SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AND AUDITORS' REPORT FOR THE

YEAR ENDED DECEMBER 31, 2020

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, 2020, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed 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 ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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, a description of how our audit addressed the matter is set out below, 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) (continued)

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>
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Expected credit loss allowance against loans and advances

As at December 31, 2020, the gross loans and advances amounted to SAR 159,997.3 million (2019: SAR 144,694.9 million) against which an Expected Credit Loss ("ECL") allowance of SAR 3,973.4 million (2019: SAR 3,099.6 million) was maintained.

We considered this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL under the requirments of *IFRS 9 - Financial Instruments* ("IFRS 9"). The key areas of judgement include:

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

  In accordance with the requirements of IFRS 9, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12 month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the financing ('Lifetime ECL').

  The Group has applied judgements to identify and estimate the likelihood of borrowers experiencing SICR notwithstanding the government support programs that resulted in repayment deferrals to certain counterparties. The repayment deferrals were not deemed to have triggered SICR by themselves in isolation of other factors.

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- We obtained and updated our understanding of management's assessment of the ECL allowance against loans and advances including the Group's internal rating model, accounting policy, model methodology, as well any key changes made in light of the COVID-19 pandemic.

- We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9.

- We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant IT general and application controls) in relation to:
  - the ECL model (including governance over the model, its validation, approval of key assumptions and post model overlays, if any);
  - the classification of borrowers into various stages and timely identification of SICR, and the determination of default / individually impaired exposures;
  - the IT systems and applications underpinning the ECL model; and
  - the data inputs into the ECL model.

- For a sample of customers, we assessed:
  - the internal ratings determined by management based on the Group's internal model and considered these assigned ratings in light of external market conditions and available industry information in particular, with reference to the impacts of the COVID-19 pandemic, and also assessed that these were consistent with the ratings used as input in the ECL model;
  - the staging as identified by management; and
  - management's computations for ECL.

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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) (continued)

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
Expected credit loss allowance against loans and advances (continued)	
➢ 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 counterparties, expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities.	➢ We assessed the appropriateness of the Group's criteria for the determination of SICR and default and the identification of individually impaired exposures; and their classification into stages. Further, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification including customers who were eligible for deferral of instalments under government support programs (with specific focus on customers operating in sectors most affected by the COVID-19 pandemic).
➢ The need to apply post model overlays using expert credit judgement to reflect all relevant risk factors that might not be captured by the ECL model.	➢ We assessed the governance process established by the Group and the qualitative factors considered by the Group when applying any overlays or making any adjustment to the output from the ECL model, due to data or model limitations or otherwise.
The application of these judgments, particularly in light of the global pandemic, have given rise to greater estimation uncertainty around ECL and therefore affected the associated audit risk thereon as at December 31, 2020.	➢ We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model, including forward looking assumptions, keeping in view the uncertainty and volatility in economic scenarios due to the COVID 19 pandemic.
Refer to the summary of significant accounting policy note 2.16 for the impairment of financial assets; note 2.6(a) which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group; note 6(b) 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; and note 40 for impact of the COVID-19 pandemic on ECL.	➢ We tested the completeness and accuracy of data underpinning the ECL calculations as at December 31, 2020. ➢ Where relevant, we involved our specialists, including IT specialists, to assist us in reviewing ECL model calculations, evaluating inputs and assessing reasonableness of assumptions used, particularly around macroeconomic variables, macroeconomic scenarios and probability weights. ➢ We assessed the adequacy of related disclosures in the 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) (continued)

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 derivatives	
The Group has entered into various derivative transactions, including special commission rate and currency swaps ("swaps"); forward foreign exchange contracts ("forwards"); currency, special commission rate and equity options ("options"); and other derivative contracts. Swaps, forwards, options and other derivative contracts include over-the-counter ("OTC") derivatives, and 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 valuation inputs that are not market observable. *Refer to the basis of preparation note 2.6(b) to the consolidated financial statements which sets out the critical accounting judgements, estimates and assumptions regarding fair value measurement; the summary of significant accounting policies note 2.8 for the accounting policy relating to derivative financial instruments 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 process for valuation of derivatives and hedge accounting, including the testing of relevant automated controls covering the fair valuation process for 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; • Assessed the key inputs to the valuation models; • Performed independent valuations of the derivatives and compared the result with management's valuation; • Checked the hedge effectiveness performed by the Group and the related hedge accounting; and • Assessed the adequacy of disclosures around the valuation basis and inputs used in the fair value measurement as detailed in the 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) (continued)

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**
SAMA support program and related government grant	
In response to the COVID-19 pandemic, the Saudi Central Bank ("SAMA") launched a number of initiatives, including the liquidity support programme for banks and the Private Sector Financing Support Program ("PSFSP"). The PSFSP was launched in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs"). The PSFSP included deferred payments program whereby the Group deferred the instalments payable by MSMEs during a period from March 14, 2020 to March 31, 2021. In order to compensate the Group with respect to the losses incurred in connection with the above PSFSP and the liquidity support programme, the Group has received profit free deposits of varying maturities amounting in aggregate to SAR 6.5 billion. The difference between fair value of such deposits at initial recognition, determined using market rates of deposits of similar value and tenure, and their face value has been considered as a government grant and accounted for in accordance with the International Accounting Standard 20: *Government Grants* ("IAS 20"). We considered the accounting for the deposits and government grant received under the SAMA support programme as a key audit matter because: ➢ these deposits represent significant events and material transactions that occurred during the year, and thereby required significant auditors' attention; and ➢ the recognition and measurement of government grants have involved significant management judgement including but not limited to: • determining the appropriate discount rate to be used; and • identifying the objective of each individual deposit to determine the timing of recognition of the associated grant. *Refer to the significant accounting policy note 2.31 to the consolidated financial statements relating to government grant accounting; and note 40 which contains the disclosure of SAMA support programms and details of the government grant received over the year from SAMA.*	We obtained an understanding of the various programmes and initiatives taken by SAMA during the year ended December 31, 2020 in response to COVID-19, and assessed the objectives of the deposits received by the Group in relation thereto to assess the appropriateness of the application of IAS20 (and recogntion of government grant) by the Group. We checked the accuracy of the government grants computation (including discount rates used) and assessed the appropriateness of the timing of recognition of the government grants by the Group. We assessed the appropriateness of related disclosures in the 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) (continued)

Report on the audit of the consolidated financial statements (continued)

Other Information included in the Group's 2020 Annual Report

Management is responsible for the other information in the Group's annual report. Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS as endorsed in KSA, 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 controls as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 ISAs that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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) (continued)

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 ISAs that are 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents 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 controls that we identify during our audit.

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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) (continued)

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 for 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 while performing our audit procedures, 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 Regulation 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

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16 Rajab 1442H
(28 February 2021)

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2020 and 2019

	Notes	2020 SAR'000	2019 SAR'000
ASSETS			
Cash and balances with Central Banks	3	22,854,288	18,138,081
Due from banks and other financial institutions, net	4	3,664,048	3,628,391
Investments, net	5	101,225,133	85,013,253
Derivatives	9	6,890,277	4,751,659
Loans and advances, net	6, 35	156,023,919	141,595,245
Property and equipment, net	7	3,411,696	3,066,858
Other assets	8	2,875,924	3,334,761
Total Assets		**296,945,285**	**259,528,248**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	21,549,239	15,646,808
Customer deposits	11, 35	207,705,759	180,165,680
Term loan	12	2,159,737	2,168,095
Debt securities in issue	13	5,588,877	3,746,454
Derivatives	9	4,423,214	3,457,195
Other liabilities	14	7,467,906	8,895,184
Total Liabilities		**248,894,732**	**214,079,416**
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	16	20,000,000	20,000,000
Statutory reserve	17	19,399,099	18,348,111
General reserve	17	130,000	130,000
Fair value and other reserves	18	2,420,989	2,752,040
Retained earnings		6,926,830	3,696,851
Proposed dividend		-	1,393,898
Treasury stocks		(919,330)	(962,080)
Total equity attributable to equity holders of the Bank		**47,957,588**	**45,358,820**
Non-controlling interest		92,965	90,012
Total Equity		**48,050,553**	**45,448,832**
Total Liabilities and Equity		**296,945,285**	**259,528,248**

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh Chief Financial Officer	Mohammed A. Al-Shaikh Acting Chief Executive Officer	Ammar Alkhudairy Chairman

STATEMENTS OF CONSOLIDATED INCOME
For the years ended December 31, 2020 and 2019

	Notes	2020 SAR'000	2019 SAR'000
Special commission income	20	7,445,012	8,426,784
Special commission expense	20	1,772,597	2,050,136
Special commission income, net		**5,672,415**	**6,376,648**
Fees and commission income, net	21	1,252,267	1,268,406
Exchange income, net		328,764	307,022
Income from investments held at FVIS, net		385,383	203,740
Trading income net	22	248,715	170,204
Gains on FVOCI debt, net	23	1,372,584	77,668
Other operating income, net	24	164,968	196,663
Total operating income		**9,425,096**	**8,600,351**
Salaries and employee related expenses	25	1,562,369	1,487,485
Rent and premises related expenses		311,377	334,279
Depreciation and amortisation	7	228,989	204,299
Other general and administrative expenses		1,005,543	851,765
Total operating expenses before credit impairment provision		**3,108,278**	**2,877,828**
Provision for credit impairment, net of recoveries	6	1,399,841	1,103,036
Total operating expenses		**4,508,119**	**3,980,864**
Net income for the years before zakat and taxation		**4,916,977**	**4,619,487**
Zakat for the year	27	611,322	576,867
Current and deferred tax for the year	27	101,704	51,940
Net income for the years after zakat and taxation		**4,203,951**	**3,990,680**
Attributable to:			
Equity holders of the Bank		4,200,821	3,984,295
Non-controlling interest		3,130	6,385
Basic earnings per share for the years (SAR)	26	**2.15**	**2.04**
Diluted earnings per share for the years (SAR)	26	**2.10**	**1.99**

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh Chief Financial Officer	Mohammed A. Al-Shaikh Acting Chief Executive Officer	Ammar Alkhudairy Chairman

