operations are no longer consistent with the business strategy of the Group. The management believes that the financial impact of this decision will not be material to the overall operations of the Group.

Transactions between the business segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on market based inter-bank rates. There are no other material items of income or expense or other internal revenues between the operating segments.

a) The Group's total assets and liabilities as at December 31, 2018 and 2017, together with special commission income net, total operating income, total operating expenses, provision for credit impairment, net income, capital expenditure and depreciation expenses for the years then ended, by operating segment, are as follows:

2018 (SAR'000)	Consumer banking	Corporate banking	Treasury	Investment banking	Total
Total assets	32,315,651	96,225,480	101,236,772	160,397	**229,938,300**
Total liabilities	93,649,480	83,003,800	10,871,118	105,371	**187,629,769**
Special commission income, net	2,439,505	2,293,588	1,366,274	52,525	**6,151,892**
Total operating income	3,132,188	3,028,009	1,540,181	456,142	**8,156,520**
Total operating expenses, of which:	1,667,241	646,853	117,849	195,798	**2,627,741**
- Depreciation	44,159	61,850	909	5,508	**112,426**
- Credit impairment provision	87,362	65,066	3,090	-	**155,518**
Net income	1,464,947	2,381,156	1,422,332	260,344	**5,528,779**
Capital expenditure	82,737	75,626	9,198	336	**167,897**

2017 (SAR'000)	Consumer Banking	Corporate banking	Treasury	Investment banking	Total
Total assets	33,432,980	100,946,582	92,995,571	171,029	**227,546,162**
Total liabilities	92,146,810	81,241,106	9,356,841	119,253	**182,864,010**
Special commission income, net	2,128,091	2,258,283	1,317,860	27,991	**5,732,225**
Total operating income	2,772,732	2,998,261	1,667,113	453,460	**7,891,566**
Total operating expenses, of which:	1,763,693	785,330	131,131	187,122	**2,867,276**
- Depreciation	48,590	66,942	1,033	7,000	**123,565**
- Credit impairment provision	138,746	148,420	-	-	**287,166**
Net income	1,009,039	2,212,931	1,535,982	266,338	**5,024,290**
Capital expenditure	111,893	106,862	28,508	5,258	**252,521**

b) The Group's credit exposure by operating segment is as follows:

2018 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	25,667,349	88,199,401	79,514,400	66,270	**193,447,420**
Commitments and contingencies	275,818	24,584,511	965,803	-	**25,826,132**
Derivatives	608,934	1,156,489	4,973,678	-	**6,739,101**
2017 (SAR'000)					
Balance sheet risk assets	26,191,252	91,590,014	71,323,759	62,313	**189,167,338**
Commitments and contingencies	277,257	26,216,832	760,560	-	**27,254,649**
Derivatives	50,773	2,414,578	10,316,316	-	**12,781,667**

Balance sheet risk assets comprise of the carrying value of the assets at the reporting date, excluding cash and balances with central banks, derivatives, property and equipment and other assets. Credit exposures relating to commitments, contingencies and derivatives are stated at their credit equivalent amounts as prescribed by central banks.

28. Financial Risk Management

a) Credit Risk

Credit risk is the risk that a customer will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee which monitors the overall risk process within the bank and has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Group seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses. The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases the Group may also close out transactions and settle on a net present value basis.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks.

The Group uses its internal ratings to rate the credit quality of its portfolio. The following categories provides guidance about the credit quality of financial assets measured at amortized cost and debt investments classified as FVOCI.

Low and fair risk: Performing assets which have none or negligible deterioration in credit quality since inception.

Watch list: Assets which have shown some initial signs of deterioration in credit quality in the recent past and are subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk and are considered to be vulnerable to default.

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.

The following table sets out information about the credit quality of financial assets measured at amortized cost and debt investments classified as FVOCI. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

	December 31, 2018 (SAR'000)			
Due from banks and other financial institutions at amortised cost	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Low to fair risk	17,638,525	-	-	**17,638,525**
Watch list	-	-	-	**-**
Substandard	-	-	-	**-**
Doubtful	-	-	-	**-**
Loss	-	-	-	**-**
	17,638,525	-	-	**17,638,525**
Less: Credit impairment provision	**16,499**	-	-	**16,499**
Total	**17,622,026**	**-**	**-**	**17,622,026**

Debt instruments at amortised cost	December 31, 2018 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	10,733,908	-	-	**10,733,908**
Watch list	-	-	-	**-**
Substandard	-	-	-	**-**
Doubtful	-	-	-	**-**
Loss	-	-	-	**-**
	10,733,908	**-**	**-**	**10,733,908**
Less: Credit impairment provision	**3,090**	**-**	**-**	**3,090**
Total	**10,730,818**	**-**	**-**	**10,730,818**

Debt instruments at FVOCI	December 31, 2018 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	47,107,352	-	-	**47,107,352**
Watch list	-	-	-	**-**
Substandard	-	-	-	**-**
Doubtful	-	-	-	**-**
Loss	-	-	-	**-**
Total	**47,107,352**	**-**	**-**	**47,107,352**

Loans and advances at amortised cost	December 31, 2018 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	109,598,111	-	-	**109,598,111**
Watch list	-	977,265	-	**977,265**
Substandard	-	3,835,987	417,595	**4,253,582**
Doubtful	-	-	1,130,948	**1,130,948**
Loss	-	-	358,638	**358,638**
	109,598,111	**4,813,252**	**1,907,181**	**116,318,544**
Less: Credit impairment provision	**684,569**	**483,960**	**1,441,453**	**2,609,982**
Total	**108,913,542**	**4,329,292**	**465,728**	**113,708,562**

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 criteria such as risk grading and delinquency, and qualitative information and analysis used in the assessment of the classification assigned to the obligor. These are based on the Group's historical experience and expert credit assessment and includes the forward-looking information.

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 while also applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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 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 subsequently moved to a different credit risk grade. The monitoring typically 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 of management, and senior management changes/succession planning. • Data from credit reference agencies, press articles, changes in external credit ratings. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data and customer behaviour e.g. utilization of credit card facilities. • Affordability metrics. • External data from credit reference agencies.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of probability of default

The 12 month Probabilities of Default (PD) derived from approved internal rating models are a primary input into the determination of the PD term structure for exposures. For some portfolios, information sourced from external credit reference agencies is also used.

The Group extrapolates these PDs into a term structure by using macro-economic factors and transition matrices to generate both 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, the key macro-economic indicators include the estimation for GDP growth, inflation rates and oil price.

Based on advice from the Group's team of economists, and consideration of a variety of external actual and forecast information, the Group formulates 'base case, 'upside' and 'downside' views 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.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include both quantitative factors expressed in the form of a classification as well as a qualitative assessment based on delinquency.

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. These typically include expectations of forbearance occurring, high risk events (such as breach of covenants etc.), cross obligor defaults and designation on risk watch-lists.

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. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The performance of borrowers is monitored on a regular basis against the pre-defined classification/delinquency triggers to ensure the effectiveness and relevance thereof and to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria are no more liberal than the point in time when an asset becomes 30 days past due; and
- there is stability in the loss allowance arising from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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. 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.

The Group may renegotiate 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 timing of interest payments and amending the terms of loan covenants and a detailed forbearance policy has implemented by the Group.

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 behavioural 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 or in-default. Consequently all such exposures continue to be measured using the lifetime ECL and a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired or 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.

Definition of ‘Default’

“Default” is defined as either non-payment of a material financial obligation persisting for 90 days or the occurrence of events that would lead the Group to consider that the obligor is unlikely to service its credit obligations to the Group. 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.

The definition of default used by the Group for IFRS 9 purposes aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group incorporates forward-looking information into its measurement of ECL. Based on advice from the team of Economists 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. This process involves developing two additional economic scenarios (‘upside’ and ‘downside’) and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit impairment for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit impairment. The economic scenarios used as at December 31, 2018 included the ranges of key indicators such as the GDP growth rate, oil price, rate of inflation and data on fiscal spending etc.

Predicted relationships between the key macro-economic indicators, default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 25 years.

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- 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. These models are validated on an annual basis to ensure the quality of the outputs generated.

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 corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

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 of the claim and recovery costs of any collateral that is integral to the financial asset.

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 loan commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on regulatory defined credit conversion factors for non-retail customers and historical observations for the retail portfolio.

As described above, and using 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 (including any borrower's extension options) 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.

For retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period of 12 months. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are ranked on the basis of shared risk characteristics that include:

- instrument type;
- payment behaviour;
- external credit bureau characteristics;
- date of initial recognition;
- remaining term to maturity; and
- customer demographics.

The ranking is subject to regular review to ensure that exposures within a particular pool remain appropriately homogeneous.

c) The following tables shows reconciliations from the opening to the closing balance of the credit impairment provisions by class of financial instruments.

Due from Banks and Other Financial Institutions at Amortised Cost	December 31, 2018 (SAR'000) 12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2018	**23,534**	-	-	**23,534**
Net measurement of loss allowance	(20,726)	-	-	**(20,726)**
New financial assets originated or purchased or renewed	48,344	-	-	**48,344**
Financial asset that have been derecognised	(34,653)	-	-	**(34,653)**
Balance as at December 31, 2018	**16,499**	-	-	**16,499**

Debt instruments at Amortised Cost	December 31, 2018 (SAR'000) 12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2018	**13,686**	**-**	**-**	**13,686**
Net measurement of loss allowance	241	-	-	**241**
New financial assets originated or purchased or renewed	7,108	-	-	**7,108**
Financial asset that have been derecognised	(17,945)	-	-	**(17,945)**
Balance as at December 31, 2018	**3,090**	**-**	**-**	**3,090**

Debt instruments at Fair Value through Other Comprehensive Income	December 31, 2018 (SAR'000) 12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2018	**21,833**	**7,082**	**-**	**28,915**
Transfer to 12 months ECL	6,385	(6,385)	-	-
Net measurement of loss allowance	(7,661)	(697)	-	**(8,358)**
New financial assets originated or purchased or renewed	10,704	-	-	**10,704**
Financial asset that have been derecognised	(5,737)	-	-	**(5,737)**
Balance as at December 31, 2018	**25,524**	**-**	**-**	**25,524**

Loans and advances at Amortised Cost	December 31, 2018 (SAR'000) 12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2018 (Restated)	**737,363**	**491,806**	**1,626,644**	**2,855,813**
Transfer to 12 months ECL	130,540	(130,514)	(26)	-
Transfer to life time ECL not credit impaired	(51,268)	57,578	(6,310)	-
Transfer to life time ECL credit impaired	(2)	(27,151)	27,153	-
Net measurement of loss allowance	(93,628)	34,126	13,053	**(46,449)**
New financial assets originated or purchased or renewed	758,059	404,344	230,664	**1,393,067**
Financial asset that have been derecognised	(796,497)	(346,229)	(199,659)	**(1,342,385)**
Write offs	-	-	(250,064)	**(250,064)**
Balance as at December 31, 2018	**684,567**	**483,960**	**1,441,455**	**2,609,982**

Loan commitments and financial guarantee contracts	December 31, 2018 (SAR'000) 12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2018	**149,748**	**50,775**	**1,371,318**	**1,571,841**
Transfer to 12 months ECL	658	(558)	(100)	-
Transfer to life time ECL not credit impaired	(65,642)	79,132	(13,490)	-
Transfer to life time ECL credit impaired	-	(6,568)	6,568	-
Net measurement of loss allowance	(4,376)	15,086	84,754	**95,464**
New commitents and financial guarantees originated or renewed	67,912	8,644	6,804	**83,360**
Commitents and financial guarantees that have been derecognised	(73,541)	(26,594)	(14,579)	**(114,714)**
Balance as at December 31, 2018	**74,759**	**119,917**	**1,441,275**	**1,635,951**

d) Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2018 SAR'000	2017 SAR'000
ASSETS		
Due from banks and other financial institutions	17,622,026	11,031,480
Investments, net	61,909,453	60,292,258
Loans and advances, net	113,708,562	117,684,729
Other assets exposed to credit risk	207,379	158,871
Total	**193,447,420**	**189,167,338**
Contingent liabilities and commitments	25,826,132	27,254,649
Derivatives	6,739,101	12,781,667
Total	**226,012,653**	**229,203,654**

29. Geographical concentration

a) The distribution by geographical region for major categories of assets, liabilities, credit exposures in relation to commitments and contingencies and derivatives are as follows:

2018 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with central banks	25,060,588	220,117	991	-	-	137,908	-	**25,419,604**
Due from banks and other financial institutions	10,966,805	3,172,128	1,887,688	1,206,596	-	6,264	382,545	**17,622,026**
Investments, net	51,099,133	2,430,857	5,364,953	6,853,035	61,472	186,680	354,124	**66,350,254**
Derivatives	3,020,824	128,024	-	273,923	-	-	23,001	**3,445,772**
Loans and advances, net	103,444,604	8,151,882	344,344	-	-	-	1,767,732	**113,708,562**
Total	**193,591,954**	**14,103,008**	**7,597,976**	**8,333,554**	**61,472**	**330,852**	**2,527,402**	**226,546,218**
Liabilities								
Due to banks and other financial institutions	1,296,811	4,641,463	96,012	632,114	-	8,996	1,196,178	**7,871,574**
Customer deposits	167,510,224	617,013	24,629	325,881	804	6,781	1,684,714	**170,170,046**
Derivatives	2,352,104	2,996	-	-	-	-	-	**2,355,100**
Total	**171,159,139**	**5,261,472**	**120,641**	**957,995**	**804**	**15,777**	**2,880,892**	**180,396,720**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	19,193,261	3,139,471	1,088,103	649,396	31,564	1,015,163	709,174	**25,826,132**
Derivatives	2,609,921	157,573	3,459,549	502,456	-	-	9,603	**6,739,102**
Total	**21,803,182**	**3,297,044**	**4,547,652**	**1,151,852**	**31,564**	**1,015,163**	**718,777**	**32,565,234**

2017 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with central banks	24,479,448	583,953	-	-	-	131,665	-	**25,195,066**
Due from banks and other financial institutions	3,847,983	3,490,562	776,759	2,585,031	-	5,573	325,572	**11,031,480**
Investments, net	44,131,875	3,236,622	6,323,621	7,367,469	63,025	152,326	2,637,472	**63,912,410**
Derivatives	5,988,334	151,970	-	350,702	-	-	23,702	**6,514,708**
Loans and advances, net	108,685,805	7,058,821	426,858	102	-	-	1,513,143	**117,684,729**
Total	**187,133,445**	**14,521,928**	**7,527,238**	**10,303,304**	**63,025**	**289,564**	**4,499,889**	**224,338,393**
Liabilities								
Due to banks and other financial institutions	1,095,599	535,856	3,076,489	144,488	-	4,630	1,694,402	**6,551,464**
Customer deposits	164,658,675	1,063,264	38,635	340,800	520	18,611	1,802,149	**167,922,654**
Derivatives	3,945,790	5,872	941	-	-	-	23,695	**3,976,298**
Total	**169,700,064**	**1,604,992**	**3,116,065**	**485,288**	**520**	**23,241**	**3,520,246**	**178,450,416**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	20,737,457	2,943,704	1,059,114	425,251	18,426	1,461,012	609,685	**27,254,649**
Derivatives	4,982,898	185,589	6,803,541	800,036	-	-	9,603	**12,781,667**
Total	**25,720,355**	**3,129,293**	**7,862,655**	**1,225,287**	**18,426**	**1,461,012**	**619,288**	**40,036,316**

Credit exposures are stated at their credit equivalent amounts as prescribed by SAMA.

b) The distribution by geographical concentration of non-performing loans and advances and provision for credit impairment are as follows:

(SAR '000)	Non-performing loans and advances		Credit impairment provision	
	2018	**2017**	**2018**	**2017**
Kingdom of Saudi Arabia	1,300,159	926,914	2,439,393	1,834,284
Other GCC and Middle East	125,135	121,219	108,961	61,662
Other countries	64,113	79,182	61,628	78,675
Total	**1,489,407**	**1,127,315**	**2,609,982**	**1,974,621**

30. 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, and equity prices. The Group classifies exposures to market risk into either trading or non-trading / banking-book.

a) Market Risk -Trading Book

The Group has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group periodically applies a Value at Risk (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 simulation models to assess the possible changes in the market value of the trading book based on historical data. 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 normal distribution.

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 one day. The use of 99% confidence level depicts that within a one-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 its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Asset and Liability Committee (ALCO) for its review.

The Group's VAR related information for the year ended December 31, 2018 and 2017 is as shown below.

2018 (SAR '000)	Foreign exchange risk	Special commission risk	Total
VAR as at December 31	13,931	20,067	**33,998**
Average VAR for the year	10,691	14,474	**25,165**
2017 (SAR '000)			
VAR as at December 31	9,756	2,499	**12,255**
Average VAR for the year	7,851	11,220	**19,071**

b) Market Risk – Non-Trading or Banking Book

Market risk on non-trading or banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) 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 special commission rate gap limits for stipulated periods. The Group monitors daily positions and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in special commission rates, with other variables held constant, on the Group's statements of consolidated 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, based on non-trading financial assets and financial liabilities held as at December 31, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate FVOCI/AFS financial assets, including the effect of any associated hedges as at December 31, for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap.

All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are presented below:

Currency	Increase/ decrease in basis point	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	6 to 12 months	1-5 years	Over 5 years	Total 2018 (SAR'000)
SAR	+1 bps	(20,462)	(737)	(613)	(4,069)	(1,555)	**(6,974)**
	-1 bps	20,462	737	613	4,069	1,555	**6,974**
US Dollar	+1 bps	(29)	(304)	(218)	(1,519)	(1,049)	**(3,090)**
	-1 bps	29	304	218	1,519	1,049	**3,090**
Euro	+1 bps	(81)	7	14	(87)	(8)	**(74)**
	-1 bps	81	(7)	(14)	87	8	**74**

Currency	Increase/ decrease in basis point	Sensitivity of special commission income	Sensitivity of equity: 6 months or less	6 to 12 months	1-5 years	Over 5 years	Total 2017 (SAR'000)
SAR	+1 bps	(21,455)	(1,461)	(1,012)	(6,486)	(3,123)	**(12,082)**
	-1 bps	21,455	1,461	1,012	6,486	3,123	**12,082**
US Dollar	+1 bps	(2,391)	(364)	(277)	(1,071)	(587)	**(2,299)**
	-1 bps	2,391	364	277	1,071	587	**2,299**
Euro	+1 bps	127	16	54	61	-	**131**
	-1 bps	(127)	(16)	(54)	(61)	-	**(131)**

Samba Financial Group

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market commission rates on its financial position and cash flows. The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. 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-balance sheet 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.

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	15,164,947	-	-	-	10,254,657	**25,419,604**
Due from banks and other financial institutions	3,821,499	10,495,959	-	-	3,304,568	**17,622,026**
Investments, net	27,560,201	3,251,457	9,685,485	19,757,039	6,096,072	**66,350,254**
Derivatives	3,445,772	-	-	-	-	**3,445,772**
Loans and advances, net	61,244,550	32,010,653	11,540,496	8,911,740	1,123	**113,708,562**
Property and equipment, net	-	-	-	-	2,693,443	**2,693,443**
Other assets	-	-	-	-	698,639	**698,639**
Total Assets	**111,236,969**	**45,758,069**	**21,225,981**	**28,668,779**	**23,048,502**	**229,938,300**
Liabilities and equity						
Due to banks and other financial institutions	5,293,118	595,565	3,161	26,633	1,953,097	**7,871,574**
Customer deposits	59,031,910	11,026,620	10,036	91,965	100,009,515	**170,170,046**
Derivatives	2,355,100	-	-	-	-	**2,355,100**
Other liabilities	-	-	-	-	7,233,049	**7,233,049**
Total equity	-	-	-	-	42,308,531	**42,308,531**
Total liabilities and equity	**66,680,128**	**11,622,185**	**13,197**	**118,598**	**151,504,192**	**229,938,300**
On balance sheet gap	44,556,841	34,135,884	21,212,784	28,550,181	(128,455,690)	
Off balance sheet gap	(8,033,479)	(1,483,894)	9,517,373	-	-	
Total commission rate sensitivity gap	**36,523,362**	**32,651,990**	**30,730,157**	**28,550,181**	**(128,455,690)**	
Cumulative commission rate sensitivity gap	**36,523,362**	**69,175,352**	**99,905,509**	**128,455,690**		

2017 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	14,073,413	-	-	-	11,121,653	**25,195,066**
Due from banks and other financial institutions	4,153,613	3,647,500	-	-	3,230,367	**11,031,480**
Investments, net	28,146,697	3,632,208	12,520,232	14,094,180	5,519,093	**63,912,410**
Derivatives	6,514,708	-	-	-	-	**6,514,708**
Loans and advances, net	66,507,562	30,755,528	12,918,171	7,501,855	1,613	**117,684,729**
Property and equipment, net	-	-	-	-	2,638,884	**2,638,884**
Other assets	-	-	-	-	568,885	**568,885**
Total Assets	**119,395,993**	**38,035,236**	**25,438,403**	**21,596,035**	**23,080,495**	**227,546,162**
Liabilities and equity						
Due to banks and other financial institutions	5,920,354	34,408	2,990	13,047	580,665	**6,551,464**
Customer deposits	34,711,767	18,560,516	705,726	8,130,619	105,814,026	**167,922,654**
Derivatives	3,976,298	-	-	-	-	**3,976,298**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total equity	-	-	-	-	44,682,152	**44,682,152**
Total liabilities and equity	**44,608,419**	**18,594,924**	**708,716**	**8,143,666**	**155,490,437**	**227,546,162**
On balance sheet gap	74,787,574	19,440,312	24,729,687	13,452,369	(132,409,942)	
Off balance sheet gap	(5,326,950)	(855,938)	6,182,888	-	-	
Total commission rate sensitivity gap	**69,460,624**	**18,584,374**	**30,912,575**	**13,452,369**	**(132,409,942)**	
Cumulative commission rate sensitivity gap	**69,460,624**	**88,044,998**	**118,957,573**	**132,409,942**		

The off balance sheet gap represents the net notional amounts of off-balance sheet financial instruments, which are used to manage the commission rate risk.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and hedging strategies, which are monitored daily. At the end of the year, the Group had the following significant net currency exposures:

	2018 (SAR'000) Long/(Short)	2017 (SAR'000) Long/(Short)
United States Dollar	4,936,895	3,591,871
United Arab Emirates Dirham	40,636	298,887
United Kingdom Pound Sterling	(18,704)	(64,337)
Pakistan Rupee	755,420	821,009
Euro	(97,530)	(120,562)

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2018 and 2017 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 statements of consolidated 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 statements of consolidated income or equity; whereas a negative effect shows a potential net reduction in statements of consolidated income or equity.

	2018 (SAR'000)			2017 (SAR'000)		
Currency exposures	**Change in currency rate**	**Effect on net income**	**Effect on equity**	**Change in currency rate**	**Effect on net income**	**Effect on equity**
US Dollar	1%	16,883	(1,631)	1%	136,575	(700)
Euro	1%	3,424	(43)	1%	(2,744)	349

iii) Equity Price Risk

Equity price 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. Assuming all other variables are held constant, a 1% increase or decrease in the value of Group's FVOCI / available for sale quoted equity investments at December 31, 2018 would have a corresponding increase or decrease in equity by SR 31.9 million (2017: SR 36.2 million).

31. 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 be less readily available. To mitigate this risk, management has diversified funding sources and manages its assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of savings and time deposits (2017: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2017: 20%) of its deposit liabilities, in the form of cash, gold, Saudi Government securities or assets that 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 against Saudi Government securities up to 100% (2017: 100%) of the nominal value of securities held.

i) Maturity profile of Group's assets, liabilities and equity

The management regularly monitors the maturity profile to ensure that adequate liquidity is maintained. The tables below summarize the maturity profile of the Group's assets, liabilities and equity based on the contractual maturities as at the reporting date. For presentation purposes, the demand, saving and other deposits amounting to SAR 107,709 million (2017: SAR 113,103 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	15,164,947	-	-	-	10,254,657	**25,419,604**
Due from banks and other financial institutions	3,821,499	10,495,959	-	-	3,304,568	**17,622,026**
Investments, net	1,513,742	1,021,532	15,839,131	41,879,777	6,096,072	**66,350,254**
Derivatives	285,942	1,345,477	877,513	936,840	-	**3,445,772**
Loans and advances, net	26,387,198	29,028,200	33,226,058	24,549,753	517,353	**113,708,562**
Property and equipment, net	-	-	-	-	2,693,443	**2,693,443**
Other assets	-	-	-	-	698,639	**698,639**
Total Assets	**47,173,328**	**41,891,168**	**49,942,702**	**67,366,370**	**23,564,732**	**229,938,300**
Liabilities and Equity						
Due to banks and other financial institutions	5,088,583	790,355	4,195	35,344	1,953,097	**7,871,574**
Customer deposits	51,332,308	11,026,620	10,036	91,965	107,709,117	**170,170,046**
Derivatives	217,219	941,383	504,045	692,453	-	**2,355,100**
Other liabilities	-	370,570	1,482,280	-	5,380,199	**7,233,049**
Total equity	-	-	-	-	42,308,531	**42,308,531**
Total Liabilities and Equity	**56,638,110**	**13,128,928**	**2,000,556**	**819,762**	**157,350,944**	**229,938,300**

2017 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	14,073,413	-	-	-	11,121,653	**25,195,066**
Due from banks and other financial institutions	4,153,613	3,647,500	-	-	3,230,367	**11,031,480**
Investments, net	4,232,368	1,112,007	17,900,875	35,148,067	5,519,093	**63,912,410**
Derivatives	1,236,145	1,025,097	2,995,146	1,258,320	-	**6,514,708**
Loans and advances, net	26,422,726	33,878,917	36,709,257	20,174,207	499,622	**117,684,729**
Property and equipment, net	-	-	-	-	2,638,884	**2,638,884**
Other assets	-	-	-	-	568,885	**568,885**
Total Assets	**50,118,265**	**39,663,521**	**57,605,278**	**56,580,594**	**23,578,504**	**227,546,162**
Liabilities and Equity						
Due to banks and other financial institutions	5,920,354	34,408	2,990	13,047	580,665	**6,551,464**
Customer deposits	35,617,873	18,560,516	705,726	-	113,038,539	**167,922,654**
Derivatives	720,541	638,566	1,877,999	739,192	-	**3,976,298**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total equity	-	-	-	-	44,682,152	**44,682,152**
Total Liabilities and Equity	**42,258,768**	**19,233,490**	**2,586,715**	**752,239**	**162,714,950**	**227,546,162**

ii) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of Group's financial liabilities at December 31 based on contractual undiscounted repayment obligations. The totals in this table do not match with the statements of consolidated financial position as special commission payments with contractual maturities are included in the table on an undiscounted basis. The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The table below does not reflect the expected cash flows indicated by the deposit retention history of the Group. Contractual maturity of the financial guarantees is shown under note 17(c).

2018 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	3,839,226	595,575	3,161	26,633	3,411,759	**7,876,354**
Customer deposits	51,477,279	11,236,081	10,067	91,965	107,709,117	**170,524,509**
Derivatives	232,380	1,020,940	582,188	978,507	-	**2,814,015**
Other liabilities	-	370,570	1,852,850	-	5,009,629	**7,233,049**
Total	**55,548,885**	**13,223,166**	**2,448,266**	**1,097,105**	**116,130,505**	**188,447,927**

2017 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	5,923,873	34,929	3,328	15,639	580,665	**6,558,434**
Customer deposits	35,692,035	18,767,371	724,188	-	113,038,539	**168,222,133**
Derivatives	771,689	693,508	2,049,825	1,018,427	-	**4,533,449**
Other liabilities	-	-	-	-	4,413,594	**4,413,594**
Total	**42,387,597**	**19,495,808**	**2,777,341**	**1,034,066**	**118,032,798**	**183,727,610**

32. Fair values of financial instruments

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

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);
Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

The fair values of the financial assets, financial liabilities and the derivative financial instruments classified under the appropriate valuation hierarchy, are given below:

2018 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	680,971	3,842,648	795,017	**5,318,636**
Investments held at FVOCI	15,503,339	34,797,461	-	**50,300,800**
Investments held at amortized cost	-	10,368,938	-	**10,368,938**
Derivatives	8,752	3,437,020	-	**3,445,772**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	950,707	-	**950,707**
Derivatives	37,274	2,317,826	-	**2,355,100**

2017 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	271,273	2,005,798	-	**2,277,071**
Investments available for sale	12,435,528	11,314,953	636,105	**24,386,586**
Investments held to maturity	3,081,404	179,980	-	**3,261,384**
Other investments held at amortized cost	-	33,168,940	469,253	**33,638,193**
Derivatives	344	6,514,364	-	**6,514,708**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	559,543	-	**559,543**
Derivatives	-	3,976,298	-	**3,976,298**

During the year, there has been no transfer within levels of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets held at FVIS and FVOCI / available for sale:

	2018 SAR '000	2017 SAR '000
Balance at the beginning of the year	**636,105**	667,073
Total realized and unrealized losses in statement of consolidated income and statement of consolidated comprehensive income	(42,210)	(45,505)
Purchases	250,155	129,287
Settlements	(49,033)	(114,750)
Balance at the end of the year	**795,017**	**636,105**

The fair values of other on-balance sheet financial instruments, except for other investments held at amortized cost and loans & advances which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements. The Group's portfolio of loans and advances to customers is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates the carrying value, subject to any significant movement in credit spreads. The fair value of the remaining portfolio is not significantly different from its carrying values. The estimated fair values of the Group's loans and advances portfolio as at December 31, 2018 was SR 113.8 billion (2017: SR 118 billion). The fair values of special commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of these instruments.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 5(c).

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

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as Level 2 are fair-valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the reporting date. The movement in Level 3 financial instruments during the year relates to fair value movement only.

33. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by Central Banks. The year-end balances resulting from such transactions included in the consolidated financial statements are as follows:

	2018 SAR '000	2017 SAR '000
Directors, other major shareholders, key management personnel and their affiliates:		
Loans and advances	685,478	113,503
Customer deposits	8,564,747	19,302,051
Commitments and contingencies	1,112,520	12,316
Mutual funds:		
Customer deposits	106,496	329,152

Other major shareholders represent shareholdings of more than 5% of the Bank's issued and paid up share capital, as listed on Tadawul. Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2018 SAR '000	2017 SAR '000
Special commission income	10,557	10,466
Special commission expense	301,222	297,377
Fee and commission income, net	131,099	155,674
Directors' remuneration	5,125	5,109

The total amount of compensation paid to key management personnel during the year is as follows:

	2018 SAR '000	2017 SAR '000
Short-term employee benefits	63,368	59,111
Post-employment, termination and share-based payments	7,437	6,940

Key management personnel are those persons, including the Chief Executive Officer, having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly.

34. Capital Adequacy

The Group monitors the adequacy of its capital using the methodology 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. These ratios measure capital adequacy by comparing the Group's eligible capital with its statements of financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. During the year, the Group has fully complied with such regulatory capital requirements.

The management reviews on a periodical basis capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in it current business activities and future growth plans. In making such assessment, the management also considers the Group's business plan along with economic conditions which directly and indirectly affect the business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, operational and market risks, at December 31 are as follows:

	2018 SR'000	2017 SR'000
Samba Financial Group (consolidated)		
Credit risk RWA	174,970,249	187,944,475
Operational risk RWA	13,719,047	13,303,620
Market risk RWA	11,996,356	15,165,875
Total RWA	**200,685,652**	**216,413,970**
Tier I capital	44,271,381	44,622,638
Tier II capital	1,255,554	1,126,685
Total tier I & II capital	**45,526,935**	**45,749,323**
Capital adequacy ratio %		
Tier I ratio	**22.1%**	**20.6%**
Tier I + II ratio	**22.7%**	**21.1%**
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	**18.6%**	**19.2%**
Tier I + II ratio	**18.7%**	**19.5%**

Tier I capital comprises the share capital, statutory, general and other reserves, qualifying non-controlling interest and retained earnings less any intangible assets of the Bank as at the year-end. Tier II capital comprises of a prescribed amount of eligible provisions.

SAMA through its circular number 391000029731 dated 15/03/1439AH, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 can be transitioned over 5 years, which has been availed by the Bank.

35. Investment management services

The investment management services are provided by Samba Capital and Investment Management Company, a 100% owned subsidiary of the Bank. The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SR 29,117 million (2017: SR 31,708 million). This includes funds managed under Shariah-approved portfolios amounting to SR 11,174 million (2017: SR 14,766 million).

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

36. Equity-based payments

The Bank has the following equity-based long term bonus plans outstanding at the end of the year. Significant features of these plans are as follows:

Number of outstanding plans	5
Grant date	Between April 2014 to March 2018
Maturity date	Between April 2019 to March 2023
Number of shares granted on the grant date, adjusted for bonus share issue	1,895,520
Benchmark price per share at grant date, adjusted for bonus share issue	Between SAR 25.7 to 20.9
Vesting period	5 years
Vesting conditions	Participating employees to remain in service
Method of settlement	Equity
Valuation model	Discounted Cash Flow
Fair value per share on grant date adjusted for bonus share issue	Between SAR 22.5 to 17.5

The fair value of shares granted during the year was SR 9.7 million (2017: SR 7.4 million). The inputs used to calculate fair value of the shares granted during the year were the market price at the grant date, life of the plan, expected dividends and annual risk free rate of return.

The shares are granted only under a service condition with no market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above equity-based payment plans for the year 2018 is SR 5.7 million (2017: SR 4.7 million).

37. Accounting Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning January 1 ,2019 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

- IFRS 16 – "Leases", applicable for the period beginning on or after January 1, 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period.

38. Prior year reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The effect of these reclassifications was not material to the consolidated financial statements.

39. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors' on January 16, 2019 (10 Jumada I 1440H).

SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

Public

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Samba Financial Group (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated financial position as at December 31, 2019, and the statement of consolidated income, the statement of consolidated comprehensive income, the statement of consolidated changes in equity and the statement of consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2019, 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 and other standards and pronouncements issued by the Saudi Organization 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:

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment of loans and advances

At December 31, 2019, gross loans and advances of the Group were Saudi Riyals (SR) 144.7 billion against which a provision for credit impairment amounting to SR 3.1 billion was maintained.

We considered impairment of loans and advances as a key audit matter as the determination of Expected Credit Loss (ECL) involves signficant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include:

➢ Categorisation of loans in Stages 1, 2 or 3 based on identification of:
(a) exposures with a Significant Increase in Credit Risk (SICR) since their origination; and
(b) individually impaired / default exposures

➢ Assumptions used in the ECL model for determining probability of default (PD), loss given default (LGD) and exposure at default (EAD) including but not limited to assessment of financial condition of counterparty, expected future cash flows and forward looking macroeconomic factors.

➢ The need to apply overlays to reflect current or future external factors that might not be captured by the ECL model.

➢ Disclosures relating to IFRS 9 and the related incremental disclosures of IFRS 7.

Refer to the significant accounting policy note 2.16 to the consolidated financial statements relating to impairment of financial assets and note 6 which contains the disclosure of impairment against loans and advances and note 30 for details of credit quality analysis and key assumptions and factors considered in determination of ECL .

</td><td>

We obtained an understanding of management's process of the impairment of loans and advances as per IFRS 9, the Group's internal rating model, impairment provision policy and the ECL modelling methodology.

We compared the Group's impairment provision policy and ECL methodology with the requirements of IFRS 9.

We assessed the design and implementation, and tested the operating effectiveness of controls over:

➢ the modelling process including governance over monitoring of the model and approval of key assumptions;

➢ the classification of borrowers in various stages and timely identification of SICR and determination of default / individually impaired exposures; and

➢ integrity of data input into the ECL model.

We assessed the Group's criteria for determination of SICR and identification of impaired / default exposures and their classification into various stages.

For a sample of customers, we assessed:

➢ the internal ratings determined by the management based on Group's internal rating model and assessed these ratings were inline with the ratings used in the ECL model;

➢ the staging as identified by management; and

➢ management's computations for ECL.

We assessed the reasonableness of underlying assumptions including forward looking assumptions used by the Group in ECL model.

Where management overlays were used, we assessed the appropriateness of those overlays.

We tested the completeness of data underlying ECL calculation as of December 31, 2019.

Where relevant, we involved specialists to assist us in the review of model calculations.

We assessed the disclosures included by management in the consolidated financial statements.

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of derivatives

The Group has entered into various derivatives including commission rate swaps ("swaps"), forward foreign exchange contracts ("forwards"), currency, commission rate equity and commodity options ("options") and other derivative contracts. Swaps, forwards, options and other derivative contracts include over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations.

The majority of these derivatives are held for trading. However, the Group utilises certain derivatives for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of hedge ineffectiveness impact the hedge accounting as well.

We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation in general and in certain cases due to the use of complex modelling techniques and the valuation inputs that are not market observable.

Refer to the significant accounting policies notes 2.6 (b) for significant accounting estimates in connection with fair value of unquoted financial instruments, 2.8 to the consolidated financial statements for accounting policy relating to derivatives and hedge accounting and note 9 which discloses the derivative positions as at the reporting date.

</td><td>

We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuation of derivatives and hedge accounting including the testing of relevant automated controls covering the fair valuation process of derivatives.

We selected a sample of derivatives and:

- Tested derivatives by comparing the terms and conditions with relevant agreements and deal confirmations.
- Tested the key inputs to the valuation model.
- Independent valuations of the derivatives performed by specialists and compared the results with management's valuation.
- Checked hedge effectiveness performed by the Group and the related hedge accounting.
- Considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement.

