



البلاد





**Annual Report 2018**

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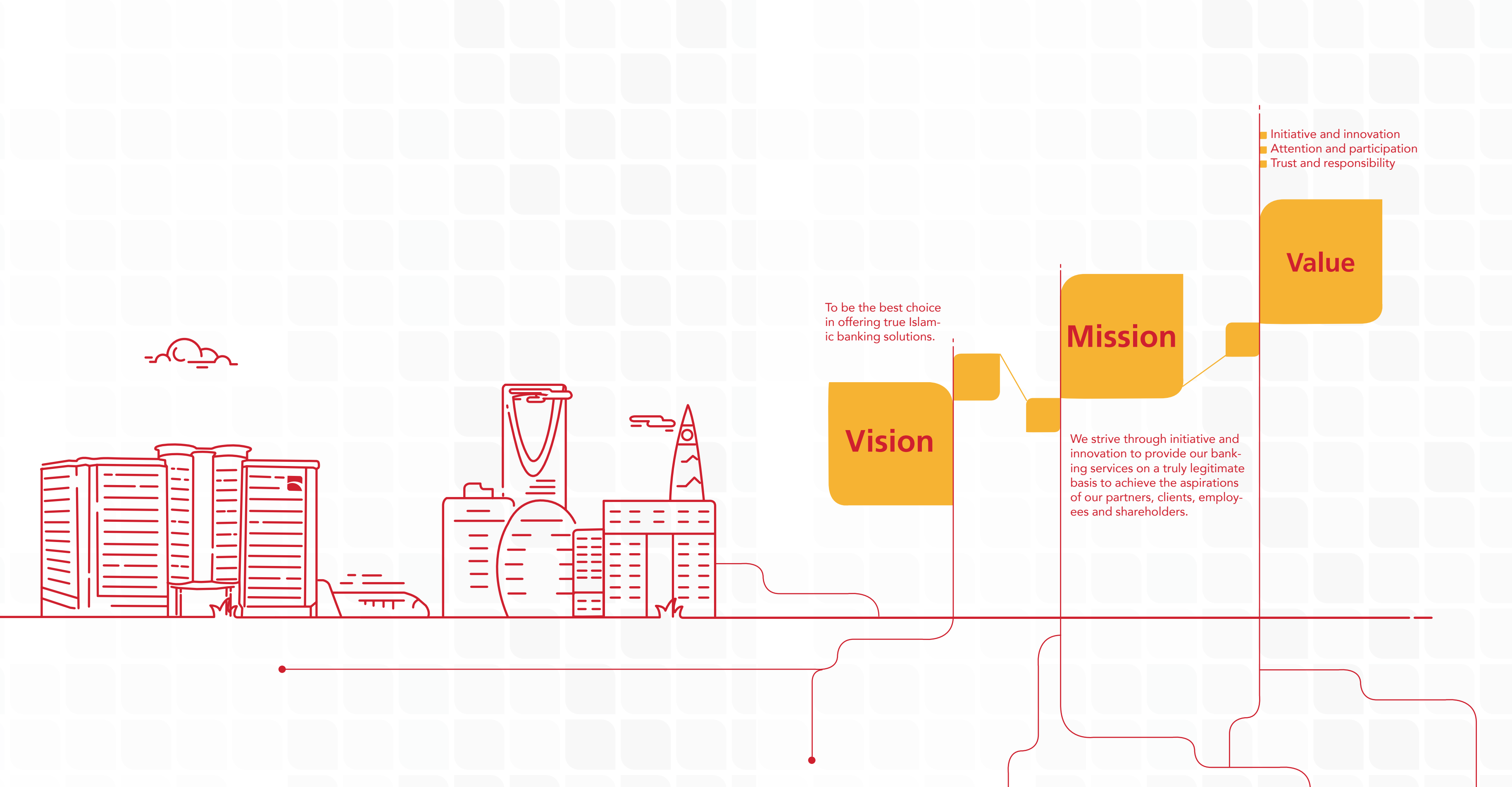
381 Salah Addeen Street, Malaz,  
Riyadh, Kingdom of Saudi Arabia