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019

	Note	2020 SAR'000	2019 SAR'000
Net income for the years after zakat and taxation		4,203,951	3,990,680
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		(684,948)	544,165
- Changes due to remeasurements of defined employee benefit obligation	15	(109,267)	(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		(6,974)	(47,594)
FVOCI debt financial assets :			
- Net change in fair values		1,721,191	2,082,473
- Transfers to statements of consolidated income		(1,372,584)	(77,668)
- Changes in allowance for expected credit losses		26,474	32,868
Cash flow hedges:			
- Net change in fair values		334,624	121,576
- Transfers to statements of consolidated income		(180,573)	(33,502)
Other comprehensive (loss) / income for the years		(272,057)	2,507,004
Total comprehensive income for the years		3,931,894	6,497,684
Attributable to:			
Equity holders of the Bank		3,928,941	6,500,474
Non-controlling interest		2,953	(2,790)
Total		3,931,894	6,497,684

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY
For the years ended December 31, 2020 and 2019

		Attributable to equity holders of the Bank												
					Fair value and other reserves									
2020 (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		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		-	-	-	-	-	-	-	20,975	-	42,750	63,725	-	63,725
Transfer to statutory reserve	17	-	1,050,988	-	-	-	-	-	(1,050,988)	-	-	-	-	-
2019 final dividend paid		-	-	-	-	-	-	-	-	(1,393,898)	-	(1,393,898)	-	(1,393,898)
Subtotal		20,000,000	19,399,099	130,000	(307,021)	3,186,098	(11,723)	(115,314)	2,666,838	-	(919,330)	44,028,647	90,012	44,118,659
Net Income for the year after zakat and taxation		-	-	-	-	-	-	-	4,200,821	-	-	4,200,821	3,130	4,203,951
Other Comprehensive income for the year	18	-	-	-	(10,080)	(365,755)	154,051	(109,267)	59,171	-	-	(271,880)	(177)	(272,057)
Total comprehensive income for the year		-	-	-	(10,080)	(365,755)	154,051	(109,267)	4,259,992	-	-	3,928,941	2,953	3,931,894
Balance at end of the year		20,000,000	19,399,099	130,000	(317,101)	2,820,343	142,328	(224,581)	6,926,830	-	(919,330)	47,957,588	92,965	48,050,553
2019 **(SAR '000)**														
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		-	-	-	-	-	-	-	(1,393,898)	1,393,898	-	-	-	-
2019 Interim dividend paid		-	-	-	-	-	-	-	(1,437,500)	-	-	(1,437,500)	-	(1,437,500)
2018 final dividend paid		-	-	-	-	-	-	-	-	(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

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended December 31, 2020 and 2019

	Notes	2020 SAR'000	2019 SAR'000
OPERATING ACTIVITIES			
Net income for the years before zakat and taxation		**4,916,977**	**4,619,487**
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments, net		(118,653)	(28,602)
Income from investments held at FVIS, net		(385,383)	(203,740)
Gain on FVOCI debt, net	23	(1,372,584)	(77,668)
Depreciation	7	228,989	204,299
Gain on disposal of property and equipment, net	24	(310)	(1,816)
Provision for credit impairment, net of recoveries / reversals	6	1,399,841	1,103,036
Interest on term loan and debt securities in issue, net of discount		187,025	54,747
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		(2,153,508)	(416,712)
Due from banks and other financial institutions maturing after ninety days		959,415	9,343,492
Investments held at FVIS		(828,578)	203,055
Derivatives		(2,138,618)	(1,305,887)
Loans and advances		(15,587,540)	(28,992,090)
Other assets		458,837	(2,636,122)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		5,902,431	7,775,234
Customer deposits		27,540,079	9,995,634
Derivatives		966,018	999,772
Other liabilities		(1,791,841)	1,856,175
		18,182,597	2,492,294
Zakat and income tax paid		(572,863)	(832,190)
Net cash from operating activities		**17,609,734**	**1,660,104**
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		53,128,212	8,267,484
Purchase of non-trading investments		(66,941,976)	(24,249,047)
Purchase of property and equipment, net of exchange adjustments		(573,668)	(579,683)
Proceeds from sale of property and equipment		151	3,785
Net cash used in investing activities		**(14,387,281)**	**(16,557,461)**
FINANCING ACTIVITIES			
Dividends paid		(1,367,555)	(3,404,418)
Term loan		(42,264)	2,156,250
Debt securities issued		1,819,466	3,703,552
Debt securities payment		(130,161)	-
Treasury stocks, net		63,726	80,713
Net cash from financing activities		**343,212**	**2,536,097**
Increase / (decrease) in cash and cash equivalents		**3,565,665**	**(12,361,260)**
Cash and cash equivalents at the beginning of the year	28	11,555,209	23,916,469
Cash and cash equivalents at the end of the year	28	**15,120,874**	**11,555,209**
Special commission received during the year		7,445,699	8,194,220
Special commission paid during the year		(1,729,037)	(1,891,405)
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		(155,816)	2,669,912
Right of use assets		482,596	438,148

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements

Abdul Haleem Sheikh	Mohammed A. Al-Shaikh	Ammar Alkhudairy
Chief Financial Officer	Acting Chief Executive Officer	Chairman

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 (2019: 73 branches) in the Kingdom of Saudi Arabia and three overseas branches (2019: two branches). The Bank including its overseas branches employed 3,609 full time direct staff at the year-end (2019: 3,614). 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.

During 2020, Samba Capital formed two special purpose entities namely Samba US Logistics Fund L.P., an exempted limited partnership, registered on 9 September 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on 7 July 2020. These entities are governed under the laws of Cayman Island and are formed for the purpose of holding and managing principal investments.

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 Central Bank ("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 100% 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 years ended December 31, 2020 and 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 as endorsed 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 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 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 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

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 January 01, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase 2

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

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

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

December 31, 2020 **SAR 000's**	Non- derivative financial assets - carrying value	Non- derivative financial liabilities - carrying value	Derivatives notional amount
EIBOR AED	965,670	-	-
EURIBOR EUR	218,412	-	-
LIBOR USD	25,075,830	2,531,250	132,486,887
SAIBOR SAR	79,971,434	394,400	93,586,678

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.

The Group has exercised judgement in the assessment / determination of the impact of Covid-19 on ECL as well as analysis of the financial reporting impacts of SAMA support programmes.
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 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.

(c) Going Concern

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

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

The Bank has various netting agreements in place with counterparties to manage the associated credit risks. Such arrangements primarily include over-the-counter and exchange traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default.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.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

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

Financial liabilities

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

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

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 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 grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Bank. Where the customer is the ultimate beneficiary, the Bank only records the respective receivable and payable amounts.

2.32 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.

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

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

Tawaraq is a form of Murabaha transactions where the Bank purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

3. Cash and balances with Central Banks

	2020 SAR '000	2019 SAR '000
Cash in hand	1,329,173	1,225,927
Statutory deposit	11,397,462	9,243,954
Current account	1,347,019	525,547
Money market placements	8,780,634	7,142,653
Total	22,854,288	18,138,081

In accordance with the Banking Control Law and regulations issued by Saudi Central Bank ("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 balances. 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

	2020 SAR '000	2019 SAR '000
Current accounts	1,677,314	2,609,176
Money market placements	1,998,245	1,022,832
	3,675,559	3,632,008
Credit impairment provision	(11,511)	(3,617)
Total	3,664,048	3,628,391

Included above are Shariah approved money market placements amounting to SR 1,000 million (2019: SR 100 million)

5. Investments, net

a) Investment securities are classified as follows:

i) Held at fair value through income statement (FVIS)

	Domestic		International		Total	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Fixed rate securities	1,553,637	2,353,134	-	143,381	1,553,637	2,496,515
Floating rate securities	-	-	408,928	-	408,928	-
Structured credits	-	-	95,922	178,856	95,922	178,856
Hedge funds	-	-	2,372,389	1,963,836	2,372,389	1,963,836
Private equities	-	-	2,014,441	1,078,155	2,014,441	1,078,155
Equities	260,083	375,418	223,290	7,332	483,373	382,750
Total Held at FVIS	1,813,720	2,728,552	5,114,970	3,371,560	6,928,690	6,100,112

ii) Held at fair value through other comprehensive income (FVOCI)

	Domestic		International		Total	
	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000	2020 SAR '000	2019 SAR '000
Fixed rate securities	51,754,555	29,540,005	10,757,271	4,247,912	62,511,826	33,787,917
Floating rate notes	8,476,139	18,732,626	10,232,667	8,687,561	18,708,806	27,420,187
Equities	3,021,627	3,752,178	544,872	331,749	3,566,499	4,083,927
Total Held at FVOCI	63,252,321	52,024,809	21,534,810	13,267,222	84,787,131	65,292,031

During the year the Bank has sold some of the equities and realised a gain of SR 41.3 million (2019: SR 17.8 million loss) which is already included in other comprehensive income and transferred to retained earnings.

Dividend income recognized during 2020 for FVOCI investments amount to SR 78.5 million (2019: SR 132.8 million)

iii) Held at amortized cost, net

	Domestic		International		Total	
	2020	2019	2020	2019	2020	2019
	SAR '000	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**
Fixed rate securities	9,438,198	13,517,272	75,559	107,785	9,513,757	13,625,057
Credit impairment provision	(4,445)	(3,947)	-	-	(4,445)	(3,947)
Total held at amortized cost	9,433,753	13,513,325	75,559	107,785	9,509,312	13,621,110
Total investments, net	74,499,794	68,266,686	26,725,339	16,746,567	101,225,133	85,013,253

b) The composition of investments is as follows:

	2020 **(SAR'000)**			2019 **(SAR'000)**		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	56,624,258	6,501,917	63,126,175	38,496,953	11,408,589	49,905,542
Floating rate notes	13,825,136	15,455,134	29,280,270	12,067,555	15,352,632	27,420,187
Equities	3,073,599	2,014,441	5,088,040	4,466,678	1,078,154	5,544,832
Others	153,986	3,576,662	3,730,648	217,287	1,925,405	2,142,692
Total	73,676,979	27,548,154	101,225,133	55,248,473	29,764,780	85,013,253

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, 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, 2020 was SR 18,875 million (2019: SR 8,056 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:

	2020 **(SAR'000)**				2019 **(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	9,513,757	870,732	-	10,384,489	13,621,110	323,806	(18,138)	13,926,778
Grand total	9,513,757	870,732	-	10,384,489	13,621,110	323,806	(18,138)	13,926,778

d) The investments by counter-party, net are as follows:

	2020	2019
	SAR '000	**SAR '000**
Government and quasi government	76,469,706	62,737,078
Banks and other financial institutions	8,824,448	11,262,654
Corporate	7,102,013	7,271,807
Hedge funds	2,372,389	1,963,836
Others	6,456,577	1,777,878
Total	101,225,133	85,013,253

e) Shariah approved investments

The analysis of Shariah approved investments including sukuk is as follows:

	Fixed rate		Floating rate		Total	
	2020	2019	2020	2019	2020	2019
	SAR '000	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**
FVIS	1,553,740	2,496,515	-	-	1,553,740	2,496,515
FVOCI	33,195,295	22,475,329	3,438,639	3,397,626	36,633,934	25,872,955
Held at amortized cost	2,895,702	2,900,859	-	-	2,895,702	2,900,859
Total	37,644,737	27,872,703	3,438,639	3,397,626	41,083,376	31,270,329

6. Loans and advances, net

a) Loans and advances are classified as amortised cost and detailed as follows:

2020 **(SAR '000)**	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Performing loans and advances	1,254,004	21,859,555	133,759,406	745,847	157,618,812
Non-performing loans and advances	-	20,787	2,352,824	4,897	2,378,508
Total	1,254,004	21,880,342	136,112,230	750,744	159,997,320
Credit impairment provision	(103,779)	(330,246)	(3,534,959)	(4,417)	(3,973,401)
Loans & advances, net	1,150,225	21,550,096	132,577,271	746,327	156,023,919

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

b) Movement in provision for credit impairment are as follows:

2020 **(SAR '000)**	Credit cards	Consumer loans	Commercial loans and advances	Others	Total
Balance at the beginning of the year	104,902	285,758	2,704,018	4,950	3,099,628
Provided during the year, net	(1,123)	45,098	1,045,235	211	1,089,421
Bad debts written off	-	(22)	(213,799)	(46)	(213,867)
Recoveries of amounts previously provided	-	(588)	(495)	(698)	(1,781)
Balance at the end of the year	103,779	330,246	3,534,959	4,417	3,973,401

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	-	(1,517)	(9,074)	(478)	(11,069)
Balance at the end of the year	104,902	285,758	2,704,018	4,950	3,099,628

During the year, the Group has charged an amount of SR 1,399 million (2019: SR 1,103 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. This includes amounts related to due from banks of SR 7.8 million (2019: SR 12.8 million reversal), investments of SR 26.9 million (2019: SR 8.2 million), and loan commitments and financial guarantee contracts of SR 232.5 million (2019: SR 9.6 million)

c) Credit quality of loans and advances

i) Ageing of loans and advances past due but not impaired

2020 **(SAR '000)**	Credit cards	Consumer loans	Commercial loans and advances	Total
Less than 90 days	75,712	946,888	1,566,202	2,588,802
90 days and more	27,275	85,133	332,362	444,770
Total	102,987	1,032,021	1,898,564	3,033,572

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

ii) Economic sector risk concentration for the loans and advances and the related credit impairment provision as follows:

2020 **(SAR '000)**	Performing	Non-performing	Credit impairment provision	Loans & advances, net
Government and quasi government	7,399,295	-	8,758	7,390,537
Banks and other financial institutions	8,412,721	-	11,828	8,400,893
Agriculture and fishing	2,695,641	3,242	19,689	2,679,194
Manufacturing	17,074,514	170,362	570,568	16,674,308
Mining and quarrying	2,934,566	93	8,598	2,926,061
Electricity, water, gas and health services	15,240,527	13,838	62,041	15,192,324
Building and construction	15,349,444	1,286,066	1,639,435	14,996,075
Commerce	19,494,400	693,732	677,040	19,511,092
Transportation and communication	13,657,192	1,402	38,524	13,620,070
Services	5,748,580	4,054	31,846	5,720,788
Consumer loans and credit cards	23,113,559	20,787	434,025	22,700,321
Other	26,498,373	184,932	471,049	26,212,256
Total	157,618,812	2,378,508	3,973,401	156,023,919

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

d) Collateral

Fair value of collateral held by Bank against loans and advances by each category are as follows:

	2020 **SAR '000**	2019 **SAR '000**
Neither past due nor impaired	86,996,452	75,724,960
Past due but not impaired	6,180,183	11,661,949
Impaired	767,926	391,871
Total	93,944,561	87,778,780

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:

	2020 SAR '000	2019 SAR '000
Murabaha / Tawarruq	87,082,555	74,095,438
Ijara	7,115,345	7,269,400
Total	94,197,900	81,364,838

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)	2020 Total (SAR'000)
Cost					
Balance at the beginning of the year	2,120,794	438,148	1,067,563	1,326,983	4,953,488
Additions	-	44,448	12,108	62,632	119,188
Disposals	-	-	(48)	(20,122)	(20,170)
Exchange adjustment	-	-	8	(526)	(518)
Balance at the end of the year	2,120,794	482,596	1,079,631	1,368,967	5,051,988
Accumulated depreciation					
Balance at the beginning of the year	620,475	78,546	635,743	1,242,654	2,577,418
Charge for the year	47,483	66,013	59,693	55,800	228,989
Disposals	-	-	-	(13,255)	(13,255)
Exchange adjustment	-	-	8	20	28
Balance at the end of the year	667,958	144,559	695,444	1,285,219	2,793,180
Net book value as at December 31, 2020	1,452,836	338,037	384,187	83,748	2,258,808
Capital work in progress					1,152,888
Total					3,411,696

	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)
Cost					
Balance at the beginning of the year	920,448	-	689,018	1,450,074	3,059,540
Additions	1,200,418	438,148	382,974	64,345	2,085,885
Disposals	(72)	-	(4,429)	(180,786)	(185,287)
Exchange adjustment	-	-	-	(6,650)	(6,650)
Balance at the end of the year	2,120,794	438,148	1,067,563	1,326,983	4,953,488
Accumulated depreciation					
Balance at the beginning of the year	597,060	-	601,297	1,355,490	2,553,847
Charge for the year	23,415	78,546	38,839	63,499	204,299
Disposals	-	-	(4,393)	(179,567)	(183,960)
Exchange adjustment	-	-	-	3,232	3,232
Balance at the end of the year	620,475	78,546	635,743	1,242,654	2,577,418
Net book value as at December 31, 2019	1,500,319	359,602	431,820	84,329	2,376,070
Capital work in progress					690,788
Total					3,066,858

Included in Property and Equipment, are intangible assets amounting to SR 510 million (2019: SR 405 million). The Right of Use assets mainly represents the lease contracts for Branches and ATM"s recorded under IFRS 16.

The Capital work in progress amounting to SR 1,153 million above includes costs incurred to date on various projects including the banking system and other capital projects. The implementation of some of these projects is dependent on the outcome of the proposed merger transaction as detailed in Note 41.The management has reviewed these projects on the basis of standalone continued operations and accordingly concluded that no impairment is required as at 31 December 2020.

8. Other assets

	2020 SAR '000	2019 SAR '000
Accounts receivable	294,135	373,490
Other real estate, net	127,745	4,345
Goodwill	14,774	15,279
Margin deposits against derivatives	1,663,900	2,265,009
Other	775,370	676,638
Total	2,875,924	3,334,761

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.

For derivatives that are managed on a 'Settle-to-market basis', the change in fair value is settled in cash daily before the close of the business day. Therefore, the carrying amounts of such derivatives represent only the called but not yet settled balances. Products that the Bank manages on a settle-to-market basis include exchange traded futures and options and over-the-counter interest rate and foreign currency swaps that are cleared through London Clearing House.

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			
2020	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	6,495,620	4,053,653	214,336,714	9,148,514	32,281,862	117,401,811	55,504,527
Commission rate futures and options	104,391	101,425	19,773,595	1,937,834	3,130,576	14,705,185	-
Forward foreign exchange contracts	109,419	110,742	22,718,246	17,994,387	3,038,555	1,685,304	-
Currency options	78,873	70,683	6,340,661	2,295,959	3,677,780	366,922	-
Swaptions	5,091	4,101	750,000	750,000	-	-	-
Equity and commodity options	52,338	78,044	1,192,080	421,832	90,210	680,038	
Held as fair value hedges:							
Commission rate futures and options	13,079	520	7,651,875	7,651,875	-	-	-
Commission rate swaps							
Held as cash flow hedges							
Commission rate swaps	31,466	4,046	4,900,000	-	-	4,900,000	-
Total	6,890,277	4,423,214	277,663,171	40,200,401	42,218,983	139,739,260	55,504,527

				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	4,540,146	3,114,767	158,214,031	1,977,196	27,022,383	90,219,621	38,994,831
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
Total	4,751,659	3,457,195	213,307,885	15,215,173	41,595,148	110,792,279	45,705,285

Included above are Shariah approved Islamic profit rate swaps which comprise of the following:

2020 Held for trading	Positive Fair value **SAR '000**	Negative Fair value **SAR '000**	Notional amount **SAR '000**
Islamic profit rate swaps	86,844	38,307	3,833,969
Islamic commission rate agreement	93	21,996	1,539,618
Total	86,937	60,303	5,373,587

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

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
2020 (SAR '000)					
Floating rate notes	3,627,200	Cash flow	Commission rate swaps	31,466	4,046
Fixed rate notes	9,791,229	Fair Value	Commission rate futures and options	13,079	520
2019 (SAR '000)					
Floating rate notes	3,600,000	Cash flow	Commission rate swaps	7,583	131,419

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:

2020 **(SAR'000)**	Within 3 months	3-12 months	1-5 Years	Over 5 years	Total
Cash inflows	10,237	36,059	360,723	46,295	453,314

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

Approximately 49% (2019: 78%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 49% (2019: 18%) of the positive fair value contracts are with any single counter-party at the reporting date.

10. Due to banks and other financial institutions

	2020 **SAR '000**	2019 **SAR '000**
Current accounts	1,262,173	620,929
Money market deposits	20,287,066	15,025,879
Total	21,549,239	15,646,808

Money market deposits include deposits against the sale of fixed rate securities of SAR 5,095 million (2019: SR 7,023 million) with an agreement to repurchase the same at fixed future dates.