</td></tr>
</table>

Other Information included in the Bank's 2019 Annual Report

The Board of Directors of the Bank (the "Directors") are responsible for the other information. Other information consists of the information included in the Bank's 2019 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 will not express any form of assurance conclusion thereon.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Bank's 2019 Annual Report (continued)

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 IFRS 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 Articles of Association, 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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

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

15 Jumada Al Alkhir 1441H
(9 February 2020)

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
س.ت : ١٠١٠٣٧١٦٢٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25
C.R.1010371622

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2019 and 2018

	Notes	2019 SAR'000	2018 (Restated) SAR'000
ASSETS			
Cash and balances with Central Banks	3	18,138,081	25,419,604
Due from banks and other financial institutions, net	4	3,628,391	17,622,026
Investments, net	5	85,013,253	66,350,254
Derivatives	9	3,092,221	3,445,772
Loans and advances, net	6, 35	141,595,245	113,708,562
Property and equipment, net	7	3,066,858	2,693,443
Other assets	8	1,069,752	698,639
Total Assets		**255,603,801**	**229,938,300**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	15,646,808	7,871,574
Customer deposits	11, 35	180,165,680	170,170,046
Term loan	12	2,168,095	-
Debt securities in issue	13	3,746,454	-
Derivatives	9	1,192,186	2,457,423
Other liabilities	14	7,235,746	7,133,322
Total Liabilities		**210,154,969**	**187,632,365**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	16	20,000,000	20,000,000
Statutory reserve	17	18,348,111	17,193,239
General reserve	17	130,000	130,000
Fair value and other reserves		2,752,040	217,992
Retained earnings		3,696,851	3,669,995
Proposed dividend	27	1,393,898	1,998,000
Treasury stocks		(962,080)	(996,093)
Total equity attributable to equity holders of the Bank		**45,358,820**	**42,213,133**
Non-controlling interest		90,012	92,802
Total Equity		**45,448,832**	**42,305,935**
Total Liabilities and Equity		**255,603,801**	**229,938,300**

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

Abdul Haleem Sheikh Chief Financial Officer	Rania Nashar Chief Executive Officer	Ammar Alkhudairy Chairman

Samba Financial Group

STATEMENTS OF CONSOLIDATED INCOME
For the years ended December 31, 2019 and 2018

	Notes	2019 SAR'000	2018 (Restated) SAR'000
Special commission income	20	8,426,784	7,538,190
Special commission expense	20	2,050,136	1,386,298
Special commission income, net		**6,376,648**	**6,151,892**
Fees and commission income, net	21	1,268,406	1,363,351
Exchange income, net		307,022	288,508
Income from investments held at FVIS, net		203,740	102,035
Trading income net	22	170,204	60,932
Gains on FVOCI debt, net	23	77,668	9,601
Other operating income, net	24	196,663	180,201
Total operating income		**8,600,351**	**8,156,520**
Salaries and employee related expenses	25	1,487,485	1,245,347
Rent and premises related expenses		334,279	357,667
Depreciation	7	204,299	112,426
Other general and administrative expenses		851,765	735,974
Total operating expenses before credit impairment provision		**2,877,828**	**2,451,414**
Provision for credit impairment, net of recoveries	6	1,103,036	155,518
Total operating expenses		**3,980,864**	**2,606,932**
Net income for the years before zakat and taxation		**4,619,487**	**5,549,588**
Zakat for the year	27	576,867	2,436,059
Current and deferred tax for the year	27	51,940	53,809
Net income for the years after zakat and taxation		**3,990,680**	**3,059,720**
Attributable to:			
Equity holders of the Bank		3,984,295	3,051,090
Non-controlling interest		6,385	8,630
Basic earnings per share for the years (SAR)	26	**2.04**	**1.56**
Diluted earnings per share for the years (SAR)	26	**1.99**	**1.53**

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

Abdul Haleem Sheikh
Chief Financial Officer

Rania Nashar
Chief Executive Officer

Ammar Alkhudairy
Chairman

Public
8

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018

	Note	2019 SAR'000	2018 (Restated) SAR'000
Net income for the years after zakat and taxation		3,990,680	3,059,720
Other comprehensive income for the years – items that will not be reclassified subsequently to the statements of consolidated income:			
FVOCI financial assets - equities:			
- Change in fair values		562,034	454,287
- Loss on sale of FVOCI equity investments		(17,869)	-
Changes due to remeasurements of employee benefit obligation	15	(115,314)	-
Other comprehensive income for the years - items that will be reclassified subsequently to the statements of consolidated income:			
Exchange differences on translation of foreign operations		(47,594)	(79,153)
FVOCI debt financial assets:			
- Net change in fair values		2,115,341	(190,102)
- Transfers to statements of consolidated income		(77,668)	(9,601)
Cash flow hedges:			
- Net change in fair values		121,576	(18,997)
- Transfers to statements of consolidated income		(33,502)	(51,974)
Other comprehensive income for the years		**2,507,004**	**104,460**
Total comprehensive income for the years		**6,497,684**	**3,164,180**
Attributable to:			
Equity holders of the Bank		6,500,474	3,170,862
Non-controlling interest		(2,790)	(6,682)
Total		**6,497,684**	**3,164,180**

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

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018

		Attributable to equity holders of the Bank												
					Fair value and other reserves									
2019 (SAR '000)	**Note**	**Share capital**	**Statutory reserve**	**General reserve**	**Exchange translation reserve**	**FVOCI financial assets**	**Cash flow hedges**	**Employee benefit plan reserve**	**Retained earnings**	**Proposed dividends**	**Treasury stocks**	**Total**	**Non-controlling interest**	**Total equity**
Balance at the beginning of the year as restated		**20,000,000**	**17,193,239**	**130,000**	**(275,102)**	**592,891**	**(99,797)**	**-**	**3,669,995**	**1,998,000**	**(996,093)**	**42,213,133**	**92,802**	**42,305,935**
Net changes in treasury stocks		-	-	-	-	-	-	-	46,700	-	34,013	**80,713**	-	**80,713**
Transfer to statutory reserve	17	-	1,154,872	-	-	-	-	-	(1,154,872)	-	-	**-**	-	**-**
2019 final dividend proposed	27	-	-	-	-	-	-	-	(1,393,898)	1,393,898	-	**-**	-	**-**
2019 Interim dividend paid	27	-	-	-	-	-	-	-	(1,437,500)	-	-	**(1,437,500)**	-	**(1,437,500)**
2018 final dividend paid	27	-	-	-	-	-	-	-	-	(1,998,000)	-	**(1,998,000)**	-	**(1,998,000)**
Subtotal		**20,000,000**	**18,348,111**	**130,000**	**(275,102)**	**592,891**	**(99,797)**	**-**	**(269,575)**	**1,393,898**	**(962,080)**	**38,858,346**	**92,802**	**38,951,148**
Net Income for the year after zakat and taxation		-	-	-	-	-	-	-	3,984,295	-	-	**3,984,295**	6,385	**3,990,680**
Other Comprehensive income for the year	18	-	-	-	(31,919)	2,593,207	88,074	(115,314)	(17,869)	-	-	**2,516,179**	(9,175)	**2,507,004**
Total comprehensive income for the year		-	-	-	(31,919)	2,593,207	88,074	(115,314)	3,966,426	-	-	**6,500,474**	**(2,790)**	**6,497,684**
Balance at end of the year		**20,000,000**	**18,348,111**	**130,000**	**(307,021)**	**3,186,098**	**(11,723)**	**(115,314)**	**3,696,851**	**1,393,898**	**(962,080)**	**45,358,820**	**90,012**	**45,448,832**
2018 (SAR '000)														
Balance at the beginning of the year		**20,000,000**	**15,811,044**	**130,000**	**(191,160)**	**318,206**	**(28,826)**	**-**	**7,043,322**	**-**	**(1,021,743)**	**42,060,843**	**99,484**	**42,160,327**
Effect of change in accounting treatment	2.2	-	-	-	-	-	-	-	(2,596)	-	-	**(2,596)**	-	**(2,596)**
Balance at the beginning of the year as restated		**20,000,000**	**15,811,044**	**130,000**	**(191,160)**	**318,206**	**(28,826)**	**-**	**7,040,726**	**-**	**(1,021,743)**	**42,058,247**	**99,484**	**42,157,731**
Transfer to statutory reserve	17	-	1,382,195	-	-	-	-	-	(1,382,195)	-	-	**-**	-	-
Net changes in treasury stocks		-	-	-	-	-	-	-	46,722	-	25,650	**72,372**	**-**	**72,372**
Dividend paid for 2018 (interim) and 2017 (final)	27	-	-	-	-	-	-	-	(5,086,348)	1,998,000	-	**(3,088,348)**	**-**	**(3,088,348)**
Subtotal		**20,000,000**	**17,193,239**	**130,000**	**(191,160)**	**318,206**	**(28,826)**	**-**	**618,905**	**1,998,000**	**(996,093)**	**39,042,271**	**99,484**	**39,141,755**
Net income for the year after zakat and taxation		-	-	-	-	-	-	-	3,051,090	-	-	**3,051,090**	8,630	**3,059,720**
Other comprehensive (loss)/income for the year	18	-	-	-	(83,942)	274,685	(70,971)	-	-	-	-	**119,772**	(15,312)	**104,460**
Total comprehensive income for the year		-	-	-	**(83,942)**	**274,685**	**(70,971)**	**-**	**3,051,090**	-	-	**3,170,862**	**(6,682)**	**3,164,180**
Balance at end of the year as restated		**20,000,000**	**17,193,239**	**130,000**	**(275,102)**	**592,891**	**(99,797)**	**-**	**3,669,995**	**1,998,000**	**(996,093)**	**42,213,133**	**92,802**	**42,305,935**

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

STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended December 31, 2019 and 2018

	Notes	2019 SAR'000	2018 (Restated) SAR'000
OPERATING ACTIVITIES			
Net income for the years before zakat and taxation		**4,619,487**	**5,549,588**
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments, net		(28,602)	(28,792)
Income from investments held at FVIS, net		(203,740)	(102,035)
Gain on FVOCI debt, net	23	(77,668)	(9,601)
Depreciation	7	204,299	112,426
Gain on disposal of property and equipment, net	24	(1,816)	(300)
Provision for credit impairment, net of recoveries / reversals	6	1,103,036	155,518
Interest on term loan and debt securities in issue, net of discount		54,747	-
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		(416,712)	414,937
Due from banks and other financial institutions maturing after ninety days		9,343,492	(4,303,299)
Investments held at FVIS		203,055	2,296,234
Derivatives		353,551	3,068,936
Loans and advances		(28,992,090)	2,986,177
Other assets		(371,113)	(129,754)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		7,775,234	1,320,110
Customer deposits		9,995,634	2,247,392
Derivatives		(1,265,237)	(1,621,198)
Other liabilities		196,737	(448,200)
		2,492,294	11,508,139
Zakat and income tax paid		(832,190)	(990,648)
Net cash from operating activities		**1,660,104**	**10,517,491**
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		8,267,484	14,058,883
Purchase of non-trading investments		(24,249,047)	(18,412,750)
Purchase of property and equipment, net of exchange adjustments		(579,683)	(167,897)
Proceeds from sale of property and equipment		3,785	1,212
Net cash used in investing activities		**(16,557,461)**	**(4,520,552)**
FINANCING ACTIVITIES			
Dividends paid		(3,404,418)	(3,126,090)
Term loan		2,156,250	-
Debt securities		3,703,552	-
Treasury stocks, net		80,713	72,372
Net cash from / (used in) financing activities		**2,536,097**	**(3,053,718)**
(Decrease) / increase in cash and cash equivalents		**(12,361,260)**	**2,943,221**
Cash and cash equivalents at the beginning of the year	28	23,916,469	20,973,248
Cash and cash equivalents at the end of the year	28	**11,555,209**	**23,916,469**
Special commission received during the year		8,194,220	7,460,463
Special commission paid during the year		(1,891,405)	(1,488,901)
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		2,669,912	183,613
Right of use assets		438,148	-

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

Abdul Haleem Sheikh Chief Financial Officer	Rania Nashar Chief Executive Officer	Ammar Alkhudairy Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

1. General

Samba Financial Group (the Bank), a joint stock company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980) through its 73 branches (2018: 72 branches) in the Kingdom of Saudi Arabia and two overseas branches (2018: three branches). The Bank including its overseas branches employed 3,614 full time direct staff at the year-end (2018: 3,290). The Bank is listed on the Saudi Arabian stock exchange and its head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides Shariah approved Islamic banking products to its customers.

The consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group".

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the securities business regulations issued by the Capital Market Authority (CMA), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company under commercial registration number 1010237159 issued in Riyadh dated 6 Shaa'ban 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advising and custody businesses. The company is licensed by the CMA and has commenced its business effective January 19, 2008. Samba Capital was converted from a limited liability company to a closed joint stock company on 28 Rajab 1438H (April 25, 2017), which is the date of commercial registration of the closed joint stock company.

During 2017, Samba Capital has formed a wholly owned subsidiary "Samba Investment Real Estate Company" which is incorporated in the Kingdom of Saudi Arabia under commercial registration number 1010715022 issued in Riyadh dated 23 Shawaal 1438H (July 17, 2017). The company has been formed as a limited liability company (sole ownership) and is engaged in managing real estate projects for and on behalf of a mutual fund managed by Samba Capital.

Samba Bank Limited, Pakistan (SBL)

An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on Pakistan Stock Exchange.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments through an entity; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757 issued in Riyadh dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed as a limited liability company with the approval of Saudi Arabian Monetary Authority (SAMA) and is engaged in managing real estate projects on behalf of the Bank.

Samba Global Markets Limited

A wholly owned company incorporated as a limited liability company under the laws of Cayman Islands on February 1, 2016, with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

Samba Funding Limited

A 99% owned subsidiary incorporated as a limited liability company under the laws of Cayman Islands on June 19, 2019, with the main objective of generating liquidity for the Bank through issuance of debt securities. The company started its commercial operations during the third quarter of 2019.

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

2.1 Statement of compliance

The consolidated financial statements of the Group as at and for the year ended December 31, 2019 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 Articles of Association of the Bank.

2.2 Basis of preparation and presentation

The consolidated financial statements of the Group as at and for the year ended December 31, 2018, were prepared in compliance with International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 17, 2019, SAMA instructed the banks in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of consolidated income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Group changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of this change are disclosed in note 40 to these consolidated financial statements.

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, FVOCI, FVIS financial assets and liabilities and employee benefits which are stated at present value of their obligation. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

Under article 37 of the Bank's Articles of Association, the Gregorian calendar is observed for reporting the consolidated financial statements.

These consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

2.3 Consolidation

These consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies except for Co-Invest Offshore Capital Limited (COCL) whose financial statements are made up to the previous quarter end for consolidation purposes to meet the group reporting timetable. However, any material changes during the interim period are adjusted for the purposes of consolidation. In addition, wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's consolidated financial statements.

Significant intragroup balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed-off during the year are included in the statement of consolidated income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net income or loss and net assets not owned, directly or indirectly, by the Group in subsidiaries and are presented in the statements of consolidated income and within equity in the statements of consolidated financial position separately from the equity holders of the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of acquisition is measured at the fair value of the consideration given at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as intangible asset – goodwill.

In addition to the subsidiaries stated above under note 1, the Bank is also party to special purpose entities namely Ras As Zawar Asset Leasing Company and Saudi Kayan Asset Leasing Company having 50% share in each entity. These are formed with the approval of SAMA solely to facilitate certain Shariah complaint financing arrangements. The Bank has concluded that these entities cannot be consolidated as it does not control these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

2.4 Impact of changes in accounting policies due to adoption of new standards

The accounting policies adopted are consistent with those of the previous financial year except for the changes described in the following paragraph.

The Group has adopted a new accounting standard issued by the International Accounting Standards Board (IASB) and the impact of the adoption of this standard is explained below:

IFRS 16 Leases

Effective January 1, 2019 , the Group has adopted IFRS 16 'Leases' issued in January 2016 International Accounting Standards Board (IASB).This standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

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

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of present value of the lease liability, using the interest rate at the time of first time application. As a practical expedient, the Group has opted to apply a single discount rate to a portfolio of leases with similar remaining lease term.

On adoption of IFRS 16, the Group has recognized lease liabilities recorded under other liabilities amounting to SR 374 million and associated right-of-use assets amounting to SR 394 million recorded under property and equipment in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The associated rights-of-use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31,2019.

2.5 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 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 best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). 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.

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

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

2.6 Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(a) Credit Impairment losses on financial instruments held at amortised cost and FVOCI debt

The Group reviews its financial assets portfolios to assess impairment on a quarterly basis. The Group's ECL calculations are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Refer to Note 30 (b) for additional information.

(b) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques including models are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.7 Settlement date accounting

All regular way purchases and sales of financial instruments are recognized and derecognized on the settlement date. 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. For financial instruments held at fair value, the Group accounts for any change in fair values between the trade date and the reporting date.

2.8 Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

Derivative financial instruments are designated as held for trading unless they are part of an effective hedging relationship. Any changes in the fair values of derivatives that are held for trading purposes are taken directly to the statements of consolidated income.

Derivatives may be embedded in another contractual arrangement (a host contract). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

Hedge accounting

Hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability.

In order to qualify for hedge accounting, the hedge is required to be highly effective at inception i.e. the changes in the fair value or the 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 are documented including the identification of the hedging instrument, the related hedged item, the nature of the 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. Hedge accounting is discontinued when the designation is revoked, the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting.

In relation to fair value hedges that meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to change in fair value is recognized immediately in the statements of consolidated income. The corresponding change in fair value of the hedged item is adjusted against the carrying amount and is recognized in the statements of consolidated income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment to the carrying value resulting from fair value changes is amortized to the statements of consolidated income over the remaining life of the hedged item.

In relation to cash flow hedges that meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under equity and the ineffective portion, if any, is recognized in the statements of consolidated income. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statements of consolidated income in Net trading income. Gains or losses recognized initially in other reserves are transferred to the statements of consolidated income in the period in which the hedged item impacts the statements of consolidated income.

2.9 Foreign currencies

The consolidated financial statements are denominated and presented in Saudi Arabian Riyals, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year (other than monetary items that form part of the net investments in a foreign operation) are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. 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 underlying financial asset. Non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost are translated using the spot exchange rates as at the date of the initial transaction.

Realized and unrealized gains or losses on exchange are credited or charged to the statements of consolidated income.

The assets and liabilities of overseas branches and subsidiaries are translated at the rate of exchange prevailing at the reporting date. The statements of income of overseas branches and subsidiaries are translated at the average exchange rates for the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity through the statement of consolidated comprehensive income.

2.10 Offsetting

Financial assets and liabilities are offset and reported net in the statements of consolidated financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.11 Revenue recognition

The Group follows a single comprehensive model of accounting for revenue arising from contracts with customers.

Special commission income and expense including the fees which are considered an integral part of the effective yield of a financial instrument, are recognized in the statements of consolidated income using the effective yield method, and include premiums amortized and discounts accreted during the year. Special commission income on loans and advances which is received but not earned is netted off against the related assets.

Fee from banking services are recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the loan when it is drawn down. Portfolio and other management advisory and service fees are recognized 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 recognized rateably over the period when the service is being provided. Dividend income is recognized when declared and right to receive is established. Any fee income received but not earned is classified as “other liability”.

The calculation of the effective commission rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition or the issue of financial asset or liability.

Exchange income is recognized as and when it arises. For presentation purposes, “Exchange income, net” includes exchange related gains and losses from derivative financial instruments and translated foreign currency assets and liabilities.

2.12 Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statements of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, FVOCI and amortized 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 the sale and the repurchase price is treated as special commission expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statements of consolidated financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

2.13 Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVIS.

Financial Assets at amortised cost

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

Financial Assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as 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 or losses are recognised in statement of consolidated income.

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.

Financial Assets at FVIS

All other financial assets are classified as measured at FVIS. This may include equity held for trading and debt securities not classified neither as AC or FVOCI.

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

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

Business model assessment

The Group 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. For example, 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

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 a 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. periodic reset of interest rates).

2.14 Investments

Investments are classified as follows:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective yield method;
- debt and equity investment securities mandatorily measured at FVIS or designated as at FVIS; these are at fair value with changes recognised immediately in statement of consolidated income;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in statement of consolidated income in the same manner as for financial assets measured at amortised cost:

- special commission income using the effective yield method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from statement of consolidated changes in equity to statement of consolidated income.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to statement of consolidated income and no impairment is recognised in statement of consolidated income. Dividends are recognised in statement of consolidated income unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of such investment.

2.15 Loans and advances

Loans and advances are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective yield method.

2.16 Impairment of financial assets

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

- financial assets that are debt instruments;
- credit related commitments and contingencies;
- loans and advances; and
- due from banks and other financial institutions.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which loss allowances 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 (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

ECL is a probability-weighted estimate of credit impairment. It is 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 Group 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 derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- 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 a 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 Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a 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 addition, a retail loan that is overdue for 90 days or more is considered impaired.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:
- The market's assessment of creditworthiness.
- 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 consolidated financial position

Loss allowance for ECL are presented in the statement of consolidated 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, classified under "other liabilities";
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of consolidated financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. 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.

2.17 Other real estate owned

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related real estate, less any cost to sell.

Subsequent to the initial recognition, these other real estate owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gains or losses on disposal and unrealized losses on revaluation are credited or charged to the statements of consolidated income.

2.18 Property and equipment

Property and equipment are stated at historical cost 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
Leasehold improvements	Over the lease period or economic life (10 years), whichever is shorter
Furniture, equipment and vehicles	Up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals of property and equipment are included in the statements of consolidated income.

2.19 Lease Accounting

On initial recognition, at inception of the contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it 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 (ROU) Assets

The Group applies cost model, and measures the ROU asset at cost;
- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications.

Generally ROU asset would be equal to the lease liability. However, any additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. These need to be added to the ROU asset value.

Lease Liability

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

- Increasing the carrying amount to reflect special commission expense on the lease liability.
- Reducing the carrying amount to reflect the lease payments made; and,
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

2.20 Intangible assets - goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Bank's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses, which are charged to the statements of consolidated income. An impairment test for goodwill is carried out annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss recorded against goodwill cannot be reversed.

2.21 Financial liabilities

The Group initially recognises financial liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVIS, transaction costs that are directly attributable to its acquisition or issue. The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVIS. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.22 Loan commitments and financial guarantee contracts

In the ordinary course of business, the Group extends credit related commitments consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the unamortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of guarantees. The premium received is recognized in the statements of consolidated income over the life of the guarantee.

2.23 Provisions

Provisions are recognized when a reliable estimate can be made 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.

2.24 Cash and cash equivalents

For the purpose of the statements of consolidated cash flows, cash and cash equivalents comprise cash, balances with Central Banks and reverse repos (excluding statutory deposit) and due from banks and other financial institutions having an original maturity of three months or less.

2.25 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition of a financial asset, the difference between the carrying amount of the asset 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 recognised in OCI is recognised in statement of consolidated income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of consolidated income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.26 Equity-based payments

The Bank offers its eligible employees an equity-settled share-based payment plan (the "Plan") as approved by SAMA.

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Bank are offered shares at a predetermined benchmark price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Bank delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of these plans is measured by reference to the fair value at the date on which the shares are granted. The fair value of the plan is determined with reference to the market value of the shares at the inception of the plan using the discounted cash flow model.

The cost of the plans is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled the shares ('the vesting date'). The cumulative expense recognized for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of consolidated income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party to acquire a beneficial interest in the underlying shares solely to manage the price risks associated with the above plans. Under the provisions of such agreement, the Bank, at no point, becomes the legal owner of the underlying shares.

2.27 Employee benefit obligations

The Bank operates an end of service benefit plan for its employees. The provision under this plan is made based on an actuarial valuation of the Bank's liability under the Saudi Arabian Labour Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries.

The present value of the employee benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Net special commission expense and other expenses related to defined benefit obligation are recognised in statement of consolidated income.

Remeasurement gains and losses arising from changes in actuarial assumptions are recognised in other comprehensive income and are included in retained earnings in the statement of consolidated changes in equity and in the statement of consolidated financial position.

2.28 Treasury stock

Treasury stocks are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these stocks are carried at the amount equal to the consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its equity-based payment plans and also include stocks acquired in settlement of customer debt.

2.29 Zakat and income taxes

Accounting for zakat and income tax:
As mentioned in note 2.2, the basis of preparation has been changed for the year ended December 31, 2019 based on the latest instructions from SAMA dated July 17, 2019. Previously, zakat and income tax were recognized in the statement of consolidated changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017. As per SAMA instructions dated July 17, 2019, the zakat and income tax shall be recognized in the statement of consolidated income. The Group has accounted for this change in the accounting for zakat and income tax retrospectively. The effects of the above change are disclosed in note 40 to the consolidated financial statements. The change has resulted in reduction of reported net income of the Group for the year ended December 31, 2018 by SR 2,469 million. The change has had no impact on the statement of consolidated cash flows for the year ended December 31, 2018.

Current zakat and income taxes

Zakat is computed on the Saudi shareholders' share of equity or net income before zakat and taxation using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year. The Bank accrues liabilities for Zakat and income tax on a quarterly basis.

Zakat and income taxes are charged to the Bank's statements of consolidated income. Overseas branches and subsidiaries are subject to income tax as per rules and regulations of the country in which they reside. The Group applies significant judgement in identifying uncertainties over income tax treatments. The nature and the basis for calculation of Zakat is different from that of the income taxes and therefore provision for deferred tax is not applicable for Zakat calculations.

Deferred tax

Deferred tax is recognized using the liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply on the shareholders subject to tax, to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each statement of consolidated financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statements of consolidated income, except to the extent that it relates to items recognised in statement of consolidated comprehensive income or directly in statement of consolidated changes in equity. In this case, the tax is also recognised in statement of consolidated comprehensive income or directly in statement of consolidated changes in equity.

2.30 Investment management services

The Bank offers certain investment management and advisory services to its customers through its subsidiary. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds in consultation with professional investment advisors. The Bank's investment in these funds is included in the FVIS or FVOCI investments and fees earned are disclosed under related party transactions.

Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund and the investors' right to remove the fund manager. Based on the assessment carried out by the Bank, it has concluded that it acts as an agent for the investors in all the cases and therefore it has not consolidated these funds in these financial statements.

In addition, the assets held in a trust or fiduciary capacity are not treated as assets of the Bank or that of its subsidiary and accordingly are not included in the Group's statements of consolidated financial position.

2.31 Shariah approved banking products

In addition to conventional banking, the Bank offers its customers certain Shariah compliant banking products, which are approved by its Shariah Board.

All Shariah compliant banking products are accounted for using IFRS as endorsed in KSA and are in conformity with the accounting policies described in these consolidated financial statements.

3. Cash and balances with Central Banks

	2019 **SAR '000**	**2018** **SAR '000**
Cash in hand	1,225,927	1,269,215
Statutory deposit	9,243,954	8,827,242
Current account	525,547	158,200
Money market placements	7,142,653	15,164,947
Total	**18,138,081**	**25,419,604**

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other Central Banks at stipulated percentages of its demand, savings, time and other deposits, as calculated based on monthly average. The statutory deposit with SAMA is not available to finance the Bank's day to day operations. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

4. Due from banks and other financial institutions, net

	2019 **SAR '000**	**2018** **SAR '000**
Current accounts	2,609,176	3,321,067
Money market placements	1,022,832	14,317,458
	3,632,008	**17,638,525**
Credit impairment provision	(3,617)	(16,499)
Total	**3,628,391**	**17,622,026**

5. Investments, net

a) Investment securities are classified as follows:

i) Held at fair value through income statement (FVIS)

	Domestic		International		Total	
	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000
Fixed rate securities	2,353,134	1,905,609	143,381	316,236	**2,496,515**	**2,221,845**
Structured credits	-	-	178,856	194,167	**178,856**	**194,167**
Hedge funds	-	-	1,963,836	1,655,271	**1,963,836**	**1,655,271**
Private equities	-	-	1,078,155	794,716	**1,078,155**	**794,716**
Equities	375,418	450,190	7,332	2,447	**382,750**	**452,637**
Total Held at FVIS	**2,728,552**	**2,355,799**	**3,371,560**	**2,962,837**	**6,100,112**	**5,318,636**

ii) Held at fair value through other comprehensive income (FVOCI)

	Domestic		International		Total	
	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000
Fixed rate securities	29,540,005	14,075,219	4,247,912	4,307,320	**33,787,917**	**18,382,539**
Floating rate notes	18,732,626	19,273,818	8,687,561	9,450,995	**27,420,187**	**28,724,813**
Equities	3,752,178	3,176,732	331,749	16,716	**4,083,927**	**3,193,448**
Total Held at FVOCI	**52,024,809**	**36,525,769**	**13,267,222**	**13,775,031**	**65,292,031**	**50,300,800**

iii) Held at amortized cost, net

	Domestic		International		Total	
	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000
Fixed rate securities	13,517,272	10,598,725	107,785	135,183	**13,625,057**	**10,733,908**
Credit impairment provision	(3,947)	(3,090)	-	-	**(3,947)**	**(3,090)**
Total held at amortized cost	**13,513,325**	**10,595,635**	**107,785**	**135,183**	**13,621,110**	**10,730,818**
Total investments, net	**68,266,686**	**49,477,203**	**16,746,567**	**16,873,051**	**85,013,253**	**66,350,254**

b) The composition of investments is as follows:

	2019 (SAR'000)			2018 (SAR'000)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	13,361,578	36,543,964	**49,905,542**	8,087,104	23,248,098	**31,335,202**
Floating rate notes	12,067,555	15,352,632	**27,420,187**	13,112,595	15,612,218	**28,724,813**
Equities	4,466,678	1,078,154	**5,544,832**	3,643,370	797,431	**4,440,801**
Others	217,287	1,925,405	**2,142,692**	-	1,849,438	**1,849,438**
Total	**30,113,098**	**54,900,155**	**85,013,253**	**24,843,069**	**41,507,185**	**66,350,254**

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, sukuks, treasury bills, hedge funds and private equities. In view of the nature of the market for such securities, carrying values are determined either by using an appropriate pricing model or net asset values, as provided by independent third parties. Included in fixed rate securities above are securities pledged under repurchase agreements with other banks and customers whose carrying value at December 31, 2019 was SR 8,056 million (2018: SR 1,197 million). Also see note 19(d).

c) The analysis of unrecognized gains and losses and fair values of investments held at amortized cost are as follows:

	2019 (SAR'000)				2018 (SAR'000)			
	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value
Fixed rate securities	13,621,110	323,806	(18,138)	13,926,778	10,730,818	-	(361,880)	10,368,938
Grand total	**13,621,110**	**323,806**	**(18,138)**	**13,926,778**	**10,730,818**	**-**	**(361,880)**	**10,368,938**

d) The investments by counter-party, net are as follows:

	2019 SAR '000	2018 SAR '000
Government and quasi government	62,737,078	45,670,022
Banks and other financial institutions	11,262,654	8,899,924
Corporate	7,271,807	9,919,142
Hedge funds	1,963,836	1,663,806
Others	1,777,878	197,360
Total	**85,013,253**	**66,350,254**

e) Shariah approved investments

The analysis of Shariah approved investments including sukuks and sukufs is as follows:

	Fixed rate		Floating rate		Total	
	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000	2019 SAR '000	2018 SAR '000
FVIS	2,496,515	2,221,845	-	-	**2,496,515**	**2,221,845**
FVOCI	22,475,329	12,624,773	3,397,626	3,675,738	**25,872,955**	**16,300,511**
Held at amortized cost	2,900,859	-	-	-	**2,900,859**	**-**
Total	**27,872,703**	**14,846,618**	**3,397,626**	**3,675,738**	**31,270,329**	**18,522,356**

6. Loans and advances, net

a) Loans and advances are classified as amortised cost and detailed as follows:

2019 (SAR '000)	**Credit cards**	**Consumer loans**	**Commercial loans and advances**	**Others**	**Total**
Performing loans and advances	1,429,127	17,117,939	123,831,533	392,066	**142,770,665**
Non-performing loans and advances	-	36,139	1,882,584	5,485	**1,924,208**
Total	**1,429,127**	**17,154,078**	**125,714,117**	**397,551**	**144,694,873**
Credit impairment provision	(104,902)	(285,758)	(2,704,018)	(4,950)	**(3,099,628)**
Loans & advances, net	**1,324,225**	**16,868,320**	**123,010,099**	**392,601**	**141,595,245**

2018 (SAR '000)	**Credit cards**	**Consumer loans**	**Commercial loans and advances**	**Others**	**Total**
Performing loans and advances	1,417,523	16,165,086	97,117,394	129,134	**114,829,137**
Non-performing loans and advances	-	10,617	1,472,649	6,141	**1,489,407**
Total	**1,417,523**	**16,175,703**	**98,590,043**	**135,275**	**116,318,544**
Credit impairment provision	(120,624)	(316,978)	(2,166,952)	(5,428)	**(2,609,982)**
Loans & advances, net	**1,296,899**	**15,858,725**	**96,423,091**	**129,847**	**113,708,562**

b) Movement in provision for credit impairment are as follows:

2019 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	**120,624**	**316,978**	**2,166,952**	**5,428**	**2,609,982**
Provided during the year, net	(15,722)	(29,703)	1,114,835	-	**1,069,410**
Bad debts written off	-	-	(568,695)	-	**(568,695)**
Recoveries of amounts previously provided	-	(377)	(4,749)	-	**(5,126)**
Exchange adjustment	-	(1,140)	(4,325)	(478)	**(5,943)**
Balance at the end of the year	**104,902**	**285,758**	**2,704,018**	**4,950**	**3,099,628**

2018 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	105,326	320,800	2,420,285	9,402	**2,855,813**
Provided during the year, net	28,458	(750)	106,346	(1,965)	**132,089**
Bad debts written off	-	(125)	(249,939)	-	**(250,064)**
Recoveries of amounts previously provided	(19,855)	(1,037)	(101,052)	(7,457)	**(129,401)**
Exchange adjustment	6,695	(1,910)	(8,688)	5,448	**1,545**
Balance at the end of the year	**120,624**	**316,978**	**2,166,952**	**5,428**	**2,609,982**

During the year, the Group has charged an amount of SR 1,103 million (2018: SR 155.5 million) to the statements of consolidated income on account of provision for credit impairment which is net of recoveries of amounts previously provided and net direct write-offs.

c) Credit quality of loans and advances

i) Ageing of loans and advances past due but not impaired

2019 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Total
Less than 90 days	86,284	1,154,902	2,462,571	**3,703,757**
90 days and more	23,721	56,044	179,960	**259,725**
Total	**110,005**	**1,210,946**	**2,642,531**	**3,963,482**

2018 (SAR '000)	Credit cards	Consumer loans	Commercial loans and advances	Total
Less than 90 days	102,463	814,249	2,643,278	**3,559,990**
90 days and more	31,429	75,123	135,954	**242,506**
Total	**133,892**	**889,372**	**2,779,232**	**3,802,496**

ii) Economic sector risk concentration for the loans and advances and the related credit impairment provision as follows:

2019 (SAR '000)	Performing	Non-performing	Credit impairment provision	Loans & advances, net
Government and quasi government	935,021	-	520	**934,501**
Banks and other financial institutions	9,651,984	-	16,888	**9,635,096**
Agriculture and fishing	4,582,222	3,260	22,880	**4,562,602**
Manufacturing	14,180,219	152,581	442,319	**13,890,481**
Mining and quarrying	3,590,350	414	8,319	**3,582,445**
Electricity, water, gas and health services	13,563,027	14,311	55,677	**13,521,661**
Building and construction	14,209,377	1,171,653	1,055,300	**14,325,730**
Commerce	18,249,540	469,363	621,585	**18,097,318**
Transportation and communication	11,503,652	1,402	54,229	**11,450,825**
Services	4,436,397	21,279	54,742	**4,402,934**
Consumer loans and credit cards	18,547,066	36,139	390,660	**18,192,545**
Other	29,321,810	53,806	376,509	**28,999,107**
Total	**142,770,665**	**1,924,208**	**3,099,628**	**141,595,245**

2018 (SAR '000)	Performing	Non-performing	Credit impairment provision	Loans & advances, net
Government and quasi government	653,482	-	136	**653,346**
Banks and other financial institutions	4,767,314	-	6,541	**4,760,773**
Agriculture and fishing	4,144,348	440	20,417	**4,124,371**
Manufacturing	17,913,187	162,616	282,664	**17,793,139**
Mining and quarrying	2,000,074	-	9,248	**1,990,826**
Electricity, water, gas and health services	13,371,104	15,849	45,232	**13,341,721**
Building and construction	15,101,316	969,997	1,135,186	**14,936,127**
Commerce	17,499,430	298,521	412,782	**17,385,169**
Transportation and communication	8,022,809	1,402	43,538	**7,980,673**
Services	2,656,436	941	37,282	**2,620,095**
Consumer loans and credit cards	18,106,874	23,054	447,159	**17,682,769**
Other	10,592,763	16,587	169,797	**10,439,553**
Total	**114,829,137**	**1,489,407**	**2,609,982**	**113,708,562**

d) Collateral

Fair value of collateral held by Bank against loans and advances by each category are as follows:

	2019 SAR '000	2018 SAR '000
Neither past due nor impaired	75,724,960	48,547,435
Past due but not impaired	11,661,949	3,698,194
Impaired	391,871	222,403
Total	**87,778,780**	**52,468,032**

The collateral consists of deposits, financial guarantees, marketable securities and real estate. Those collaterals which are not readily convertible into cash (i.e. real estate) are accepted by the Bank with the intent for them to be disposed of in case of default by the customer. The Group's policies regarding obtaining collaterals have not significantly changed during the year and there has been no significant change in the overall quality of the collaterals held by the Group since the prior year.

e) Shariah approved loans and advances

The analysis of Shariah approved loans and advances is as follows:

	2019 SAR '000	2018 SAR '000
Murabaha / Tawarruq	74,095,438	62,056,272
Ijara	7,269,400	6,689,156
Total	**81,364,838**	**68,745,428**

7. Property and equipment, net

	Land and buildings (SAR'000)	Right of Use Asset (SAR'000)	Leasehold improvements (SAR'000)	Furniture, equipment and vehicles (SAR'000)	2019 Total (SAR'000)	2018 Total (SAR'000)
Cost						
Balance at the beginning of the year	920,448	-	689,018	1,450,074	**3,059,540**	**3,005,596**
Additions	1,200,418	438,148	382,974	64,345	**2,085,885**	**60,877**
Disposals	(72)	-	(4,429)	(180,786)	**(185,287)**	**(1,806)**
Exchange adjustment	-	-	-	(6,650)	**(6,650)**	**(5,127)**
Balance at the end of the year	**2,120,794**	**438,148**	**1,067,563**	**1,326,983**	**4,953,488**	**3,059,540**
Accumulated depreciation						
Balance at the beginning of the year	597,060	-	601,297	1,355,490	**2,553,847**	**2,437,786**
Charge for the year	23,415	78,546	38,839	63,499	**204,299**	**112,426**
Disposals	-	-	(4,393)	(179,567)	**(183,960)**	**(894)**
Exchange adjustment	-	-	-	3,232	**3,232**	**4,529**
Balance at the end of the year	**620,475**	**78,546**	**635,743**	**1,242,654**	**2,577,418**	**2,553,847**
Net book value as at December 31, 2019	**1,500,319**	**359,602**	**431,820**	**84,329**	**2,376,070**	
Net book value as at December 31, 2018	**323,388**	**-**	**87,721**	**94,584**		**505,693**
Capital work in progress					690,788	2,187,750
Total					**3,066,858**	**2,693,443**

8. Other assets

	2019 SAR '000	2018 SAR '000
Accounts receivable	373,490	207,379
Other real estate, net	4,345	5,447
Goodwill	15,279	16,921
Other	676,638	468,892
Total	**1,069,752**	**698,639**

9. Derivatives

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

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

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 customized contracts transacted in the over the counter market. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges.

Forward commission rate agreements are individually negotiated commission rate futures that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, based on a notional principal for an agreed period of time.

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 stipulated period, a specified amount of a currency, commodity, equity or financial instrument at a pre-determined price.

Swaptions are options on swaps and entail an option on the fixed rate component of a swap. An option on a swap provides the purchaser or holder of the option the right, but not the obligation to enter into a swap where it pays fixed rates against receipt of a floating rate index at a future date.

Derivatives 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 in order to, inter alia, 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, with the expectation of profiting from, price differentials between markets or products.

Derivatives held for hedging purposes

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 commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statements of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. The Group also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including the details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

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

All derivatives are reported at fair value on the statements of consolidated financial position. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received from or paid to a given counterparty pursuant to a valid master netting agreement.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

				Notional amounts by term to maturity			
2019	**Positive Fair value SAR '000**	**Negative Fair value SAR '000**	**Notional amount SAR '000**	**Within 3 Months SAR'000**	**3-12 Months SAR'000**	**1-5 Years SAR'000**	**Over 5 Years SAR'000**
Held for trading							
Commission rate swaps	4,479,096	2,897,942	154,532,880	1,827,998	26,859,937	89,333,984	36,510,961
Commission rate futures and options	77,300	65,930	17,920,740	414,466	1,401,750	15,994,070	110,454
Forward foreign exchange contracts	46,339	92,914	26,396,971	11,868,037	9,950,346	4,578,588	-
Currency options	10,965	8,654	1,322,825	955,474	367,351	-	-
Swaptions	3,539	7,427	468,750	-	468,750	-	-
Equity and commodity options	65,787	36,084	2,384,568	-	2,384,568	-	-
Held as fair value hedges:				-	-	-	-
Commission rate futures and options	-	-	-	-	-	-	-
Commission rate swaps	-	-	-	-	-	-	-
Held as cash flow hedges				-	-	-	-
Commission rate swaps	7,583	131,419	6,600,000	-	-	-	6,600,000
Sub-total	4,690,609	3,240,370	**209,626,734**	**15,065,975**	**41,432,702**	**109,906,642**	**43,221,415**
Cash collateral received / paid	(1,598,388)	(2,048,184)					
Total	**3,092,221**	**1,192,186**					

2018	Positive Fair value SAR '000	Negative Fair value (Restated) SAR '000	Notional amount SAR '000	Notional amounts by term to maturity Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
Held for trading							
Commission rate swaps	3,296,534	2,676,006	137,105,216	7,006,806	13,539,282	93,983,860	22,575,268
Commission rate futures and options	66,970	95,052	10,455,028	2,247,063	345,000	7,736,145	126,820
Forward foreign exchange contracts	57,572	65,825	14,389,936	5,736,950	2,174,922	6,478,064	-
Currency options	53,146	52,654	1,556,786	1,057,299	499,487	-	-
Swaptions	-	-	-	-	-	-	-
Equity and commodity options	159,529	178,622	2,704,346	15,000	2,689,346	-	-
Held as fair value hedges:							
Commission rate futures and options	-	17,731	1,842,375	1,842,375	-	-	-
Commission rate swaps	61,253	117,694	3,562,500	-	-	375,000	3,187,500
Held as cash flow hedges							
Commission rate swaps	19,943	59,898	4,532,500	170,000	120,000	662,500	3,580,000
Sub-total	3,714,947	3,263,482	**176,148,687**	**18,075,493**	**19,368,037**	**109,235,569**	**29,469,588**
Cash collateral received / paid	(269,175)	(806,059)					
Total	**3,445,772**	**2,457,423**					

Included above are Shariah approved Islamic profit rate swaps which comprise of the following:

2019 Held for trading	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000
Islamic profit rate swaps	25,672	22,418	2,706,752
Islamic commission rate agreement	258	7,739	1,157,412
Total	**25,930**	**30,157**	**3,864,164**

2018 Held for trading	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000
Islamic profit rate swaps	27,582	10,279	1,819,107
Islamic commission rate agreement	817	233	1,165,207
Total	**28,399**	**10,512**	**2,984,314**

The tables below show a summary of hedged items, the nature of the risk being hedged, the hedging instrument and their fair values:

Description of hedged items	Fair value	Nature of hedge	Hedging instrument	Positive fair value	Negative fair value
2019 (SAR '000)					
Floating rate notes	3,600,000	Cash flow	Commission rate swaps	7,583	131,419
2018 (SAR '000)					
Floating rate notes	4,541,222	Cash flow	Commission rate swaps	19,943	59,898
Fixed rate notes	998,573	Fair Value	Commission rate futures and options	-	17,731
Fixed rate futures	3,327,632	Fair Value	Commission rate swaps	61,253	117,694

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Group generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Also, as a result of firm commitments in foreign currencies, the Group is exposed to foreign exchange and special commission rate risks which are hedged with cross currency special commission rate swaps.

Below is the schedule indicating as at 31 December, the periods when the cash flows arising from the hedged item are expected to occur and when they are expected to affect statements of consolidated income:

2019 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	48,103	123,413	690,424	266,794	**1,128,734**

2018 (SAR'000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	57,931	165,954	581,620	283,301	**1,088,806**

Approximately 42% (2018: 33%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 18% (2018: 13%) of the positive fair value contracts are with any single counter-party at the reporting date.

10. Due to banks and other financial institutions

	2019 SAR '000	2018 SAR '000
Current accounts	620,929	1,953,097
Money market deposits	15,025,879	5,918,477
Total	**15,646,808**	**7,871,574**

Money market deposits include deposits against the sale of fixed rate securities of SAR 7,023 million (2018: SR 545 million) with an agreement to repurchase the same at fixed future dates.

Included above are Shariah approved money market deposits (Murabaha) amounting to SR 45 million (2018: SR 1,056 million)

11. Customer deposits

Customer deposits comprise of the following:

	2019 SAR '000	2018 SAR '000
Demand	93,714,867	93,880,243
Savings	7,563,306	7,700,822
Time	73,668,526	62,680,597
Other	5,218,981	5,908,384
Total	**180,165,680**	**170,170,046**

Time deposits include deposits accepted under Shariah approved banking product contracts of SR 28,056 million (2018: SR 33,999 million).

Time deposits include deposits against sale of fixed rate securities of SR 15 million (2018: SR 393 million) with agreements to repurchase the same at fixed future dates.

Included in time deposits are market linked customer deposits amounting to SR 700 million (2018: SR 951 million), which are designated FVIS liabilities. The deposits are so designated when they include one or more embedded derivatives or are being evaluated on a fair value basis in accordance with the documented risk management strategy of the Group. There were no significant gains or losses attributable to changes in the credit risk on these deposits in 2019 and 2018.

Other customer deposits include SR 1,432 million (2018: SR 1,158 million) of margins held against facilities extended to customers.

Included above are Shariah approved customer deposits which comprise of the following:

	2019 SAR '000	2018 SAR '000
Current accounts	7,745,000	7,838,000
Mudaraba savings deposits	30,351	-
Murabaha time deposits	27,407,388	31,863,030
Total	**35,182,739**	**39,701,030**

The above include foreign currency deposits as follows:

	2019 SAR '000	2018 SAR '000
Demand	6,981,406	4,344,981
Savings	646,522	1,082,667
Time	19,669,565	21,862,428
Other	393,624	240,242
Total	**27,691,117**	**27,530,318**

12. Term loan

The Bank has entered into a syndicated unsecured floating rate loan arrangement on July 17, 2019 amounting to USD 575 million with a tenor of 3 years for general corporate purposes and is classified as held at amortised cost. The term loan bears commission at market based variable rates.

13. Debt securities in issue

The Bank, through a special purpose vehicle, has completed the issuance of its USD 1 billion denominated notes under a USD 5 billion Euro Medium Term Note program. The notes are unsecured and have been issued under this program for a period of five years beginning from the drawdown date of October 2, 2019 and may be subject to early redemption at the option of the Bank subject to the terms and conditions of the issue. The notes are listed on the Irish Stock Exchange plc and is classified as held at amortised cost.

14. Other liabilities

	2019 SAR '000	2018 (Restated) SAR '000
Accounts payable	860,076	828,336
Employee benefit obligations (note 15)	720,032	517,500
Unearned fee income	259,322	247,779
Customer initial public offering deposits	126,997	7,414
Payable to GAZT under Settlement Agreement (note 27 c)	1,482,280	1,852,850
Credit Impairment provision against loan commitments and financial guarantee contracts (note 30 c)	489,150	1,635,951
Present value of lease liability (see note below for maturity analysis)	370,048	-
Accruals and provision for zakat and taxation	1,117,344	994,166
Dividend payable	576,749	545,675
Other (see note below)	1,233,748	503,651
Total	**7,235,746**	**7,133,322**

The maturity analysis of contractual undiscounted cash flows of lease liabilities is as follows:

	2019 SAR '000	2018 SAR '000
Less than one year	15,362	-
One to 5 years	89,522	-
More than 5 years	387,342	-
Total	**492,226**	**-**

Included in other liabilities is an amount representing employee incentive savings plan of SR 103.3 million (2018: 95.5 millon). An amount of SR 7.5 million (2018: 6.5 million) has been charged to the statement of consolidated income in respect of this plan.

15. Employee benefit obligations

The Bank operates an End of Service benefit plan for its employees based on the Saudi Arabian Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of consolidated financial position and movement in the obligation during the year based on its present value are as follows:

	2019 SAR'000	2018 SAR'000
Balance at the beginning of the year	512,880	428,526
Current service cost	44,643	102,985
Special commission expense	21,166	16,446
Benefits paid	(91,867)	(35,077)
Loss on actuarial valuation	115,314	-
Balance at the end of the year	**602,136**	**512,880**

An independent actuarial valuation is carried out during fourth quarter every year for evaluation of adequacy of provision held. Provision held against actuarial valuation as of the end of year is SR 720 million (2018: SR 517.5 million). There are various assumptions used in determination of present value of defined benefit obligation of which discount rate and salary increase level are principal which are assumed to be at 3.75% (2018: 4.5%) and 2% (2018: 2%) respectively.

The actuarial liability would be increased to SR 639 million (2018: SR 542 million) had the discount rate used in the assumption been lower by 1% and the liability would be decreased to SR 569 million (2018: SR 487 million) had the discount rate used in the assumption been higher by 1%. Similarly, the actuarial liability would be increased to SR 639 million (2018: SR 542 million) had the salary increase rate used in the assumption been higher by 1% and the liability would be decreased to SR 569 million (2018: SR 487 million) had the salary increase rate used in the assumption been lower by 1%. The weighted average duration of the defined benefit obligation is approximately 10 years.

16. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2018: 2,000 million shares) of SR 10 each.

17. Statutory and general reserves

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia and the Articles of Association of the Bank, a minimum of 25% of the net income for the year before zakat and taxation is required to be transferred to a statutory reserve until this reserve equals the paid up share capital of the Bank. The statutory reserve is currently not available for distribution. During the year, the bank transferred SR 1,154 million (2018: SR 1,382 million) to the statutory reserve from the retained earnings.

In addition, as and when considered appropriate, the Bank makes an appropriation to general reserve for general banking risks.

18. Fair value and other reserves

The movement in fair value and other reserves during the year attributable to the equity shareholders of the Group is set out below:

2019 (SAR'000)	Cash flow hedges	FVOCI financial assets	Employee benefits plan reseve	Total
Balance at beginning of the year as reported	(99,797)	592,891	-	**493,094**
Effect of change in accounting policy	-	-	-	-
Change in fair value during the year	121,576	2,688,744	(115,314)	**2,695,006**
Loss on sale of FVOCI equity investments	-	(17,869)	-	**(17,869)**
Transfer to statements of consolidated income	(33,502)	(77,668)	-	**(111,170)**
Balance at end of the year	**(11,723)**	**3,186,098**	**(115,314)**	**3,059,061**

2018 (SAR'000)	Cash flow hedges	FVOCI financial assets	Employee benefits plan reseve	Total
Balance at beginning of the year as reported	**(28,826)**	**318,500**	-	**289,674**
Effect of change in accounting policy	-	(294)	-	**(294)**
Change in fair value during the year	(18,997)	284,286	-	**265,289**
Transfer to statements of consolidated income	(51,974)	(9,601)	-	**(61,575)**
Balance at end of the year	**(99,797)**	**592,891**	-	**493,094**

19. Commitments and contingencies

a) Legal proceedings

No provision has been made in relation to legal proceedings existing as at December 31, 2019 and 2018 as no material costs are expected to be incurred.

b) Capital commitments

The Group's capital commitments as at December 31, 2019 amounted to SR 527 million (2018: SR 362 million). These commitments represent contractual obligations in respect of building, construction and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and irrevocable commitments to extend credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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. 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 collateralized by the underlying shipments of goods to which they relate, and therefore have 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. Cash requirements under these instruments are considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unused portion of approved facilities 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 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 may expire or terminate without being funded.

i) The contractual maturity structure for the Group's credit related commitments and contingencies are as follows:

2019 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,999,515	1,991,279	717,966	-	**4,708,760**
Letters of guarantee	7,898,499	14,010,403	8,254,669	-	**30,163,571**
Acceptances	555,940	366,021	189,825	-	**1,111,786**
Irrevocable commitments to extend credit	671,582	520,561	1,952,618	377,678	**3,522,439**
Other	-	7,994	49,255	871,470	**928,719**
Total	**11,125,536**	**16,896,258**	**11,164,333**	**1,249,148**	**40,435,275**

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	2,967,783	1,511,518	482,580	-	**4,961,881**
Letters of guarantee	8,166,435	13,849,475	9,352,013	1,517	**31,369,440**
Acceptances	1,179,731	324,544	1,088	9,322	**1,514,685**
Irrevocable commitments to extend credit	142,145	42,560	2,429,571	-	**2,614,276**
Other	-	8,020	59,893	762,205	**830,118**
Total	**12,456,094**	**15,736,117**	**12,325,145**	**773,044**	**41,290,400**

The unused portion of commitments outstanding as at December 31, 2019 which can be revoked unilaterally at any time by the Group amounts to SR 115,309 million (2018: SR 98,210 million).

ii) The analysis of credit related commitments and contingencies by counter-party are as follows:

	2019 SAR '000	2018 SAR '000
Corporate	34,745,530	35,955,390
Banks and other financial institutions	5,670,390	5,013,370
Other	19,355	321,640
Total	**40,435,275**	**41,290,400**

d) Assets pledged

Assets pledged as collateral with other financial institutions and others as security against borrowings are as follows:

	2019 SAR'000		2018 SAR'000	
	Assets	**Related liabilities**	**Assets**	**Related liabilities**
Investments classified as FVOCI and FVIS	8,056,166	7,889,750	1,196,612	1,165,521

20. Special commission income and expense

	2019 SAR '000	2018 SAR '000
Special commission income on:		
Investments:		
FVOCI	871,498	617,339
Amortised Cost	1,448,100	1,072,812
	2,319,598	**1,690,151**
Due from banks and other financial institutions	349,553	450,874
Loans and advances	5,757,633	5,397,165
Total	**8,426,784**	**7,538,190**
Special commission expense on:		
Due to banks and other financial institutions	366,277	188,420
Customer deposits	1,630,521	1,197,878
Term loan and debt securities in issue	53,338	-
Total	**2,050,136**	**1,386,298**

Included in the above are special commission income and expenses related to Shariah approved products.

	2019 SAR '000	2018 SAR '000
Investments	896,401	503,364
Loans and advances	3,085,937	2,941,508
	3,982,338	**3,444,872**
Customer deposits	**662,282**	**620,792**

21. Fee and commission income, net

	2019 SAR '000	2018 SAR '000
Fee and commission income on:		
Share trading and fund management	271,458	280,737
Trade finance	272,412	327,582
Corporate finance and advisory	150,925	107,812
Other banking services	783,489	848,611
Total	**1,478,284**	**1,564,742**
Fee and commission expense on:		
Cards	(140,632)	(130,078)
Other banking services	(69,246)	(71,313)
Total	**(209,878)**	**(201,391)**
Fee and commission income, net	**1,268,406**	**1,363,351**

22. Trading income, net

	2019 SAR '000	2018 SAR '000
Debt securities	189,718	71,239
Derivatives and others	(19,514)	(10,307)
Total	**170,204**	**60,932**

23. Gains on FVOCI debt, net

	2019 SAR '000	2018 SAR '000
FVOCI debt	77,668	9,601
Total	**77,668**	**9,601**

24. Other operating income, net

	2019 SAR '000	2018 SAR '000
Gain on disposal of property and equipment	1,816	300
Dividend income	187,827	171,215
Other income	7,020	8,686
Total	**196,663**	**180,201**

25. Salaries and employee related expenses

The Bank's compensation policy complies with the regulatory requirements of SAMA and international standards of Financial Stability Forum with respect to compensation. This policy is applicable to all businesses across the Group in the Kingdom of Saudi Arabia as well as its overseas branches and subsidiaries as far as it is consistent with the legal and regulatory requirements of respective host countries where the Group operates.

The policy defines the levels and categories of key employees whose goals setting, performance measurement and appraisal processes are based on a scorecard approach that links the financial performance evaluation with associated risks, at the overall Bank level. Key employees consist of senior executives (officers who are in senior and leadership roles whose appointment is subject to the no objection by SAMA), Key Risk Takers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk taking roles on behalf of the Group) and Key Risk Controllers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk controlling roles on behalf of the Group.)

Compensation structure at the Group consists of (a) fixed components viz., base salary, allowances and benefits; as well as (b) variable components viz., performance bonus and equity based scheme. These components are designed to reflect the level of responsibility and role of the employee, as well as the business area in which the employee works.

The Group's overall variable compensation pool is derived from the Risk Adjusted Net Income of the Group which takes into account significant existing and potential risks in order to protect Group's capital adequacy and to mitigate risk of potential future losses. A process of distributing variable compensation payments over three annual instalments is in place for key employees. The proportion of deferred payments is determined based on the level and seniority and/or responsibility of the key employee. A portion of deferred variable compensation is also awarded in the form of equity based "long term bonus scheme". Remuneration of employees working in control functions such as Risk Management, Credit, Compliance, Internal Audit, Financial Control, Legal etc. are determined independently from the business units monitored by them. Further, claw-back arrangements are included to address adverse future performance. No guaranteed bonuses are allowed. Through these mechanisms, the Group has successfully achieved the policy objectives of ensuring that the overall variable compensation takes into account risks associated with financial performance and adjustments to deferred compensation are considered pursuant to any negative future impact arising out of decisions made during the current period.

Variable compensation is awarded to eligible employees in the form of cash, equities or a combination of both. The proportion of variable compensation to be paid in either form is determined based on the level of responsibility and role of the individual employee, as well as the business area in which the employee works and commensurate to the performance delivery, risk taking or controlling ability of the employee.

In accordance with regulatory requirements on corporate governance, the Bank's Board of Directors has established a Nomination and Remuneration Committee (NRC) which comprises of three non-executive directors and chaired by an independent board member. The NRC is responsible for the overall architecture, oversight and monitoring of the compensation system. The committee reviews the compensation policy periodically to ensure its adequacy and effectiveness. Accordingly, the policy was last revised in September 2018 and reflects the amended organization structure and approval hierarchy. The NRC makes its recommendations to the Board on the level and composition of remuneration after taking into account the Risk Management Group's input. NRC also periodically reviews the progress of the compensation policy implementation and ensures that its stated objectives are achieved in line with the guidelines

The following is a breakup of the compensation paid to the Group's employees for the years 2019 and 2018:

	Number of Employees		Fixed Compensation SAR'000		Variable Compensation Paid – SAR'000					
Category	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
					Cash		**Shares**		**Total**	
Senior executives*	26	20	33,313	29,733	33,748	31,945	8,343	6,263	42,091	38,208
Employees engaged in risk taking activities	946	880	338,271	317,064	66,327	68,575	12,196	8,193	78,523	76,768
Employees engaged in control functions	908	780	218,816	190,875	25,051	20,101	5,358	2,773	30,409	22,874
Other employees	1,734	1,610	217,225	193,131	5,721	5,067	154	125	5,875	5,192
Other outsourced employees	377	207	31,531	20,366	491	420	-	-	491	420
Total	**3,991**	**3,497**	**839,156**	751,169	**131,338**	**126,108**	**26,051**	**17,354**	**157,389**	**143,462**
Variable compensation and other employee related cost accrued or paid during the year**			**648,329**	494,178						
Total salaries & employee related expenses			**1,487,485**	**1,245,347**						

* Senior executives are employees whose appointment requires approval from SAMA.

** Other employee related costs include insurance premium paid, GOSI contribution, relocation charges, recruitment expenses, training and development cost, employee related costs for SBL and certain other non-recurring employee related costs.

26. Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing the net income after zakat and taxation for the year attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing the net income after zakat and taxation for the years attributable to the equity holders of the Bank by 2,000 million shares.

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

	Basic EPS		Diluted EPS	
	2019	**2018 (Restated)**	**2019**	**2018 (Restated)**
Weighted average number of shares outstanding (in thousands)	**1,957,207**	1,956,973	**2,000,000**	2,000,000
Earnings per share (in SAR)	**2.04**	1.56	**1.99**	1.53

27. Dividend, Zakat and taxation

a) Dividend

The Board of Directors has proposed a final net dividend of SR 1,394 million for 2019 (2018: SR 1,998 million). The final dividend will yield a net payment of SR 0.7 per share to the Saudi shareholders of the Bank (2018: SR 1.0). The total net dividend for the year to Saudi shareholders is SR 1.42 per share (2018: SR 1.8 per share) of which SR 0.72 (2018: SR 0.8) was paid as interim dividend earlier during the year. The total interim net dividend during 2019 amounted to SR 1,438 million (2018: SR 1,593 million) making full year total net dividends of SR 2,832 million (2018: SR 3,591 million).

The proposed final dividend is included within equity until approved by the shareholders' annual general assembly.

b) Current Zakat and Taxation

On 14 March 2019, Saudi Arabia's General Authority of Zakat and Tax (the "GAZT") has 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.

The Zakat liability for the Saudi shareholders for the current year is calculated on an approximate shareholding of 98.78% (2018: 97.7%). The income tax liability for the foreign shareholders on their current year's share of income is calculated on an approximate shareholding of 1.22% (2018: 2.3%).

The breakup of Zakat expense for the years is as under:

Zakat	**2019 SAR '000**	**2018 (Restated) SAR '000**
- Zakat - current	576,867	620,000
- Zakat – prior period adjustment (see note c below)	-	1,816,059
Total	**576,867**	**2,436,059**

The breakup of current and deferred tax expense, net for the years is as under:

Taxation	**2019 SAR '000**	**2018 (Restated) SAR '000**
- Domestic - current	12,133	33,000
- Overseas	47,880	25,271
- Deferred	(8,073)	(4,462)
Total	**51,940**	**53,809**

The movement in the deferred tax asset and liability for the years is as follows:

2019 (SAR'000)	**As at 1 January 2019**	**Recognised in the income statement**	**Recognised in other comprehensive income**	**As at 31 December 2019**
Deductible temporary differences	36,047	8,165	(8,288)	**35,924**
Taxable temporary differences	2,596	92	**-**	**2,688**

2018 (SAR'000)	As at 1 January 2018	Recognised in the income statement	Recognised in other comprehensive income	As at 31 December 2018
Deductible temporary differences	24,905	4,462	6,680	**36,047**
Taxable temporary differences	2,596	-	-	**2,596**

c) Prior Year Zakat Assessments Settlement

During 2018, the Bank reached a Settlement Agreement (the "Agreement") with the GAZT to comply with the directives provided by Royal Decree No. M/26 dated 20/3/1440H (November 28, 2018) and the Ministerial Resolution No. 1260 dated 05/04/1440H (December 12, 2018), in order to settle outstanding Zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 2,316 million, payable in 6 instalments over a period of 5 years ending December 1, 2023. The Bank has already paid two instalments of SR 833 million upto December 2019. The remaining amount payable to GAZT have been reclassified under "Other Liabilities" in the consolidated financial statements. Under the Agreement, the Bank and GAZT also agreed to settle Zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all Zakat related disputes between the Bank and the GAZT pertaining to the years 2006 to 2017 stand resolved.

d) Status of Zakat and Income Tax Assessments

The Bank is contesting its appeals before the Appellate Committee of Tax Disputes and Violations for the years 2004-2005 with respect to Zakat and for the income taxes for the years 2004-2009. The Bank is confident of a favourable outcome from the appeal process.

The Bank has filed its Zakat and Income Tax returns with the GAZT and paid Zakat and Income Taxes for the years up to and including the year 2018 except for the amounts agreed as a liability under Note 27 (c) above

28. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statements of consolidated cash flows comprise the following:

	2019 SAR '000	2018 SAR '000
Cash and balances with Central Banks excluding statutory deposit (note 3)	8,894,127	16,592,362
Due from banks and other financial institutions	2,661,082	7,324,107
Total	**11,555,209**	**23,916,469**

29. Operating segments

The Group is organized into the following main operating segments:

Consumer banking – comprises individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate banking – comprises corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well the Group's customer derivative portfolios and its corporate advisory business.

Treasury – principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statement of financial position.

Investment banking – engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with two overseas branches and four overseas subsidiaries. However, the results of the overseas operations are not material to the Group's overall consolidated financial statements.

Transactions between the business segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on market based inter-bank rates. There are no other material items of income or expense or other internal revenues between the operating segments.

a) The Group's total assets and liabilities as at December 31, 2019 and 2018, together with special commission income net, total operating income, total operating expenses, provision for credit impairment, net income after zakat and taxation, capital expenditure and depreciation expenses for the years then ended, by operating segment, are as follows:

2019 (SAR'000)	Consumer banking	Corporate banking	Treasury	Investment banking	Total
Total assets	34,548,665	121,232,449	99,716,659	106,028	**255,603,801**
Total liabilities	92,321,955	95,815,353	21,851,452	166,209	**210,154,969**
Special commission income, net	2,575,016	2,374,898	1,363,340	63,394	**6,376,648**
Total operating income	3,207,982	3,037,178	1,854,488	500,703	**8,600,351**
Total operating expenses, of which:	1,981,972	1,606,392	162,530	229,970	**3,980,864**
- Depreciation	42,230	153,881	1,847	6,341	**204,299**
- Credit impairment provision	52,203	1,049,976	857	-	**1,103,036**
Net income for the year after zakat and taxation	1,125,306	1,137,461	1,459,723	268,190	**3,990,680**
Capital expenditure	106,381	456,909	11,839	4,554	**579,683**

2018 (SAR'000)	Consumer Banking	Corporate banking	Treasury	Investment Banking	Total
Total assets	32,315,651	96,225,480	101,236,772	160,397	**229,938,300**
Total liabilities	93,649,480	83,003,800	10,873,714	105,371	**187,632,365**
Special commission income, net	2,439,505	2,293,588	1,366,274	52,525	**6,151,892**
Total operating income	3,132,188	3,028,009	1,540,181	456,142	**8,156,520**
Total operating expenses, of which:	1,654,038	641,731	116,916	194,247	**2,606,932**
- Depreciation	44,159	61,850	909	5,508	**112,426**
- Credit impairment provision	87,362	65,066	3,090	-	**155,518**
Net income for the year after zakat and taxation	810,726	1,317,772	787,143	144,079	**3,059,720**
Capital expenditure	82,737	75,626	9,198	336	**167,897**

b) The Group's credit exposure by operating segment is as follows:

2019 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	27,709,774	110,695,831	87,702,606	35,490	**226,143,701**
Commitments and contingencies	237,062	23,424,612	1,050,411	-	**24,712,085**
Derivatives	1,282,537	1,309,881	8,256,056	-	**10,848,474**
2018 (SAR'000)					
Balance sheet risk assets	25,667,349	88,199,401	79,514,400	66,270	**193,447,420**
Commitments and contingencies	275,818	24,584,511	965,803	-	**25,826,132**
Derivatives	608,934	1,156,489	4,973,678	-	**6,739,101**

Balance sheet risk assets comprise of the carrying value of the assets at the reporting date, excluding cash and balances with central banks, derivatives, property and equipment and other assets. Credit exposures relating to commitments, contingencies and derivatives are stated at their credit equivalent amounts as prescribed by central banks.

30. Financial Risk Management

a) Credit Risk

Credit risk is the risk that a customer will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee which monitors the overall risk process within the bank and has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Group seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses. The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases, the Group may also close out transactions and settle on a net present value basis.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks.

The Group uses its internal ratings to rate the credit quality of its portfolio. The following categories provides guidance about the credit quality of financial assets measured at amortized cost and debt investments classified as FVOCI.

Low to fair risk: Performing assets which have none or negligible deterioration in credit quality since inception.

Watch list: Assets which have shown some initial signs of deterioration in credit quality in the recent past and are subject to increasing levels of credit risk.

Substandard: Assets which exhibit substantially higher level of credit risk and are considered to be vulnerable to default.

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.

The following table sets out information about the credit quality of financial assets measured at amortized cost and debt investments classified as FVOCI. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts.

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Due from banks and other financial institutions at amortised cost	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Low to fair risk	3,632,008	-	-	**3,632,008**	**17,638,525**
Watch list	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	3,632,008	-	-	**3,632,008**	**17,638,525**
Less: Credit impairment provision	3,617	-	-	**3,617**	**16,499**
Total	**3,628,391**	-	-	**3,628,391**	**17,622,026**

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Debt instruments at amortised cost	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Low to fair risk	13,625,057	-	-	**13,625,057**	**10,733,908**
Watch list	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	13,625,057	-	-	**13,625,057**	**10,733,908**
Less: Credit impairment provision	3,947	-	-	**3,947**	**3,090**
Total	**13,621,110**	-	-	**13,621,110**	**10,730,818**

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Debt instruments at FVOCI	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Low to fair risk	61,208,104	-	-	**61,208,104**	**47,107,352**
Watch list	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	**61,208,104**	-	-	**61,208,104**	**47,107,352**

Loans and advances at amortised cost	December 31, 2019 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total	December 31, 2018 (SAR'000)
Low to fair risk	134,776,281	-	-	**134,776,281**	**109,598,111**
Watch list	-	2,458,327	-	2,458,327	977,265
Substandard	-	4,154,443	1,383,483	5,537,926	4,253,582
Doubtful	-	-	1,572,855	1,572,855	1,130,948
Loss	-	-	349,484	349,484	358,638
	134,776,281	**6,612,770**	**3,305,822**	**144,694,873**	**116,318,544**
Less: Credit impairment provision	634,047	542,889	1,922,692	**3,099,628**	**2,609,982**
Total	**134,142,234**	**6,069,881**	**1,383,130**	**141,595,245**	**113,708,562**

b) Amounts arising from ECL – Significant increase in credit risk (SICR)

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 criteria such as risk grading and delinquency, and qualitative information and analysis used in the assessment of the classification assigned to the obligor. These are based on the Group's historical experience and expert credit assessment and includes the forward-looking information.

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 while also applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

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 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 subsequently moved to a different credit risk grade. The monitoring typically 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 of management, and senior management changes/succession planning. • Data from credit reference agencies, press articles, changes in external credit ratings. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Internally collected data and customer behaviour e.g. utilization of credit card facilities. • Affordability metrics. • External data from credit reference agencies.	• Payment record – this includes overdue status as well as a range of variables about payment ratios. • Utilization of the granted limit. • Requests for and granting of forbearance. • Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of probability of default

The 12 month Probabilities of Default (PD) derived from approved internal rating models are a primary input into the determination of the PD term structure for exposures. For some portfolios, information sourced from external credit reference agencies is also used.

The Group extrapolates these PDs into a term structure by using macro-economic factors and transition matrices to generate both 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, the key macro-economic indicators include the estimation for GDP growth, inflation rates and oil price.

Based on advice from the Group's team of economists, and consideration of a variety of external actual and forecast information, the Group formulates 'base case, 'upside' and 'downside' views 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.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly varies by portfolio and include quantitative factors expressed in the form of a classification and/or changes in probability of default occurring since initial recognition as determined under the Group's staging criteria, as well as a qualitative assessment based on delinquency. On an ongoing basis, the management reviews the criteria used and appropriate changes are made to the probability of defaults. The changes made during the year did not result in any significant impact on the consolidated financial statements.

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. These typically include expectations of forbearance occurring, high risk events (such as breach of covenants etc.), cross obligor defaults and designation on risk watch-lists.

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. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The performance of borrowers is monitored on a regular basis against the pre-defined classification/delinquency triggers to ensure the effectiveness and relevance thereof and to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria are no more liberal than the point in time when an asset becomes 30 days past due; and
- there is stability in the loss allowance arising from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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. 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.

The Group may renegotiate 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 timing of interest payments and amending the terms of loan covenants and a detailed forbearance policy has implemented by the Group.

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 behavioural 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 or in-default. Consequently all such exposures continue to be measured using the lifetime ECL and a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired or 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.

Definition of 'Default'

"Default" is defined as either non-payment of a material financial obligation persisting for 90 days or the occurrence of events that would lead the Group to consider that the obligor is unlikely to service its credit obligations to the Group. 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.

The definition of default used by the Group for IFRS 9 purposes aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group incorporates forward-looking information into its measurement of ECL. Based on advice from the team of Economists 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. This process involves developing two additional economic scenarios ('upside' and 'downside') and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters.
The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit impairment for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit impairment. The economic scenarios used as at December 31, 2019 included the ranges of key indicators such as the GDP growth rate, oil price, rate of inflation and data on fiscal spending etc.

Predicted relationships between the key macro-economic indicators, default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 25 years.

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- 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. These models are validated on an annual basis to ensure the quality of the outputs generated.

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 corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

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 of the claim and recovery costs of any collateral that is integral to the financial asset.

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 loan commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on regulatory defined credit conversion factors for non-retail customers and historical observations for the retail portfolio.

As described above, and using 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 (including any borrower's extension options) 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.

For retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period of 12 months. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are ranked on the basis of shared risk characteristics that include:

- instrument type;
- payment behaviour;
- external credit bureau characteristics;
- date of initial recognition;
- remaining term to maturity; and
- customer demographics.

The ranking is subject to regular review to ensure that exposures within a particular pool remain appropriately homogeneous.

c) The following tables shows reconciliations from the opening to the closing balance of the credit impairment provisions by class of financial instruments.