Included above are Shariah approved money market deposits (Murabaha) amounting to SR 1,374 million (2019: SR 45 million)

11. Customer deposits

Customer deposits comprise of the following:

	2020 **SAR '000**	2019 **SAR '000**
Demand	118,853,798	93,714,867
Savings	8,889,424	7,563,306
Time	73,541,303	73,668,526
Other	6,421,234	5,218,981
Total	207,705,759	180,165,680

Time deposits include deposits accepted under Shariah approved banking product contracts of SR 34,687 million (2019: SR 28,056 million).

Time deposits include deposits against sale of fixed rate securities of SR 1,235 million (2019: SR 15 million) with agreements to repurchase the same at fixed future dates.

Included in time deposits are market linked customer deposits amounting to SR 449 million (2019: SR 700 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 2020 and 2019.

Other customer deposits include SR 1,526 million (2019: SR 1,432 million) of margins held against facilities extended to customers.

Included above are Shariah approved customer deposits which comprise of the following:

	2020 **SAR '000**	2019 **SAR '000**
Current accounts	8,525,000	7,745,000
Mudaraba saving deposits	42,199	30,351
Murabaha time deposits	34,687,371	27,407,388
Total	43,254,570	35,182,739

The above include foreign currency deposits as follows:

	2020 **SAR '000**	2019 **SAR '000**
Demand	12,491,713	6,981,406
Savings	721,067	646,522
Time	15,040,426	19,669,565
Other	310,907	393,624
Total	28,564,113	27,691,117

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. The movement of the term loan during the year is as follows:

	2020 **SAR '000**	2019 **SAR '000**
Balance at beginning of the year	2,168,095	-
Term loan received during the year	-	2,156,250
Special commission expense accrued during the year	33,906	27,843
Special commission expense paid during the year	(42,264)	(15,998)
Balance at end of the year	2,159,737	2,168,095

13. 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, bears commission at fixed rates 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. The movement of the debt securities in issue during the year is as follows:

	2020 **SAR '000**	2019 **SAR '000**
Balance at beginning of the year	3,746,454	-
Debt securities issued during the year	1,875,000	3,750,000
Special commission expense accrued during the year	153,987	(3,546)
Special commission expense paid during the year	(130,161)	-
Other adjustments	(56,403)	-
Balance at end of the year	5,588,877	3,746,454

14. Other liabilities

	2020 **SAR '000**	2019 **SAR '000**
Accruals and provision for zakat and taxation	1,185,194	1,117,344
Payable to GAZT under Settlement Agreement (note 27 b)	1,111,709	1,482,280
Dividend payable	759,072	718,268
Employee benefit obligations (note 15)	725,751	602,136
Credit Impairment provision against loan commitments and financial guarantee contracts (note 30 c)	721,733	489,150
Accounts payable	706,985	860,076
Margin collateral against derivatives	543,484	1,659,438
Present value of lease liability (see note below for maturity analysis)	351,194	370,048
Unearned fee income	256,680	259,322
Customer initial public offering deposits	9,154	126,997
Other (see note below)	1,096,950	1,210,125
Total	7,467,906	8,895,184

The maturity analysis of contractual undiscounted cash flows of lease liabilities is as follows:

	2020 **SAR '000**	2019 **SAR '000**
Less than one year	14,494	15,362
One to 5 years	116,879	89,522
More than 5 years	468,364	387,342
Total	599,737	492,226

Included in other liabilities is an amount representing employee incentive savings plan of SR 112.6 million (2019: SR 103.3 million). An amount of SR 8.9 million (2019: SR 7.5 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:

	2020 SAR'000	2019 SAR'000
Balance at the beginning of the year	602,136	512,880
Current service cost	52,740	44,643
Special commission expense	21,467	21,166
Benefits paid	(59,859)	(91,867)
Loss on actuarial valuation		
- Financial	47,774	30,788
- Experience	61,493	84,526
Balance at the end of the year	725,751	602,136

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 725 million (2019: SR 720 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 2.5% (2019: 3.75%) and 2% (2019: 2%) respectively.

The actuarial liability would be increased to SR 778 million (2019: SR 639 million) had the discount rate used in the assumption been lower by 1% and the liability would be decreased to SR 680 million (2019: SR 569 million) had the discount rate used in the assumption been higher by 1%. Similarly, the actuarial liability would be increased to SR 777 million (2019: SR 639 million) had the salary increase rate used in the assumption been higher by 1% and the liability would be decreased to SR 679 million (2019: SR 569 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 (2019: 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 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 1,051 million (2019: SR 1,154 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:

2020 (SAR'000)	Exchange translation reserve	Cash flow hedges	FVOCI financial assets	Employee benefits plan reserve	Total
Balance at beginning of the year as reported	(307,021)	(11,723)	3,186,098	(115,314)	2,752,040
Change in fair value during the year	-	334,624	1,092,474	(109,267)	1,317,831
Gain on sale of FVOCI equity investments	-	-	(59,171)	-	(59,171)
Changes in allowance for expected credit losses	-	-	(26,474)	-	(26,474)
Transfer to statements of consolidated income	-	(180,573)	(1,372,584)	-	(1,553,157)
Exchange differences on translation of foreign operations	(10,080)	-	-	-	(10,080)
Balance at end of the year	(317,101)	142,328	2,820,343	(224,581)	2,420,989

2019 (SAR'000)	Exchange translation reserve	Cash flow hedges	FVOCI financial assets	Employee benefits plan reserve	Total
Balance at beginning of the year as reported	(275,102)	(99,797)	592,891	-	217,992
Change in fair value during the year	-	121,576	2,685,874	(115,314)	2,692,136
Loss on sale of FVOCI equity investments	-	-	17,869	-	17,869
Changes in allowance for expected credit losses	-	-	(32,868)	-	(32,868)
Transfer to statements of consolidated income	-	(33,502)	(77,668)	-	(111,170)
Exchange differences on translation of foreign operations	(31,919)	-	-	-	(31,919)
Balance at end of the year	(307,021)	(11,723)	3,186,098	(115,314)	2,752,040

19. Commitments and contingencies

a) Legal proceedings

In the normal course of business, the Bank has several pending legal cases against it as at the reporting date. The Bank is defendant in one specific legal case in the High Court of Justice in the United Kingdom in which the Claimants have alleged that the Bank has knowingly settled its debt with a customer against certain shares held as collateral which were allegedly held under a trust agreement by the customer for the Claimants. The Claimants allege that the Bank is liable for the value of the collaterals received as settlement from the customer and other related amounts. The expected value of the collaterals including related interest approximately amounts to US$ 425 million (equivalent to SR 1,594 million, as at the reporting date) and other reasonable costs.

Subsequent to the year end on January 15, 2021, the UK High Court has issued judgement dismissing the Claimants' claim in entirety on the basis of applicability of the governing laws pertinent to the claim without any liability to the Bank. Accordingly, management has not recognised any provision relating to this claim in the consolidated financial statements for the year ended December 31, 2020. The Claimants have the right to appeal against this decision.

b) Capital commitments

The Group's capital commitments as at December 31, 2020 amounted to SR 469.3 million (2019: SR 527 million). These commitments represent contractual obligations in respect of building, software, 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:

2020 **(SAR '000)**	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	3,099,625	2,364,968	200,267	-	5,664,860
Letters of guarantee	7,675,611	15,733,917	6,222,225	39,314	29,671,067
Acceptances	1,189,792	426,999	381,059	4,684	2,002,534
Irrevocable commitments to extend credit	452,929	967,255	2,399,205	406,113	4,225,502
Other	-	8,586	29,114	1,274,459	1,312,159
Total	12,417,957	19,501,725	9,231,870	1,724,570	42,876,122

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

The unused portion of commitments outstanding as at December 31, 2020 which can be revoked unilaterally at any time by the Group amounts to SR 185,838 million (2019: SR 115,309 million).

ii) The analysis of credit related commitments and contingencies by counter-party are as follows:

	2020 **SAR '000**	2019 **SAR '000**
Corporate	36,251,460	34,745,530
Banks and other financial institutions	6,543,978	5,670,390
Other	80,684	19,355
Total	42,876,122	40,435,275

d) Assets pledged

Assets pledged as collateral with other financial institutions and others as security against borrowings are as follows:

	2020 **SAR'000**		2019 **SAR'000**	
	Assets	Related liabilities	Assets	Related liabilities
Investments classified as FVOCI and FVIS	18,875,954	18,118,405	8,056,166	7,889,750

20. Special commission income and expense

	2020 **SAR '000**	2019 **SAR '000**
Special commission income on:		
Investments:		
FVOCI	1,833,155	2,002,174
Amortised Cost	359,765	317,424
	2,192,920	2,319,598
Due from banks and other financial institutions	112,880	349,553
Loans and advances	5,139,212	5,757,633
Total	7,445,012	8,426,784
Special commission expense on:		
Due to banks and other financial institutions	283,991	366,277
Customer deposits	1,301,580	1,630,521
Term loan and debt securities in issue	187,026	53,338
Total	1,772,597	2,050,136

Included in the above are special commission income and expenses related to Shariah approved products.

	2020 **SAR '000**	2019 **SAR '000**
Investments	1,211,022	896,401
Loans and advances	2,816,685	3,085,937
	4,027,707	3,982,338
Customer deposits	368,929	662,282

21. Fee and commission income, net

Fee and commission income on:	2020 SAR '000	2019 SAR '000
Share trading and fund management	370,422	271,458
Trade finance	239,551	272,412
Corporate finance and advisory	126,537	150,925
Other banking services	714,660	783,489
Total	1,451,170	1,478,284
Fee and commission expense on:		
Cards	(97,514)	(140,632)
Other banking services	(101,389)	(69,246)
Total	(198,903)	(209,878)
Fee and commission income, net	1,252,267	1,268,406

22. Trading income, net

	2020 SAR '000	2019 SAR '000
Debt securities	162,268	189,718
Derivatives and others	86,447	(19,514)
Total	248,715	170,204

23. Gains on FVOCI debt, net

	2020 SAR '000	2019 SAR '000
FVOCI debt	1,372,584	77,668
Total	1,372,584	77,668

24. Other operating income, net

	2020 SAR '000	2019 SAR '000
Dividend income	148,530	187,827
Other income	16,128	7,020
Gain on disposal of property and equipment	310	1,816
Total	164,968	196,663

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 four non-executive directors. 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 July 2020 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 2020 and 2019:

	Number of Employees		Fixed Compensation **SAR'000**		Variable Compensation Paid **– SAR'000**					
Category	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
					Cash		Shares		Total	
Senior executives*	29	26	47,257	33,313	49,318	33,748	15,930	8,343	65,248	42,091
Employees engaged in risk taking activities	964	946	387,146	338,271	78,444	66,327	17,213	12,196	95,657	78,523
Employees engaged in control functions	959	908	259,847	218,816	29,087	25,051	6,310	5,358	35,397	30,409
Other employees	1,657	1,734	245,368	217,225	7,853	5,721	217	154	8,070	5,875
Other outsourced employees	395	377	50,663	31,531	988	491	-	-	988	491
Total	4,004	3,991	990,281	839,156	165,690	131,338	39,670	26,051	205,360	157,389
Variable compensation and other employee related cost accrued or paid during the year**			572,088	648,329						
Total salaries & employee related expenses			1,562,369	1,487,485						

* 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 (EPS)

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	
	2020	2019	2020	2019
Weighted average number of shares outstanding (in thousands)	1,957,694	1,957,249	2,000,000	2,000,000
Earnings per share (in SAR)	2.15	2.04	2.10	1.99

27. Dividend, Zakat and taxation

a) Dividend

The shareholders general assembly approved a final net dividend of SR 1,394 million for 2019. The final dividend yielded a net payment of SR 0.7 per share to the Saudi shareholders of the Bank. The total net dividend for the year 2019 to Saudi shareholders is SR 1.42 per share of which SR 0.72 was paid as interim dividend during the year. The total interim net dividend during 2019 amounted to SR 1,438 million making full year total net dividends of SR 2,832 million.

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% (2019: 98.78%). 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% (2019: 1.22%).

The breakup of Zakat expense for the years is as under:

	2020	2019
Zakat	**SAR '000**	**SAR '000**
- Zakat - current	611,322	576,867
Total	611,322	576,867

The breakup of current and deferred tax expense, net for the years is as under:

	2020	2019
Taxation	**SAR '000**	**SAR '000**
- Domestic - current	12,293	12,133
- Overseas	88,844	47,880
- Deferred	567	(8,073)
Total	101,704	51,940

The movement in the deferred tax asset and liability for the years is as follows:

2020 **(SAR'000)**	As at 1 January	Recognised in the income statement	Recognised in other comprehensive income	As at 31 December
Deductible temporary differences	35,924	(1,375)	11,467	46,016
Taxable temporary differences	2,688	(807)	(248)	1,633

2019 **(SAR'000)**	As at 1 January	Recognised in the income statement	Recognised in other comprehensive income	As at 31 December
Deductible temporary differences	36,047	8,165	(8,288)	35,924
Taxable temporary differences	2,596	92	-	2,688

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 three instalments of SR 1,204 million upto December 2020. 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 2019 except for the amounts agreed as a liability under Note 27 (b) above

28. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statements of consolidated cash flows comprise the following:

	2020 **SAR '000**	2019 **SAR '000**
Cash and balances with Central Banks excluding statutory deposit (note 3)	11,456,826	8,894,127
Due from banks and other financial institutions	3,664,048	2,661,082
Total	15,120,874	11,555,209

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 segments are carried out under internal transfer pricing policy. Funds and related income or expenses are reallocated to the originating segment on consistent basis, resulting in no material income or expense to the borrower segment.

a) The Group's total assets and liabilities as at December 31, 2020 and 2019, 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:

2020 **(SAR'000)**	Consumer banking	Corporate banking	Treasury	Investment banking	Total
Total assets	40,111,260	132,594,470	123,118,651	1,120,904	296,945,285
Total liabilities	107,449,105	104,458,808	36,827,003	159,816	248,894,732
Special commission income, net	1,756,318	2,303,247	1,554,391	58,459	5,672,415
Total operating income	2,237,985	3,088,917	3,551,942	546,253	9,425,097
Total operating expenses, of which:	1,988,283	2,078,829	233,226	207,781	4,508,119
- Depreciation	100,745	122,318	718	5,208	228,989
- Credit impairment provision	70,608	1,294,368	34,865	-	1,399,841
Net income for the year after zakat and taxation	217,945	841,700	2,854,745	289,561	4,203,951
Capital expenditure	77,512	256,303	237,688	2,165	573,668

2019 **(SAR'000)**	Consumer Banking	Corporate Banking	Treasury	Investment Banking	Total
Total assets	34,548,665	121,232,449	103,641,106	106,028	259,528,248
Total liabilities	92,321,955	95,815,353	25,775,899	166,209	214,079,416
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	122,359	73,752	1,847	6,341	204,299
- Credit impairment provision	52,203	1,055,513	(4,680)	-	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

b) The Group's credit exposure by operating segment is as follows:

2020 **(SAR'000)**	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	22,726,315	133,476,266	100,954,782	-	257,157,363
Commitments and contingencies	272,629	26,109,507	1,377,032	-	27,759,168
Derivatives	168,671	1,956,735	10,845,180	-	12,970,586
2019 **(SAR'000)**					
Balance sheet risk assets	18,222,641	123,606,844	84,314,216	-	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

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, 2020 (SAR'000)			
Due from banks and other financial institutions at amortised cost	12 month PD Range	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 20.2 %	3,675,559	-	-	3,675,559
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		3,675,559	-	-	3,675,559
Less: Credit impairment provision		11,511	-	-	11,511
Total		3,664,048	-	-	3,664,048

		December 31, 2019 (SAR'000)			
Due from banks and other financial institutions at amortised cost	12 month PD Range	12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 20.2 %	3,632,008	-	-	3,632,008
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		3,632,008	-	-	3,632,008
Less: Credit impairment provision		3,617	-	-	3,617
Total		3,628,391	-	-	3,628,391

Debt instruments at amortised cost	12 month PD Range	December 31, 2020 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0.06 to 12 %	9,513,757	-	-	9,513,757
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		9,513,757	-	-	9,513,757
Less: Credit impairment provision		4,445	-	-	4,445
Total		9,509,312	-	-	9,509,312

Debt instruments at amortised cost	12 month PD Range	December 31, 2019 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0.06 to 12 %	13,625,057	-	-	13,625,057
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		13,625,057	-	-	13,625,057
Less: Credit impairment provision		3,947	-	-	3,947
Total		13,621,110	-	-	13,621,110

Debt instruments at FVOCI	12 month PD Range	December 31, 2020 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 9.7 %	81,220,632	-	-	81,220,632
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		81,220,632	-	-	81,220,632
Less: Credit impairment provision		59,342			59,342
Total		81,161,290	-	-	81,161,290

Debt instruments at FVOCI	12 month PD Range	December 31, 2019 (SAR'000) 12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 9.7 %	61,208,104	-	-	61,208,104
Watch list		-	-	-	-
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		61,208,104	-	-	61,208,104
Less: Credit impairment provision		32,869			32,869
Total		61,175,235	-	-	61,175,235

Consumer loans and Credit cards at Amortised Cost	12 month PD Range	December 31, 2020 (SAR'000)			
		12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	1.02% to 2.08%	22,280,553	-	-	22,280,553
Watch list	1.02% to 34.8%	-	639,319	-	639,319
Substandard	100%	-	-	131,665	131,665
Doubtful	100%	-	-	82,809	82,809
		22,280,553	639,319	214,474	23,134,346
Less: Credit impairment provision		197,048	76,139	160,838	434,025
Total		22,083,505	563,180	53,636	22,700,321

Consumer loans and Credit cards at Amortised Cost	12 month PD Range	December 31, 2019 (SAR'000)			
		12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	1.02% to 2.08%	17,657,111	-	-	17,657,111
Watch list	1.02% to 34.8%	-	729,044	-	729,044
Substandard	100%	-	-	154,594	154,594
Doubtful	100%	-	-	42,456	42,456
		17,657,111	729,044	197,050	18,583,205
Less: Credit impairment provision		145,170	106,598	138,892	390,660
Total		17,511,941	622,446	58,158	18,192,545

Commercial loans and advances & Others at Amortised Cost	12 month PD Range	December 31, 2020 (SAR'000)			
		12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 20.2 %	126,120,998	-	-	126,120,998
Watch list	1 to 34.8%	-	1,859,421	-	1,859,421
Substandard	1.1 to 100%	-	5,848,437	1,032,305	6,880,742
Doubtful	100%	-	-	1,528,591	1,528,591
Loss	2.25 to 100%	-	992	472,229	473,221
		126,120,998	7,708,850	3,033,125	136,862,973
Less: Credit impairment provision		684,824	826,790	2,027,762	3,539,376
Total		125,436,174	6,882,060	1,005,363	133,323,597

Commercial loans and advances & Others at Amortised Cost	12 month PD Range	December 31, 2019 (SAR'000)			
		12 Months ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Low to fair risk	0 to 20.2 %	117,119,170	-	-	117,119,170
Watch list	1 to 34.8%	-	1,729,283	-	1,729,283
Substandard	1.1 to 100%	-	4,154,443	1,228,889	5,383,332
Doubtful	100%	-	-	1,530,399	1,530,399
Loss	2.25 to 100%	-	-	349,484	349,484
		117,119,170	5,883,726	3,108,772	126,111,668
Less: Credit impairment provision		488,877	436,291	1,783,800	2,708,968
Total		116,630,293	5,447,435	1,324,972	123,402,700

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, 2020 and 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.

Collateral

The Bank uses a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The Bank ensures that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of acceptable collateral to the Bank include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The Bank monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreements. Whenever possible, finances are secured by acceptable forms of collateral in order to mitigate credit risk. Bank's policy is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

Consideration due to COVID-19:

The PD, EAD and LGD models are subject to the Bank's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

During the period, the Bank has undertaken base models and IFRS9 validation exercises concluding that the level of provisioning was adequate across the different business verticals and hence no material changes were required in the current ECL methodology.

Sensitivity of ECL allowance:

The COVID-19 pandemic introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years. Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

Sensitivity analysis has been conducted on the macro-economic impact in order to assess the change in ECL. A shift of 12.5% in the oil price would result in an increase / (decrease) of 1.3% in ECL allowance as at December 31, 2020.