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Due from Banks and Other Financial Institutions at Amortised Cost	**12 Month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Balance as at January 1, 2019	**16,499**	-	-	**16,499**	**23,534**
Net measurement of loss allowance	(7,372)	-	-	**(7,372)**	**(20,726)**
New financial assets originated or purchased or renewed	15,425	-	-	**15,425**	**48,344**
Financial asset that have been derecognised	(20,935)	-	-	**(20,935)**	**(34,653)**
Balance as at December 31, 2019	**3,617**	-	-	**3,617**	**16,499**

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Debt instruments at Amortised Cost	**12 Month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Balance as at January 1, 2019	**3,090**	-	-	**3,090**	**13,686**
Net measurement of loss allowance	(37)	-	-	**(37)**	**241**
New financial assets originated or purchased or renewed	4,148	-	-	**4,148**	**7,108**
Financial asset that have been derecognised	(3,254)	-	-	**(3,254)**	**(17,945)**
Balance as at December 31, 2019	**3,947**	-	-	**3,947**	**3,090**

	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
Debt instruments at FVOCI	**12 Month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**	
Balance as at January 1, 2019	**25,524**	-	-	**25,524**	**28,915**
Transfer to 12 months ECL		-	-		
Net measurement of loss allowance	1,068	-	-	**1,068**	**(8,358)**
New financial assets originated or purchased or renewed	43,841	-	-	**43,841**	**10,704**
Financial asset that have been derecognised	(37,564)	-	-	**(37,564)**	**(5,737)**
Balance as at December 31, 2019	**32,869**	-	-	**32,869**	**25,524**

Loans and advances at Amortised Cost	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total	
Balance as at January 1, 2019 (Restated)	**684,567**	**483,960**	**1,441,455**	**2,609,982**	**2,855,813**
Transfer to 12 months ECL	172,668	(162,595)	(10,073)	-	-
Transfer to life time ECL not credit impaired	(101,323)	120,094	(18,771)	-	-
Transfer to life time ECL credit impaired	(2,408)	(289,483)	291,891	-	-
Net measurement of loss allowance	(207,009)	391,949	546,690	**731,630**	**(46,449)**
New financial assets originated or purchased or renewed	707,619	406,218	730,521	**1,844,358**	**1,393,067**
Financial asset that have been derecognised	(620,067)	(407,254)	(490,326)	**(1,517,647)**	**(1,342,385)**
Write offs	-	-	(568,695)	**(568,695)**	**(250,064)**
Balance as at December 31, 2019	**634,047**	**542,889**	**1,922,692**	**3,099,628**	**2,609,982**

Loan commitments and financial guarantee contracts	December 31, 2019 (SAR'000)				December 31, 2018 (SAR'000)
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total	
Balance as at January 1, 2019	**74,759**	**119,917**	**1,441,275**	**1,635,951**	**1,571,841**
Transfer to 12 months ECL	22,765	(22,765)	-	-	-
Transfer to life time ECL not credit impaired	(12,173)	15,712	(3,539)	-	-
Transfer to life time ECL credit impaired	(339)	(11,911)	12,250	-	-
Net measurement of loss allowance	(2,320)	3,132	(211,136)	**(210,324)**	**95,464**
New loan commitents and financial guarantees originated or renewed	67,871	9,530	101,868	**179,269**	**83,360**
Loan commitents and financial guarantees that have been derecognised	(69,556)	(24,600)	134,865	**40,709**	**(114,714)**
Write offs	-	-	(1,156,455)	**(1,156,455)**	-
Balance as at December 31, 2019	**81,007**	**89,015**	**319,128**	**489,150**	**1,635,951**

d) Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2019 SAR'000	2018 SAR'000
ASSETS		
Due from banks and other financial institutions, net	3,628,391	17,622,026
Investments, net	80,546,575	61,909,453
Loans and advances, net	141,595,245	113,708,562
Other assets exposed to credit risk	373,490	207,379
Total	**226,143,701**	**193,447,420**
Contingent liabilities and commitments	24,712,085	25,826,132
Derivatives	10,848,474	6,739,101
Total	**261,704,260**	**226,012,653**

31. Geographical concentration

a) The distribution by geographical region for major categories of assets, liabilities, credit exposures in relation to commitments and contingencies and derivatives are as follows:

2019 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with Central Banks	17,554,106	450,106	-	-	-	-	133,869	**18,138,081**
Due from banks and other financial institutions, net	1,002,137	173,244	389,978	1,926,612	-	3,396	133,024	**3,628,391**
Investments, net	69,717,131	1,956,564	5,321,891	6,074,535	63,040	163,524	1,716,568	**85,013,253**
Derivatives	-	2,036,576	234,537	793,216	-	-	27,892	**3,092,221**
Loans and advances, net	121,433,040	14,003,921	137,082	2,682,586	-	-	3,338,616	**141,595,245**
Total	**209,706,414**	**18,620,411**	**6,083,488**	**11,476,949**	**63,040**	**166,920**	**5,349,969**	**251,467,191**
Liabilities								
Due to banks and other financial institutions	246,078	8,151,393	714,665	5,576,624	-	3,494	954,554	**15,646,808**
Customer deposits	177,023,348	932,149	40,809	419,056	419	699	1,749,200	**180,165,680**
Term Loan	-	-	-	-	-	2,168,095	-	**2,168,095**
Debt securities issued	-	-	3,746,454	-	-	-	-	**3,746,454**
Derivatives	299,200	73,554	-	819,432	-	-	-	**1,192,186**
Total	**177,568,626**	**9,157,096**	**4,501,928**	**6,815,112**	**419**	**2,172,288**	**2,703,754**	**202,919,223**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	17,955,915	3,161,048	1,317,331	588,143	14,541	946,530	728,577	**24,712,085**
Derivatives	-	7,072,370	814,472	2,754,583	-	-	207,049	**10,848,474**
Total	**17,955,915**	**10,233,418**	**2,131,803**	**3,342,726**	**14,541**	**946,530**	**935,626**	**35,560,559**

2018 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with Central Banks	25,060,588	220,117	991	-	-	-	137,908	**25,419,604**
Due from banks and other financial institutions, net	10,966,805	3,172,128	1,887,688	1,206,596	-	6,264	382,545	**17,622,026**
Investments, net	51,099,133	2,430,857	5,364,953	6,853,035	61,472	186,680	354,124	**66,350,254**
Derivatives	3,020,824	128,024	-	273,923	-	-	23,001	**3,445,772**
Loans and advances, net	103,444,604	8,151,882	344,344	-	-	-	1,767,732	**113,708,562**
Total	**193,591,954**	**14,103,008**	**7,597,976**	**8,333,554**	**61,472**	**192,944**	**2,665,310**	**226,546,218**
Liabilities								
Due to banks and other financial institutions	1,296,811	4,641,463	96,012	632,114	-	8,996	1,196,178	**7,871,574**
Customer deposits	167,510,224	617,013	24,629	325,881	804	6,781	1,684,714	**170,170,046**
Derivatives	2,454,427	2,996	-	-	-	-	-	**2,457,423**
Total	**171,261,462**	**5,261,472**	**120,641**	**957,995**	**804**	**15,777**	**2,880,892**	**180,499,043**
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	19,193,261	3,139,471	1,088,103	649,396	31,564	1,015,163	709,174	**25,826,132**
Derivatives	2,609,921	157,573	3,459,549	502,456	-	-	9,602	**6,739,101**
Total	**21,803,182**	**3,297,044**	**4,547,652**	**1,151,852**	**31,564**	**1,015,163**	**718,776**	**32,565,233**

Credit exposures are stated at their credit equivalent amounts as prescribed by SAMA.

b) The distribution by geographical concentration of non-performing loans and advances and credit impairment provision are as follows:

(SAR '000)	Non-performing loans and advances		Credit impairment provision	
	2019	2018	2019	2018
Kingdom of Saudi Arabia	1,696,632	1,300,159	2,941,323	2,439,393
Other GCC and Middle East	162,897	125,135	95,887	108,961
Other countries	64,679	64,113	62,418	61,628
Total	**1,924,208**	**1,489,407**	**3,099,628**	**2,609,982**

32. 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, and equity prices. The Group classifies exposures to market risk into either trading or non-trading / banking-book.

a) Market Risk -Trading Book

The Group has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Group periodically applies a Value at Risk (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 simulation models to assess the possible changes in the market value of the trading book based on historical data. 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 normal distribution.

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 one day. The use of 99% confidence level depicts that within a one-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 its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Asset and Liability Committee (ALCO) for its review.

The Group's VAR related information for the year ended December 31, 2019 and 2018 is as shown below.

2019 (SAR '000)	**Foreign exchange risk**	**Special commission risk**	**Total**
VAR as at December 31	17,007	32,547	**49,554**
Average VAR for the year	15,423	29,928	**45,351**
2018 (SAR '000)			
VAR as at December 31	13,931	20,067	**33,998**
Average VAR for the year	10,691	14,474	**25,165**

b) Market Risk – Non-Trading or Banking Book

Market risk on non-trading or banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) 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 special commission rate gap limits for stipulated periods. The Group monitors daily positions and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in special commission rates, with other variables held constant, on the Group's statements of consolidated 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, based on non-trading financial assets and financial liabilities held as at December 31, 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, for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap.

All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are presented below:

Currency	Increase/ decrease in basis point	Sensitivity of special commission income (SAR'000)	Sensitivity of equity 6 months or less	6 to 12 months	1-5 years	Over 5 years	Total 2019 (SAR'000)
SAR	+1 bps	(35,002)	(1,351)	(1,171)	(8,019)	(11,942)	**(22,483)**
	-1 bps	35,002	1,351	1,171	8,019	11,942	**22,483**
US Dollar	+1 bps	(5,529)	(522)	(466)	(3,385)	(2,734)	**(7,107)**
	-1 bps	5,529	522	466	3,385	2,734	**7,107**
Euro	+1 bps	(471)	(31)	(31)	(235)	(102)	**(399)**
	-1 bps	471	31	31	235	102	**399**

Currency	Increase/ decrease in basis point	Sensitivity of special commission income (SAR'000)	Sensitivity of equity 6 months or less	6 to 12 months	1-5 years	Over 5 years	Total 2018 (SAR'000)
SAR	+1 bps	(20,462)	(737)	(613)	(4,069)	(1,555)	**(6,974)**
	-1 bps	20,462	737	613	4,069	1,555	**6,974**
US Dollar	+1 bps	(29)	(304)	(218)	(1,519)	(1,049)	**(3,090)**
	-1 bps	29	304	218	1,519	1,049	**3,090**
Euro	+1 bps	(81)	7	14	(87)	(8)	**(74)**
	-1 bps	81	(7)	(14)	87	8	**74**

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market commission rates on its financial position and cash flows. The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. 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-balance sheet 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.

2019 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with Central Banks	7,142,653	-	-	-	10,995,428	**18,138,081**
Due from banks and other financial institutions, net	919,215	100,000	-	-	2,609,176	**3,628,391**
Investments, net	26,697,328	6,969,696	5,411,235	38,432,156	7,502,838	**85,013,253**
Derivatives	3,092,221	-	-	-	-	**3,092,221**
Loans and advances, net	84,980,271	31,606,799	14,514,402	10,492,595	1,178	**141,595,245**
Property and equipment, net	-	-	-	-	3,066,858	**3,066,858**
Other assets	-	-	-	-	1,069,752	**1,069,752**
Total Assets	**122,831,688**	**38,676,495**	**19,925,637**	**48,924,751**	**25,245,230**	**255,603,801**
Liabilities and equity						
Due to banks and other financial institutions	13,426,859	1,540,900	20,983	37,137	620,929	**15,646,808**
Customer deposits	58,074,169	16,168,183	6,848,120	141,724	98,933,484	**180,165,680**
Term loan	2,168,095	-	-	-	-	**2,168,095**
Debt securities in issue	-	-	3,746,454	-	-	**3,746,454**
Derivatives	1,192,186	-	-	-	-	**1,192,186**
Other liabilities	-	11,549	67,301	291,198	6,865,698	**7,235,746**
Total equity	-	-	-	-	45,448,832	**45,448,832**
Total liabilities and equity	**74,861,309**	**17,720,632**	**10,682,858**	**470,059**	**151,868,943**	**255,603,801**
On balance sheet gap	47,970,379	20,955,863	9,242,779	48,454,692	(126,623,713)	
Off balance sheet gap	(692,135)	592,135	100,000	-	-	
Total commission rate sensitivity gap	**47,278,244**	**21,547,998**	**9,342,779**	**48,454,692**	**(126,623,713)**	
Cumulative commission rate sensitivity gap	**47,278,244**	**68,826,242**	**78,169,021**	**126,623,713**	-	

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with Central Banks	15,164,947	-	-	-	10,254,657	**25,419,604**
Due from banks and other financial institutions, net	3,821,499	10,495,959	-	-	3,304,568	**17,622,026**
Investments, net	27,560,201	3,251,457	9,685,485	19,757,039	6,096,072	**66,350,254**
Derivatives	3,445,772	-	-	-	-	**3,445,772**
Loans and advances, net	61,244,550	32,010,653	11,540,496	8,911,740	1,123	**113,708,562**
Property and equipment, net	-	-	-	-	2,693,443	**2,693,443**
Other assets	-	-	-	-	698,639	**698,639**
Total Assets	**111,236,969**	**45,758,069**	**21,225,981**	**28,668,779**	**23,048,502**	**229,938,300**
Liabilities and equity						
Due to banks and other financial institutions	5,293,118	595,565	3,161	26,633	1,953,097	**7,871,574**
Customer deposits	59,252,798	11,026,620	10,036	91,965	99,788,627	**170,170,046**
Derivatives	2,457,423	-	-	-	-	**2,457,423**
Other liabilities	-	-	-	-	7,133,322	**7,133,322**
Total equity	-	-	-	-	42,305,935	**42,305,935**
Total liabilities and equity	**67,003,339**	**11,622,185**	**13,197**	**118,598**	**151,180,981**	**229,938,300**
On balance sheet gap	44,233,630	34,135,884	21,212,784	28,550,181	(128,132,479)	
Off balance sheet gap	(8,033,479)	(1,483,894)	9,517,373	-	-	
Total commission rate sensitivity gap	**36,200,151**	**32,651,990**	**30,730,157**	**28,550,181**	**(128,132,479)**	
Cumulative commission rate sensitivity gap	**36,200,151**	**68,852,141**	**99,582,298**	**128,132,479**		

The off balance sheet gap represents the net notional amounts of off-balance sheet financial instruments, which are used to manage the commission rate risk.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and hedging strategies, which are monitored daily. At the end of the year, the Group had the following significant net currency exposures:

	2019 (SAR'000) Long/(Short)	2018 (SAR'000) Long/(Short)
United States Dollar	9,293,963	4,936,895
United Arab Emirates Dirham	179,810	40,636
United Kingdom Pound Sterling	(98,988)	(18,704)
Pakistan Rupee	651,592	755,420
Euro	(275,002)	(97,530)

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2019 and 2018 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 Saudi Riyal, with all other variables held constant, on the statements of consolidated 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 statements of consolidated income or equity; whereas a negative effect shows a potential net reduction in statements of consolidated income or equity.

Currency exposures	2019 (SAR'000) Change in currency rate	Effect on net income	Effect on equity	2018 (SAR'000) Change in currency rate	Effect on net income	Effect on equity
US Dollar	1%	13,088	5,025	1%	16,883	(1,631)
Euro	1%	(2,457)	214	1%	3,424	(43)

iii) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities in the Group's FVOCI investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. Assuming all other variables are held constant, a 1% increase or decrease in the value of Group's FVOCI equity investments at December 31, 2019 would have a corresponding increase or decrease in equity by SR 40.8 million (2018: SR 31.9 million).

33. 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 be less readily available. To mitigate this risk, management has diversified funding sources and manages its assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of savings and time deposits (2018: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2018: 20%) of its deposit liabilities, in the form of cash, gold, Saudi Government securities or assets that 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 against Saudi Government securities up to 100% (2018: 100%) of the nominal value of securities held.

i) Maturity profile of Group's assets, liabilities and equity

The management regularly monitors the maturity profile to ensure that adequate liquidity is maintained. The tables below summarize the maturity profile of the Group's assets, liabilities and equity based on the contractual maturities as at the reporting date. For presentation purposes, the demand, saving and other deposits amounting to SR 106,844 million (2018: SR 107,709 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2019 (SAR '000)	Within 3 Months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with Central Banks	7,142,653	-	-	-	10,995,428	**18,138,081**
Due from banks and other financial institutions, net	919,215	100,000	-	-	2,609,176	**3,628,391**
Investments, net	3,518,379	2,413,992	17,029,254	54,548,790	7,502,838	**85,013,253**
Derivatives	99,860	836,096	804,985	1,351,280	-	**3,092,221**
Loans and advances, net	44,753,360	30,583,783	35,546,097	30,131,709	580,296	**141,595,245**
Property and equipment, net	-	-	-	-	3,066,858	**3,066,858**
Other assets	-	-	-	-	1,069,752	**1,069,752**
Total Assets	**56,433,467**	**33,933,871**	**53,380,336**	**86,031,779**	**25,824,348**	**255,603,801**
Liabilities and Equity						
Due to banks and other financial institutions	13,426,859	1,540,900	20,983	37,137	620,929	**15,646,808**
Customer deposits	50,510,499	16,168,183	6,848,120	141,724	106,497,154	**180,165,680**
Term loan	11,845	-	2,156,250	-	-	**2,168,095**
Debt securities in issue	25,495	-	3,720,959	-	-	**3,746,454**
Derivatives	58,932	394,220	364,877	374,157	-	**1,192,186**
Other liabilities	-	382,120	1,179,010	291,198	5,383,418	**7,235,746**
Total equity	-	-	-	-	45,448,832	**45,448,832**
Total Liabilities and Equity	**64,033,630**	**18,485,423**	**14,290,199**	**844,216**	**157,950,333**	**255,603,801**

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with Central Banks	15,164,947	-	-	-	10,254,657	**25,419,604**
Due from banks and other financial institutions, net	3,821,499	10,495,959	-	-	3,304,568	**17,622,026**
Investments, net	1,513,742	1,021,532	15,839,131	41,879,777	6,096,072	**66,350,254**
Derivatives	285,942	1,345,477	877,513	936,840	-	**3,445,772**
Loans and advances, net	26,387,198	29,028,200	33,226,058	24,549,753	517,353	**113,708,562**
Property and equipment, net	-	-	-	-	2,693,443	**2,693,443**
Other assets	-	-	-	-	698,639	**698,639**
Total Assets	**47,173,328**	**41,891,168**	**49,942,702**	**67,366,370**	**23,564,732**	**229,938,300**
Liabilities and Equity						
Due to banks and other financial institutions	5,088,583	790,355	4,195	35,344	1,953,097	**7,871,574**
Customer deposits	51,551,976	11,026,620	10,036	91,965	107,489,449	**170,170,046**
Derivatives	217,219	941,383	504,045	794,776	-	**2,457,423**
Other liabilities	-	370,570	1,482,280	-	5,280,472	**7,133,322**
Total equity	-	-	-	-	42,305,935	**42,305,935**
Total Liabilities and Equity	**56,857,778**	**13,128,928**	**2,000,556**	**922,085**	**157,028,953**	**229,938,300**

ii) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of Group's financial liabilities at December 31 based on contractual undiscounted repayment obligations. The totals in this table do not match with the statements of consolidated financial position as special commission payments with contractual maturities are included in the table on an undiscounted basis. The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The table below does not reflect the expected cash flows indicated by the deposit retention history of the Group. Contractual maturity of the financial guarantees is shown under note 18(c).

2019 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	On demand	Total
Due to banks and other financial institutions	13,431,043	1,543,533	27,799	37,137	620,929	**15,660,441**
Customer deposits	51,553,914	16,437,198	7,073,110	141,724	106,497,154	**181,703,100**
Term loan	25,872	42,081	2,352,629	-	-	**2,420,582**
Debt securities in issue	38,386	38,672	4,159,527	-	-	**4,236,585**
Derivatives	60,742	409,212	430,371	603,661	-	**1,503,986**
Other liabilities	-	385,933	1,201,231	387,342	5,381,990	**7,356,496**
Total	**65,109,957**	**18,856,629**	**15,244,667**	**1,169,864**	**112,500,073**	**212,881,190**

2018 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	On demand	Total
Due to banks and other financial institutions	3,839,226	595,575	3,161	26,633	3,411,759	**7,876,354**
Customer deposits	51,754,298	11,236,081	10,067	91,965	107,489,449	**170,581,860**
Derivatives	232,380	1,020,940	582,188	978,507	-	**2,814,015**
Other liabilities	-	370,570	1,852,850	-	5,009,629	**7,233,049**
Total	**55,825,904**	**13,223,166**	**2,448,266**	**1,097,105**	**115,910,837**	**188,505,278**

34. Fair values of financial instruments

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

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);
Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

The fair values of the financial assets, financial liabilities and the derivative financial instruments classified under the appropriate valuation hierarchy, are given below:

2019 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	669,664	4,352,293	1,078,155	**6,100,112**
Investments held at FVOCI	20,627,170	44,659,204	5,657	**65,292,031**
Investments held at amortized cost	-	13,926,778	-	**13,926,778**
Derivatives	8,035	3,084,186		**3,092,221**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	700,344	-	**700,344**
Debt securities in issue	3,725,888	-	-	**3,725,888**
Derivatives	2,869	1,189,317	-	**1,192,186**

2018 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	680,971	3,842,648	795,017	**5,318,636**
Investments held at FVOCI	15,503,339	34,797,461	-	**50,300,800**
Investments held at amortized cost	-	10,368,938	-	**10,368,938**
Derivatives	8,752	3,437,020	-	**3,445,772**
Financial Liabilities:				
Financial liabilities designated at FVIS	-	950,707	-	**950,707**
Derivatives	37,274	2,420,449	-	**2,457,723**

During the year, there has been no transfer within levels of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets held at FVIS and FVOCI:

	2019 SAR '000	2018 SAR '000
Balance at the beginning of the year	**795,017**	**636,105**
Total realized and unrealized losses in statement of consolidated income and statement of consolidated comprehensive income	(8,911)	(42,210)
Purchases	379,792	250,155
Settlements	(82,086)	(49,033)
Balance at the end of the year	**1,083,812**	**795,017**

The fair values of other on-balance sheet financial instruments, except for investments held at amortized cost and loans & advances which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements. The Group's portfolio of loans and advances to customers is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates the carrying value, subject to any significant movement in credit spreads. The fair value of the remaining portfolio is not significantly different from its carrying values. The estimated fair values of the Group's loans and advances portfolio as at December 31, 2019 was SR 142.07 billion (2018: SR 113.8 billion). The fair values of special commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of these instruments.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 5(c).

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

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as Level 2 are fair-valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the reporting date. The movement in Level 3 financial instruments during the year relates to fair value movement only.

35. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by Central Banks. The year-end balances resulting from such transactions included in the consolidated financial statements are as follows:

	2019 SAR '000	2018 SAR '000
Directors, other major shareholders, key management personnel and their affiliates:		
Loans and advances	5,932,186	685,478
Customer deposits	27,821,961	8,564,747
Commitments and contingencies	43,614	1,112,520
Mutual funds:		
Customer deposits	101,617	106,496

The Bank also carries out expected credit loss calculation as per credit risk policy as referred in note 30 for the credit portfolio pertaining to related party balances. Other major shareholders represent shareholdings of more than 5% of the Bank's issued and paid up share capital, as listed on Tadawul. Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2019 SAR '000	2018 SAR '000
Special commission income	182,908	10,557
Special commission expense	413,057	301,222
Fee and commission income, net	106,907	131,099
Directors' remuneration	4,987	5,125

The total amount of compensation paid to key management personnel during the year is as follows:

	2019 SAR '000	2018 SAR '000
Short-term employee benefits	80,055	63,368
Post-employment, termination and share-based payments	9,540	7,437

Key management personnel are those persons, including the Chief Executive Officer, having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly.

36. Capital Adequacy

The Group monitors the adequacy of its capital using the methodology 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. These ratios measure capital adequacy by comparing the Group's eligible capital with its statements of financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. During the year, the Group has fully complied with such regulatory capital requirements.

The management reviews on a periodical basis capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in it current business activities and future growth plans. In making such assessment, the management also considers the Group's business plan along with economic conditions which directly and indirectly affect the business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, operational and market risks, at December 31 are as follows:

	2019 SAR'000	2018 SAR'000
Samba Financial Group (consolidated)		
Credit risk RWA	197,079,973	174,970,249
Operational risk RWA	14,220,800	13,719,047
Market risk RWA	16,998,454	11,996,356
Total RWA	**228,299,227**	**200,685,652**
Tier I capital	46,907,163	44,271,381
Tier II capital	1,341,038	1,255,554
Total tier I & II capital	**48,248,201**	**45,526,935**
Capital adequacy ratio %		
Tier I ratio	**20.5%**	**22.1%**
Tier I + II ratio	**21.1%**	**22.7%**
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	**18.0%**	**18.6%**
Tier I + II ratio	**18.5%**	**18.7%**

Tier I capital comprises the share capital, statutory, general and other reserves, qualifying non-controlling interest and retained earnings less any intangible assets of the Bank as at the year-end. Tier II capital comprises of a prescribed amount of eligible provisions.

SAMA through its circular number 391000029731 dated 15/03/1439AH, which relates to the interim approach and transitional arrangements for the accounting allocations under IFRS 9, has directed banks that the initial impact on the capital adequacy ratio as a result of applying IFRS 9 can be transitioned over 5 years, which has been availed by the Bank effective January 2018.

37. Investment management services

The investment management services are provided by Samba Capital and Investment Management Company, a 100% owned subsidiary of the Bank. The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SR 23,648 million (2018: SR 29,117 million). This includes funds managed under Shariah-approved portfolios amounting to SR 12,930 million (2018: SR 11,174 million). The assets under custody services at the end of the year amounted to SR 4,111 million (2018: SR Nil)

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

38. Equity-based payments

The Bank has the following equity-based long term bonus plans outstanding at the end of the year. Significant features of these plans are as follows:

Number of outstanding plans	5
Grant date	Between Aug 2015 to Jan 2019
Maturity date	Between Aug 2020 to Jan 2024
Number of shares granted on the grant date	2,120,770
Benchmark price per share at grant date	Between SAR 20.9 to 37.7
Vesting period	5 years
Vesting conditions	Participating employees to remain in service
Method of settlement	Equity
Valuation model	Discounted Cash Flow
Fair value per share on grant date	Between SAR 17.5 to 32.7

The fair value of shares granted during the year was SR 17.8 million (2018: SR 9.7 million). The inputs used to calculate fair value of the shares granted during the year were the market price at the grant date, life of the plan, expected dividends and annual risk free rate of return.

The shares are granted only under a service condition with no market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above equity-based payment plans for the year 2019 is SR 7.4 million (2018: SR 5.7 million) and the related reserve is recorded in equity under treasury stocks.

39. Accounting Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning January 1 ,2020 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements.

IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2022.

40. Prior year reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The effect of these reclassifications was not material to the consolidated financial statements.

The change in the accounting treatment for Zakat and income tax (as explained in notes 2.27 and note 27) has the following impacts on the line items of statements of consolidated financial position and statement of consolidated income.

As at December 31, 2018				
Liabilities and Equity	**Balance as previously reported SAR'000**	**Effect of reclassification SAR'000**	**Effect of restatement SAR'000**	**Balance as restated SAR'000**
Derivatives	2,355,100	102,323	-	2,457,423
Other liabilities	7,233,049	(102,323)	2,596	7,133,322
Retained earnings	3,672,591	-	(2,596)	3,669,995

	2018 (SAR '000)
Net income for the year as originally reported	**5,528,779**
Effect of change in accounting treatment	2,469,059
Net income after zakat and taxation (Restated)	**3,059,720**

41. Event subsequent to statement of consolidated financial position date

Subsequent to the year end, the Bank, through a special purpose vehicle, has completed the issuance of its second tranche amounting to USD 500 million denominated notes under a USD 5 billion Euro Medium Term Note program. The notes are unsecured and have been issued under this program for a period of five years beginning from the drawdown date of January 29, 2020 and may be subject to early redemption at the option of the Bank subject to the terms and conditions of the issue. The notes are listed on the Irish Stock Exchange plc.

42. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors' on February 2, 2020 (8 Jumada II 1441 H).

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED June 30, 2020

Public

KPMG Al Fozan & Partners
Certified Public Accountant

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

To the Shareholders of Samba Financial Group
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of consolidated financial position of **Samba Financial Group** (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2020, and the related interim statements of consolidated income and consolidated comprehensive income for the three months and six months periods then ended, and the interim statements of consolidated changes in equity and consolidated cash flows for the six months period then ended and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard No. 34 "*Interim Financial Reporting*" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by Saudi Arabian Monetary Authority ("SAMA"), certain capital adequacy information has been disclosed in note (18) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (18) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young

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23 Dhul-Hijjah 1441H
(13 August 2020)

ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG PUBLIC ACCOUNTANTS

KPMG Al Fozan & Partners
Certified Public Accountants

SAMBA FINANCIAL GROUP

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Notes	Jun 30,2020 (Unaudited) (SR '000)	Dec 31, 2019 (Audited) (SR '000)	Jun 30,2019 (Unaudited) (SR '000)
ASSETS				
Cash and balances with Central Banks		24,162,833	18,138,081	20,865,462
Due from banks and other financial institutions, net		1,339,034	3,628,391	11,961,269
Investments, net	5	93,193,277	85,013,253	79,249,940
Derivatives	10	6,238,418	3,092,221	4,013,301
Loans and advances, net	6	148,087,797	141,595,245	115,062,330
Property and equipment, net		3,136,168	3,066,858	3,117,834
Other assets		3,103,552	1,069,752	1,281,585
Total assets		**279,261,079**	**255,603,801**	**235,551,721**
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		28,634,360	15,646,808	14,249,646
Customer deposits	7	187,259,334	180,165,680	168,305,643
Term loan	8	2,163,629	2,168,095	-
Debt securities in issue	9	5,585,273	3,746,454	-
Derivatives	10	2,160,457	1,192,186	1,957,978
Other liabilities	19	7,084,248	7,235,746	6,466,854
Total liabilities		**232,887,301**	**210,154,969**	**190,980,121**
EQUITY				
Equity attributable to equity holders of the Bank				
Share capital	15	20,000,000	20,000,000	20,000,000
Statutory reserve		18,348,111	18,348,111	17,193,239
General reserve		130,000	130,000	130,000
Fair value and other reserves		2,748,107	2,752,040	2,442,842
Retained earnings		5,999,839	3,696,851	5,695,584
Proposed dividend		-	1,393,898	-
Treasury stocks		(942,219)	(962,080)	(976,000)
Total equity attributable to equity holders of the Bank		**46,283,838**	**45,358,820**	**44,485,665**
Non-controlling interest		89,940	90,012	85,935
Total equity		**46,373,778**	**45,448,832**	**44,571,600**
Total liabilities and equity		**279,261,079**	**255,603,801**	**235,551,721**

The accompanying notes 1 to 22 form an integral part of the interim condensed consolidated financial statements.

Abdul Haleem Sheikh Chief Financial Officer	Rania Nashar Chief Executive Officer	Ammar Alkhudairy Chairman

SAMBA FINANCIAL GROUP
STATEMENT OF CONSOLIDATED INCOME
(Unaudited)

	Note	Three months ended Jun 30, 2020 (SR '000)	Three months ended Jun 30, 2019 (SR '000)	Six months ended Jun 30, 2020 (SR '000)	Six months ended Jun 30, 2019 (SR '000)
Special commission income		1,816,139	2,088,178	3,971,888	4,219,698
Special commission expense		425,191	480,561	1,018,491	966,206
Special commission income, net		**1,390,948**	**1,607,617**	**2,953,397**	**3,253,492**
Fees and commission income, net		331,589	296,202	657,278	611,959
Exchange income, net		91,316	63,702	174,683	131,053
(Loss)/income from investment held at FVIS, net		(103,019)	59,590	(81,622)	131,895
Trading income/(loss), net		66,235	(16,481)	137,615	58,330
Gain on FVOCI debt, net		499,310	77,555	839,044	77,683
Other operating income, net		82,700	83,103	109,786	102,152
Total operating income		**2,359,079**	**2,171,288**	**4,790,181**	**4,366,564**
Salaries and employee related expenses		375,468	341,337	790,375	673,468
Rent and premises related expenses		89,216	77,905	168,616	153,230
Depreciation		51,215	47,380	110,415	94,024
Other general and administrative expenses		221,580	201,343	462,917	399,724
Total operating expenses before credit impairment provision		**737,479**	**667,965**	**1,532,323**	**1,320,446**
Provision for credit impairment, net of recoveries	20	462,885	460,810	645,523	781,726
Total operating expenses		**1,200,364**	**1,128,775**	**2,177,846**	**2,102,172**
Net income for the periods before zakat and taxation		**1,158,715**	**1,042,513**	**2,612,335**	**2,264,392**
Zakat for the period	19	172,038	103,000	329,000	243,000
Current and deferred tax for the period	19	31,577	4,283	54,485	21,126
Net income for the periods		**955,100**	**935,230**	**2,228,850**	**2,000,266**
Attributable to:					
Equity holders of the Bank		953,451	934,177	2,226,511	1,998,910
Non-controlling interest		1,649	1,053	2,339	1,356
		955,100	**935,230**	**2,228,850**	**2,000,266**
Basic earnings per share		**0.49**	**0.48**	**1.14**	**1.02**
Diluted earnings per share for the periods (SR) - note 16		**0.47**	**0.47**	**1.11**	**1.00**

The accompanying notes 1 to 22 form an integral part of the interim condensed consolidated financial statements.

Abdul Haleem Sheikh	Rania Nashar	Ammar Alkhudairy
Chief Financial Officer	Chief Executive Officer	Chairman

SAMBA FINANCIAL GROUP
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
(Unaudited)

	Three months ended		Six months ended	
	Jun 30, 2020 (SR '000)	**Jun 30, 2019 (SR '000)**	**Jun 30, 2020 (SR '000)**	**Jun 30, 2019 (SR '000)**
Net income for the periods	955,100	935,230	2,228,850	2,000,266
Other comprehensive income for the periods - items that will not be reclassified subsequently to the statements of consolidated income:				
FVOCI financial assets - equities:				
- Change in fair values and realised during the period	206,450	307,498	(1,003,649)	818,678
Changes due to remeasurements of employee benefit obligation	248	-	248	-
Other comprehensive income for the periods - items that will be reclassified subsequently to the statements of consolidated income:				
Exchange differences on translation of foreign operations	(1,864)	(52,665)	(24,113)	(52,446)
FVOCI financial assets – debt, net of related ECL :				
- Change in fair values	614,213	694,355	1,591,178	1,342,322
- Transfers to statements of consolidated income	(499,310)	(77,555)	(839,044)	(77,683)
Cash flow hedges:				
- Change in fair values	241,126	22,737	403,449	200,266
- Transfers to statements of consolidated income	(46,606)	(7,237)	(75,241)	(14,510)
Other comprehensive income for the periods	**514,257**	**887,133**	**52,828**	**2,216,627**
Total comprehensive income for the periods	**1,469,357**	**1,822,363**	**2,281,678**	**4,216,893**
Attributable to:				
Equity holders of the Bank	1,467,988	1,829,451	2,281,750	4,223,760
Non-controlling interest	1,369	(7,088)	(72)	(6,867)
Total	**1,469,357**	**1,822,363**	**2,281,678**	**4,216,893**

The accompanying notes 1 to 22 form an integral part of the interim condensed consolidated financial statements.

SAMBA FINANCIAL GROUP
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
(Unaudited)

(SR '000)		Attributable to equity holders of the Bank			Fair value and other reserves									
For the six months period ended June 30,2020	Note	Share capital	Statutory reserve	General reserve	Exchange translation reserve	FVOCI financial assets	Cash flow hedges	Actuarial gains/(losses) on defined benefit plan	Retained earnings	Proposed dividends	Treasury stocks	Total	Non-controlling interest	Total equity
Balance at the beginning of the period		**20,000,000**	**18,348,111**	**130,000**	**(307,021)**	**3,186,098**	**(11,723)**	**(115,314)**	**3,696,851**	**1,393,898**	**(962,080)**	**45,358,820**	**90,012**	**45,448,832**
Net changes in treasury stocks		-	-	-	-	-	-	-	17,305	-	19,861	**37,166**	-	**37,166**
2019 final dividend paid		-	-	-	-	-	-	-	-	(1,393,898)	-	**(1,393,898)**	-	**(1,393,898)**
Subtotal		**20,000,000**	**18,348,111**	**130,000**	**(307,021)**	**3,186,098**	**(11,723)**	**(115,314)**	**3,714,156**	**-**	**(942,219)**	**44,002,088**	**90,012**	**44,092,100**
Net income for the period		-	-	-	-	-	-	-	2,226,511	-	-	**2,226,511**	2,339	**2,228,850**
Other comprehensive income / (loss) for the period		-	-	-	(23,580)	(308,809)	328,208	248	59,172	-	-	**55,239**	(2,411)	**52,828**
Total comprehensive income / (loss) for the period		-	-	-	(23,580)	(308,809)	328,208	248	2,285,683	-	-	**2,281,750**	(72)	**2,281,678**
Balance at end of the period		**20,000,000**	**18,348,111**	**130,000**	**(330,601)**	**2,877,289**	**316,485**	**(115,066)**	**5,999,839**	**-**	**(942,219)**	**46,283,838**	**89,940**	**46,373,778**
For the six months period ended June 30, 2019														
Balance at the beginning of the period		**20,000,000**	**17,193,239**	**130,000**	**(275,102)**	**592,891**	**(99,797)**		**3,669,995**	**1,998,000**	**(996,093)**	**42,213,133**	**92,802**	**42,305,935**
Net changes in treasury stocks		-	-	-	-	-	-	-	26,679	-	20,093	**46,772**	-	**46,772**
2018 final dividend paid		-	-	-	-	-	-	-	-	(1,998,000)	-	**(1,998,000)**	-	**(1,998,000)**
Subtotal		**20,000,000**	**17,193,239**	**130,000**	**(275,102)**	**592,891**	**(99,797)**	-	**3,696,674**	**-**	**(976,000)**	**40,261,905**	**92,802**	**40,354,707**
Net income for the period		-	-	-	-	-	-	-	1,998,910	-	-	**1,998,910**	1,356	**2,000,266**
Other comprehensive income / (loss)for the period		-	-	-	(43,841)	2,082,935	185,756	-	-	-	-	**2,224,850**	(8,223)	**2,216,627**
Total comprehensive income for the period		-	-	-	(43,841)	2,082,935	185,756		1,998,910	-	-	**4,223,760**	(6,867)	**4,216,893**
Balance at end of the period		**20,000,000**	**17,193,239**	**130,000**	**(318,943)**	**2,675,826**	**85,959**	-	**5,695,584**	-	**(976,000)**	**44,485,665**	**85,935**	**44,571,600**

The accompanying notes 1 to 22 form an integral part of the interim condensed consolidated financial statements.

SAMBA FINANCIAL GROUP
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

	Note	Six months ended Jun 30, 2020 (SR '000)	Six months ended Jun 30, 2019 (SR '000)
OPERATING ACTIVITIES			
Net income for the periods before zakat and taxation		**2,612,335**	**2,264,392**
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments, net		(20,130)	2,293
(Loss)/Income from investments held at FVIS, net		81,622	(131,895)
Gain on FVOCI debt, net		(839,044)	(77,683)
Depreciation		110,415	94,024
Loss /(gain) on disposal of property and equipment, net		339	(344)
Provision for credit impairment, net of recoveries		645,523	781,726
Interest on term loan and debt securities in issue, net of discount		103,930	-
Net (increase) / decrease in operating assets:			
Statutory deposits with central banks		(806,046)	(41,345)
Due from banks and other financial institutions maturing after ninety days		963,419	8,401,290
Investments held at FVIS		(2,256,926)	348,519
Derivatives		(3,146,197)	(567,529)
Loans and advances		(7,121,717)	(2,133,272)
Other assets		(2,033,800)	(582,946)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		12,987,552	6,378,072
Customer deposits		7,093,654	(1,864,403)
Derivatives		968,271	(499,445)
Other liabilities		265,009	(783,827)
		9,608,209	11,587,627
Zakat and income tax paid		(564,846)	(455,350)
Net cash from operating activities		**9,043,363**	**11,132,277**
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-FVIS investments		43,100,583	2,638,455
Purchase of non-FVIS investments		(48,497,386)	(13,596,182)
Purchase of property and equipment, net of exchange adjustments		(221,675)	(110,497)
Proceeds from sale of property and equipment		41,611	10,657
Net cash used in investing activities		**(5,576,867)**	**(11,057,567)**
FINANCING ACTIVITIES			
Term loan		(30,833)	-
Debt securities		1,761,256	-
Treasury stocks, net		37,166	46,772
Dividends paid		(1,337,427)	(1,976,522)
Net cash from/(used in) financing activities		**430,162**	**(1,929,750)**
Net increase /(decrease) in cash and cash equivalents		**3,896,658**	**(1,855,040)**
Cash and cash equivalents at the beginning of the period	12	11,555,209	23,916,469
Cash and cash equivalents at the end of the period	12	**15,451,867**	**22,061,429**
Special commission received during the period		3,870,883	4,153,024
Special commission paid during the period		1,044,836	915,346
Supplemental non-cash information			
Net changes in fair value and transfers to Statements of Consolidated Income		76,941	2,269,074
Right of Use asset		367,473	379,206

The accompanying notes 1 to 22 form an integral part of the interim condensed consolidated financial statements.

Abdul Haleem Sheikh	Rania Nashar	Ammar Alkhudairy
Chief Financial Officer	Chief Executive Officer	Chairman

1. General

Samba Financial Group ("the Bank"), a Joint Stock Company incorporated in the Kingdom of Saudi Arabia ('KSA"), was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13,1980). The Bank's head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides its customers Shariah approved Islamic banking products, which are approved and supervised by an Independent Shariah Board.

The interim condensed consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group".

Samba Capital and Investment Management Company (Samba Capital)
In accordance with the securities business regulations issued by the Capital Market Authority (CMA), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company under commercial registration number 1010237159 issued in Riyadh dated 6 Shaa'ban 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advising and custody businesses. The company is licensed by the CMA and has commenced its business effective January 19, 2008. Samba Capital was converted from a limited liability company to a closed joint stock company on 28 Rajab 1438H (April 25, 2017), which is the date of commercial registration of the closed joint stock company.

During 2017, Samba Capital has formed a wholly owned subsidiary "Samba Investment Real Estate Company" which is incorporated in the Kingdom of Saudi Arabia under commercial registration number 1010715022 issued in Riyadh dated 23 Shawaal 1438H (July 17, 2017). The company has been formed as a limited liability company (sole ownership) and is engaged in managing real estate projects for and on behalf of a mutual fund managed by Samba Capital.

Samba Bank Limited, Pakistan (SBL)
An 84.51% owned subsidiary incorporated as a banking company in Pakistan and is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange.

Co-Invest Offshore Capital Limited (COCL)
A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments through an entity; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

Samba Real Estate Company
A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757, issued in Riyadh, dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed with the approval of Saudi Arabian Monetary Authority ("SAMA") for the purpose of managing real estate projects on behalf of the Bank.

Samba Global Markets Limited
A wholly owned company incorporated as limited liability company under the laws of Cayman Islands on February 1, 2016, with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

Samba Funding Limited
A 99% owned subsidiary incorporated as a limited liability company under the laws of Cayman Islands on June 19, 2019, with the main objective of generating liquidity for the Bank through issuance of bonds. The company started its commercial operations during the third quarter of 2019.

On June 25, 2020 the Bank has announced that it entered into a Framework Agreement with National Commercial Bank (the "Framework Agreement") in order to begin a reciprocal due diligence process and to negotiate definitive and binding terms of a potential merger of Samba Financial Group and National Commercial Bank (the "Proposed Transaction").

The parties have also agreed in the Framework Agreement that they will negotiate definitive agreements in relation to the Proposed Transaction that will set out the relevant commercial terms thereof, including without limitation: (i) the final structure of the Proposed Transaction, (ii) the final exchange ratio, (iii) the name of the merging bank and the approach to its branding, (iv) the composition of the board and the parties' approach to the management of the merging bank, and (v) the location of the head office of the merging bank.

The parties intend to conclude the reciprocal due diligence process and sign the definitive agreements in relation to the Proposed Transaction, if they agree to their final terms, within a period of four months from the date of the announcement.

It must be noted that neither Samba Financial Group nor National Commercial Bank is under an obligation to proceed with the Proposed Transaction. Therefore, there can be no assurance that the Framework Agreement and the reciprocal due diligence process will result in the Proposed Transaction being agreed on a final and binding basis, or that if agreed, the Proposed Transaction will be completed. Completion of the Proposed Transaction will be subject to various conditions including, but not limited to, approval of the Saudi Arabian Monetary Authority, the Capital Market Authority, the General Authority for Competition and the shareholders of each of Samba Financial Group and National Commercial Bank in accordance with applicable legal requirements.

2. Basis of Preparation

The interim condensed consolidated financial statements of the Group as at and for the period ended June 30, 2020 and June 30, 2019, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation for Certified Public Accountants ("SOCPA"). The consolidated financial statements of the Group as at and for the year ended December 31, 2019, have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA.

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2019.

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2019.

Financial assets and financial liabilities are offset and the net amount reported in the statement of consolidated financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of consolidated income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and amounts are rounded to the nearest thousand.

3. Consolidation

These interim condensed consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank except for COCL whose financial statements are made up to the latest available quarter end for consolidation purposes to meet the Group reporting timetable. Wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's financial statements. Significant inter-group balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred from the Bank. The results of subsidiaries acquired or disposed-off during the period are included in the statements of consolidated income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank in subsidiaries and are presented in the statement of consolidated income and within equity in the statement of consolidated financial position, separately from the equity holders of the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of acquisition is measured at the fair value of the consideration given at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as intangible asset – goodwill.

In addition to the subsidiaries stated above under note 1, the Bank is also a party to special purpose entities namely Ras As Zawar Asset Leasing Company and Saudi Kayan Asset Leasing Company having 50% share in each entity. These are formed with the approval of SAMA solely to facilitate certain Shariah compliant financing arrangements. The Bank has concluded that these entities cannot be consolidated as it does not control these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

4. Significant Accounting Policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended December 31, 2019. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective January 1, 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual consolidated financial statements.

4.1 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 interest 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 carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of consolidated income on a systematic basis over the periods in which the bank recognises as expenses the related costs for which the grants 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.

4.2 New standards, interpretations and amendments adopted by the Group

Below amendments to accounting standards and interpretations 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 interim condensed consolidated financial statements.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 16: Leases for COVID-19 rent related concessions.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

4.3 Accounting Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning January 1 ,2020 are listed below. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements.

- IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2023.
- Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022

5. Investments, net

Investment securities are classified as follows:

	Jun 30, 2020 (Unaudited) (SR'000)	Dec 31, 2019 (Audited) (SR '000)	Jun 30, 2019 (Unaudited) (SR'000)
Held at FVIS	4,503,009	6,100,112	5,840,425
Held at FVOCI - Equity	2,547,711	3,651,273	3,995,401
Held at FVOCI - Debt	72,561,642	61,640,758	57,190,820
Held at amortized cost	13,586,481	13,625,057	12,226,548
Sub-total	**93,198,843**	**85,017,200**	**79,253,194**
Credit impairment provision	(5,566)	(3,947)	(3,254)
Total investments, net	**93,193,277**	**85,013,253**	**79,249,940**

6. Loans and advances, net

The total loans and advances, which are held at amortized cost, are as follows:

	Jun 30, 2020 (Unaudited) (SR'000)	Dec 31, 2019 (Audited) (SR '000)	Jun 30, 2019 (Unaudited) (SR'000)
Credit cards	1,212,274	1,429,127	1,385,891
Consumer loans	18,727,077	17,117,939	16,174,391
Commercial loans and advances	129,411,253	124,223,599	98,746,159
Performing loans and advances	**149,350,604**	**142,770,665**	**116,306,441**
Non-performing loans and advances	2,195,964	1,924,208	1,824,558
Gross loans and advances	**151,546,568**	**144,694,873**	**118,130,999**
Credit impairment provision	(3,458,771)	(3,099,628)	(3,068,669)
Total loans and advances, net	**148,087,797**	**141,595,245**	**115,062,330**

7. Customer Deposits

Customer deposits comprise of the following:

	Jun 30, 2020 (Unaudited) (SR '000)	Dec 31, 2019 (Audited) (SR '000)	Jun 30, 2019 (Unaudited) (SR '000)
Demand	109,684,515	93,714,867	96,094,665
Saving	8,190,771	7,563,306	7,624,572
Time	62,330,951	73,668,526	57,661,097
Other	7,053,097	5,218,981	6,925,309
Total	**187,259,334**	**180,165,680**	**168,305,643**

8. Term Loan

The Bank has entered into a syndicated unsecured floating rate loan arrangement on July 17, 2019 amounting to USD 575 million with a tenor of 3 years for general corporate purposes. The term loan bears commission at market based variable rates and is held at amortised cost.

9. Debt securities in issue

The Bank, through a special purpose vehicle has completed the drawdown of its USD 1 billion denominated notes on October 2, 2019 under a USD 5 billion Euro Medium Term Note program. A second drawdown of USD 500 million was completed on January 29, 2020. The notes are unsecured and have been issued under this program for a period upto seven years and may be subject to early redemption at the option of the Bank subject to the terms and conditions of the issue. The notes are listed on the Irish Stock Exchange plc and are classified as held at amortised cost.

10. Derivatives

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

All derivatives are reported in the interim statement of consolidated financial position at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received or paid to a given counterparty pursuant to a valid master netting agreement.

	Jun 30, 2020 (Unaudited) (SR'000			Dec 31, 2019 (Audited) (SR '000)			Jun 30, 2019 (Unaudited) (SR'000)		
	Positive Fair Value	**Negative Fair Value**	**Notional Amount**	**Positive Fair Value**	**Negative Fair Value**	**Notional Amount**	**Positive Fair Value**	**Negative Fair Value**	**Notional Amount**
Held for trading									
Commission rate swaps	7,286,083	3,649,956	189,881,932	4,479,096	2,897,942	154,532,880	4,075,678	2,588,837	141,855,016
Commission rate futures and options	141,843	122,502	21,730,321	77,300	71,837	17,920,740	66,081	83,726	15,502,963
Forward foreign exchange contracts	78,249	74,052	24,869,110	46,339	92,914	26,396,971	138,656	191,162	16,808,150
Currency Options	26,777	20,646	3,108,969	10,965	8,654	1,322,825	4,660	3,265	645,371
Swaptions	7,537	7,537	22,500,000	3,539	1,520	468,750	19,962	15,139	2,025,000
Equity & commodity options	200,955	140,755	2,402,433	65,787	36,084	2,384,568	90,763	80,125	2,182,679
Held as fair value hedges									
Commission rate futures & options	-	5,730	814,875	-	-	-	-	700	112,875
Commission rate swaps	-	435,267	12,356,250	-	-	-	9,789	-	6,412,500
Held as cash flow hedges									
Commission rate swaps	198,445	375	10,800,000	7,583	131,419	6,600,000	-	21,058	1,000,000
Sub-total	**7,939,889**	**4,456,820**	**288,463,890**	**4,690,609**	**3,240,370**	**209,626,734**	**4,405,589**	**2,984,012**	**186,544,554**
Cash collateral received / paid	(1,701,471)	(2,296,363)		(1,598,388)	(2,048,184)		(392,288)	(1,026,034)	
TOTAL	**6,238,418**	**2,160,457**		**3,092,221**	**1,192,186**		**4,013,301**	**1,957,978**	

11. Loan Commitments and Financial Guarantee Contracts

The Group's loan commitments and financial guarantee contracts are as follows:

	Jun 30, 2020 (Unaudited) (SR '000)	**Dec 31, 2019 (Audited) (SR '000)**	**Jun 30, 2019 (Unaudited) (SR '000)**
Letters of credit	4,824,851	4,708,760	6,015,586
Letters of guarantee	29,354,141	30,163,571	29,114,452
Acceptances	1,168,855	1,111,786	1,206,594
Irrevocable commitments to extend credit	4,924,005	3,522,439	4,095,658
Other	986,453	928,719	774,604
Total	**41,258,305**	**40,435,275**	**41,206,894**

The Group also allocates credit impairment provisions against loan commitments and financial guarantee contracts. An amount of SR 500 million calculated in accordance with IFRS 9 and is classified under 'Other Liabilities' as at June 30, 2020. (Dec 31, 2019: SR 489 million, June 30, 2019: SR 501 million).

12. Cash and Cash Equivalents

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

	Jun 30, 2020 (Unaudited) (SR '000)	Dec 31, 2019 (Audited) (SR '000)	Jun 30, 2019 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	14,112,833	8,894,127	11,996,875
Due from banks and other financial institutions maturing within ninety days	1,339,034	2,661,082	10,064,554
Total	**15,451,867**	**11,555,209**	**22,061,429**

13. Operating Segments

The Group is organized into the following main operating segments:

Consumer banking - comprises of individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate banking - comprises of corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well as the Group's customer derivative portfolios and its corporate advisory business.

Treasury - principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statement of consolidated financial position.

Investment banking - engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with two overseas branches and four overseas subsidiaries. However, the results of overseas operations are not material to the Group's overall financial position.

Transactions between the operating segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on market-based interbank rates. There are no other material items of income or expense or other internal revenues between the operating segments. The Group's total assets and liabilities as at June 30, 2020 and 2019, together with special commission income net, total operating income, total operating expenses, credit impairment provisions, net income, capital expenditure, and depreciation expense for the periods then ended, by operating segments, are as follows:

	June 30, 2020 (Unaudited)				
SR '000	Consumer Banking	Corporate Banking	Treasury	Investment banking	Total
Total assets	37,403,939	127,395,280	114,107,682	354,178	**279,261,079**
Total liabilities	102,073,053	93,348,857	37,286,327	179,064	**232,887,301**
Special commission income, net	959,216	1,230,376	746,588	17,217	**2,953,397**
Total operating income	1,205,998	1,663,864	1,638,590	281,729	**4,790,181**
Total operating expenses. -of which:	1,127,319	804,359	126,570	119,598	**2,177,846**
Depreciation	44,109	62,687	559	3,060	**110,415**
Provision for credit impairment, net of recoveries	49,377	552,322	43,824	-	**645,523**
Net income for the period	59,291	703,627	1,325,471	140,461	**2,228,850**
Capital expenditure	29,664	101,233	90,497	281	**221,675**

SR'000	June 30, 2019 (Unaudited) Consumer Banking	Corporate banking	Treasury	Investment banking	Total
Total assets	32,871,824	93,317,893	109,287,230	74,774	**235,551,721**
Total liabilities	91,233,144	81,766,370	17,863,919	116,688	**190,980,121**
Special commission income, net	1,351,950	1,235,572	634,876	31,094	**3,253,492**
Total operating income	1,638,322	1,560,721	896,779	270,742	**4,366,564**
Total operating expenses, of which:	846,438	1,099,186	77,781	78,767	**2,102,172**
Depreciation	37,300	50,370	752	5,602	**94,024**
Provision for credit impairment, net of recoveries	35,380	746,182	164	-	**781,726**
Net income for the period	698,785	403,292	727,953	170,236	**2,000,266**
Capital expenditure	24,547	45,555	39,760	635	**110,497**

14 Financial Risk Management

a) Credit Risk

Credit risk is the risk that a customer will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Committee which monitors the overall risk process within the bank and has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Group seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses. The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases the Group may also close out transactions and settle on a net present value basis.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks.

SAMBA FINANCIAL GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The Group uses its internal ratings to rate the credit quality of its portfolio. The following categories provides guidance about the credit quality of financial assets measured at amortized cost and debt investments classified as FVOCI.

	June 30, 2020 (Unaudited)			
SR '000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Due from banks and other financial institutions at amortized cost	1,346,541	-	-	**1,346,541**
Debt instrument at amortized cost	13,586,481	-	-	**13,586,481**
Debt instrument at FVOCI	72,561,642	-	-	**72,561,642**
Loans and advances at amortized cost	141,381,685	6,967,519	3,197,363	**151,546,567**
	228,876,349	**6,967,519**	**3,197,363**	**239,041,231**
Less: Credit impairment provision	728,707	706,156	2,036,978	**3,471,841**
Total	**228,147,642**	**6,261,363**	**1,160,385**	**235,569,390**
Credit impairment provisions against Loan Commitments and Financial Guarantee Contracts	76,416	82,067	341,516	**499,999**

	December 31, 2019 (Audited)			
SR '000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Due from banks and other financial institutions at amortized cost	3,632,008	-	-	**3,632,008**
Debt instrument at amortized cost	13,625,057	-	-	**13,625,057**
Debt instrument at FVOCI	61,208,104	-	-	**61,208,104**
Loans and advances at amortized cost	134,776,281	6,612,770	3,305,822	**144,694,873**
	213,241,450	**6,612,770**	**3,305,822**	**223,160,042**
Less: Credit impairment provision	641,611	542,889	1,922,692	**3,107,192**
Total	**212,599,839**	**6,069,881**	**1,383,130**	**220,052,850**
Credit impairment provisions against Loan Commitments and Financial Guarantee Contracts	81,007	89,015	319,128	**489,150**

	June 30, 2019 (Unaudited)			
SR'000	**12 Months ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Due from banks and other financial institutions at amortized cost	11,977,490	-	-	**11,977,490**
Debt instrument at amortized cost	12,226,548	-	-	**12,226,548**
Debt instrument at FVOCI	56,282,199	-	-	**56,282,199**
Loans and advances at amortized cost	107,461,317	8,107,274	2,562,408	**118,130,999**
	187,947,554	**8,107,274**	**2,562,408**	**198,617,236**
Less: Credit impairment provision	611,957	669,279	1,806,908	**3,088,144**
Total	**187,335,597**	**7,437,995**	**755,500**	**195,529,092**
Credit impairment provisions against Loan Commitments and Financial Guarantee Contracts	77,085	88,776	335,596	**501,457**

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15. Share Capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2019: 2,000 million shares) of SR 10 each.

16. Basic and Diluted Earnings per Share

Basic earnings per share for the periods ended June, 2020 and 2019 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the period (June 2020:1,957.5 million shares, June 2019: 1,957.1 million shares). Diluted earnings per share for the periods ended June 2020 and 2019 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank by 2,000 million shares.

17. Fair Values of Financial Instruments

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

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

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.

The fair values of the financial assets, financial liabilities and the derivative financial instruments classified under the appropriate valuation hierarchy, is given below:

SR '000	**June 30, 2020 (Unaudited)**			
Financial Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVIS	430,703	2,330,769	1,741,537	**4,503,009**
Investments held at FVOCI	20,708,153	54,395,543	5,657	**75,109,353**
Investments held at amortized cost	-	14,745,433	-	**14,745,433**
Derivatives	36,096	6,202,322	-	**6,238,418**
Financial Liabilities:				
Financial liabilities at FVIS	-	658,638	-	**658,638**
Debt securities in issue	5,705,805	-	-	**5,705,805**
Derivatives	17,494	2,142,963	-	**2,160,457**

SR '000	**December 31, 2019 (Audited)**			
Financial Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVIS	669,664	4,352,293	1,078,155	**6,100,112**
Investments held at FVOCI	20,627,170	44,659,204	5,657	**65,292,031**
Investments held at amortized cost	-	13,926,778	-	**13,926,778**
Derivatives	8,035	3,084,186	-	**3,092,221**
Financial Liabilities:				
Financial liabilities at FVIS	-	700,344	-	**700,344**
Debt securities in issue	3,725,888	-	-	**3,725,888**
Derivatives	2,869	1,189,317	-	**1,192,186**

SR '000	**Jun 30, 2019 (Unaudited)**			
Financial Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVIS	1,004,579	3,997,431	838,415	**5,840,425**
Investments held at FVOCI	20,181,414	40,999,133	5,674	**61,186,221**
Investments held at amortized cost	-	12,195,196	-	**12,195,196**
Derivatives	1,633	4,011,668	-	**4,013,301**
Financial Liabilities:				
Financial liabilities at FVIS	-	761,778	-	**761,778**
Derivatives	9,326	1,948,652	-	**1,957,978**

The fair value measurement is based on the presumption that the transaction takes place either:
- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The following table shows the reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets held at FVIS and FVOCI.

	Jun 30, 2020 (Unaudited) SR '000	Jun 30, 2019 (Unaudited) SR '000
Balance at the beginning of the period	**1,083,812**	**795,017**
Total realized and unrealized losses in statement of consolidated income and statement of consolidated comprehensive income	(67,381)	4,625
Purchases	832,381	70,368
Settlements	(101,618)	(25,921)
Balance at the end of the period	**1,747,194**	**844,089**

The fair values of on-balance sheet financial instruments, except for investments held at amortized cost and loans and advances, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The Group's portfolio of loans and advances to customer is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates the carrying value, subject to any significant movement in credit spreads. The fair value of the remaining portfolio is not significantly different from its carrying values. The estimated fair values of the Group's loans and advances portfolio as at June 30, 2020 was SR 148.9 billion (Dec 31, 2019: SR 142 billion, June 30, 2019: SR 115.4 billion).The fair values of special commission bearing customers' deposits, term loan, due from and due to banks and other financial institutions, other assets and other liabilities which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks. During the period, there have been no transfers within levels of the fair value hierarchy.The fair value measurements categorised within Level 3 of the fair value hierarchy are recurring in nature.

The estimated fair values of investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively.

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

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as Level 2 are fair-valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statements of financial position.

18. Capital Adequacy

The Group monitors the adequacy of its capital using the methodology 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. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of consolidated financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative credit risk, operational risk and market risk. During the period, the Group has fully complied with such regulatory capital requirement.

The 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 Group's business plans along with economic conditions which directly and indirectly affects business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, operational and market risks, are as follows:

Samba Financial Group (consolidated)	**Jun 30, 2020 (Unaudited) (SR '000)**	**Dec 31, 2019 (Audited) (SR '000)**	**Jun 30, 2019 (Unaudited) (SR '000)**
Credit risk RWA	222,722,655	197,079,973	174,310,992
Operational risk RWA	14,656,928	14,220,800	14,220,800
Market risk RWA	19,943,285	16,998,454	16,972,440
Total RWA	**257,322,868**	**228,299,227**	**205,504,232**
Tier I capital	48,045,487	46,907,163	45,526,473
Tier II capital	1,122,181	1,341,038	1,355,291
Total tier I & II capital	**49,167,668**	**48,248,201**	**46,881,764**
Capital Adequacy Ratio %			
Tier I ratio	**18.7%**	**20.5%**	**22.2%**
Tier I + II ratio	**19.1%**	**21.1%**	**22.8%**
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	**18.3%**	**18.0%**	**17.5%**
Tier I + II ratio	**19.5%**	**18.5%**	**17.6%**

19. Zakat and taxation

The breakup of Zakat expense for the years is as under:

	Six months ended	
Zakat	**June 30, 2020 SR '000**	**June 30, 2019 SR '000**
- Zakat - current	329,000	243,000
Total	**329,000**	**243,000**

The breakup of current and deferred tax expense, net for the periods is as under:

- Domestic - current	7,106	5,500
- Overseas	48,186	15,534
- Deferred	(807)	92
Total	**54,485**	**21,126**

Other liabilities include an amount of SR 1,482 million (Dec 31, 2019: SR 1,482 million, June 30, 2019: SR 1,853 million) payable to the GAZT under the settlement agreement signed by the Bank with GAZT, in accordance with the settlement framework provided by the Royal Decree No. M/26 dated 20/3/1440H (November 28, 2018) and the Ministerial Resolution No. 1260 dated 05/04/1440H (December 12, 2018).

20. Impact of COVID-19 on Expected Credit Losses and SAMA programs

During March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world have taken several steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production coupled with increase in demand as countries emerged from lockdowns. The Board of Directors and the management of the Bank has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by the Bank also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc, collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

The prevailing economic conditions post lock down, require the Bank to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Bank in estimation of ECL or revisions to the scenario probabilities currently being used by the Bank in ECL estimation. In Q1 2020, the Bank made certain adjustments to the macroeconomic factors and scenario weightings. During Q2 2020 and as more reliable data becomes available, the management has further made adjustments to the macroeconomic factors used by the Bank in estimation of ECL and/or revision to the scenario probabilities. For the period ended 30 June 2020, the macroeconomic factors update resulted in an additional ECL of SR 67.6 million.

The Bank's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis.

The Bank has also recognised overlays of SR 58.9 million for corporate financing. These have been based on a staging analysis performed by the Bank depending on the impacted portfolios.The Bank will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

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, the Bank is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without altering the facility tenure. 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 payment relief provided to the MSME customers by the Bank has a day-one modification loss impact of SR 8.1 million during 31 March 2020.

To give effect to the guidance issued by SAMA during April 2020, the Bank has also deferred MSME customers classified as Stage 2 and some other stage 1 customers which have met the definition of MSME during Q2 2020 for the same period i.e. 14 March 2020 to 14 September 2020. This has resulted in additional modification loss amounting to SR 4.5 million and SR 45.3 million respectively. The modification losses have been presented as part of net special commission income. The Bank continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk. During the six months period ended 30 June 2020, SR 26 million has been charged to the statement of income relating to unwinding of modification losses.

In order to compensate all the related cost that the Bank is expected to incur under the SAMA and other public authorities programs, the Bank has received total of SR 2.5 billion of interest free deposit from SAMA during Q1 2020. Management has determined based on the communication with SAMA, that the government grant 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 in accordance with government grant accounting requirements.

The SAMA deposit under this program has resulted in a total grant income of SR 154.5 million relating to Q1 2020. The Bank has exercised certain judgements in the recognition and measurement of this grant income. During the six months period ended 30 June 2020, SR 9.4 million has been charged to the statement of income relating to unwinding of the day 1 income.

During Q2 2020, the Bank has received additional interest free deposit from SAMA amounting to SR 109 million with a tenure of 36 months. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 6.7 million which has been deferred over the period of 36 months. The management has exercised certain judgements in the recognition and measurement of this grant income.

As at 30 June 2020, the Bank is yet to participate in SAMA's funding for lending and loan guarantee programs.

Furthermore, during the period March 14 to June 30, 2020, the Bank has waived POS and e-commerce service fee amounting to SAR 7.9 million. The Bank is under discussion with SAMA for the reimbursement of such fee. However, since the ultimate beneficiaries in this case are the customers, therefore it is not treated as grant income for the Bank under IAS 20.

SAMA liquidity support for the Saudi banking sector

In line with its monetary and financial stability mandate, SAMA announced a program of injecting an amount of SR 50 billion 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 Q2 2020, the Bank received SR 3.9 billion interest free deposit with approximately 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 income of SR 45.3 million, of which SR 30 million has been recognized in the statement of income for the period ended 30 June 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 has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This resulted in a day 1 modification loss of SR 19.9 million as at 31 March 2020 and has been unwinded during the period ended 30 June 2020.

21. IBOR Transition (Interest Rate Benchmark Reforms):

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 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The bank has adopted these amendments along with the hedging relief for pre-replacement hedges.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the bank believes the current market structure supports the continuation of hedge accounting as at 30 June 2020.

Management is running a project on the bank'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.

22. Prior period reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation.

ANNEX 4
PRO FORMA CONDENSED CONSOLIDATED STATEMENT (UNAUDITED)

THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Ernst & Young **KPMG Al Fozan & Partners**

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Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular

To the Shareholders of The National Commercial Bank
(A Saudi Arabian Joint Stock Company)

Introduction

We have completed our assurance engagement to report on the compilation of unaudited pro forma condensed consolidated financial information (hereinafter referred to as the "Pro forma financial information") of The National Commercial Bank ("NCB" or the "Bank") by NCB's management. The Pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2020, 31 December 2019 and 30 June 2019; the unaudited pro forma condensed consolidated statement of income for the six-months period ended 30 June 2020 and 30 June 2019 and for the year ended 31 December 2019, and related notes as included in Appendix 4 of the Shareholders' circular issued by NCB. The applicable criteria on the basis of which NCB's management has compiled the Pro forma financial information, are described in note A – "Basis of preparation", to the Pro forma financial information.

The Pro forma financial information has been compiled by NCB's management to illustrate the impact of the merger between NCB and Samba Financial Group ("SAMBA") ('planned merger'), in accordance with the merger agreement dated 24 Safar 1442H (corresponding to 11 October 2020), on NCB's financial position as at 30 June 2019, 31 December 2019 and 30 June 2020; and its financial performance for the six-months periods ended 30 June 2019 and 30 June 2020; and for year ended 31 December 2019, as if the planned merger had taken place on 1 January 2019.

As part of this process, information about NCB's and SAMBA's financial position and their financial performance has been extracted by NCB's management from NCB's and SAMBA's: i) unaudited interim condensed consolidated financial statements as at and for the six-months period ended 30 June 2020 (including the comparative financial information as at and for the six-months period ended 30 June 2019 presented therein) and, ii) consolidated financial statements as at and for the year ended 31 December 2019, on which a review conclusion and an audit opinion, respectively, have been published.

The Management's Responsibility for the Pro Forma Financial Information

NCB's management is responsible for the compilation of the Pro forma financial information on the basis of applicable criteria described in note A to the Pro forma financial information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, as endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have applied International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* as endorsed in the Kingdom of Saudi Arabia and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG Al Fozan & Partners
Certified Public Accountants

Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular (continued)

Practitioners' Responsibilities

Our responsibility is to express an opinion whether the Pro forma financial information has been compiled, in all material respects, by NCB's management on the basis of applicable criteria described in note A to the Pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether NCB's management has compiled, in all material respects, the Pro forma financial information on the basis of applicable criteria described in note A to the Pro forma financial information.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information of NCB and SAMBA used in compiling the Pro forma financial information.

The purpose of Pro forma financial information included in a Shareholders' circular is solely to illustrate the impact of planned merger between NCB and SAMBA on the unadjusted financial information of NCB as if the merger had occurred at an earlier date selected for purposes of the illustration only (i.e. on 1 January 2019).

Accordingly, we do not provide any assurance that the actual outcome of the planned merger at 1 January 2019 would have been as presented in the Pro forma financial information.

A reasonable assurance engagement to report on whether the Pro forma financial information has been compiled, in all material respects, on the basis of applicable criteria involves performing procedures to assess whether the applicable criteria used by NCB's management in the compilation of the Pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the planned merger, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of NCB, the event or transaction in respect of which the Pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Pro forma financial information has been compiled, in all material respects, on the basis of applicable criteria described in note A to the Pro forma financial information of NCB.

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Certified Public Accountants

Independent Practitioners' Assurance Report on the Compilation of the Unaudited Pro Forma Condensed Consolidated Financial Information included in a Shareholders' Circular (continued)

Restriction on Use

Our report is provided for inclusion in the Shareholders' circular and therefore, should not be used for any other purpose.

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(Corresponding to 19 November 2020)

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THE NATIONAL COMMERCIAL BANK

(A Saudi Joint Stock Company)

PRO FORMA CONDENSED CONSOLIDATED

FINANCIAL INFORMATION (UNAUDITED)

Ernst & Young

KPMG Al Fozan & Partners

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Introduction

The accompanying unaudited pro forma condensed consolidated financial information and related notes (the ''Pro forma financial information'') have been prepared pursuant to, and for the purpose of illustrating the anticipated effects, of the merger agreement executed between The National Commercial Bank ("NCB") and SAMBA Financial Group ("SAMBA")dated 24/02/1442H (corresponding to 11 October 2020G), on the consolidated financial position and consolidated financial performance of NCB. The merger agreement entails the merger (the "Merger") of SAMBA into NCB which will be accompanied by a transfer of all of SAMBA's assets and liabilities as of the date of the merger into NCB, against the agreed consideration (note 4). The completion of the Merger is subject to the occurrence or waiving of certain conditions precedent and is expected to occur in the first half of year 2021.

The Pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2020, 31 December 2019 and 30 June 2019 of NCB and the unaudited pro forma condensed consolidated statement of income for the six-months periods ended 30 June 2020 and 30 June 2019 and the unaudited pro forma condensed consolidated statement of income for the year ended 31 December 2019 of NCB giving effect to the Merger, as if the Merger had taken place on 1 January 2019 ("Deemed Merger Date"), and notes to the Pro forma financial information.

The purpose of the Pro forma financial information is to show the material effects that the Merger of NCB and SAMBA would have had on the historical consolidated statement of financial position and historical consolidated statement of income as if the two banks had already existed in the structure created by the merger since the Deemed Merger Date.

The preparation and presentation of the Pro forma financial information is based on certain pro forma assumptions (detailed in the Basis of preparation note) and has been prepared for illustrative purposes only. Moreover, because of its nature, the Pro forma financial information addresses a hypothetical situation and therefore, does not represent NCB's actual financial position and financial performance, and may not give a true picture of the financial position and financial performance of NCB upon completion of the Merger. In addition, the Pro forma financial information is not representative of the financial situation and performance that could have been observed if the indicated Merger had been undertaken at an earlier date nor is the Pro forma financial information indicative of the future operating results or financial position of NCB upon completion of the Merger.

The National Commercial Bank

(A Saudi Joint Stock Company)

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION (UNAUDITED)

AS AT

	Note B	30 June 2020				31 December 2019				30 June 2019			
		NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000
ASSETS													
Cash and balances with SAMA		37,955,001	24,162,833	-	62,117,834	45,382,209	18,138,081	-	63,520,290	31,493,396	20,865,462	-	52,358,858
Due from banks and other financial institutions, net	3	14,554,696	1,339,034	-	15,893,730	16,565,294	3,628,391	-	20,193,685	14,127,769	11,961,269	(1,800,538)	24,288,500
Investments, net	3	146,305,827	93,193,277	(179,379)	239,319,725	134,076,572	85,013,253	(56,146)	219,033,679	126,629,790	79,249,940	-	205,879,730
Financing and advances, net	1	316,298,571	148,087,797	-	464,386,368	282,288,760	141,595,245	-	423,884,005	274,830,496	115,062,330	-	389,892,826
Positive fair value of derivatives, net	1;3	9,233,341	6,238,418	(499,534)	14,972,225	5,276,039	3,092,221	(269,048)	8,099,212	5,339,018	4,013,301	(203,877)	9,148,442
Investments in associates, net		439,375	-	-	439,375	438,483	-	-	438,483	449,931	-	-	449,931
Other real estate, net	1	1,113,039	-	125,345	1,238,384	1,283,387	-	4,345	1,287,732	1,226,523	-	5,953	1,232,476
Property, equipment and software, net	1	5,589,157	3,136,168	(367,473)	8,357,852	5,496,576	3,066,858	(359,602)	8,203,832	5,379,307	3,117,834	(379,206)	8,117,935
Right of use assets, net	1	1,579,131	-	367,473	1,946,604	1,669,825	-	359,602	2,029,427	1,787,133	-	379,206	2,166,339
Goodwill and other intangible assets arising on merger	4	-	-	27,152,698	27,152,698	-	-	27,152,698	27,152,698	-	-	27,152,698	27,152,698
Other assets	1;3	24,241,896	3,103,552	(619,668)	26,725,780	14,786,657	1,069,752	(292,339)	15,564,070	15,324,157	1,281,585	(219,605)	16,386,137
Total assets		**557,310,034**	**279,261,079**	**25,979,462**	**862,550,575**	**507,263,802**	**255,603,801**	**26,539,510**	**789,407,113**	**476,587,520**	**235,551,721**	**24,934,631**	**737,073,872**
LIABILITIES AND EQUITY													
LIABILITIES													
Due to banks and other financial institutions	3	74,083,005	28,634,360	-	102,717,365	62,186,044	15,646,808	-	77,832,852	61,593,983	14,249,646	(1,800,538)	74,043,091
Customers' deposits		380,398,487	187,259,334	-	567,657,821	353,389,315	180,165,680	-	533,554,995	327,438,403	168,305,643	-	495,744,046
Term loan		-	2,163,629	-	2,163,629	-	2,168,095	-	2,168,095	-	-	-	-
Debt securities issued	3	696,258	5,585,273	(179,379)	6,102,152	1,016,101	3,746,454	(56,146)	4,706,409	1,864,984	-	-	1,864,984
Negative fair value of derivatives, net	1;3	12,138,048	2,160,457	(494,323)	13,804,182	6,081,580	1,192,186	(287,994)	6,985,772	5,977,258	1,957,978	(213,652)	7,721,584
Other liabilities	3	16,058,990	7,084,248	(499,534)	22,643,704	14,802,485	7,235,746	(269,048)	21,769,183	12,601,268	6,466,854	(203,877)	18,864,245
Total liabilities		**483,374,788**	**232,887,301**	**(1,173,236)**	**715,088,853**	**437,475,525**	**210,154,969**	**(613,188)**	**647,017,306**	**409,475,896**	**190,980,121**	**(2,218,067)**	**598,237,950**
EQUITY													
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK													
Share capital	4	30,000,000	20,000,000	(5,220,000)	44,780,000	30,000,000	20,000,000	(5,220,000)	44,780,000	30,000,000	20,000,000	(5,220,000)	44,780,000
Share premium	4	-	-	56,090,100	56,090,100	-	-	56,090,100	56,090,100	-	-	56,090,100	56,090,100
Treasury shares	1;4;5	(371,028)	(942,219)	(550,766)	(1,864,013)	(357,971)	(962,080)	(548,356)	(1,868,407)	(357,971)	(976,000)	(544,826)	(1,878,797)
Statutory reserve	4;5	25,650,012	18,348,111	(18,348,111)	25,650,012	25,650,012	18,348,111	(18,348,111)	25,650,012	22,894,980	17,193,239	(17,193,239)	22,894,980
General reserve	4;5	-	130,000	(130,000)	-	-	130,000	(130,000)	-	-	130,000	(130,000)	-
Other reserves (cumulative changes in fair values)	4;5	1,100,538	2,748,107	(217,992)	3,630,653	866,542	2,752,040	(217,992)	3,400,590	669,476	2,442,842	(217,992)	2,894,326
Employees' share based payments reserve	1;4;5	184,782	-	26,220	211,002	202,508	-	23,810	226,318	145,037	-	20,280	165,317
Retained earnings	4;5	11,298,412	5,999,839	(4,496,753)	12,801,498	6,621,912	3,696,851	(4,496,753)	5,822,010	10,533,482	5,695,584	(5,651,625)	10,577,441
Proposed dividend		-	-	-	-	3,600,000	1,393,898	-	4,993,898	-	-	-	-
Foreign currency translation reserve		(4,975,172)	-	-	(4,975,172)	(4,694,978)	-	-	(4,694,978)	(4,637,370)	-	-	(4,637,370)
Equity attributable to shareholders of the Bank		**62,887,544**	**46,283,838**	**27,152,698**	**136,324,080**	**61,888,025**	**45,358,820**	**27,152,698**	**134,399,543**	**59,247,634**	**44,485,665**	**27,152,698**	**130,885,997**
Tier 1 Sukuk		10,200,000	-	-	10,200,000	7,000,000	-	-	7,000,000	7,000,000	-	-	7,000,000
Equity attributable to equity holders of the Bank		**73,087,544**	**46,283,838**	**27,152,698**	**146,524,080**	**68,888,025**	**45,358,820**	**27,152,698**	**141,399,543**	**66,247,634**	**44,485,665**	**27,152,698**	**137,885,997**
NON-CONTROLLING INTERESTS	4;5	847,702	89,940	-	937,642	900,252	90,012	-	990,264	863,990	85,935	-	949,925
Total equity		**73,935,246**	**46,373,778**	**27,152,698**	**147,461,722**	**69,788,277**	**45,448,832**	**27,152,698**	**142,389,807**	**67,111,624**	**44,571,600**	**27,152,698**	**138,835,922**
Total liabilities and equity		**557,310,034**	**279,261,079**	**25,979,462**	**862,550,575**	**507,263,802**	**255,603,801**	**26,539,510**	**789,407,113**	**476,587,520**	**235,551,721**	**24,934,631**	**737,073,872**