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, 2020 (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, 2020	3,617	-	-	3,617
Net measurement of loss allowance	119	-	-	119
New financial assets originated or purchased or renewed	9,065	-	-	9,065
Financial asset that have been derecognised	(1,290)	-	-	(1,290)
Balance as at December 31, 2020	11,511	-	-	11,511

	December 31, 2019 **(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
Net measurement of loss allowance	(7,372)	-	-	(7,372)
New financial assets originated or purchased or renewed	15,425	-	-	15,425
Financial asset that have been derecognised	(20,935)	-	-	(20,935)
Balance as at December 31, 2019	3,617	-	-	3,617

	December 31, 2020 **(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, 2020	3,947	-	-	3,947
Net measurement of loss allowance	1,772	-	-	1,772
New financial assets originated or purchased or renewed	23	-	-	23
Financial asset that have been derecognised	(1,297)	-	-	(1,297)
Balance as at December 31, 2020	4,445	-	-	4,445

Debt instruments at Amortised Cost	December 31, 2019 **(SAR'000)**			
	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
Net measurement of loss allowance	(37)	-	-	(37)
New financial assets originated or purchased or renewed	4,148	-	-	4,148
Financial asset that have been derecognised	(3,254)	-	-	(3,254)
Balance as at December 31, 2019	3,947	-	-	3,947

Debt instruments at FVOCI	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	32,869	-	-	32,869
Transfer to 12 months ECL		-	-	-
Net measurement of loss allowance	9,120	-	-	9,120
New financial assets originated or purchased or renewed	34,714	-	-	34,714
Financial asset that have been derecognised	(17,361)	-	-	(17,361)
Balance as at December 31, 2020	59,342	-	-	59,342

Debt instruments at FVOCI	December 31, 2019 **(SAR'000)**			
	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
Transfer to 12 months ECL		-	-	-
Net measurement of loss allowance	1,068	-	-	1,068
New financial assets originated or purchased or renewed	43,841	-	-	43,841
Financial asset that have been derecognised	(37,564)	-	-	(37,564)
Balance as at December 31, 2019	32,869	-	-	32,869

Consumer loans and Credit cards at Amortised Cost	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	145,170	106,598	138,892	390,660
Transfer to 12 months ECL	53,918	(50,250)	(3,668)	-
Transfer to life time ECL not credit impaired	(7,645)	9,998	(2,353)	-
Transfer to life time ECL credit impaired	(2,338)	(9,915)	12,253	-
Net measurement of loss allowance	(56,638)	23,321	70,318	37,001
New financial assets originated or purchased or renewed	88,508	20,121	14,802	123,431
Financial asset that have been derecognised	(23,927)	(23,734)	(69,406)	(117,067)
Balance as at December 31, 2020	197,048	76,139	160,838	434,025

Consumer loans and Credit cards at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	149,482	104,526	164,845	418,853
Transfer to 12 months ECL	37,043	(33,503)	(3,540)	-
Transfer to life time ECL not credit impaired	(7,654)	11,066	(3,412)	-
Transfer to life time ECL credit impaired	(2,127)	(8,211)	10,338	-
Net measurement of loss allowance	(63,863)	20,599	43,200	(64)
New financial assets originated or purchased or renewed	57,395	36,570	13,261	107,226
Financial asset that have been derecognised	(25,106)	(24,449)	(85,800)	(135,355)
Balance as at December 31, 2019	145,170	106,598	138,892	390,660

Commercial loans and advances & Others at Amortised Cost	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	488,877	436,290	1,783,801	2,708,968
Transfer to 12 months ECL	(100)	100	-	-
Transfer to life time ECL not credit impaired	(42,758)	42,758	-	-
Transfer to life time ECL credit impaired	(8)	(7,670)	7,678	-
Net measurement of loss allowance	104,448	193,594	377,365	675,407
New financial assets originated or purchased or renewed	470,646	466,201	655,312	1,592,159
Financial asset that have been derecognised	(336,281)	(304,484)	(582,594)	(1,223,359)
Write offs	-	-	(213,799)	(213,799)
Balance as at December 31, 2020	684,824	826,789	2,027,763	3,539,376

Commercial loans and advances & Others at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	535,085	379,434	1,276,610	2,191,129
Transfer to 12 months ECL	135,625	(129,092)	(6,533)	-
Transfer to life time ECL not credit impaired	(93,669)	109,028	(15,359)	-
Transfer to life time ECL credit impaired	(281)	(281,272)	281,553	-
Net measurement of loss allowance	(143,146)	371,350	503,490	731,694
New financial assets originated or purchased or renewed	650,224	369,647	717,260	1,737,131
Financial asset that have been derecognised	(594,961)	(382,805)	(404,525)	(1,382,291)
Write offs	-	-	(568,695)	(568,695)
Balance as at December 31, 2019	488,877	436,290	1,783,801	2,708,968

Loan commitments and financial guarantee contracts	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	81,007	89,015	319,128	489,150
Transfer to 12 months ECL	3,215	(3,215)	-	-
Transfer to life time ECL not credit impaired	(19,683)	19,714	(31)	-
Transfer to life time ECL credit impaired	(32)	(4,254)	4,286	-
Net measurement of loss allowance	(3,569)	215,871	51,239	263,541
New loan commitents and financial guarantees originated or renewed	18,386	13,344	32,280	64,010
Loan commitents and financial guarantees that have been derecognised	(21,350)	(23,185)	(50,433)	(94,968)
Write offs	-	-	-	-
Balance as at December 31, 2020	57,974	307,290	356,469	721,733

Loan commitments and financial guarantee contracts	December 31, 2019 **(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
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)
New loan commitents and financial guarantees originated or renewed	67,871	9,530	101,868	179,269
Loan commitents and financial guarantees that have been derecognised	(69,556)	(24,600)	134,865	40,709
Write offs	-	-	(1,156,455)	(1,156,455)
Balance as at December 31, 2019	81,007	89,015	319,128	489,150

d) The following table further explains changes in gross carrying amount of the due from bank and other financial institutions to help explain their significance to the changes in the loss allowance for the same portfolio

Due from Banks and Other Financial Institutions at Amortised Cost	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	3,632,008	-	-	3,632,008
Net measurement of loss allowance	(1,104,874)	-	-	(1,104,874)
New financial assets originated or purchased or renewed	3,662,618	-	-	3,662,618
Financial asset that have been derecognised	(2,514,193)	-	-	(2,514,193)
Balance as at December 31, 2020	3,675,559	-	-	3,675,559

Due from Banks and Other Financial Institutions at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	17,638,525	-	-	17,638,525
Net measurement of loss allowance	(1,580,563)	-	-	(1,580,563)
New financial assets originated or purchased or renewed	3,764,862	-	-	3,764,862
Financial asset that have been derecognised	(16,190,816)	-	-	(16,190,816)
Balance as at December 31, 2019	3,632,008	-	-	3,632,008

Debt instruments at Amortised Cost	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	13,625,057	-	-	13,625,057
Net measurement of loss allowance	(316,334)	-	-	(316,334)
New financial assets originated or purchased or renewed	63,971	-	-	63,971
Financial asset that have been derecognised	(3,858,937)	-	-	(3,858,937)
Balance as at December 31, 2020	9,513,757	-	-	9,513,757

Debt instruments at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	10,730,818	-	-	10,730,818
Net measurement of loss allowance	(91,881)	-	-	(91,881)
New financial assets originated or purchased or renewed	13,538,818	-	-	13,538,818
Financial asset that have been derecognised	(10,552,698)	-	-	(10,552,698)
Balance as at December 31, 2019	13,625,057	-	-	13,625,057

Debt instruments at FVOCI	December 31, 2020 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	61,208,104	-	-	61,208,104
Net measurement of loss allowance	(271,000)	-	-	(271,000)
New financial assets originated or purchased or renewed	52,934,220	-	-	52,934,220
Financial asset that have been derecognised	(32,650,692)	-	-	(32,650,692)
Balance as at December 31, 2020	81,220,632	-	-	81,220,632

Debt instruments at FVOCI	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	47,107,352	-	-	47,107,352
Net measurement of loss allowance	-	-	-	-
New financial assets originated or purchased or renewed	59,077,445	-	-	59,077,445
Financial asset that have been derecognised	(44,976,693)	-	-	(44,976,693)
Balance as at December 31, 2019	61,208,104	-	-	61,208,104

Consumer loans and Credit cards at Amortised Cost	**December 31, 2020 (SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	17,745,507	642,117	195,581	18,583,205
Transfer to 12 months ECL	269,535	(263,339)	(6,196)	-
Transfer to life time ECL not credit impaired	(384,963)	391,733	(6,770)	-
Transfer to life time ECL credit impaired	(116,672)	(64,140)	180,812	-
Net measurement of loss allowance	(2,683,876)	(97,628)	(58,464)	(2,839,968)
New financial assets originated or purchased or renewed	10,425,004	143,734	13,101	10,581,839
Financial asset that have been derecognised	(2,942,404)	(143,824)	(104,502)	(3,190,730)
Balance as at December 31, 2020	22,312,131	608,653	213,562	23,134,346

Consumer loans and Credit cards at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	16,808,945	533,476	250,805	17,593,226
Transfer to 12 months ECL	163,058	(156,294)	-6,764	-
Transfer to life time ECL not credit impaired	(388,501)	395,377	(6,876)	-
Transfer to life time ECL credit impaired	(87,237)	(43,228)	130,465	-
Net measurement of loss allowance	(2,649,958)	(107,651)	(66,163)	(2,823,772)
New financial assets originated or purchased or renewed	6,910,092	149,463	19,342	7,078,897
Financial asset that have been derecognised	(3,010,892)	(129,026)	(125,228)	(3,265,146)
Balance as at December 31, 2019	17,745,507	642,117	195,581	18,583,205

Commercial loans and advances & Others at Amortised Cost	**December 31, 2020 (SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2020	117,181,439	5,884,666	3,045,562	126,111,667
Transfer to 12 months ECL	24,548	(24,548)	-	-
Transfer to life time ECL not credit impaired	(1,472,366)	1,472,366	-	-
Transfer to life time ECL credit impaired	(982)	(60,183)	61,165	-
Net measurement of loss allowance	(3,025,802)	52,273	47,909	(2,925,620)
New financial assets originated or purchased or renewed	91,416,920	3,967,293	986,820	96,371,033
Financial asset that have been derecognised	(77,883,672)	(3,638,339)	(802,195)	(82,324,206)
Write offs	-	-	(369,901)	(369,901)
Balance as at December 31, 2020	126,240,085	7,653,528	2,969,360	136,862,973