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIODS ENDED

		For the six-months period ended 30 June 2020				For the year ended 31 December 2019				For the six-months period ended 30 June 2019			
	Note B	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000	NCB SAR '000	Samba SAR '000	Pro forma adjustments SAR '000	Pro forma consolidated SAR '000
Special commission income		9,525,359	3,971,888	(62,692)	13,434,555	20,527,145	8,426,784	(88,559)	28,865,370	10,079,635	4,219,698	(80,884)	14,218,449
Special commission expense		(1,630,548)	(1,018,491)	62,692	(2,586,347)	(4,720,595)	(2,050,136)	88,559	(6,682,172)	(2,418,127)	(966,206)	80,884	(3,303,449)
Net special commission income		**7,894,811**	**2,953,397**	**-**	**10,848,208**	**15,806,550**	**6,376,648**	**-**	**22,183,198**	**7,661,508**	**3,253,492**	**-**	**10,915,000**
Fee income from banking services, net	2	1,251,895	657,278	-	1,909,173	2,527,348	1,268,406	-	3,795,754	1,208,136	611,959	-	1,820,095
Exchange income, net		630,361	174,683	-	805,044	1,062,347	307,022	-	1,369,369	529,738	131,053	-	660,791
Income/(loss) from FVIS instruments, net	2	(60,553)	(130,339)	-	(190,892)	940,477	184,226	-	1,124,703	660,723	44,745	-	705,468
Gains/income on non-FVIS financial instruments, net	2	569,993	1,025,376	-	1,595,369	470,256	267,386	-	737,642	121,505	223,163	-	344,668
Other operating (expenses), net		(215,504)	109,786	-	(105,718)	(199,866)	196,663	-	(3,203)	(180,389)	102,152	-	(78,237)
Total operating income		**10,071,003**	**4,790,181**	**-**	**14,861,184**	**20,607,112**	**8,600,351**	**-**	**29,207,463**	**10,001,221**	**4,366,564**	**-**	**14,367,785**
Salaries and employee-related expenses		1,766,990	790,375	-	2,557,365	3,549,789	1,487,485	-	5,037,274	1,798,990	673,468	-	2,472,458
Rent and premises related expenses		157,411	168,616	-	326,027	355,306	334,279	-	689,585	176,408	153,230	-	329,638
Depreciation/amortisation of property, equipment, software, and ROU Assets	2	438,387	110,415	-	548,802	865,935	204,299	-	1,070,234	427,344	94,024	-	521,368
Other general and administrative expenses		858,535	462,917	-	1,321,452	1,560,021	851,765	-	2,411,786	879,327	399,724	-	1,279,051
Total operating expenses before impairment		**3,221,323**	**1,532,323**	**-**	**4,753,646**	**6,331,051**	**2,877,828**	**-**	**9,208,879**	**3,282,069**	**1,320,446**	**-**	**4,602,515**
Net impairment charge for expected credit losses	2	1,224,036	645,523	-	1,869,559	1,419,930	1,103,036	-	2,522,966	470,066	781,726	-	1,251,792
Total operating expenses		**4,445,359**	**2,177,846**	**-**	**6,623,205**	**7,750,981**	**3,980,864**	**-**	**11,731,845**	**3,752,135**	**2,102,172**	**-**	**5,854,307**
Income from operations, net		**5,625,644**	**2,612,335**	**-**	**8,237,979**	**12,856,131**	**4,619,487**	**-**	**17,475,618**	**6,249,086**	**2,264,392**	**-**	**8,513,478**
Other non-operating (expenses), net		(26,836)	-	-	(26,836)	62,447	-	-	62,447	(10,361)	-	-	(10,361)
Net income for the period/year before Zakat and income tax		**5,598,808**	**2,612,335**	**-**	**8,211,143**	**12,918,578**	**4,619,487**	**-**	**17,538,065**	**6,238,725**	**2,264,392**	**-**	**8,503,117**
Zakat and income tax expense		(599,731)	(383,485)	-	(983,216)	(1,434,712)	(628,807)	-	(2,063,519)	(732,367)	(264,126)	-	(996,493)
Net income for the period/year after Zakat and income tax		**4,999,077**	**2,228,850**	**-**	**7,227,927**	**11,483,866**	**3,990,680**	**-**	**15,474,546**	**5,506,358**	**2,000,266**	**-**	**7,506,624**
Net income for the period/year after Zakat and income tax attributable to:													
Equity holders of the Bank		4,921,925	2,226,511	-	7,148,436	11,401,436	3,984,295	-	15,385,731	5,461,130	1,998,910	-	7,460,040
Non-controlling interests		77,152	2,339	-	79,491	82,430	6,385	-	88,815	45,228	1,356	-	46,584
Net income for the period/year after Zakat and income tax		**4,999,077**	**2,228,850**	**-**	**7,227,927**	**11,483,866**	**3,990,680**	**-**	**15,474,546**	**5,506,358**	**2,000,266**	**-**	**7,506,624**
Basic earnings per share (expressed in SAR per share)		**1.58**	**1.14**	-	**1.55**	**3.68**	**2.04**	-	**3.35**	**1.76**	**1.02**	-	**1.62**
Diluted earnings per share (expressed in SAR per share)		**1.58**	**1.11**	-	**1.55**	**3.67**	**1.99**	-	**3.35**	**1.76**	**1.00**	-	**1.62**

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

A Basis of preparation

The accompanying Pro forma financial information of NCB has been presented for the purpose as set out in the Introduction section and has been prepared based on, and in accordance with, the following:

i. Unaudited interim condensed consolidated financial statements of NCB and SAMBA for the six-months period ended 30 June 2020, both prepared in accordance with (a) IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA); and (b) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of NCB and SAMBA. The unaudited interim condensed consolidated statement of financial position data and the unaudited interim condensed consolidated statement of income data of NCB and SAMBA as at and for the six-months period ended 30 June 2019 have been extracted from the comparative information of the unaudited interim condensed consolidated financial statements of NCB and SAMBA as at and for the six-months period ended 30 June 2020.

ii. Audited consolidated financial statements of NCB and SAMBA for the year ended 31 December 2019, both prepared in accordance with (a) International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA); and (b) in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the NCB and SAMBA.

iii. Significant accounting policies of NCB applied in the preparation of its consolidated financial statements referred to under (i) and (ii) above. Those accounting policies are disclosed in NCB's consolidated financial statements (audited) for the year ended 31 December 2019 referred to under (ii) above. The significant accounting policies of SAMBA in the preparation of its financial statements, as referred to under (i) and (ii) above, are consistent with those of NCB. The principles of compilation of these Pro forma financial information and assumptions used are explained below in the Basis of preparation note.

iv. The requirements of, and instructions issued by, the regulatory authorities, including, instructions issued in relation to the overall form and presentation of the Pro forma financial information and in relation to the effective date of the Deemed Merger i.e. 1 January 2019 (as disclosed in note 4) for the purposes of computation of goodwill and other intangible assets.

v. IFRS 3, "Business Combination", in so far as applicable to the calculation of the goodwill and other intangible assets arising as of the effective date of Merger. Under IFRS 3 "Business combinations", NCB accounts for the Merger as an acquisition by NCB of SAMBA and is required to fair value the identifiable assets, liabilities and contingent liabilities acquired at the Deemed Merger Date and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on Merger. The determination of purchase consideration and fair value exercise (''purchase price allocation'') has not been carried out as at the date of this Pro forma financial information and accordingly the exercise may result in materially different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in the Pro forma financial information.

vi. IFRS 10, "Consolidated Financial Statements", in so far as applicable to the consolidation of the balances and amounts disclosed in the financial statement of SAMBA (as indicated in (i) and (ii)) into the Pro forma financial information. For the purposes of these Pro forma financial information all material inter-company transactions and balances between NCB and SAMBA have been eliminated.

The Pro forma financial information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Merger. The Pro forma financial information gives no indication of the results and future financial situation of the activities of NCB upon completion of the Merger.

The Merger will result in an increase in NCB issued share capital by issuance of 1,478,000,000 consideration shares (the "Consideration shares") of SAR 10 per share to the shareholders of SAMBA at the exchange ratio of 0.739 in consideration of the assets and liabilities of SAMBA that will be assumed by NCB on the Merger date.

Upon completion of the Merger, the total issued share capital of NCB will be SAR 44,780,000,000. Following the issue of Consideration shares, SAMBA shareholders would own approximately 32.6% of the total issued share capital of NCB. Following the Merger, SAMBA will cease to exist.

B Description of the pro forma adjustments

The pro forma adjustments made for purposes of the Pro forma financial information are based on information available as well as certain pro forma assumptions as described in these notes to the Pro forma financial information. As previously mentioned, the Pro forma financial information contains neither any potential synergies or cost savings nor any normalisation adjustments or any additional future expenses that could result from the Merger. Furthermore, the Pro forma financial information does not contain any potential or future effects resulting from any possible remedies/regulatory requirements imposed on NCB upon completion of the Merger by regulatory authorities in connection with the Merger. In addition, the Pro forma financial information has not been adjusted for merger related costs.

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) (continued)

The pro forma adjustments included in the Pro forma financial information are as follows:

1. To ensure consistency of presentation in the Pro forma financial information between the condensed consolidated statement of financial position of NCB and SAMBA as at 30 June 2020 and 30 June 2019, and between the consolidated statement of financial position of NCB and SAMBA as at 31 December 2019, the following adjustments have been made:

- An amount of SAR 115 billion, SAR 142 billion and SAR 148 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Loans and advances, net” has been presented under “Financing and advances, net”;

- An amount of SAR 4 billion, SAR 3 billion and SAR 6 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Derivatives” (in the assets section) has been presented under “Positive fair value of derivatives, net”;

- An amount of SAR 379 million, SAR 360 million and SAR 367 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Right of use” (that was included under "Property and equipment") has been presented under “Right of use assets, net”;

- An amount of SAR 6 million, SAR 4 million and SAR 125 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Other real estate, net” (that was included under "Other assets") has been presented under “Other real estate, net”;

- An amount of SAR 2 billion, SAR 1 billion and SAR 2 billion as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Derivatives” (in the liabilities section) has been presented under “Negative fair value of derivatives, net”; and

- An amount of SAR 20 million, SAR 24 million and SAR 26 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Equity based payments reserve" (that was included under "Treasury shares") has been presented under "Employees' share based payments reserve".

2. To ensure consistency of presentation between the condensed consolidated statement of income of NCB and SAMBA for the six-months periods ended 30 June 2020 and 30 June 2019, and between the consolidated statement of income of NCB and SAMBA for the year ended 31 December 2019, the following adjustments has been made:

- An amount of SAR 612 million, SAR 1.3 billion and SAR 657 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's ”Fees and commission income, net” has been presented under “Fee income from banking services, net”;

- An amount of SAR 87 million, SAR 20 million and SAR 49 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Trading income/(loss), net" has been presented under "Income/(loss) from FVIS instruments, net";

- An amount of SAR 145 million, SAR 190 million and SAR 186 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's "Trading income/(loss), net" has been presented under "Gains/income on non-FVIS financial instruments, net";

- An amount of SAR 78 million, SAR 78 million and SAR 839 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Gain on FVOCI debt, net” has been presented under “Gains/income on non-FVIS financial instruments, net”;

- An amount of SAR 94 million, SAR 204 million and SAR 110 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Depreciation” has been presented under “Depreciation/amortisation of property, equipment, software, and ROU Assets”; and

- An amount of SAR 782 million, SAR 1.1 billion and SAR 646 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively of SAMBA's “Provision for credit impairment, net of recoveries” has been presented under “Net impairment charge for expected credit losses”.

3. Following intercompany balances and transactions between NCB and SAMBA have been eliminated:

- An amount of SAR 1.8 billion as of 30 June 2019 has been eliminated from "Due to banks and other financial institutions, net" and "Due from banks and other financial institutions, net";

- An amount of SAR 56 million and SAR 179 million as of 31 December 2019 and 30 June 2020, respectively has been eliminated from "Investments, net" and "Debt securities issued";

- An amount of SAR 214 million, SAR 288 million and SAR 494 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Other assets" and " Negative fair value of derivatives, net";

- An amount of SAR 204 million, SAR 269 million and SAR 500 million as of 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Positive fair value of derivative" and "other liabilities"; and

- An amount of SAR 81 million, SAR 89 million and SAR 63 million for the periods/year ended 30 June 2019, 31 December 2019 and 30 June 2020, respectively has been eliminated from "Special commission income" and "Special commission expense".

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED) (continued)

4. Following adjustments have been made to the Pro forma financial information to record the issuance of the Consideration shares by NCB to SAMBA's shareholders. For the Pro forma financial information purposes, the consideration for the Merger has been calculated on the basis of a share exchange at the rate of 0.739 shares in NCB for each share in SAMBA. The merger would result in issuance of 1,478,000,000 shares of NCB to replace SAMBA's issued share capital. This would result in 32.6% and 67.4% of ownership interest of SAMBA and NCB shareholders respectively in NCB upon completion of the Merger based on the total issued share capital of NCB post-merger, after considering the impact of treasury shares.

a) Pro forma Share Capital of NCB Post-Merger

	Units
Outstanding shares of SAMBA (in '000 units) as at 1 January 2019	2,000,000
Exchange ratio	0.739
Number of shares to be issued by NCB (in '000 units)	1,478,000
Par value of shares to be issued by NCB (in '000 SAR) **(A)**	14,780,000
Outstanding share capital of NCB (in '000 SAR) as at 1 January 2019 **(B)**	30,000,000
Total issued share capital of NCB post-Merger (in '000 SAR) (A+B)	44,780,000

Applying the rules of IFRS 3 for business combinations, the consideration for NCB's merger with SAMBA would be the fair value of 1,478,000,000 shares that NCB would have to issue to replace SAMBA's issued share capital.

The consideration has been calculated on the basis of NCB's closing price of SAR 47.95 per share published on the Saudi Stock Exchange "Tadawul" on 1 January 2019. This closing price and the value of the consideration are indicative and will be revised to reflect the market price of the shares of NCB on the date of the Merger.

b) Pro forma total consideration

The consideration is computed as follows:

Number of shares to be issued by NCB to SAMBA shareholders (in '000 units)	1,478,000
Multiplied by: share price of NCB (SAR) as at 1 January 2019	47.95
Total consideration (in '000 SAR) (as at 1 January 2019)	70,870,100

c) Pro forma share premium of NCB post-merger

As a result of above, share premium of SAR 56.090 billion arises on NCB's issuance of the Consideration shares for the Merger computed as follows:

Amounts in '000 SAR	
Total consideration	70,870,100
Less: Par value of shares issued by NCB to SAMBA shareholders	14,780,000
Share premium (as at 1 January 2019)	56,090,100

d) Pro forma Goodwill and Other Intangible Assets of NCB Post-Merger

Amounts in '000 SAR	
Total consideration	70,870,100
Less: Treasury shares	1,520,639
Less: Adjusted net assets of SAMBA as at 1 January 2019	42,196,763
Goodwill and other intangible assets arising on merger (as at 1 January 2019)	27,152,698

Goodwill and other intangible assets represents the excess of total consideration over adjusted net assets of SAMBA as at 1 January 2019 and the treasury shares held by SAMBA prior to the Deemed Merger date that have been assumed to be replaced with NCB shares (in accordance with the share swap ratio of 0.739 using market value of NCB's shares as of 1 January 2019) and the assumption that the merger had happened as at 1 January 2019.

Moreover, the Pro forma financial information does not include any fair value adjustments relating to the assets, liabilities and contingent liabilities of SAMBA as required by IFRS 3. A full fair value exercise will be undertaken as at the date of Merger.

The adjusted net assets of SAMBA have been computed by deducting other equity items which represent SAMBA's continuing interest in NCB upon completion of the Merger. These were excluded from the computation of goodwill and other intangible assets.

Amounts in '000 SAR	
Net assets of SAMBA as at 1 January 2019	42,305,935
Less: Other equity items	
Share based plan reserve	(16,370)
Non-controlling interest	(92,802)
Adjusted net assets of SAMBA (as at 1 January 2019)	42,196,763

e) Sensitivity of the post-merger pro forma share capital, share premium, total consideration and goodwill and other intangible assets.

The adjustments detailed under 4(a) to 4(d) have been drawn out on the basis of the Deemed Merger Date and accordingly the related computations reflect the effects of quoted share price of NCB as of that date and the adjusted net assets of SAMBA as of that date. As such, a change in the Deemed Merger Date to 30 June 2020 and using SAMBA's adjusted net assets as of 30 June 2020 and NCB share price as of 8 October 2020 (representing the date of announcement of the Merger on Tadawul) would yield the following:

	Share price	**Adjusted net assets**	**Share capital**	**Share premium**	**Treasury shares**	**Total consideration**	**Goodwill and other intangible assets**
	SAR	--**SAR '000** --					
30 June 2020	38.5	46,257,618	44,780,000	42,123,000	1,220,951	56,903,000	9,424,431

5. The Pro forma consolidated retained earnings, and other equity balances at the date of the Merger represents NCB's pre-Merger balances with the exception of share based plan reserve and non-controlling interests that have been retained as these represent continuing interest in NCB upon completion of the Merger.

The completion of the purchase price allocation may result in different values being attributed to the assets, liabilities and contingent liabilities of SAMBA, acquired as part of the Merger than those that are shown in the Pro forma financial information for illustrative purposes. Therefore, no adjustments to such provisional amounts have been made in the unaudited pro forma condensed consolidated statement of income or unaudited consolidated condensed statement of financial position, such as, in connection with intangible assets amortisation or goodwill impairment.

Articles of Association
Samba Financial Group

النظام الأساسي
مجموعة سامبا المالية

CHAPTER I
FOUNDATION OF THE COMPANY

الباب الأول
تأسيس الشركة

Article (1)

A Saudi Joint Stock Company

There is hereby established among the shareholders a Saudi Joint Stock Company in accordance with the Articles of the Memorandum of Association and provisions of the Companies Law, the Banking Control Law and all other applicable laws and regulations in force in Saudi Arabia and the following Articles of Association.

المادة (1)

شركة سعودية مساهمة

تأسست بموجب أحكام عقد التأسيس بين المساهمين المعنيين شركة مساهمة سعودية طبقا لأحكام عقد التأسيس ونظام الشركات ونظام مراقبة البنوك وكذلك الأنظمة الأخرى السارية في المملكة العربية السعودية وأحكام هذا النظام الأساسي.

Article (2)

Name of the Company

The name of the Company shall be Samba Financial Group, a Saudi Joint Stock Company hereinafter referred to as the "**Company**".

المادة (2)

اسم الشركة

اسم الشركة هو "مجموعة سامبا المالية" - شركة مساهمة سعودية، ويشار إليها فيما بعد بعبارة "الشركة".

Article (3)

Objectives of the Company

The objectives of the Company shall be to conduct business in accordance with the provisions of the Banking Control Law and the other applicable laws, regulations and rules in force in Saudi Arabia. Without limitation to such general objectives, the Company shall carry on for its own account or for that of others, within or outside Saudi Arabia, all

المادة (3)

أغراض الشركة

أغراض الشركة مزاولة عمليات البنوك وفقا لأحكام نظام مراقبة البنوك وأنظمة ولوائح المملكة العربية السعودية الأخرى السارية. وبغير تحديد لعمومية هذه الأغراض، تزاول الشركة سواء لحسابها الخاص أو لحساب غيرها داخل المملكة العربية السعودية أو خارجها كافة أنواع العمليات المصرفية بما فيها العمليات التالية:

وزارة التجارة والاستثمار الادارة العامة للشركات - إدارة حوكمة الشركات	النظام الاساسي		اسم الشركة
محمد منور المطيري إدارة حوكمة الشركات	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م		مجموعة سامبا المالية سجل تجاري: (1010035319)
	42 من 1 صفحة	رقم الصفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

kinds of banking operations including the following operations:	
(a) To open current accounts and receive sight and/or time deposits in Saudi Riyals or other currencies.	(أ) فتح الحسابات الجارية وتلقي الودائع تحت الطلب و/أو التي لأجل بالعملة السعودية أو غيرها من العملات.
(b) To open savings accounts and similar types of accounts in Saudi Riyals or other currencies.	(ب) فتح حسابات التوفير والأنواع المماثلة من الحسابات بالعملة السعودية أو بغيرها من العملات.
(c) To issue, discount, accept and deal in bills of exchange, promissory notes, drafts and negotiable instruments and to accept and deal in bank notes, coins and currency of every kind.	(ت) إصدار وخصم وقبول والتعامل في الكمبيالات والسندات لأمر وأوراق السحب والأوراق التجارية وأوراق النقد والنقود المعدنية والعملات من كل نوع.
(d) To lend money, or otherwise extend credit, with or without security, in Saudi Riyals, or other currencies.	(ث) منح القروض أو تقديم تسهيلات أخرى سواء بضمان أو بغير ضمان بالعملة السعودية أو بعملات أخرى.
(e) To deal in shares and debentures on its own or customers account.	(ج) التعامل في الأسهم وسندات الدين لحساب الشركة أو لحساب العملاء.
(f) To deal in debentures or other notes establishing obligations as issued or guaranteed by the Saudi Government or foreign governments, or financial institutions.	(ح) التعامل في سندات الدين أو الأوراق الأخرى المثبتة للالتزام التي تصدرها أو تضمنها الحكومة السعودية أو الحكومات الأجنبية أو المؤسسات المالية.
(g) To open letters of credit and issue letters of guarantee, as well as to grant banking facilities for import, export and local trade.	(خ) فتح الاعتمادات المستندية وإصدار الكفالات ومنح التسهيلات المصرفية لعمليات الاستيراد والتصدير والتجارة المحلية.
(h) To acquire, hold, sell and deal in foreign currencies, precious metals and coins.	(د) تملك وحيازة وبيع والتعامل في العملات الأجنبية والمعادن النفيسة والنقود المعدنية.
(i) To receive money, documents and	(ذ) تلقي النقود والمستندات والأشياء ذات القيمة

وزارة التجارة والاستثمار (الادارة العامة للشركات - إدارة حوكمة الشركات)	النظام الاساسي		اسم الشركة
وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م		مجموعة سامبا المالية سجل تجاري: (1010035319)
	42 من 2 صفحة	رقم الصفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

	valuables by way of deposit or loan or for safe custody and to grant receipts therefore.	بطريق الوديعة أو على سبيل القرض أو لحفظها وإصدار الإيصالات المثبتة لذلك.	
(j)	To obtain credits from, and grant credits to, government institutions, banks or other financial institutions, whether local or foreign.	الحصول على اعتمادات من المؤسسات الحكومية والبنوك والمؤسسات المالية الأخرى سواء المحلية أو الأجنبية وتقديم الاعتمادات إلى أي من هذه المؤسسات.	(ر)
(k)	To open accounts in the name of the Company with local or foreign banks or other financial institutions, whether local or foreign.	فتح حسابات باسم الشركة لدى البنوك المحلية أو الأجنبية أو المؤسسات المالية الأخرى.	(ز)
(l)	To maintain, administer and lease safe deposit boxes.	إنشاء صناديق الإيداع وإدارتها وتأجيرها.	(س)
(m)	To act as agent, correspondent or representative of local or foreign banks.	القيام بعمل الوكيل أو المراسل أو الممثل للبنوك المحلية أو الأجنبية.	(ش)
(n)	To effect the transfer of funds to other places in Saudi Arabia or abroad.	القيام بعمليات تحويل الأموال إلى أماكن أخرى في المملكة العربية السعودية أو خارجها.	(ص)
(o)	To act as agent for the collection of money, bills, promissory notes and any other documents in Saudi Arabia and abroad.	القيام كوكيل بعمليات تحصيل الأموال والكمبيالات والسندات وأي مستندات أخرى في المملكة العربية السعودية أو خارجها.	(ض)
(p)	To perform any other banking transactions or banking business which are under the banking and monetary laws and regulations in force in Saudi Arabia.	القيام بأية معاملات مصرفية أخرى غير محظورة بمقتضى أنظمة البنوك والنقد النافذة في المملكة العربية السعودية.	(ط)
(q)	To establish, operate and manage bonded and other warehouses for storing goods and commodities and to grant loans against such goods or commodities.	إنشاء وتشغيل وإدارة مخازن الإيداع والمخازن الأخرى لتخزين البضائع والسلع ومنح قروض بضمان هذه البضائع والسلع.	(ظ)
(r)	To act as financial agent or representative, and to otherwise participate in the	العمل كوكيل مالي أو ممثل والاشتراك بأية صفة أخرى في إدارة الأعمال الخاصة بأي شخص آخر	(ع)

وزارة التجارة والاستثمار (الادارة العامة للشركات - إدارة حوكمة الشركات)	النظام الأساسي	اسم الشركة
وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات	تاريخ الإيداع 06 / 09/ 1438 الموافق 01 /06/ 2017 م	مجموعة سامبا المالية سجل تجاري (1010035319)
	42 من 3 صفحة — رقم الصفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

	management of the affairs, of any other natural or juristic person or persons, to undertake and execute trusts and to undertake the administration of estates as executor, trustee or otherwise.	أو أشخاص آخرين طبيعيين أو اعتباريين والقيام بأعمال أمناء الأموال وتنفيذها وبإدارة التركات كمنفذ أو أمين أو بأية صفة أخرى.	
(s)	To collect due monies from any third party, either in Saudi Arabia or abroad, on behalf of any natural or juristic person as trustee, executor of estate, or a creditor pledgee, and issue quittances or voucher receipts.	تحصيل المبالغ المستحقة لدى طرف ثالث سواء في المملكة العربية السعودية أو خارجها بالنيابة عن أي شخص آخر طبيعي أو اعتباري أو بصفتها أمينا عليها أو منفذا لوصية أو دائنا مرتهنا، وإصدار المخالصات وسندات القبض.	(غ)
(t)	To promote, support, offer, guarantee, underwrite, participate, in managing and executing any issue whether public or private made by any state, municipality, organization or company, of shares, stocks, debentures, debenture stocks, notes, bonds,, traded debentures and bonds, and any other debt instruments, in Saudi Arabia or elsewhere, and to subscribe, acquire, hold, manage, develop, deal in and dispose of such instruments.	القيام بتسويق ودعم وطرح وضمان وتعهد والاشتراك في إدارة وتنفيذ أي إصدار عام أو خاص تقوم به أية دولة أو بلدية أو مؤسسة أو شركة لأسهم أو سندات أو سندات دين أو سندات الدفع أو الصكوك المتداولة وغيرها من الذمم في المملكة العربية السعودية أو في غيرها، والاكتتاب في مثل هذه الأوراق وتملكها وحيازتها وإدارتها وتنميتها والتعامل فيها والتصرف فيها.	(ف)
(u)	To manage, sell, exploit, hold and deal with, any monies, rights and interest in any asset, movable or immovable, which the Company may acquire or own or which may come into the possession of the Company in satisfaction of all or any of its claims, or as security for any loans or facilities provided by the Company, or in	إدارة وبيع واستغلال وحيازة والتعامل في أية أموال أو حقوق أو مصلحة في أي مال منقول أو ثابت قد يؤول إلى الشركة أو تتملكه أو يدخل في حوزتها استيفاءً لكل أو بعض مطلوباتها أو ضمانا لأية قروض أو تسهيلات مقدمة منها أو قد تتعلق بأية طريقة أخرى بهذه المطالبة أو بهذا الضمان وذلك في الحدود المقررة في الأنظمة.	(ق)

	relation to any claim or security, subject to the limits of the law.		
(v)	To establish subsidiary companies, or to have an interest by way of stocks, shares, or partnership of any sort, in companies or entities with activities falling within the Company's objectives or contributing to the achievement of such objectives, and to merge with, acquire, or purchase such companies and entities, all in compliance with the laws and regulations applicable in Saudi Arabia	تأسيس شركات تابعة أو المساهمة الاشتراك بأية طريقة في شركات أو هيئات ذات نشاط يدخل ضمن أغراض الشركة أو يساعد على تحقيقها، والاندماج فيها أو شرائها، وكل ذلك مع مراعاة أحكام الأنظمة واللوائح السارية في المملكة العربية السعودية.	(ك)
(w)	To acquire the whole or any part of the business, goodwill and assets of any company or person as security for or in payment (in whole or in part) of any loan or other extension of credit by the Company.	تملك كل العمل أو جزء منه ومقوماته المعنوية وأصوله بالنسبة لأي شركة أو شخص كضمان أو للوفاء كاملا أو جزئي بأي قرض أو تسهيلات ائتمانية مقدمة من الشركة.	(ل)
(x)	To borrow money and enter into loan contracts for the Company to borrow any monies required by the Company, and to pledge or mortgage the assets of the Company or provide any security for the repayment or performance of obligations of the Company in connection with any such loan in Saudi Arabia or elsewhere.	اقتراض الأموال وإبرام عقود القروض للشركة لأية مبالغ تحتاج إليها الشركة، ورهن أصول الشركة أو تقديم أي ضمان آخر لرد القروض أو الوفاء بالتزامات الشركة الناشئة عن القروض في المملكة العربية السعودية أو في مكان آخر.	(م)
(y)	To perform all actions which may result, or should contribute to the promotion or advancement of the business of the Company, subject always to due	القيام بكافة الأعمال والتصرفات التي يترتب عليها أو التي يكون من شأنها تقدم أعمال الشركة أو اتساعها، وذلك دائما مع مراعاة أحكام الأنظمة واللوائح الخاصة السارية في	(ن)

compliance with the relevant laws and regulations in Saudi Arabia.

المملكة العربية السعودية.

Article (4)

Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian calendar years commencing on the date of issuance of the decision of the Minister of Commerce announcing the incorporation of the Company. This duration may be extended by a resolution passed by the Extraordinary General Assembly at least one year before the end of the term.

المادة (4)

مدة الشركة

مدة الشركة (99) تسع وتسعون سنة ميلادية تبدأ من تاريخ قرار وزير التجارة بإعلان تأسيس الشركة، ويجوز دائما إطالة مدة الشركة بقرار تصدره الجمعية العامة غير العادية قبل انتهاء المدة المذكورة بسنة واحدة على الأقل.

Article (5)

Head Office – Branches

The Head Office of the Company shall be at the city of Riyadh. It may, subject to the laws and regulations in force in Saudi Arabia, be transferred to any other place within Saudi Arabia by a resolution of the General Assembly. The Board of Directors of the Company may establish branches or agencies or subsidiaries in Saudi Arabia and abroad and may appoint correspondents at such places in Saudi Arabia and abroad as may be necessary or convenient for conducting the operations of the Company, subject always to due observance of the relevant laws and regulations in force in Saudi Arabia.

المادة (5)

مركز الشركة الرئيسي – الفروع

يكون المركز الرئيسي للشركة في مدينة الرياض. ويجوز وفقاً لأحكام الأنظمة واللوائح السارية في المملكة العربية السعودية نقله إلى أية جهة أخرى في المملكة العربية السعودية بمقتضى قرار تصدره الجمعية العامة. ويجوز لمجلس إدارة الشركة أن ينشئ فروعاً أو وكالات أو شركات تابعة في المملكة العربية السعودية وخارجها، ويجوز أن يعين مراسلين في أية جهة في المملكة العربية السعودية وخارجها حسبما يتطلبه نشاط الشركة أو يكون مفيدا له، وذلك دائما مع مراعاة أحكام الأنظمة واللوائح السارية في المملكة العربية السعودية.

CHAPTER II

CAPITAL AND SHARES

الباب الثاني

رأس المال والأسهم

Article (6)	المادة (6)
Share Capital	**رأس المال**
The Share Capital of the Company shall be Twenty billion Saudi Riyals (SR 20,000,000,000) divided into Two billion (2,000,000,000) shares of equal normal value of ten Saudi Riyals cash shares and all of which will be ordinary and as one class in all respects. The Company shall have the power to alter by increasing or reducing its Capital subject to the provisions contained in these Articles of Association, the Companies Law, the Banking Control Law and any other applicable laws and regulations.	يكون رأسمال الشركة عشرون بليون (20.000.000.000) ريال سعودي مقسمة إلى 2,000,000,000 سهم. وتبلغ القيمة الاسمية لكل منها 10 ريالات سعودية وتكون جميعها أسهماً عادية متساوية. وللشركة صلاحية زيادة أو خفض رأسمالها، شريطة مراعاة الأحكام المتضمنة في النظام الأساسي للشركة ونظام الشركات ونظام مراقبة البنوك وأية أنظمة ولوائح أخرى.
Article (7)	المادة (7)
Issue of Shares at Premium and Jointly Owned Shares	**إصدار الأسهم بأكثر من قيمتها الاسمية والأسهم المملوكة لأكثر من شخص**
(a) The shares shall be of the nominal value of ten Saudi Riyals (SR 10) each. In case of an increase of share capital, the new shares shall not be issued at less than their par value, but they may be issued at a higher value and in such a case the difference shall be added to the Statutory Reserve even though it may have reached the prescribed maximum.	(أ) تكون الأسهم ذات قيمة اسمية قدرها عشرة ريالات سعودية لكل سهم واحد. وفي حالة زيادة رأس مال الشركة لا يجوز إصدار الأسهم بأقل من قيمتها الاسمية، ولكن يجوز أن تصدر بأعلى من هذه القيمة. وفي هذه الحالة الأخيرة يضاف فرق القيمة إلى الاحتياطي القانوني ولو بلغ حده الأقصى المقرر.
(b) Each share shall be indivisible so far as the Company is concerned. If a share is owned by more than one person, they shall choose one of them on their behalf for exercising	(ب) يكون السهم غير قابل للتجزئة في مواجهة الشركة. وفي حالة تملك أكثر من شخص واحد سهما واحدا يجب عليهم اختيار أحدهم لينوب عنهم في استعمال الحقوق المتصلة بالسهم.

اسم الشركة	النظام الأساسي	
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رقم الصفحة	7 من 42 صفحة	

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the prescribed rights of a shareholder pertaining to that share and they shall jointly be responsible for any obligation resulting from the ownership of the share.	ويكون هؤلاء الأشخاص مسؤولين بالتضامن عن الالتزامات المترتبة على ملكية السهم.
Article (8)	**المادة (8)**
Preference Shares	**الأسهم الممتازة**
The Company's Extraordinary General Assembly may, in accordance with the criteria issued by the competent authority and after securing no-objection from SAMA, issue preference shares, decide to purchase them, transfer ordinary shares into preference shares or transfer preference shares into ordinary ones. Preference shares shall not entitle a voting right in the Shareholders General Assembly and shall procure the right for their shareholders to acquire higher percentage than the ordinary shareholders from the company dividends after setting aside the statutory reserve.	يجوز للجمعية العامة غير العادية للشركة طبقاً للأسس التي تضعها الجهة المختصة وبعد الحصول على عدم ممانعة مؤسسة النقد العربي السعودي أن تصدر أسهماً ممتازة أو أن تقرر شراءها أو تحويل أسهم عادية إلى أسهم ممتازة أو تحويل الأسهم الممتازة إلى عادية ولا تعطي الأسهم الممتازة الحق في التصويت في الجمعيات العامة للمساهمين وترتب هذه الأسهم لأصحابها الحق في الحصول على نسبة أكثر من أصحاب الأسهم العادية من صافي أرباح الشركة بعد تجنيب الاحتياطي النظامي.
Article (9)	**المادة (9)**
Transfer of Shares	**تداول الأسهم**
The shares of the Company shall be registered shares and transferable, except that the shares held by Saudi nationals shall not be transferred to non-Saudi nationals, and the relative share certificates shall be so endorsed by such language.	تكون أسهم الشركة اسمية وقابلة للتداول، غير أن الأسهم المملوكة للسعوديين لا يجوز تداولها إلى أشخاص غير سعوديين. ويؤشر على شهادات تلك الأسهم بما يفيد ذلك.
Article (10)	**المادة (10)**
Seizure and Sale of Seized Shares	**الحجز على الأسهم وبيعها**
The Company may seize shares owned by any shareholder who is indebted to the Company	يجوز للشركة أن تحجز الأسهم المملوكة لأي مساهم يكون مدينا للشركة مع ما يكون مستحقا لها من حصص

اسم الشركة	النظام الاساسي		وزارة التجارة والاستثمار / الادارة العامة للشركات - ادارة حوكمة الشركات
مجموعة سامبا المالية سجل تجاري: (1010035319)	تاريخ الإيداع 06 / 09/ 1438 الموافق 01 /06/ 2017 م		
	رقم الصفحة	8 من 42 صفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

together with any unpaid dividends thereon to secure the repayment of sums payable by such shareholder or to satisfy the obligations of such shareholder towards the Company, provided that such shares are not subject of an existing rights to a third party that is proven and registered in the Company's records.

The Board of Directors, after giving thirty days' notice to such shareholder, shall have the right to sell by auction such seized shares, recoup the due amounts owed by the shareholder to the Company out of the sale proceeds, and give the remaining of such sale proceeds, if any, to the shareholder. In case the proceeds of such sale are not sufficient for settling the debts and obligations of the shareholder to the Company, the Company shall have the right to claim the amount due to be paid by from the shareholder's remaining assets, according to the applicable regulations in Saudi Arabia.

Article (11)

Increase of Capital and Reduction of Capital

(a) Increase of Capital

Subject to the provisions of the Banking Control Law and all other applicable laws and regulations in Saudi Arabia and after obtaining the non-objection from SAMA, the Company may, from time to time and by a resolution passed in an Extraordinary General Assembly, increase its Share Capital, provided that the previous increase, if any, of the

أرباح غير مدفوعة، وذلك ضمانا لأداء المبالغ المستحقة في ذمته أو لأداء التزاماته نحو الشركة، بشرط ألا تكون الأسهم محملة بأي حق للغير، ثابت أو مقيد في سجلات الشركة.

ولمجلس الإدارة بعد مضي ثلاثين يوما من إخطار هذا المساهم أن يبيع هذه الأسهم المحجوزة بالمزاد وأن يستوفي مالها من حصيلة البيع وأن يرد ما بقي من هذه الحصيلة، إن وجد، إلى المساهم؛ فإذا لم تكن حصيلة البيع كافية للوفاء بديون المساهم والتزاماته للشركة، يكون للشركة المطالبة بما تبقى لها من أموال المساهم الأخرى، وذلك وفقا للأنظمة المعمول بها في المملكة العربية السعودية.

المادة (11)

زيادة رأس المال وتخفيضه

(أ) زيادة رأس المال

مع مراعاة أحكام نظام مراقبة البنوك وكذلك جميع الأنظمة الأخرى واللوائح المعمول بها في المملكة وبعد الحصول على عدم ممانعة مؤسسة النقد العربي السعودي ، يجوز بقرار من الجمعية العامة غير العادية زيادة رأس المال من وقت لآخر بشرط أن تكون أية زيادة سابقة، إن وجدت، قد دفعت بأكملها. ويعين القرار طريقة زيادة رأس المال. ويكون للمساهمين أولوية

Share Capital has been fully paid. The resolution shall determine the procedure for the increase of the Share Capital. The Shareholders shall have a right of priority to subscribe for the new shares.	الاكتتاب في الأسهم الجديدة.
The Extraordinary General Assembly may, at all times, dedicate all or part of the shares issued by way of capital increase to the employees of the Company and all or some of its subsidiaries, or in any way of such. The shareholders are prohibited from exercising their Right of Priority Subscription when such shares are issued.	كما يجوز للجمعية العامة غير العادية في جميع الأحوال أن تخصص الأسهم المصدرة عند زيادة رأس المال أو جزءاً منها للعاملين في الشركة والشركات التابعة أو بعضها، أو أي من ذلك. ولا يجوز للمساهمين ممارسة حق الأولوية عند إصدار الشركة للأسهم المخصصة للعاملين.
The Shareholders shall be informed of the resolutions pertaining to the increase of the Share Capital and their Right of Priority Subscription and the subscription's terms and conditions by publishing an announcement in a daily newspaper in the city where the Company's Head Office is located, or to by delivering a notice through a registered mail. The shareholder shall declare the intention to exercise the Right of Priority Subscription within fifteen days following the said announcement or the notification. The shareholder may sell or waive the Right of Priority Subscription or during the period starting from, the day of passing the resolution of capital increase by the Extraordinary General Assembly, until the last day of subscription in the new shares associated with such rights, subject to the rules provided by the competent authority.	ويخطر المساهمون بقرارات زيادة رأس المال وبأولويتهم في الاكتتاب وشروط الاكتتاب بإعلان ينشر في صحيفة يومية تصدر في المدينة التي يوجد بها مركز الشركة الرئيسي أو بإبلاغهم بواسطة البريد المسجل. ويبدي المساهم رغبته في استعمال حقه في الأولوية في خلال (15) الخمسة عشر يوما التالية للإعلان المذكور أو الإبلاغ. ويحق للمساهم بيع حق الأولوية أو التنازل عنه خلال المدة من وقت صدور قرار الجمعية العامة غير العادية بالموافقة على زياده رأس المال إلى آخر يوم للاكتتاب في الأسهم الجديدة المرتبطة بهذه الحقوق، وذلك فقا للضوابط التي تضعها الجهات المختصة.

Such new shares shall be allotted to the existing holders of Rights of Priority Subscription who applied for subscription in proportion to their respective existing holdings of shares, provided that the number of new shares allotted to shareholders shall not exceed what the shareholders have applied for. The remaining new shares shall be allotted to the existing shareholders who applied for more than their entitlement of Rights of Priority Subscription, provided that the number of new shares they are allotted does not exceed what they have applied for. The remaining new shares shall be offered for public subscriptions, provided that neither the Extraordinary General Assembly nor the Capital Market Law says otherwise.	وتوزع هذه الأسهم الجديدة على حملة حقوق الأولوية الذين يطلبون الاكتتاب بنسبة ما يملكونه من حقوق الأولوية حقوق الأولوية من إجمالي حقوق الأولوية الناتجة من زيادة رأس المال، بشرط ألا يتجاوز ما يحصلون عليه ما طلبوه من الأسهم الجديدة. ويوزع الباقي من الأسهم الجديدة على حملة حقوق الأولوية الذين طلبوا أكثر من نصيبهم، بنسبة ما يملكونه من حقوق أولوية من إجمالي حقوق الأولوية الناتجة من زيادة رأس المال، بشرط ألا يتجاوز ما يحصلون عليه ما طلبوه من الأسهم الجديدة، ويطرح ما تبقى من الأسهم على الغير، ما لم تقرر الجمعية العامة غير العادية أو ينص نظام السوق المالية على غير ذلك.
(b) Auction for New Shares When Their Value Is Not Paid	(ب) بيع الأسهم الجديدة بالمزاد العلني عند عدم دفع قيمتها
In case of an increase of share capital through the issuance of new shares in cash, the value of such shares shall be paid up in full. In case the subscriber for the new shares fails to pay up the shares by the due date, the Board of Directors shall have the power to sell such shares by way of auction or in the stock market after notifying such shareholder by registered mail to pay the amount due within (15) fifteen days. With that said, the subscriber has the right to pay up, until the auction' date, the amount due including the expenses incurred by the Company. The Company deducts the amount	في حالة زيادة رأس المال بإصدار أسهم نقدية جديدة تدفع قيمة هذه الأسهم بأكملها. وإذا تخلف المكتتب عن دفع قيمة الأسهم في الموعد المعين لذلك، جاز لمجلس الإدارة بعد مطالبة المكتتب بكتاب مسجل بأداء المبلغ المستحق في خلال (15) خمسة عشر يوما، أن يبيع الأسهم في مزاد علني أو في سوق الأوراق المالية. ومع ذلك يجوز للمكتتب المتخلف حتى اليوم المحدد للمزايدة أن يدفع القيمة المستحقة عليه على أن يؤدي في الوقت نفسه المصروفات التي أنفقتها الشركة. وتستوفي الشركة من حصيلة البيع المبالغ المستحقة لها، وترد الباقي للمكتتب. فإذا لم تف حصيلة البيع بهذه المبالغ جاز للشركة أن تستوفى الباقي من أموال المكتتب الأخرى.

اسم الشركة	النظام الاساسي		وزارة التجارة والاستثمار (الادارة العامة للشركات - إدارة حوكمة الشركات)
مجموعة سامبا المالية سجل تجاري» (1010035319)	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م		وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات
	رقم الصفحة	42 من 11 صفحة	

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payable from the sale proceeds and give the remaining amounts to the subscriber. In case the sale proceeds were not sufficient to repay such amount, the Company shall have the right to recover the unpaid balance from the subscriber's other assets. The Company shall cancel the certificate for the new shares and give the buyer a new share certificate bearing the same number of the cancelled share certificate, and this process shall be recorded in the share register.

وتلغى الشركة شهادة الأسهم الجديدة التي بيعت وتعطي المشتري شهادة جديدة تحمل رقم الشهادة الملغاة ويؤشر بذلك في سجل الأسهم.

(c) Reduction of Capital

Subject to the applicable provisions of the Banking Control Law and all other applicable laws and regulations in Saudi Arabia, and after obtaining the non-objection of Saudi Arabian Monetary Agency, the Company, by a resolution passed by the Extraordinary General Assembly, may decide to reduce capital of the Company if it exceeds the needs of the Company, or if a loss has been incurred by the Company, provided that the share capital shall not be less than the minimum prescribed by the Banking Control Law and the Companies Law. The resolution in question shall not be passed unless the Auditors' report is read, including, the justifications for such action, the commitments of the Company and the effect of the reduction on such commitments. The resolution shall specify the manner of implementing such reduction. If the reduction is due to an increase of the capital over

(ت) تخفيض رأس المال

مع مراعاة أحكام نظام مراقبة البنوك وكذلك جميع الأنظمة الأخرى واللوائح المعمول بها في المملكة، وبعد الحصول على عدم ممانعة مؤسسة النقد العربي السعودي، يجوز للشركة بقرار من الجمعية العامة غير العادية تخفيض رأس مالها إذا زاد عن حاجتها أو إذا منيت الشركة بخسائر، شريطة أن لا يقل رأس مال الشركة عن الحد الأدنى المنصوص عليه في نظام الشركات ونظام مراقبة البنوك. ولا يصدر القرار إلا بعد تلاوة تقرير مراقبي الحسابات عن الأسباب الموجبة له وعن التزامات الشركة وأثر التخفيض في هذه الالتزامات. ويبين القرار طريقة إجراء هذا التخفيض. وإذا كان التخفيض نتيجة زيادة رأس المال عن حاجة الشركة وجبت دعوة الدائنين إلى إبداء اعتراضاتهم عليه خلال (60) ستين يوما من تاريخ نشر قرار التخفيض في صحيفة يومية توزع في البلد الذي يقع فيه المركز الرئيسي للشركة. فإذا اعترض أحدهم وقدم إلى الشركة مستنداته في الميعاد المذكور وجب على الشركة أن تؤدي إليه دينه إذا كان مستحقا للدفع أو أن تقدم ضمانا كافيا للوفاء به

the needs of the Company, the creditors shall be invited to submit their objections against this action within 60 days from the date of the publication of the reduction's resolution in a daily newspapers that is circulated in the town where the Head Office of the Company is located. If any of the creditors objects and submits to the Company a valid claim within the prescribed date, the Company shall pay the claimed amount if its due, or produce a satisfactory guarantee for payment of the amount on the date of maturity.	إذا كان آجلا.
CHAPTER III	**الباب الثالث**
BONDS	**السندات**
Article (12)	**المادة (12)**
The Company may, for the loans it engages in either in Saudi Currency or other currencies, issue bonds of equal value, negotiable and indivisible.	يجوز للشركة أن تصدر بالقروض التي تعقدها سواء بالعملة السعودية أو غيرها سندات متساوية القيمة قابلة للتداول وغير قابلة للتجزئة.
CHAPTER IV	**الباب الرابع**
MANAGEMENT OF THE COMPANY	**إدارة الشركة**
Article (13)	**المادة (13)**
Board of Directors	**مجلس الإدارة**
The Company shall be managed by a Board of Directors composed of ten (10) members, all of whom shall be appointed by the shareholders in the Ordinary General Assembly for a term of three years.	يتولى إدارة الشركة مجلس إدارة مشكل من عشرة أعضاء، يتم تعيينهم من قبل المساهمين في اجتماع الجمعية العمومية العادية، لمدة ثلاث سنوات.
Article (14)	**المادة (14)**
Qualification Shares of a Board Membership	**أسهم ضمان العضوية**
Each Director shall own at least one thousand	يجب أن يكون عضو مجلس الإدارة مالكا لعدد من أسهم

shares of the Company. Such shares shall be deposited within thirty days from the date of the appointment of such Director with one of the banks designated for this purpose by the Minister of Commerce. These shares shall be assigned to secure the Director's liability and shall remain non-transferable until the lapse of the time fixed for the admissibility of the lawsuit provided for in Article 77 of the Companies Law or until such lawsuit is decided. If a Director fails to deposit the qualification shares within the specified period, his directorship shall become null and void.

الشركة لا يقل عن ألف سهم. وتودع هذه الأسهم خلال ثلاثين يوما من تاريخ تعيين العضو لدى أحد البنوك التي يعينها وزير التجارة والصناعة لهذا الغرض. وتخصص هذه الأسهم لضمان مسؤولية عضو مجلس الإدارة، وتظل غير قابلة للتداول إلى أن تنقضي المدة المحدودة لسماع دعوى المسؤولية المنصوص عليها في المادة (77) من نظام الشركات أو إلى أن يفصل في هذه الدعوى. وإذا لم يقدم عضو مجلس الإدارة أسهم الضمان في الميعاد المحدد لذلك بطلت عضويته

Article (15)

Expiration of Board Membership and Filing the Vacant Positions

(a) Vacating Office of a Director

The office of a Director shall be vacated:

(1) at the end of its term;

(2) upon the resignation or on the death of the Director;

(3) upon attaining the age of 70 Gregorian calendar years unless the General Assembly decides otherwise;

(4) if the Member becomes disqualified for Membership under any law in force in Saudi Arabia;

(5) Removal of a Member by a resolution passed by the General Assembly by a majority of two-thirds in case such removal

المادة (15)

انتهاء العضوية وملء المراكز الشاغرة

(أ) انتهاء عضوية مجلس الإدارة

تنتهي عضوية المجلس بإحدى الحالات التالية:

(1) بانتهاء مدتها.

(2) باستقالة العضو أو وفاته.

(3) إذا بلغ العضو سن السبعين السنة الميلادية إلا إذا قررت الجمعية العامة غير ذلك.

(4) إذا أصبح غير صالح للعضوية وفقا لأحكام أي نظام نافذ في المملكة العربية السعودية.

(5) بعزله بقرار من الجمعية العامة يصدر بأغلبية الثلثين إذا لم يكن العزل بطلب من مجلس الإدارة وبالأغلبية البسيطة إذا كان العزل بناء على طلب مجلس الإدارة.

(6) إذا أصبحت قواه العقلية غير سليمة.

(7) إذا حكم بإدانته في جريمة مخلة بالأمانة أو غش

is not requested by the Board of Directors, and of a simple majority in case the removal was requested by the Board of Directors;

(6) if the Director was found to be of unsound mind;

(7) if the Director was convicted of an offense involving dishonesty, fraud or moral turpitude;

(8) if the Director becomes bankrupt or makes any arrangement or settlement with creditors.

(b) Filling in of Vacancy in the Board of Directors

If the position of a Director was vacant during the year, and if as a result thereof the number of the members of the Board of Directors falls below six, the Ordinary General Assembly shall be called for a meeting at the shortest possible notice to appoint the required number of Directors. Otherwise, the Board shall fill the vacant position and such appointment shall be subject to confirmation at the next meeting of the Ordinary General Assembly.

Article (16)

Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company and supervise its affairs. The Board

أو ماسة بالشرف.

(8) إذا حكم بإفلاسه أو أجرى ترتيبات أو صلحا مع دائنيه.

(ب) ملء المركز الشاغر في مجلس الإدارة

إذا شغر مركز أحد الأعضاء أثناء السنة وترتب على ذلك أن نقص عدد أعضاء المجلس عن ستة، تدعى الجمعية العامة العادية في أقرب وقت ممكن لاختيار العدد اللازم من الأعضاء. وفي غير هذه الحالة يقوم مجلس الإدارة بملء المركز الشاغر، ويعرض هذا التعيين على الجمعية العامة العادية التالية لإقراره.

المادة (16)

سلطات مجلس الإدارة

بدون إخلال بالسلطات المقررة للجمعية العامة، يكون لمجلس الإدارة سلطات كاملة لإدارة أعمال الشركة والإشراف على شؤونها. وللمجلس في سبيل القيام بواجباته مباشرة كافة السلطات والقيام بكافة الأعمال

shall, in order to perform its duties, carry out all authorities and exercise all powers and actions which the Company may exercise according to these Articles of Association and its Memorandum of Association or otherwise, provided that these Articles of Association did not require that such actions and powers should only be exercised by the General Assembly.

والتصرفات التي يكون للشركة إجراؤها بموجب هذا النظام الأساسي أو عقد التأسيس أو بغير ذلك، بشرط ألا يكون النظام الأساسي قد استلزم صراحة إجراء هذه الأعمال بواسطة الجمعية العامة.

The Board of Directors is empowered to engage in loans for terms exceeding three years; to buy, sell and pledge real estate; to release the Company's debtors from their commitments; to settle and to accept arbitration.

ولمجلس الإدارة السلطة لعقد القروض لآجال تزيد عن ثلاث سنوات، وشراء العقار وبيعه ورهنه وإبراء ذمة مديني الشركة من التزاماتهم، وعقد الصلح وقبول التحكيم.

The Board may delegate any of its powers to the Managing Director, another Director or to any of the Company's officers or employees. The Board may, from time to time, delegate any specific authority or powers to any other person for such period and subject to such conditions as the Board may think fit. However, the Board of Directors may not donate any of the Company's monies except within the limits provided for in the laws and regulations in force in Saudi Arabia.

وللمجلس أن يعهد بأي من هذه السلطات إلى العضو المنتدب أو إلى عضو آخر أو إلى أي من الموظفين المفوضين في الشركة العاملين بها. وللمجلس أيضا من وقت لآخر أن يفوض شخصا آخر سلطة معينة، للمدة التي يراها المجلس مناسبة. ومع ذلك لا يجوز لمجلس الإدارة التبرع بشيء من أموال الشركة إلا في الحدود المقررة في الأنظمة واللوائح النافذة في المملكة العربية السعودية.

Article (17)

Executive Committee

المادة (17)

اللجنة التنفيذية

The Board shall form an Executive Committee which shall consist of five members. The Executive Committee shall deal with matters referred to it by the Board, but the Committee shall not have the

يشكل مجلس الإدارة لجنة تنفيذية مؤلفة من خمسة أعضاء. وتتولى اللجنة التنفيذية المهام التي يعهد بها إليها المجلس، ولكنه لا يكون للجنة سلطة تغيير أي قرار يصدره المجلس أو أية قواعد أو أية لوائح صادرة عنه. ولا

power to alter any decision or rules or regulations taken or laid down by the Board. The Executive Committee Meeting shall not be valid unless attended by at least three members in person. A member of the Executive Committee may delegate another member to attend and vote at the meetings of the Committee. The resolutions of the Executive Committee shall be passed by majority vote and, in case of tie vote; its chairman's vote shall be decisive. The Executive Committee shall meet at least 6 times a year, or whenever it is convened by its Chairman. The proceedings and resolutions of the Executive Committee shall be written in minutes to be signed by the Chairman and Secretary of the Committee and circulated among all Directors of the Board.

يكون اجتماع اللجنة التنفيذية صحيحاً إلا إذا حضره ثلاثة أعضاء على الأقل بأنفسهم. ولعضو اللجنة التنفيذية أن ينيب عنه عضواً آخر في الحضور والتصويت في اجتماعات اللجنة التنفيذية. وتصدر قرارات اللجنة التنفيذية بأغلبية أصوات الحاضرين، وعند تساوي الأصوات يرجح الصوت الذي معه رئيس الاجتماع. وتعقد اللجنة التنفيذية على الأقل ست اجتماعات في السنة أو كلما دعاها رئيسها للاجتماع. وتثبت مداولات اللجنة التنفيذية وقراراتها في محاضر يوقع عليها رئيس اللجنة والسكرتير وتوزع على كل أعضاء مجلس الإدارة.

Article (18)

Remuneration of Directors

(a) Determination of the Remuneration

The remuneration and attendance fees of the Directors of the Board shall be in accordance with the official decisions and instructions issued in this regard. The Company shall also reimburse the Directors for actual expenses including traveling, boarding and lodging incurred by them for attending meetings of the Board.

(b) Report to the General Assembly

The Board's Annual Report to the Ordinary General Assembly shall contain in detail a statement of all

المادة (18)

مكافأة أعضاء مجلس الإدارة

(أ) تحديد المكافأة

تكون مكافأة وبدل حضور أعضاء مجلس الإدارة وفقا للقرارات والتعليمات الرسمية الصادرة في هذا الشأن. كما تدفع الشركة إلى الأعضاء كل النفقات الفعلية التي تحملوها في سبيل حضور اجتماعات المجلس بما فيها مصروفات السفر والإقامة والإيواء.

(ب) تقرير المجلس للجمعية العامة

يشمل تقرير مجلس الإدارة السنوي إلى الجمعية العامة العادية بيانا شاملا لكل ما حصل عليه الأعضاء من مبالغ

the amounts paid to the Directors in that capacity during the Company's financial year as remuneration, out-of-pocket expenses and any advantages in cash or in kind. The said report shall also state the amounts received by the Directors in their capacity as the Company's employees or officers, or received in return for technical, administrative or consultation services.

Article (19)

Chairman of the Board of Directors, Managing Director and Secretary

(a) Chairman

The Board shall designate from amongst its members a Chairman. The Chairman shall always be a Saudi National and selected from amongst the Saudi Directors. In case of the absence of the Chairman, an ad hoc Chairman shall be selected from amongst the other Saudi Directors. The Chairman shall have the powers to convene the Board to meet, to preside over its meetings and the meetings of the General Assembly, to represent the Company before all authorities concerned, the judiciary and vis-à-vis any third party. The Chairman shall carry out all other duties entrusted to the Chairman by the Board and by these Articles of Association.

(b) Managing Director

The Board shall designate from amongst its members a Managing Director. The Managing

خلال سنة الشركة المالية من مكافأة وبدل حضور ومصروفات نثرية، وكذلك المزايا النقدية أو العينية. كما يشتمل التقرير المذكور على بيان المبالغ التي حصل عليها أعضاء المجلس بوصفهم مفوضين بالإدارة في الشركة أو عاملين بها أو ما قبضوه مقابل خدمات فنية أو إدارية أو استشارية.

المادة (19)

رئيس مجلس الإدارة والعضو المنتدب والسكرتير

(أ) رئيس المجلس

يعين المجلس من بين أعضائه رئيسا. ويختار من بين الأعضاء السعوديين. وفي حالة غياب الرئيس، يعين المجلس من بين أعضائه السعوديين الآخرين من يقوم بعمله مؤقتا.

ويكون للرئيس حق دعوة المجلس إلى الاجتماع، ويرأس اجتماعات مجلس الإدارة وكذلك اجتماعات الجمعيات العامة. ويمثل الشركة أمام كل السلطات المختصة وأمام القضاء وأمام الغير. ويقوم الرئيس بكافة المهام الأخرى التي يعهد بها إليه المجلس وهذا النظام الأساسي.

(ب) عضو مجلس الإدارة المنتدب

يعين المجلس من بين أعضائه عضواً منتدباً. ويكون العضو المنتدب هو المسؤول التنفيذي الأول ويقوم في

Director shall be the chief executive officer "CEO" and shall be entrusted, subject to the provisions of Article (18) hereof, with the Company's day-to-day business, including but not limited to the following acts and deeds:	حدود ما نصت عليه المادة (17) من هذا النظام الأساسي بتصريف شؤون الشركة اليومية التي تشمل على سبيل المثال لا الحصر الأعمال والتصرفات التالية:
(1) To enter into all such transactions as are within the scope of the Company's business and to execute, do and perform all such documents, acts and things as may be deemed necessary therefore or incidental thereto.	(1) إبرام كافة المعاملات التي تكون ضمن نطاق أعمال الشركة والتوقيع على كل الوثائق والعقود وغيرها مما يكون ضروريا لهذا الغرض أو ما يتصل به.
(2) To lease any premises for the purposes of the business of the Company.	(2) استئجار أي مكان لأغراض أعمال الشركة.
(3) To employ assistants, clerks, cashiers and other staff, to determine the terms of their employment as the CEO sees fit, to determine their powers and duties, and to suspend or dismiss any as the CEO sees fit.	(3) تعيين مساعدين، وكتبة، وصرافين، ومستخدمين آخرين وتحديد شروط تعيينهم على النحو الذي يراه مناسبا، وتحديد سلطاتهم وواجباتهم وإيقاف وفصل أي منهم وفقا لما يراه مناسبا.
(4) To sign cheques in respect of any monies standing to the credit of the Company at any other bank, and to open accounts in the Company's name with other banks and to operate such accounts.	(4) التوقيع على الشيكات الخاصة بأية مبالغ تكون للشركة لدى أي بنك آخر، وفتح حسابات باسم الشركة لدى البنوك الأخرى وتشغيل هذه الحسابات.
(5) To sign all letters, contracts and formal engagements on behalf of the Company; to sign all letters of credit, circular notes and guarantees issued to or by the Company; and to sign all receipts for monies deposited	(5) التوقيع على كل المراسلات والعقود والالتزامات بالنيابة عن الشركة، والتوقيع على كل خطابات الاعتماد وأوامر الدفع والصكوك والضمانات الصادرة لصالح الشركة أو تلك الصادرة من الشركة، والتوقيع على الإيصالات عن النقود

	with the Company.	المودعة لدى الشركة.	
(6)	To manage and conduct all banking, exchange and arbitrage stocks operations on behalf of the Company.	القيام بكافة العمليات المصرفية والمبادلة وموازنة عمليات الأسهم بالنيابة عن الشركة.	(6)
(7)	To lend money, or extend credit, with or without security, in Saudi or other currencies, to any person, Authority, or Agency,, in Saudi Arabia or elsewhere, within the limits, if any, resolved by the Board of Directors.	تقديم قروض نقدية أو تقديم التسهيلات بالريال السعودي، أو العملات الأخرى إلى شخص أو أية هيئة أو مؤسسة في المملكة العربية السعودية أو خارجها سواء بضمان أو بغير ضمان، وذلك في الحدود التي يقررها مجلس الإدارة، إن وجدت.	(7)
(8)	To issue, discount, accept and deal in bills of exchange, promissory notes, drafts and other negotiable instruments, and to deal in bank notes, coins and currency of every kind.	إصدار وخصم وقبول والتعامل في الكمبيالات والسندات لأمر وأوراق السحب وسائر الأوراق التجارية وكذلك التعامل في أوراق النقد والنقود المعدنية والعملات من كل نوع.	(8)
(9)	To purchase, take pledges, pledge, and sell goods, wares and merchandise of all kinds within the laws and regulations in force in Saudi Arabia.	شراء وارتهان ورهن وبيع البضائع والعروض والسلع بكافة أنواعها في حدود الأنظمة واللوائح في المملكة العربية السعودية.	(9)
(10)	To arrange insurance on ships, goods, freights or other interests.	ترتيب التأمينات على السفن والبضائع والنولون والحقوق الأخرى.	(10)
(11)	To draw, accept, issue, pay, collect, endorse, pledge, or otherwise negotiate all or any foreign or inland bills of exchange or promissory notes and other negotiable instruments and to sign, seal, execute, deliver, endorse, accept, assign, or transfer, all Government notes, bills of lading, delivery orders, airway bills, consignment	سحب وقبول وتحرير ودفع وتحصيل وتظهير ورهن أو تداول كل وأي من الكمبيالات والسندات لأمر الداخلية والخارجية، أو الأوراق التجارية الأخرى، وتوقيع وختم، وتنفيذ وتسليم، وتظهير، وقبول، والتنازل عن، وتحويل السندات الحكومية وبوالص الشحن البحري والجوي، وأوامر التسليم، وصكوك البضائع ووثائق الملكية من أي نوع كان وبوالص التأمين،	(11)

	notes, trust receipts or documents of title of any other description whatsoever, insurance policies, insurance certificates and to receive the proceeds thereof.	وشهادات التأمين وقبض ما يحصل عن أي منها.	
(12)	To accept, assign or transfer securities issued by any Government, municipality or local authority, and other stocks, shares, debentures, mortgages, obligations and other securities issued by any company or body whether commercial, municipal or otherwise carrying out a business or established at any place, and all and every other public or other securities, stocks or shares and to collect the proceeds thereof respectively.	قبول والتنازل عن، وتحويل أية سندات حكومية أو سندات مجلس بلدي أو هيئة محلية أيا كان مركزها، وكذلك غيرها من الصكوك والأسهم والسندات وسندات الدين والرهون والالتزامات وغيرها من سندات أية شركة أو هيئة سواء كانت تجارية أو بلدية أو غيرها مما تزاول عملا أو منشأة في أي مكان وكذلك كل وأية سندات عامة أو غيرها من السندات أو الأسهم، وقبض ما يحصل من أي منها.	(12)
(13)	To purchase, sell, take pledge, pledge or otherwise deal with shares or bonds of any company wherever situated within the limits resolved by the laws and regulations in force in Saudi Arabia and the Board Resolutions thereto.	شراء وبيع وارتهان والتعامل بأية طريقة أخرى في الأسهم والسندات الخاصة بأية شركة في أي مكان في الحدود المقررة في الأنظمة النافذة في المملكة وبقرارات مجلس الإدارة في هذا الشأن.	(13)
(14)	To acquire by way of purchase, exchange or otherwise, any movable asset and to sell, lease, exchange or otherwise transfer such asset, and conduct all necessary actions to maintain such asset as long as it is owned by the Company, or under the Company's control, or to manage such asset in a sound manner. The Board may establish overall	تملك أي مال منقول بطريق الشراء أو المقايضة أو غير ذلك، وبيع هذا المال أو تأجيره أو مقايضته أو التصرف فيه بأية طريقة أخرى والقيام بكل الأعمال اللازمة لحفظ هذا المال مادام مملوكا أو موجودا تحت تصرف الشركة أو لإدارته إدارة حسنة. ولمجلس الإدارة أن يضع حدا أقصى لما يجوز إجراؤه من هذه العمليات.	(14)

	maximum limit for such transactions.		
(15)	To execute all agreements of transfer of real estate property within the limits resolved by the Resolutions of the Board.	إبرام كافة العقود الناقلة لملكية العقار في الحدود المقررة بقرارات مجلس الإدارة.	(15)
(16)	To request, demand, sue for, recover and receive of, and from, all and every natural or legal person or persons, wherever and whatsoever, all sums of money and other movable assets or real estate properties of whatever nature and description, which now are, or which at any time, or times, hereafter shall or may become due, or owing or payable to, or recoverable, to the Company on any account whatsoever.	طلب ومطالبة ومقاضاة أي شخص طبيعي أو اعتباري حيثما يوجد ومهما يكن بأداء وتحصيل كل المبالغ واستلام الأموال المنقولة أو العقارات أيا كانت طبيعتها أو أوصافها التي تكون عندئذ أو في وقت لاحق مستحقة الدفع أو واجبة الأداء أو الرد إلى الشركة لأي حساب أيا كان.	(16)
(17)	To settle accounts, disputes or reckoning of accounts whatsoever wherein the Company at any time hereafter has or shall have interest, or where such actions are concerning any natural or juristic person whom has paid or received the amounts thereof as the case may require, subject to the limits resolved by the Board of Directors upon the Managing Director,	تسوية الحسابات والمنازعات والتصفيات الحسابية أيا كانت التي يكون للشركة مصلحة فيها في أي وقت أو تتعلق بأي شخص طبيعي أو اعتباري أيا كان ودفع أو قبض الأرصدة المترتبة على ذلك حسب الأحوال، وذلك في الحدود التي يعينها مجلس الإدارة للعضو المنتدب.	(17)
(18)	To conduct any report, declaration in proof of any debt due or claimed to be due to the Company in any proceeding taken or hereafter to be taken by or against any natural or juristic person or persons or the estate of any deceased person under any	إجراء أي تقرير أو إقرار بإثبات أي دين مستحق أو مطالب باستحقاقه للشركة في أي إجراءات متخذة أو تتخذ فيما بعد من أو ضد أي شخص طبيعي أو اعتباري أو تركة شخص متوفي، طبقا لأي نظام نافذ، لإبراء مدينين معسرين أو لتصفية الشركات، وحضور اجتماعات الدائنين	(18)

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مجموعة سامبا المالية سجل تجاري (1010035319)	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م رقم الصفحة 22 من 42 صفحة	وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات

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	act in force for the relief or otherwise of insolvent debtors or the liquidation of companies and to attend any meetings of creditors under any such proceedings and to propose, suggest, and vote for or against any resolution at any such meetings and generally to represent the Company in all proceedings whether in case of insolvency, bankruptcy, liquidation, arrangement or settlement which may be taken against, or for the interest of, any debtor of the Company as the Managing Director sees fit..	طبقا لهذه الإجراءات واقتراح أي قرار وتزكية أو التصويت له أو ضده في أي من هذه الاجتماعات، وبصفة عامة تمثيل الشركة في كل الإجراءات سواء في حالات الإعسار أو الإفلاس أو ترتيبات التصفية أو الصلح التي تتخذ ضد أو لصالح أي مدين للشركة طبقا لما يراه مناسبا.	
(19)	To use and pursue all legal ways and means for recovering, receiving, maintaining any sum of money or any other thing whatsoever which the Managing Director may think to be due, owing or belonging to the Company by any natural or jurisitc person or persons whatsoever and upon receipt or delivery thereof or of any part thereof to make, give, sign, seal, execute and deliver good and effectual acquaintances, releases and discharges, transfer reconveyances and re-assignments as the nature of the case may require or as the Managing Director shall deems fit or expedient.	استعمال واتخاذ كافة الوسائل والسبل القانونية لتحصيل أو استلام أو المحافظة على أي مبلغ من المال أو أي شيء آخر يرى أنه يستحق للشركة أو تملكه لدى أي شخص طبيعي أو اعتباري أيا كان، وعند تحصيله أو استلامه كله أو بعضه، إعطاء أو إصدار أو توقيع أو ختم أو تنفيذ أو تسليم الإيصالات الصحيحة أو المخالصات أو صكوك نقل الملكية أو إعادة الملكية تبعا للأحوال أو طبقا لما يراه متعينا أو مناسبا.	(19)
(20)	To pay or satisfy or to compromise or settle	القيام بدفع أي دين أو مال أو الوفاء به أو	(20)

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*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

upon any terms which the Managing Director sees fit any debt or money owing to or claimed by or from the Company or for which the Company may be or may be claimed to be liable.	بالتصالح بشأنه وفقا للشروط التي يراها مناسبة إذا كان مستحقا للشركة أو تطالب به أو يكون مطلوبا منها أو يدعى استحقاقه لديها.
(21) To borrow money and enter into contracts of loan to the Company, and to pledge or the assets of the Company or furnish any other of security for the repayment or performance of commitments of the Company in connection with such loans in the Kingdom of Saudi Arabia or elsewhere.	(21) اقتراض النقود وإبرام الاتفاقيات الخاصة بالقروض اللازمة للشركة، ورهن موجودات الشركة وتقديم ضمانات أخرى للوفاء بالتزامات الشركة المترتبة على مثل هذه القروض في المملكة العربية السعودية أو خارجها.
(22) For the better and more effective control and supervision over the business, affairs and personnel of the Bank, the Managing Director may delegate any or all of the powers vested in the Managing Director to their subordinates and may withdraw such delegation at discretion.	(22) من أجل القيام بإدارة أعمال الشركة والإشراف عليها وعلى شؤونها وموظفيها بطريقة أفضل وأكثر فعالية، يكون للعضو المنتدب أن يعهد بكل أو بعض السلطات المخولة له إلى مرؤوسيه وأن يسحب هذه السلطات طبقا لتقديره.
(c) Remuneration of Chairman and CEO	(ت) مكافأة الرئيس والعضو المنتدب
The Board shall fix any special remuneration payable to the Chairman and the Managing Director in addition to the remuneration payable to the Directors under Article 18 of these Articles of Association.	يحدد المجلس المكافأة الخاصة التي تدفع إلى كل من رئيس المجلس والعضو المنتدب بالإضافة إلى المكافأة المقررة لأعضاء مجلس الإدارة بمقتضى المادة (18) من هذا النظام الأساسي.
(d) Secretary	(ث) السكرتير
The Board shall appoint a Secretary on such terms and remuneration as deemed fit by the Board. The Secretary shall be entrusted with the writing of the	يعين مجلس الإدارة سكرتيراً ويحدد المجلس شروط عمله ومكافأته، ويناط به إثبات مداولات المجلس وقراراته في محاضر وتدوينها في السجل الخاص، وكذلك حفظ هذا

proceedings and resolutions of the Board in minutes and recording such in the Special Register as well as maintaining and keeping such register.

السجل.

(e) Term of Membership

The terms of service of each of the Chairman of the Board, the Managing Director, the members of the Executive Committee and the Secretary in case such Secretary was a Director, shall in no way exceed the term of their membership with the Board as Directors. It is permissible to re reappoint them.

(ج) مدة العضوية

لا تتجاوز مدة تعيين كل من رئيس المجلس والعضو المنتدب، وأعضاء اللجنة التنفيذية، والسكرتير إذا كان عضوا بمجلس الإدارة، مدة عضويتهم بمجلس الإدارة. ويجوز إعادة تعيينهم.

Article (20)

Board Meetings

المادة (20)

اجتماعات المجلس

(a) Calling

The Board shall meet at least twice a year. The Board shall meet upon the request of the Chairman and such request shall be accompanied by the Agenda of the meeting. The Chairman shall convene the Board for meeting whenever such meeting is requested by two Directors. Notice of Board meetings shall be sent to each Director either by Registered Mail or Telex at least two weeks before the date fixed for the meeting.

(أ) الدعوة

يجتمع مجلس الإدارة أربع مرات على الأقل في السنة بدعوة من رئيس المجلس. وتكون الدعوة مصحوبة بجدول الأعمال. ويدعو الرئيس المجلس للاجتماع بناء على طلب عضوين من أعضائه. ويتم توجيه الدعوة إلى كل عضو بالوسائل والأوضاع المحددة نظاماً.

(b) Quorum and Representation

No Board meeting shall be valid unless attended by at least seven Directors either in person or by way of proxy provided that four Directors at least shall be be present personally. A Director may delegate another Director by way of proxy to attend and vote at the Board meeting.

(ب) النصاب القانوني والإنابة

لا يكون اجتماع المجلس صحيحا إلا إذا حضره على الأقل سبعة أعضاء بأنفسهم أو بطريق الإنابة، بشرط أن يكون عدد الأعضاء الحاضرين بأنفسهم أربعة أعضاء على الأقل. وللعضو أن ينيب عنه عضوا آخر في حضور اجتماعات المجلس وفي التصويت فيها.