Commercial loans and advances & Others at Amortised Cost	December 31, 2019 **(SAR'000)**			
	12 Month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Balance as at January 1, 2019	92,862,998	4,263,116	1,599,204	98,725,318
Transfer to 12 months ECL	606	(595)	(11)	-
Transfer to life time ECL not credit impaired	(949,591)	952,843	(3,252)	-
Transfer to life time ECL credit impaired	(18,775)	(1,126,119)	1,144,894	-
Net measurement of loss allowance	(3,786,417)	(63,456)	(43,588)	(3,893,461)
New financial assets originated or purchased or renewed	91,750,734	3,801,208	898,485	96,450,427
Financial asset that have been derecognised	(62,678,114)	(1,942,331)	(550,172)	(65,170,617)
Write offs	-	-		-
Balance as at December 31, 2019	117,181,441	5,884,666	3,045,560	126,111,667

e) Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2020 **SAR'000**	2019 **SAR'000**
ASSETS		
Due from banks and other financial institutions, net	3,664,048	3,628,391
Investments, net	97,175,261	80,546,575
Loans and advances, net	156,023,919	141,595,245
Other assets exposed to credit risk	294,135	373,490
Total	257,157,363	226,143,701
Contingent liabilities and commitments	27,759,168	24,712,085
Derivatives	12,970,586	10,848,474
Total	297,887,117	261,704,260

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:

2020 **(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	21,427,892	1,252,978	-	-	-	-	173,418	22,854,288
Due from banks and other financial institutions, net	1,886,821	963,190	474,103	-	-	5,512	334,422	3,664,048
Investments, net	74,860,017	2,630,853	5,619,183	15,976,468	-	62,922	2,075,690	101,225,133
Derivatives	3,285,220	1,121,760	-	2,468,387	-	-	14,910	6,890,277
Loans and advances, net	133,773,820	18,634,447	117,616	1,124,260	-	-	2,373,776	156,023,919
Total	235,233,770	24,603,228	6,210,902	19,569,115	-	68,434	4,972,216	290,657,665
Liabilities								
Due to banks and other financial institutions	9,508,298	5,949,450	476,409	4,242,070	-	4,666	1,368,346	21,549,239
Customer deposits	204,233,003	1,202,673	26,562	328,026	555	2,095	1,912,845	207,705,759
Term Loan	-	-	-	-	-	2,159,737	-	2,159,737
Debt securities issued	-	-	5,588,877	-	-	-	-	5,588,877
Derivatives	1,702,785	2,783	-	2,699,396	-	-	18,250	4,423,214
Total	215,444,086	7,154,906	6,091,848	7,269,492	555	2,166,498	3,299,441	241,426,826
Credit exposure (stated at credit equivalents)								
Commitments and contingencies	19,047,041	4,116,757	1,734,141	696,848	24,228	1,401,568	738,585	27,759,168
Derivatives	1,420,903	4,195,516	-	7,323,695	-	-	30,472	12,970,586
Total	20,467,944	8,312,273	1,734,141	8,020,543	24,228	1,401,568	769,057	40,729,754

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	-	3,129,503	360,401	1,218,895	-	-	42,860	4,751,659
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	19,713,338	6,209,352	11,902,628	63,040	166,920	5,364,937	253,126,629
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	867,644	213,298	-	2,376,254	-	-	-	3,457,195
Total	178,137,070	9,296,840	4,501,928	8,371,934	419	2,172,288	2,703,754	205,184,232
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

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	
	2020	2019	2020	2019
Kingdom of Saudi Arabia	2,143,694	1,696,632	3,782,613	2,941,323
Other GCC and Middle East	171,737	162,897	122,042	95,887
Other countries	63,077	64,679	68,746	62,418
Total	2,378,508	1,924,208	3,973,401	3,099,628

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, 2020 and 2019 is as shown below.

2020 (SAR '000)	Foreign exchange risk	Special commission risk	Total
VAR as at December 31	17,653	7,064	24,717
Average VAR for the year	23,157	21,918	45,075
2019 **(SAR '000)**			
VAR as at December 31	17,007	32,547	49,554
Average VAR for the year	15,423	29,928	45,351

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 2020 **(SAR'000)**
SAR	+1 bps	(48,796)	(1,870)	(1,680)	(11,314)	(20,038)	(34,902)
	-1 bps	48,796	1,870	1,680	11,314	20,038	34,902
US Dollar	+1 bps	4,211	(862)	(778)	(2,536)	(2,183)	(6,359)
	-1 bps	(4,211)	862	778	2,536	2,183	6,359
Euro	+1 bps	(473)	(36)	(37)	(255)	(76)	(404)
	-1 bps	473	36	37	255	76	404

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

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.

2020 (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	8,780,634	-	-	-	14,073,654	22,854,288
Due from banks and other financial institutions, net	1,986,734	-	-	-	1,677,314	3,664,048
Investments, net	24,527,952	5,049,532	25,835,682	37,084,599	8,727,368	101,225,133
Derivatives	6,890,277	-	-	-	-	6,890,277
Loans and advances, net	91,578,510	35,353,133	16,124,273	12,968,003	-	156,023,919
Property and equipment, net	-	-	-	-	3,411,696	3,411,696
Other assets	-	-	-	-	2,875,924	2,875,924
Total Assets	133,764,107	40,402,665	41,959,955	50,052,602	30,765,956	296,945,285
Liabilities and equity						
Due to banks and other financial institutions	12,037,734	5,553,383	2,649,202	46,747	1,262,173	21,549,239
Customer deposits	63,271,691	18,675,440	359,011	124,585	125,275,032	207,705,759
Term loan	2,159,737	-	-	-	-	2,159,737
Debt securities in issue	48,453	-	5,540,424	-	-	5,588,877
Derivatives	4,423,214	-	-	-	-	4,423,214
Other liabilities		-	-	-	7,467,906	7,467,906
Total equity		-	-	-	48,050,553	48,050,553
Total liabilities and equity	81,940,829	24,228,823	8,548,637	171,332	182,055,664	296,945,285
On balance sheet gap	51,823,278	16,173,842	33,411,318	49,881,270	(151,289,708)	
Off balance sheet gap	(441,795)	341,795	100,000			
Total commission rate sensitivity gap	51,381,483	16,515,637	33,511,318	49,881,270	(151,289,708)	
Cumulative commission rate sensitivity gap	51,381,483	67,897,120	101,408,438	151,289,708		

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	4,751,659	-	-	-	-	4,751,659
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	-	-	-	-	3,334,761	3,334,761
Total Assets	124,491,126	38,676,495	19,925,637	48,924,751	27,510,239	259,528,248
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	3,457,195	-	-	-	-	3,457,195
Other liabilities	-	11,549	67,301	291,198	8,525,136	8,895,184
Total equity	-	-	-	-	45,448,832	45,448,832
Total liabilities and equity	77,126,318	17,720,632	10,682,858	470,059	153,528,381	259,528,248
On balance sheet gap	47,364,808	20,955,863	9,242,779	48,454,692	(126,018,142)	
Off balance sheet gap	(692,135)	592,135	100,000	-	-	
Total commission rate sensitivity gap	46,672,673	21,547,998	9,342,779	48,454,692	(126,018,142)	
Cumulative commission rate sensitivity gap	45,706,654	68,220,671	77,563,450	126,018,142	-	

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:

	2020 **(SAR'000)** Long/(Short)	2019 **(SAR'000)** Long/(Short)
United States Dollar	9,744,772	9,293,963
United Arab Emirates Dirham	(25,013)	179,810
United Kingdom Pound Sterling	478,306	(98,988)
Pakistan Rupee	667,432	651,592
Euro	389,955	(275,002)

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2020 and 2019 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against 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.

	2020 **(SAR'000)**			2019 **(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%	104,323	4,170	1%	13,088	5,025
Euro	1%	721	269	1%	(2,457)	214

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, 2020 would have a corresponding increase or decrease in equity by SR 35.6 million (2019: SR 40.8 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 (2019: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2019: 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% (2019: 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 134,164 million (2019: SR 106,497 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2020 **(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	8,780,634	-	-	-	14,073,654	22,854,288
Due from banks and other financial institutions, net	1,986,734	-	-	-	1,677,314	3,664,048
Investments, net	2,985,510	2,198,945	53,167,913	34,027,135	8,845,630	101,225,133
Derivatives	199,149	1,132,946	1,841,593	3,716,589	-	6,890,277
Loans and advances, net	50,756,241	30,087,803	39,957,283	35,222,592	-	156,023,919
Property and equipment, net	-	-	-	-	3,411,696	3,411,696
Other assets	35,730	158,816	285,633	536,996	1,858,749	2,875,924
Total Assets	64,743,998	33,578,510	95,252,422	73,503,312	29,867,043	296,945,285
Liabilities and Equity						
Due to banks and other financial institutions	12,037,734	5,553,383	2,649,202	46,747	1,262,173	21,549,239
Customer deposits	54,382,267	18,675,440	359,011	124,585	134,164,456	207,705,759
Term loan	3,487	-	2,156,250	-	-	2,159,737
Debt securities in issue	25,781	22,672	3,665,424	1,875,000	-	5,588,877
Derivatives	132,656	589,641	1,060,475	2,640,442	-	4,423,214
Other liabilities	13,651	448,228	867,372	249,517	5,889,138	7,467,906
Total equity	-	-	-	-	48,050,553	48,050,553
Total Liabilities and Equity	66,595,576	25,289,364	10,757,734	4,936,291	189,366,320	296,945,285

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	153,450	1,284,786	1,236,980	2,076,443	-	4,751,659
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	-	-	-	-	3,334,761	3,334,761
Total Assets	56,487,057	34,382,561	53,812,331	86,756,942	28,089,357	259,528,248
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	170,896	1,143,190	1,058,099	1,085,010	-	3,457,195
Other liabilities	-	382,120	1,179,010	291,198	7,042,856	8,895,184
Total equity	-	-	-	-	45,448,832	45,448,832
Total Liabilities and Equity	64,145,594	19,234,393	14,983,421	1,555,069	159,609,771	259,528,248

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).

2020 **(SAR '000)**	Within 3 months	3-12 months	1-5 years	Over 5 years	On demand	Total
Due to banks and other financial institutions	12,038,105	5,553,383	2,695,928	46,747	1,262,173	21,596,336
Customer deposits	54,415,707	18,757,526	359,245	124,585	134,164,456	207,821,519
Term loan	8,137	13,949	2,165,549	-	-	2,187,635
Debt securities in issue	25,781	128,906	4,129,487	1,900,781	-	6,184,955
Derivatives	136,602	610,586	1,110,957	2,298,701	-	4,156,846
Other liabilities	13,651	448,228	867,372	249,517	5,698,879	7,277,647
Total	66,637,983	25,512,578	11,328,538	4,620,331	141,125,508	249,224,938

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

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:

2020 **(SAR '000)**	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	463,647	4,450,602	2,014,441	6,928,690
Investments held at FVOCI	24,333,591	60,447,769	5,771	84,787,131
Investments held at amortized cost	-	10,384,489	-	10,384,489
Derivatives	18,484	6,871,793	-	6,890,277
Financial Liabilities:				
Financial liabilities designated at FVIS	-	480,902	-	480,902
Debt securities in issue	5,827,348	-	-	5,827,348
Derivatives	2,822	4,420,392	-	4,423,214

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	4,743,624		4,751,659
Financial Liabilities:				
Financial liabilities designated at FVIS	-	700,344	-	700,344
Debt securities in issue	3,725,888	-	-	3,725,888
Derivatives	2,869	3,454,326	-	3,457,195

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:

	2020 **SAR '000**	2019 **SAR '000**
Balance at the beginning of the year	1,083,812	795,017
Total realized losses in statement of consolidated income and statement of consolidated comprehensive income	36,764	(8,911)
Purchases	1,024,857	379,792
Settlements	(125,223)	(82,086)
Balance at the end of the year	2,020,210	1,083,812

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, 2020 was SR 156.72 billion (2019: SR 142.07 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. Significant unobservable inputs were applied in the valuation of hedge funds and private equities for the year ended 31 December 2020 and the impact of sensitivity is not material.

Impact of COVID-**19 on assessment of fair value of the Bank's unquoted investments:**

The COVID-19 lead management to expand the inputs and analysis to support the current fair value methodology for its unquoted investments. The Bank used following additional criteria, in the absence of recent pricing activity and based on availability of information with the Bank:

- review of performance of investments against budgets in the period before COVID-19 and following onset of COVID-19 related lockdowns and restrictions;
- cost reduction and cash flow measures put in place by the investee management to limit COVID-19 impact; and
- trajectory of the businesses through the recovery period following COVID-19 lockdown period and impact on long-term revenue generating potential.

The revised procedures and ongoing COVID-19 impact has not led to a change in the fair value of the Bank's unquoted investments.

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:

	2020 **SAR '000**	2019 **SAR '000**
Directors, other major shareholders, key management personnel, their affiliates and others:		
Loans and advances	3,048,046	5,932,186
Customer deposits	29,885,759	27,821,961
Commitments and contingencies	588,153	43,614
Mutual funds:		
Customer deposits	100,608	101,617

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:

	2020 **SAR '000**	2019 **SAR '000**
Special commission income	28,099	182,908
Special commission expense	555,977	413,057
Fee and commission income, net	89,242	106,907
Directors' remuneration	5,701	4,987

The total amount of compensation paid to key management personnel during the year is as follows:

	2020 SAR '000	2019 SAR '000
Short-term employee benefits	122,929	80,055
Post-employment, termination and share-based payments	13,839	9,540

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:

	2020 SAR'000	2019 SAR'000
Samba Financial Group (consolidated)		
Credit risk RWA	229,323,761	197,079,973
Operational risk RWA	14,656,928	14,220,800
Market risk RWA	19,388,857	16,998,454
Total RWA	263,369,546	228,299,227
Tier I capital	50,485,534	46,907,163
Tier II capital	1,123,429	1,341,038
Total tier I & II capital	51,608,963	48,248,201
Capital adequacy ratio %		
Tier I ratio	19.2%	20.5%
Tier I + II ratio	19.6%	21.1%
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	18.5%	18.0%
Tier I + II ratio	19.5%	18.5%

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 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 24,480 million (2019: SR 25,910 million). This includes funds managed under Shariah-approved portfolios amounting to SR 11,864 million (2019: SR 12,930 million). The assets under custody services at the end of the year amounted to SR 3,428 million (2019: SR 4,111 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.

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	6
Grant date	Between Apr 2016 to Oct 2020
Maturity date	Between Mar 2021 to Jan 2024
Number of shares granted on the grant date	4,228,790
Benchmark price per share at grant date	Between SAR 20.9 to 37.7
Vesting period	5 and 3 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 32.3

The fair value of shares granted during the year was SR 66.3 million (2019: SR 17.8million). 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 2020 is SR 34.1 million (2019: SR 7.4 million) and the related reserve is recorded in equity under treasury stocks. The Bank currently holds 3.2 million treasury shares (2019: 1.4 million shares) in respect of its employee share based payment plan.

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 ,2021 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.

- Amendments to IFRS 16: Leases for COVID-19 rent related concessions.
- IFRS 17 – "Insurance contracts",
- Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022.
- Reference to the conceptual framework – Amendments to IFRS 3, applicable for the period beginning on or after January,1, 2022.
- Property, plant and equipment: Proceeds before Intended Use – Amendments to IAS 16, applicable for the period beginning on or after January,1, 2022.
- Onerous contracts – Costs of fulfilling a contract – Amendments to IAS 37, applicable for the period beginning on or after January,1, 2022.
- Amendments to IFRS 9 Financial instruments– Fee in the '10 per cent' test for derecognition of financial liabilities, applicable for the period beginning on or after January,1, 2022.

40. Impact of COVID-19 on Expected Credit Losses and SAMA programs

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

The Bank continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required

The Bank has also revised certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The revisions mainly revolved around:

- adjusting macroeconomic factors/inputs used by the Bank in its ECL model including observed default rates; and
- revisions to the scenario probabilities.

The Bank's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. 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 prevailing economic conditions require the Bank to continue to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Bank in the estimation of ECL or revisions to the scenario probabilities currently being used by the Bank. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes staging analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognised overlays of SR 27 million during the period ended 31 December 2020. The Bank will continue to reassess 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;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA, the Bank was required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net 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.

Further to the above, SAMA on December 15, 2020 extended the deferred payment program by allowing additional three months payment deferrals for eligible MSMEs until March 31, 2021. The Bank has affected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 for a period of additional three months without increasing 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 resulted in the Bank recognizing an additional modification loss of SR 13.4 million.

As a result of the above program and related extensions, the Bank has deferred the payments SR 1,059 million on MSMEs portfolio and accordingly, has recognised total modification losses of SAR 75.9 during the year. The total exposures against these customers amounted to SR 3,060 million as at the year end.

Since the inception of the deferred payments program by SAMA and by the year ended December 31, 2020, the day 1 modification loss impact for the Bank amounts to SR 75.9 million of which SR 62.2 million has been unwinded.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during the year ended 31 December 2020 the Bank received profit free deposits from SAMA amounting to SR 2.5 billion with 3 year maturity, which qualify as government grants. Management has determined based on the communication from 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 on a systematic basis, in accordance with government grant accounting requirements. During the year ended December 31, 2020, SR 93.1 million has been recognised in the statement of income and SR 115 million has been deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended December 31, 2020, SR 39.1 million has been charged to the statement of income relating to unwinding.

The Bank generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR. If the balance of COVID-19 support packages in stage (1) move to stage (2), an additional ECL provisions would be provided during 2021 based on the credit facility - level assessment and the ability to repay amounts due after the deferral period ends.

As at December 31, 2020, the Bank is yet to participate in SAMA's funding for lending and facility guarantee programs.

Furthermore, during the year ended December 31, 2020, the Bank has received reimbursement from SAMA for the forgone POS and e-commerce service fee amounting to SR 23.5 million.

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 38.9 million has been recognized in the statement of income for the year ended December 31, 2020 and with the remaining amount deferred.

During the year ended December 31, 2020, SR 26.4 million has been charged to the statement of income relating to unwinding of the day 1 income.

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 during the period ended 31 December 2020 which was presented as part of net special commission income. As the three month period for this voluntarily postponed payments has ended; therefore, the Bank has completely unwinded the impact till Q4 2020.

41. Merger agreement with The National Commercial Bank

The Bank announced on 25 June 2020 that it entered into a framework agreement with The National Commercial Bank ("NCB"), a bank listed on the Kingdom of Saudi Arabia stock market, in order to begin a reciprocal due diligence process and to negotiate definitive and binding terms of a potential merger of the two banks.

Subsequently, on 11 October 2020, the Bank announced that it has entered into a legally binding merger agreement pursuant to which the Bank and NCB have agreed to take necessary steps to implement merger between the two Banks in accordance with Article 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulation.

Pursuant to the terms of the merger agreement, all of the assets and liabilities of the Bank will be transferred to NCB and accordingly, on completion of the merger, the Bank will cease to exist and NCB will continue as a legal entity. The shares of the Bank will be cancelled and new shares in NCB will be issued to the shareholders of the Bank based on the agreed exchange ratio. The merger is conditional upon shareholders of both the banks and regulatory approvals.

The committee responsible for preparing the integration plan has also approved the merger of Samba Capital and NCB Capital Company, once the Merger has been completed. The structure of the merger of Samba Capital and NCB Capital Company, and 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 Samba Capital and NCB Capital Company, as it shall remain subject to the completion of the Merger and obtaining the relevant regulatory approvals, in addition to other steps and procedures.

42. Prior year reclassifications

The Group has reclassified certain margin balances receivable and payable on derivatives to other assets and other liabilities respectively. The change is being done to reflect the settlement mechanism of these margin balances on derivative instruments. A summary of the effect on the individual components of statement of financial position for the aforementioned change is summarized as follows.

As at 31 December 2019			
Assets	Balance as previously reported **SAR'000**	Effect of reclassification **SAR'000**	Balance as restated **SAR'000**
Derivatives	3,092,221	1,659,438	4,751,659
Other assets	1,069,752	2,265,009	3,334,761
Liabilities and equity			
Derivatives	1,192,186	2,265,009	3,457,195
Other liabilities	7,235,746	1,659,438	8,895,184

Certain other prior year balances have been reclassified to conform to the current year presentation. The effect of all the reclassifications is not material to the consolidated financial statements.

43. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors' on February 24, 2021 (12 Rajab 1442 H).