(c) Decisions	(ت) القرارات
The Board resolutions shall be made by majority vote of the members present in person or represented by proxy and in case of tie vote, the Chairman's vote shall be decisive.	تصدر قرارات المجلس بأغلبية أصوات الأعضاء الحاضرين والممثلين، وعند تساوي الأصوات يكون صوت رئيس المجلس مرجحاً.
(d) Disclosures of Personal Interest	(ث) الإفصاح عن المصالح الشخصية
Any Director who has a direct or indirect personal interest in any matter or proposal submitted to the Board or Executive Committee for consideration shall disclose the nature of such interest in the matter and, and while such Director will remain part of the meeting's quorum, such Director shall take no part in any deliberation or decision of the Board or Executive Committee with regard to such matter or proposal.	على أي عضو من أعضاء المجلس الذي تكون له مصلحة شخصية مباشرة أو غير مباشرة في أي أمر أو اقتراح معروض للنظر فيه على المجلس أو اللجنة التنفيذية كما يتطلب الحال أن يبلغ المجلس أو اللجنة طبيعة مصلحته في الأمر المعروض. وعليه، دون استبعاده من العدد اللازم لصحة الاجتماع، الامتناع عن الاشتراك في المداولات والتصويت في المجلس أو اللجنة التنفيذية فيما يتعلق بالأمر أو الاقتراح المذكور.
(e) Minutes	(ج) محاضر اجتماعات المجلس
The proceedings and resolutions of the Board shall be written in minutes to be circulated among all Board members and signed by the Chairman and the Secretary after having been approved by the Board, by having all the members of the Board who have attended the meeting sign a copy of the minutes. Such minutes shall be recorded in a Special Register and signed by both the Chairman and the Secretary.	تثبت مداولات البنك وقراراته في محاضر توزع على كافة أعضاء المجلس ويوقعها الرئيس والسكرتير بعد التصديق عليها من المجلس وذلك بتوقيع جميع الأعضاء الحاضرين على إحدى نسخ المحضر، وتدون هذه المحاضر، في سجل خاص يوقعه رئيس المجلس والسكرتير.
(f) Resolution by Circulation	(ح) اتخاذ القرارات بالتصويت المنفرد
The Board may pass resolutions by way of circulation in matters of urgency by circulating such resolutions among the Directors individually,	لمجلس الإدارة أن يصدر قرارات في الأمور العاجلة بعرضها على الأعضاء متفرقين، مالم يطلب أحد الأعضاء – كتابة – اجتماع المجلس للمداولة فيها. وتعرض هذه

وزارة التجارة والاستثمار (الإدارة العامة للشركات - إدارة حوكمة الشركات)	النظام الأساسي	اسم الشركة
	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م	مجموعة سامبا المالية سجل تجاري رقم (1010035319)
	رقم الصفحة 42 من 26 صفحة	

unless a Director requests in writing that the Board be convened to deliberate on such resolutions. The resolutions by circulation shall be presented to the Board at its first following meeting.	القرارات على المجلس في أول اجتماع تالٍ له.
CHAPTER V	**الباب الخامس**
GENERAL ASSEMBLY	**الجمعيات العامة**
Article (21)	**المادة (21)**
The Place to Hold Meetings of General Assembly	**مكان عقد الجمعيات العامة**
Meetings of General Assembly for shareholders shall be held in Riyadh or any other town in Saudi Arabia of Saudi Arabia where the Head Office of the Company may be located under Article 5 of these Articles of Association. A valid General Assembly shall represent all the shareholders.	تعقد الجمعيات العامة للمساهمين في مدينة الرياض، أو في أية مدينة أخرى بالمملكة يقع فيها المركز الرئيسي للشركة طبقا للمادة الخامسة من هذا النظام الأساسي. والجمعية العامة المكونة تكوينا صحيحا تمثل جميع المساهمين.
Article (22)	**المادة (22)**
Attendance at General Assembly	**حضور الجمعيات العامة**
Each shareholder holding any number of shares shall have the right to attend the meetings of Ordinary or Extraordinary General Assembly. A shareholder may delegate another shareholder who is not a Director to attend the meetings of General Assembly.	لكل مساهم -أياً كان عدد أسهمه- حق حضور الجمعية العامة العادية أو غير العادية. وللمساهم أن يوكل عنه مساهما آخر من غير أعضاء مجلس الإدارة في حضور الجمعية العامة.
Article (23)	**المادة (23)**
Ordinary General Assembly	**الجمعية العامة العادية**
Excluding matters which come within the competence of the Extraordinary General Assembly of shareholders, an Ordinary General Assembly shall have the power to handle all matters pertaining to the Company. The Ordinary General	فيما عدا الأمور التي تختص بها الجمعية العامة غير العادية، تختص الجمعية العامة العادية بجميع الأمور المتعلقة بالشركة. وتعقد مره على الأقل في السنة خلال الأشهر الستة التالية لانتهاء السنة المالية للشركة. وتجوز دعوة جمعية عادية أخرى للاجتماع كلما دعت الحاجة

اسم الشركة	النظام الاساسي	وزارة التجارة والاستثمار (الادارة العامة للشركات - إدارة حوكمة الشركات)
مجموعة سامبا المالية سجل تجاري ،(1010035319)	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م	وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات
	رقم الصفحة 42 من 27 صفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

Assembly shall be held at least once a year, within the 6 months following the close of the Company's financial year. The Ordinary General Assembly may be convened for meeting whenever necessary.

إلى ذلك.

Article (24)

Extraordinary General Assembly

The Extraordinary General Assembly shall have jurisdiction to alter these Articles of Association except the provisions which may not be altered in pursue to the Companies Law. It shall, in addition, have jurisdiction to prolong the duration of the Company or shorten it or dissolve the Company for any reason before its term or to authorize the merger of the Company with another company or entity. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Assembly, subject to the terms and conditions prescribed for the latter.

المادة (24)

الجمعية العامة غير العادية

تختص الجمعية العامة غير العادية بتعديل نظام الشركة الأساسي، باستثناء الأحكام المحظور تعديلها بمقتضى نظام الشركات. وتختص بالإضافة إلى ذلك بالنظر في إطالة مدة الشركة أو تقصيرها أو حلها قبل انتهاء مدتها لأي سبب أو دمج الشركة في شركة أو منشأة أخرى. وبالإضافة إلى ما تقدم، يكون لها أن تصدر قرارات في الأمور الداخلة في اختصاص الجمعية العامة العادية، وذلك بنفس الشروط والأوضاع المقررة للجمعية الأخيرة.

Article (25)

Call for General Assembly

The General Assembly shall be convened as per the call of the Board of Directors. The Board of Directors shall call the Ordinary General Assembly to meet if requested to do so by the Auditors or by a number of shareholders representing at least 5% (five percent) of the share capital. The Auditors may call the General Assembly to meet if the Board did not call the General Assembly to meet within thirty days of the Auditor's request.

المادة (25)

دعوة الجمعيات العامة

تعقد الجمعية العامة للمساهمين بدعوة من مجلس الإدارة. وعلى مجلس الإدارة أن يدعو الجمعية العامة العادية إذا طلب ذلك مراقبو الحسابات أو لجنة المراجعة أو عدد من المساهمين يمثل (5%) خمسة في المائة من رأس مال الشركة على الأقل. ويجوز لمراجع الحسابات دعوة الجمعية للانعقاد إذا لم يقم المجلس بدعوة الجمعية خلال ثلاثين يوماً من تاريخ طلب مراجع الحسابات.

The Notice for the General Assembly to meet shall be published in in a daily newspaper circulating in the locality of the Company's Head Office at least t days prior to the date fixed for the meeting. Such notice may be sent to the shareholders by registered mail within the said period. The Notice shall contain the Agenda of the meeting. A copy of the notice and the agenda of the meeting shall be sent to the General Department of Companies at the Ministry of Commerce prior to the date fixed for the meeting as per the published Notice.

وتنشر الدعوة لانعقاد الجمعية العامة في صحيفة يومية توزع في البلد الذي يوجد في المركز الرئيسي للشركة قبل الموعد المحدد لانعقاد الجمعية بعشرة أيام على الأقل. ويجوز توجيه الدعوة إلى المساهمين في الميعاد المذكور بخطابات مسجلة. وتشتمل الدعوة على جدول أعمال الجمعية، وترسل نسخة من الإعلان مع جدول الأعمال إلى إدارة الشركات بوزارة التجارة وهيئة السوق المالية ومؤسسة النقد العربي السعودي. وذلك قبل الموعد المحدد للانعقاد في الموعد المعلن عنه.

Article (26)

Record of Attendance at General Assembly

The shareholders wishing to attend the Ordinary or Extraordinary General Assembly shall register their names at the opening of the meeting at the Company's head-office. At the opening of the meeting, a list shall be drawn up containing the names of the shareholders present or represented, their addresses, the number of shares held by each either personally or as proxy and the number of votes allotted to them. This list may be inspected by any interested party.

المادة (26)

تسجيل الحاضرين في الجمعيات العامة

على المساهمين الراغبين في حضور الجمعية العامة العادية أو غير العادية أن يسجلوا أسماءهم عند بدء الاجتماع بمركز الشركة الرئيسي. ويحرر عند انعقاد الجمعية كشف بأسماء المساهمين الحاضرين والممثلين ومحال إقامتهم مع بيان عدد الأسهم التي في حيازتهم سواء بالأصالة أو بالوكالة وعدد الأصوات المخصصة لها. ويكون لكل ذي مصلحة الاطلاع على هذا الكشف.

Article (27)

Quorum of Ordinary General Assembly

The Ordinary General Assembly shall not be valid unless it is attended by shareholders representing at least quarter of the Company's share capital. If such

المادة (27)

نصاب الجمعية العادية

يكون اجتماع الجمعية العامة العادية صحيحا إذا حضره مساهمون يمثلون ربع رأس مال الشركة على الأقل. فإذا لم يتوفر هذا النصاب في الاجتماع الأول، وجهت الدعوة

a quorum was not established at the first meeting, another notice shall be issued for a second meeting to be held within 30 days following the first meeting and such notice shall be published in the manner prescribed in Article 25 of these Articles of Association, with that said, it is permissible To convene the second meeting after 1 hour of the ending of the time specified to convene the first meeting, provided that the Notice to hold the first meeting included a language the refers to the possibility of convening the second meeting. The second meeting shall be valid irrespective of the number of shares represented.

إلى اجتماع ثان يعقد خلال الثلاثين يوما التالية للاجتماع السابق. وتعلن هذه الدعوة بالطريقة المنصوص عليها في المادة (25) من هذا النظام الأساس، ومع ذلك يجوز أن يعقد الاجتماع الثاني بعد ساعة من انتهاء المدة المحددة لانعقاد الاجتماع الأول بشرط أن تتضمن الدعوة لعقد الاجتماع الأول ما يفيد الإعلان عن إمكانية عقد هذا الاجتماع، ويعتبر الاجتماع الثاني صحيحاً أياً كان عدد الأسهم الممثلة فيه.

Article (28)

Quorum of the Extraordinary General Assembly

The meeting of the Extraordinary General Assembly of shareholders shall not be valid unless it is attended by a number of shareholders representing at least half of the share capital. Failing such a quorum at the first meeting, another notice shall be issued for a second meeting under the same conditions as prescribed in Article 26 above, with that said, it is permissible To convene the second meeting after 1 hour of the ending of the time specified to convene the first meeting, provided that the Notice to hold the first meeting included a language the refers to the possibility of convening the second meeting. The second meeting shall be valid if attended by a number of shareholders

المادة (28)

نصاب الجمعية غير العادية

يكون اجتماع الجمعية العامة غير العادية صحيحا إذا حضره مساهمون يمثلون نصف رأس مال الشركة على الأقل. فإذا لم يتوفر هذا النصاب في الاجتماع الأول، وجهت الدعوة إلى اجتماع ثان يعقد خلال الثلاثين يوما التالية للاجتماع السابق. وتعلن هذه الدعوة بالطريقة المنصوص عليها في المادة (25) من هذا النظام الأساس، ومع ذلك يجوز أن يعقد الاجتماع الثاني بعد ساعة من انتهاء المدة المحددة لانعقاد الاجتماع الأول بشرط أن تتضمن الدعوة لعقد الاجتماع الأول ما يفيد الإعلان عن إمكانية عقد هذا الاجتماع، ويعتبر الاجتماع الثاني صحيحاً إذا حضره عدد من المساهمين يمثل ربع رأس المال على الأقل. وإذا لم يتوفر النصاب أيضاً في الاجتماع الثاني توجه الدعوة إلى اجتماع ثالث بنفس آلية الدعوة لانعقاد الجمعية العامة المنصوص عليها في المادة (25)

representing at least one quarter of the share capital. Failing such a quorum at the second meeting, another notice shall be issued for a third meeting under the same conditions as prescribed in Article 26 above.

The Third meeting shall be valid irrespective of the number of shares represented, with the consent of the competent authority.

ويكون الاجتماع الثالث صحيحاً أيا كان عدد الأسهم الممثلة فيه بعد موافقة الجهة المختصة.

Article (29)

Voting Rights

Every shareholder shall have one vote for each share that shareholder represents at the meeting of the General Assembly. The cumulative voting method shall be used in the elections of Board of Directors, where it is not allowed to use the voting right for more than one time per share. With that said, The members of Board of Directors are not allowed to participate in voting the resolutions of the Assembly concerning the release of the Board of Directors from their liability of their management term as related to direct or indirect interest for such Directors.

المادة (29)

حق التصويت

يكون لكل مساهم صوت واحد عن كل سهم واحد يمثله في الجمعيات العامة. ويتم استعمال آلية التصويت التراكمي في انتخاب مجلس الإدارة، بحيث لا يجوز استخدام حق التصويت للسهم أكثر من مرة واحدة. ومع ذلك لا يجوز لأعضاء مجلس الإدارة الاشتراك في التصويت على قرارات الجمعية التي تتعلق بإبراء ذمتهم عن مدة إدارتهم التي تتعلق بمصلحة مباشرة أو غير مباشرة لهم.

Article (30)

Conditions for Passing Resolutions at General Assembly

Resolutions of the Ordinary General Assembly shall be adopted by the absolute majority of the shares present or represented at the meeting.

Resolutions of the Extraordinary General Assembly

المادة (30)

شروط إصدار القرارات في الجمعيات العامة

تصدر قرارات الجمعية العامة العادية بالأغلبية المطلقة للأسهم الممثلة في الاجتماع. وتصدر قرارات الجمعية العامة غير العادية بأغلبية ثلثي أصوات الأسهم الحاضرة أو الممثلة في الاجتماع، عدا القرارات المتعلقة بزيادة رأس

shall be adopted by a majority of two thirds of the shares present or represented at the meeting, except in respect of resolutions pertaining to the increase of share capital or its dissolution before its term or merging with another company or entity which shall be adopted by a majority of votes of three fourths of the share capital present or represented.	المال أو تخفيضه أو إطالة مدة الشركة أو حلها قبل انتهاء مدتها أو دمج الشركة في شركة أو منشأة أخرى التي يجب أن تصدر بأغلبية ثلاثة أرباع أصوات الأسهم الحاضرة أو الممثلة في الاجتماع.
Article 31	**المادة (31)**
Rights of Shareholders to Ask Questions at General Assembly	**حق المساهمين في توجيه الأسئلة في الجمعيات العامة**
Any shareholder shall have the right to discuss the subjects placed on the Agenda of the meeting and to address questions on these subjects to the Directors and the Auditors. The Directors or the Auditors shall reply to the shareholders' questions insofar as the Company's interests shall not be jeopardized. If a shareholder finds that the reply given to his question is not convincing, he may appeal to the General Assembly, whose decision shall be final in this respect.	لكل مساهم حق مناقشة الموضوعات المدرجة في جدول أعمال الجمعيات وتوجيه الأسئلة بشأنها إلى أعضاء مجلس الإدارة ومراقبي الحسابات. ويجيب أعضاء مجلس الإدارة ومراقبو الحسابات على أسئلة المساهمين بالقدر الذي لا يعرض مصلحة الشركة للضرر. وإذا رأى المساهم أن الرد على سؤاله غير مقنع احتكم إلى الجمعية العامة ويكون قرارها في هذا الشأن نهائيا.
Article 32	**المادة (32)**
Proceeding of the General Assembly	**إجراءات الجمعيات العامة**
The General Assembly shall be presided over by the Chairman of the Board or the Directors, or the Deputy Chairman in case the Chairman was not attending, or whoever delegated by the Board of Directors from amongst the Directors in case the Chairman and Deputy Chairman were not attending, or the Director acting as ad hoc	يرأس الجمعيات العامة رئيس مجلس الإدارة أو نائبه عند غيابه، أو من ينتدبه مجلس الإدارة من بين أعضائه في حال غياب رئيس مجلس الإدارة ونائبه، أو العضو الذي يقوم مؤقتا بأعمال الرئيس. ويعين الرئيس سكرتيرا للاجتماع وجامعين للأصوات من المساهمين الحاضرين.

Chairman. The Chairman shall appoint the Secretary of the meeting and two scrutineers from amongst the shareholders present thereat.

Minutes shall be written for the meeting showing the names of shareholders present or represented thereat, the respective shares they hold personally or by way of proxy, the number of votes allotted thereto, the resolutions adopted, the number of votes for or against them and an adequate resume of discussions which took place thereat. Such minutes shall be recorded after each meeting in a special registrar and signed by the Chairman, the Secretary and the scrutineers of the meeting.

ويحرر باجتماع الجمعية محضر يتضمن أسماء المساهمين الحاضرين أو الممثلين وعدد الأسهم التي في حيازتهم بالأصالة أو بالوكالة وعدد الأصوات المقرر لها، والقرارات التي اتخذت، وعدد الأصوات التي وافقت عليها أو عارضتها، وخلاصة وافية للمناقشات التي دارت في الاجتماع. وتدون هذه المحاضر عقب كل اجتماع في سجل يوقعه رئيس الجمعية وسكرتيرها وجامعا الأصوات.

CHAPTER VI
THE AUDIT COMMITTEE

الباب السادس
لجنة المراجعة

Article (33)
Formation of the Audit Committee

The Audit Committee shall be formed by a resolution of the Ordinary General Assembly after securing no-objection from SAMA. It consists of non-board executive directors, whether shareholders or otherwise, and is composed of no less than three (3) members and no more than five (5). The tasks and controls of the Audit Committee and remunerations of its members shall be set forth in the resolution of the Ordinary General Assembly.

المادة (33)
تشكيل لجنة مراجعة

تشكل بقرار من الجمعية العامة العادية بعد الحصول على عدم ممانعة مؤسسة النقد لجنة مراجعة من غير أعضاء مجلس الإدارة التنفيذيين سواء من المساهمين أو من غيرهم، على ألا يقل عدد أعضائها عن ثلاثة ولا يزيد عن خمسة، وتحدد في القرار مهمات اللجنة وضوابط عملها، ومكافآت أعضائها.

Article (34)
The Audit Committee Quorum

A meeting of the Audit Committee shall be valid

المادة (34)
نصاب اجتماع لجنة المراجعة

يشترط لصحة اجتماع لجنة المراجعة حضور أغلبية

وزارة التجارة والاستثمار (الادارة العامة للشركات - إدارة حوكمة الشركات)	النظام الاساسي		اسم الشركة
وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م		مجموعة سامبا المالية سجل تجاري: (1010035319)
	42 من 33 صفحة	رقم الصفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

only with the presence of the majority of its members. Its resolutions are issued by majority of the votes of the members present at the meeting, and in case of a tie vote, the Chairman's vote shall be decisive.	أعضائها، وتصدر قراراتها بأغلبية أصوات الحاضرين، وعند تساوي الأصوات يرجح الجانب الذي صوت معه رئيس الاجتماع.
Article (35)	**المادة (35)**
Tasks of the Audit Committee	**اختصاصات لجنة المراجعة**
The Audit Committee is tasked with monitoring the Company's businesses which, for the same purpose, may review the Company's records & documents or request clarification or statement from the members of the Board of Directors or the Executive Management. The Audit Committee may also request the Board of Directors to call the Company's General Assembly for meeting in case its business is hindered by the Board or if the Company suffers gross damages or losses.	تختص لجنة المراجعة بالمراقبة على أعمال الشركة، ولها في سبيل ذلك حق الاطلاع على سجلاتها ووثائقها وطلب أي إيضاح أو بيان من أعضاء مجلس الإدارة أو الإدارة التنفيذية، ويجوز لها أن تطلب من مجلس الإدارة دعوة الجمعية العامة للشركة للانعقاد إذا أعاق مجلس الإدارة عملها أو تعرضت الشركة لأضرار أو خسائر جسيمة.
Article (36)	**المادة (36)**
The Audit Committee Reports	**تقارير اللجنة**
The Audit Committee shall look into the Company's financial statements as well as the reports & comments submitted by the auditors and express its related opinions, if any. It shall also prepare reports on its view over the extent of sufficiency of the Company's Internal Audit System and on the activities that it performed within its jurisdiction. The Board of Directors shall lodge sufficient copies of such report in the Company's head office at least ten days prior to the meeting date of the General	على لجنة المراجعة النظر في القوائم المالية للشركة والتقارير والملحوظات التي يقدمها مراجعو الحسابات، وإبداء مرئياتها حيالها إن وجدت، وعليها كذلك إعداد تقرير عن رأيها في شأن مدى كفاية نظام الرقابة الداخلية في الشركة وعما قامت به من أعمال أخرى تدخل في نطاق اختصاصها. وعلى مجلس الإدارة أن يودع نسخاً كافية من هذا التقرير في مركز الشركة الرئيس قبل موعد انعقاد الجمعية العامة بعشرة أيام على الأقل لتزويد كل من رغب من المساهمين نسخة منه. ويتلى التقرير أثناء انعقاد الجمعية.

Assembly in order to provide any shareholder with a copy thereof when so required. Such report shall be read during the meeting of the General Assembly.

CHAPTER VI
AUDITORS

الباب السابع
مراقبو الحسابات

Article (37)
Appointment of Auditors

The Company shall have two Auditors to be appointed annually by the General Assembly from amongst the recognized Chartered Accountants licensed to operate in Saudi Arabia. The said General Assembly shall fix their remuneration and may reappoint or change them.

المادة (37)
تعيين مراقبي حسابات

يكون للشركة مراقبان للحسابات تعينهما الجمعية العامة سنويا من بين المحاسبين القانونيين المعتمدين والمرخص لهم بالعمل في المملكة. وتحدد الجمعية العامة المذكورة مكافأتهما، ولها إعادة تعيينهما أو تغييرهما.

Article (38)
Powers of the Auditors

The Auditors may at any time examine the Company's books and files as well as other documents. They are entitled to require information and explanations which they think are necessary to have. They shall have also the right to examine the Company's assets and liabilities.

المادة (38)
سلطة مراقبي الحسابات

لمراقبي الحسابات في أي وقت الاطلاع على دفاتر الشركة وسجلاتها وغير ذلك من الوثائق. ولهما أن يطلبا البيانات والإيضاحات التي يريان ضرورة الحصول عليها. ولهما أن يفحصا أصول الشركة والتزاماتها.

Article (39)
Auditors' Report

The Auditors shall submit to the annual General Assembly a report in which they shall set forth the position of the Company's management towards enabling them to get the information and explanations they required, any violations of the provisions of the Companies Law or these Articles of

المادة (39)
تقرير مراقبي الحسابات

على مراقبي الحسابات أن يقدما إلى الجمعية العامة السنوية تقريرا يضمنانه موقف إدارة الشركة من تمكينهما من الحصول على البيانات والإيضاحات التي طلباها، وأية مخالفات لأحكام نظام الشركات أو هذا النظام الأساسي، ورأيهما في مدى مطابقة حسابات الشركة للواقع.

Association and their opinion about the Reconciliation of the Company's accounts.

CHAPTER VII
THE COMPANY'S ACCOUNTS AND DISTRIBUTION OF PROFITS

الباب الثامن
حسابات الشركة وحصص الأرباح

Article (40)

Financial Year

The Company's financial year shall commence on January 1st and shall end on December 31st of each Gregorian Year. However, the Company's first financial year shall be the period starting from the date of the commencement of business by Company and ending on December 31st, 1980.

المادة (40)

السنة المالية

تبدأ سنة الشركة المالية من أول يناير وتنتهي في 31 ديسمبر من كل عام ميلادي على أن تكون السنة المالية الأولى للشركة منذ بداية الشركة وحتى 31 ديسمبر 1980م.

Article (41)

Financial Documentation

The Board of Directors shall prepare at the end of each financial year an inventory of the Company's assets and liabilities at the said date as well as a balance sheet, a profit and loss account and a report about the Company's activities and financial position. The report shall recommend the manner of distribution of the net profits. The Board of Directors shall make these documents available to the Auditors at least 45 days before the date fixed for the meeting of the General Assembly.

The Chairman of the Board, CEO and CFO shall sign the said documents and they shall be placed at the disposal of the shareholders in the Company's Head Office at least ten days before the date fixed for the

المادة (41)

الوثائق المالية

يعد مجلس الإدارة في نهاية كل سنة مالية جردا لقيمة أصول الشركة وخصومها في التاريخ المذكور، كما يعد ميزانية الشركة وحساب الأرباح والخسائر وتقريرا عن نشاط الشركة ومركزها المالي.

ويتضمن هذا التقرير الطريقة التي يقترحها لتوزيع الأرباح الصافية. ويضع المجلس هذه الوثائق تحت تصرف مراقبي الحسابات قبل الموعد المحدد لانعقاد الجمعية العامة بـ (45) خمسة وأربعين يوما على الأقل.

ويوقع رئيس مجلس الإدارة والرئيس التنفيذي والمدير المالي على الوثائق المذكورة، وتودع في المركز الرئيسي للشركة تحت تصرف المساهمين قبل الموعد المحدد لانعقاد الجمعية العامة بعشرة أيام على الأقل.

meeting of the General Assembly.

The Chairman of the Board of Directors shall provide the shareholders with the financial statements, Board report and auditor report unless these are published in a daily gazette circulated within the city where the Head Office of the Company is situated. Copies of these documents shall be sent to General Department of Companies, CMA and SAMA at least 15 days before the date of the meeting of the General Assembly.

على رئيس مجلس الإدارة أن يزود المساهمين بالقوائم المالية للشركة، وتقرير مجلس الإدارة، وتقرير مراجع الحسابات، ما لم تنشر في صحيفة يومية توزع في المدينة التي يقع فيها المقر الرئيس للشركة. و أن يرسل صورة من هذه الوثائق إلى الإدارة العامة للشركات وهيئة السوق المالية ومؤسسة النقد العربي السعودي وذلك قبل تاريخ انعقاد الجمعية العامة بـ (15) خمسة عشر يوماً على الأقل.

Article (42)

Distribution of Profits

المادة (42)

توزيع الأرباح

The annual net profit arrived at after deducting all general expenditures and other expenses and after constituting the necessary provisions for bad debts and for losses on investments and for contingent liabilities as the Board of Directors shall deem fit in conformity with the Banking Control Law shall be allocated as follows:

توزع أرباح الشركة السنوية الصافية التي تحددها بعد خصم كل المصروفات العمومية والتكاليف الأخرى وتكوين الاحتياطيات اللازمة لمواجهة الديون المشكوك فيها وخسائر الاستثمارات والالتزامات الطارئة التي يرى مجلس الإدارة ضرورتها بما يتفق وأحكام نظام مراقبة البنوك على النحو الآتي:

(a) The calculation of sums required for the payment of the Zakat due on Saudi Shareholders and the tax due on non-Saudi Shareholders will be as prescribed by the laws in force in Saudi Arabia. Such sums shall be remitted by the Company to the authorities concerned. Zakat paid for the Saudi Shareholders shall be deducted from their share in the net profit and the tax paid for the non-Saudi Shareholders shall be

(أ) تحتسب المبالغ اللازمة لدفع الزكاة المقررة على المساهمين السعوديين والضريبة المقررة على الجانب غير السعودي طبقا للأنظمة النافذة في المملكة العربية السعودية. وتقوم الشركة بدفع هذه المبالغ للجهات المختصة. وتحسم الزكاة المدفوعة عن السعوديين من نصيبهم في صافي الربح كما تخصم الضريبة المدفوعة عن الجانب غير السعودي من نصيبهم في صافي الربح.

deducted from their share in the net profit.

(b) A sum of at least 25 percent of the remaining net profit after deduction of Zakat and tax as indicated in item (a) above shall be allocated for constituting the Statutory Reserve until the said reserve equals at least the paid-up share capital.

(ب) يرحل ما لا يقل عن 25 في المائة من المتبقي من الأرباح الصافية بعد حسم الزكاة والضريبة، كما ذكر في الفقرة (أ) أعلاه، للاحتياطي القانوني إلى أن يصبح الاحتياطي المذكور مساويا عل الأقل لراس المال المدفوع.

(c) Out of the remaining profit after the deduction of Statutory Reserve, Zakat and tax, an amount not less than 5 percent of paid-up capital shall be allocated to Saudi and non-Saudi shareholders. The said amount shall be distributed in proportion to the paid-up part of the shares of the Saudi and non-Saudi shareholders as recommended by the Board of Directors and approved by the General Assembly. In case the remaining net profit accruing to any of the two categories of Saudi and non-Saudi shareholders is not sufficient for paying the said dividend in any one year to the category of shareholders concerned, shareholders shall not be entitled to claim it in the following year or years. No larger dividend shall be declared by the General Assembly than is recommended by the Board of Directors.

(ت) (3) يخصص من الباقي من الأرباح بعد حسم الاحتياطي القانوني والزكاة والضريبة مبلغ لا يقل عن 5% من رأس المال المدفوع للتوزيع على المساهمين السعوديين وغير السعوديين، على أن يتم توزيعه بنسبة المدفوع من قيمة أسهم السعوديين وغير السعوديين طبقا لما يقترحه مجلس الإدارة وتقرره الجمعية العامة. فإذا كانت النسبة المتبقية من الأرباح المستحقة لأي من المساهمين السعوديين أو غير السعوديين لا تكفي لدفع الأرباح المذكورة للمساهمين المعنيين، فلا يجوز للمساهمين المطالبة بدفعها في السنة أو السنوات التالية. ولا يجوز للجمعية العامة أن تقرر توزيع نسبة من الأرباح تزيد عما اقترحه مجلس الإدارة.

(d) The remaining after allocations made as set forth in paragraphs (a), (b) and (c) herein

(ث) يستخدم الباقي بعد تخصيص المبالغ المذكورة في الفقرات (أ) ، (ب) ، (ت) السابقة على النحو

	shall be disposed of in the manner recommended by the Board of Directors and approved by the General Assembly.	الذي يقترحه مجلس الإدارة وتقرره الجمعية العامة.	
(e)	The respective percentage of shareholdings of each of the Saudi and non-Saudi shareholders shall always be observed when calculating the sums to be allocated as statutory reserve and other reserves out of the net profit after deducting Zakat and tax. Each of the two categories of Shareholders shall participate in such allocations on a prorata basis and out of their respective share in the net profit.	يجب الحفاظ على نسبة المساهمة لكل من السعوديين وغير السعوديين عند احتساب المخصصات اللازمة للاحتياطي القانوني والاحتياطات الأخرى من صافي الأرباح، بعد الزكاة والضريبة. ويجب على كل من مجموعتي المساهمين المساهمة في تلك الاحتياطات حسب نسبهم في رأس المال على أن تخصم مساهماتهم من حصصهم في الأرباح الصافية.	(ج)
(f)	Subject to Clause (a) hereof and related regulatory rules and after securing no-objection from SAMA, the company may distribute provisional profits on semi-annual or quarterly basis.	يجوز للشركة مع مراعاة ما ورد في الفقرة (أ) من هذه المادة والقواعد التنظيمية ذات العلاقة وبعد الحصول على عدم ممانعة مؤسسة النقد العربي السعودي، توزيع أرباح مرحلية بشكل نصف سنوي أو ربع سنوي.	(ح)

Article (43)	**المادة (43)**
Payment of Dividends	**استحقاق الأرباح**
Dividends payable to shareholders shall be paid at the place and on the dates determined by the Board of Directors. The Company may retain any dividends payable to any shareholder and may apply the same in or towards the satisfaction of such shareholder's debts or liabilities owed by such shareholder to the Company.	تدفع حصص الأرباح إلى المساهمين في المكان والمواعيد التي يحددها مجلس الإدارة. وللشركة أن تحبس حصة الأرباح المستحقة لأي مساهم وأن تستخدمها في أداء ما في ذمته من ديون والتزامات للشركة.
Article 44	**المادة (44)**
Distribution of Profits for Preference Shares	**توزيع الأرباح للأسهم الممتازة**

اسم الشركة	النظام الاساسي		وزارة التجارة والاستثمار (الإدارة العامة للشركات - إدارة حوكمة الشركات)
مجموعة سامبا المالية سجل تجاري رقم (1010035319)	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م		وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات
	رقم الصفحة	42 من 39 صفحة	

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

(a) If no profits have been distributed for any financial year, no profits for next years shall be distributed without payment of the prescribed percentage set out in the provisions of Article (114) of the Companies' Law to the owners of preference shares for this year.	(أ) إذا لم توزع أرباح عن أي سنة مالية، فإنه لا يجوز توزيع أرباح عن السنوات التالية إلا بعد دفع النسبة المحددة وفقاً لحكم المادة (114) من نظام الشركات لأصحاب الأسهم الممتازة عن هذه السنة.
(b) In the event that the company fails to pay the prescribed profit percentage pursuant to the provisions of Article (114) of the Companies' Law for three consecutive years, the designated assembly of owners of such shares, held in accordance with Article (89) of the Companies' Law, may decide either they attend the meetings of the Company's General Assembly and participate in the voting, or appoint their representatives in the Board of Directors in proportion to the value of their shares in the total share capital, until the Company is able to pay all the preferential profits allocated to the owners of these shareholders for the previous years.	(ب) إذا فشلت الشركة في دفع النسبة المحددة وفقاً لحكم المادة (114) من نظام الشركات من الأرباح لمدة ثلاث سنوات متتالية، فإنه يجوز للجمعية الخاصة لأصحاب هذه الأسهم، المنعقدة طبقاً لأحكام المادة (89) من نظام الشركات، أن تقرر إما حضورهم اجتماعات الجمعية العامة للشركة والمشاركة في التصويت، أو تعيين ممثلين عنهم في مجلس الإدارة بما يتناسب مع قيمة أسهمهم في رأس المال، وذلك إلى أن تتمكن الشركة من دفع كل أرباح الأولوية المخصصة لأصحاب هذه الأسهم عن السنوات السابقة.
CHAPTER VIII	**الباب الثامن**
DISPUTES	**المنازعات**
Article (45)	**المادة (45)**
Any shareholder shall have the right to file on behalf of the Company a claim of liability against the Members of the Board of Directors, in case the	لكل مساهم الحق في أن يرفع دعوى المسؤولية نيابة عن الشركة ضد أعضاء مجلس الإدارة إذا كان من شأن الخطأ الذي وقع منهم إلحاق ضرر خاص به بشرط أن

وزارة التجارة والاستثمار الادارة العامة للشركات (إدارة حوكمة الشركات)	النظام الاساسي	اسم الشركة
وزارة التجارة والاستثمار Ministry of Commerce and Investment إدارة حوكمة الشركات	تاريخ الإيداع 06 /09/ 1438 الموافق 01 /06/ 2017 م رقم الصفحة: 42 من 40 صفحة	مجموعة سامبا المقيه سجل تجاري: (1010035319)

*تم اصدار نسخة النظام بناء على قرار الجمعية العامة غير العادية بتاريخ 1438/08/04هـ

wrongful act that was committed by them is of a nature that causes direct damage to such shareholder, provided that the Company's right to file such claim is still in force. The shareholder shall inform the Company of the intention to file the claim.	يكون حق الشركة في رفع هذه الدعوى لا يزال قائما ويجب على المساهم أن يخطر الشركة بعزمه على رفع الدعوى.
CHAPTER IX	**الباب التاسع**
Dissolution and Winding Up of the Company	**حل الشركة وتصفيتها**
Article (46)	**المادة (46)**
With consideration of the provisions of the Companies Law, the Banking Control Law and its execution rules and the relevant regulations, in case the losses of the Company totaled three quarters of the Share Capital, any officer of the Company or the Auditors, as soon as they are aware of such fact, they have to inform the Board of Directors, and the Board of Directors shall convene the Extraordinary General Assembly to consider whether the Company shall continue to operate or to be dissolved before the expiry of its term.	مع مراعاة أحكام نظام الشركات ونظام مراقبة البنوك وقواعد تطبيقه والتعليمات ذات العلاقة، إذا بلغت خسائر الشركة نصف رأس المال وجب على أي مسؤول في الشركة أو مراجعي الحسابات فور علمه بذلك إبلاغ رئيس مجلس الإدارة، وعلى مجلس الإدارة دعوة الجمعية العامة غير العادية للنظر في استمرار الشركة أو حلها قبل انتهاء أجلها.
For such reason or any other reason, or in case the term of the Company expires, the Extraordinary General Assembly shall, upon the suggestion of the Board of Directors, determine the method of the liquidation, appoint one or more liquidators and determine their powers and fees.	وإذا تقرر حل الشركة قبل الأجل المحدد لها لهذا السبب أو لأي سبب آخر أو لانتهاء مدة الشركة تقرر الجمعية العامة غير العادية بناء على اقتراح مجلس الإدارة طريقة التصفية وتعين مصف أو أكثر وتحدد سلطاتهم وأتعابهم.
The powers of the Board of Directors shall cease upon the dissolution of the Company. However, the Board shall continue the management of the	تنتهي سلطة مجلس الإدارة عند حل الشركة. ومع ذلك يستمر المجلس قائما على إدارة الشركة إلى أن يتم تعيين المصفي. وتبقى لأجهزة الشركة الأخرى سلطاتها بالقدر

Company until the liquidator is appointed. The Company's other organs shall retain their respective powers to the limits that are not incompatible with the powers of the liquidators.	الذي لا يتعارض مع سلطات المصفين.
SECTION X	**الباب العاشر**
MISCELLANEOUS PROVISIONS	**أحكام ختامية**
Article (47)	**المادة (47)**
Seal of the Company	**خاتم الشركة**
The Board of Directors shall procure a seal containing the name of the Company which shall be affixed to documents as deemed necessary or desirable by the Board of Directors, the Executive Committee or the Managing Director.	يعد مجلس الإدارة خاتما للشركة تختم به الوثائق التي يرى مجلس الإدارة أو اللجنة التنفيذية أو العضو المنتدب ضرورة أو أن من المفيد ختمها به.
Article (48)	**المادة (48)**
Application of the Companies Law	**تطبيق نظام الشركات**
The Companies Law shall apply whenever these Articles of Association are silent.	يطبق نظام الشركات على كل ما لم يرد ذكره في هذا النظام الأساسي.
Article 49	**المادة (49)**
Miscellaneous	أحكام عامة
These Articles of Association shall be deposited and promulgate d in accordance with the Companies Law and all the provisions of the Banking Control Law shall be duly complied with.	يودع هذا النظام الأساسي وينشر طبقا لأحكام نظام الشركات، وتراعى كافة أحكام نظام مراقبة البنوك.

الأهلي
NCB