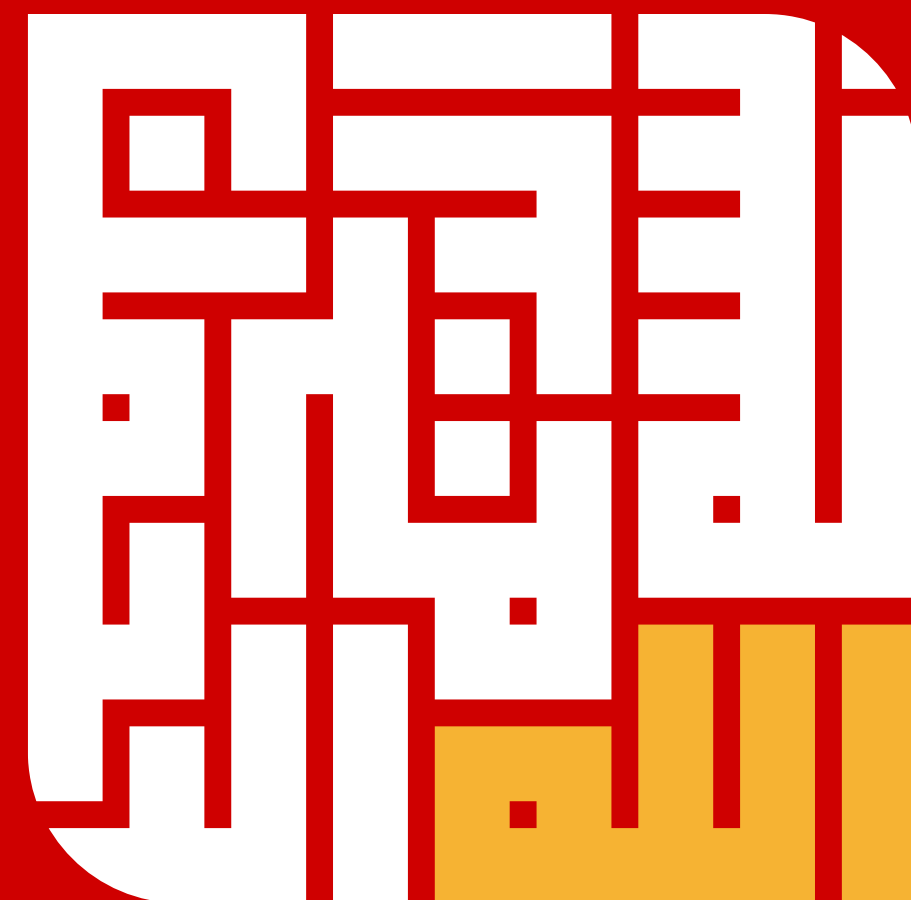


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Custodian of the Two Holy Mosques

**King Salman bin Abdulaziz Al Saud**

His Royal Highness Prince

**Mohammed bin Salman bin Abdul Aziz Al Saud**



Mr.  
**Khalid Al-Rajhi**

Board member  
Member of the  
Executive Committee



Mr.  
**Ahmed Alhussan**

Board member  
Chairman of the Audit  
Committee



Mr.  
**Khalid Aljasser**

Board member



Mr.  
**Fahad Bindekhayel**

Board member  
Member of the Executive  
Committee



Mr.  
**Saud Alfaiz**

Board member  
Chairman of the Risk  
Committee



Mr.  
**Nasser AlSubeaei**

Board member  
Vice Chairman of the board  
Member of the Executive  
Committee



Dr.  
**Abdulrahman AlHumaid**

Chairman of the Board  
Chairman of the  
Executive Committee



Mr.  
**Abdulrhman Addas**

Board member  
Chairman of the Nominations &  
Compensations Committee  
Chairman of the Compliance &  
Governance Committee



Mr.  
**Khalid AlMukairin**

Board Member  
Member of Executive Committee  
Member of Nomination and Re-  
muneration Committee



Eng.  
**Omar Babaker**  
Board member  
Member of the Nominations  
&  
Compensations Committee



Mr.  
**Fahad Alkassim**

Board member  
Member of the Risk  
Committee



## Board Members & Chief Executive Officer







Doctor  
**Abdurhman bin Ibrahim  
Al Humaid**

Chairman of the Board of Directors

## Optimism in the vision of the Kingdom 2030 And keeping pace with global progress

"The fiscal and monetary policy of the Kingdom's prudent government has played a key role in strengthening the ability of Bank AlBilad and Saudi banks in general to strengthen their financial position, increase their ability to deal with risks and maintain a high and stable solvency level."

## In the Name of Allah, Most Gracious, Most Merciful

All praise due to Allah, and peace and blessing be upon the Prophet of Allah, his family and all of his companions; thereafter

On behalf of the Board of Directors, I am pleased to present to the respectable Shareholders, Bank Albilad's Annual Report for the Fiscal Year 2018. The financial statements included in the report show the performance, financial position and the results of the activities of the bank for the fiscal year ending in December 31, 2018.

By Allah's favor, the wise government of Saudi Arabia adopted prudent financial and monetary policy. Such policies enhanced the capabilities of Bank Albilad - as well as other Saudi banks in terms of strengthening their financial positions, enhancing their capacities to deal with risks and safeguarding high - level and stable financial solvency. The tireless efforts of the bank employees, in implementing these policies, led to achieving positive operational & financial results as well as sharp growth during last year ending in December 31, 2018.

Due to the Bank's outstanding performance over the past years, and the Board of Directors' objective of serving the best interests of the shareholders - including their rights for periodic dividends, the bank distributed during 2018, provisional profits for the second half of 2017 amounting to SAR 240 million, i.e., SAR 0.4 per share or 4% of par value. Thus, distribution for the fiscal year ending in December 31, 2017 totaled SAR 420 million, i.e., 70 Halalas per share or 7% of par value. Furthermore, on 17/12/2018, the Board of Directors recommended to the Extraordinary General Meeting, an increase in the capital of the bank from SAR 600 million to SAR 750 million, i.e., 25% increment to be effected by capitalizing SAR 1,500 million from the statutory reserve and retained profits as on 31/12/2018. After the increment, the number of shares became 750 million shares instead of 600 million shares; that is, by one free share for each four shares.

In addition to the achieved financial results, the Board of Directors of the bank spared no effort to accomplish their vision and objectives regarding the society, i.e., people, development and the environment. In this context, the bank adopted a number of initiatives aimed at strengthening its social commitment. On behalf of the members of the Board of Directors, the Executive management and all bank employees, I would like to express my sincere appreciation and gratitude to the Custodian of the Two Holy Mosques and his faithful Crown Prince - may Allah guard them - for their unwavering support and enlightening guidance to the banking sector.

Moreover, the Board of Directors and the Executive management would like to thank the Ministry of Finance, Ministry of Commerce & Investment, Saudi Arabian Monetary Agency and Capital Market Authority for overseeing the bank's compliance with pertinent rules and regulations. The Board and the Executive Management also wishes to extend their appreciation to the esteemed Sharia Committee for ensuring the bank's adherence to sharia stipulations. As well as our gratitude to the Audit Committee for their dedicated efforts to ensure the bank's adoption and application of state - of-the-art accounting standards.

The Board also would like to express their appreciation to the Board Committees and to the Executive Management Committees for overseeing the work of the bank. The efforts of these Committees facilitated the accomplishment of the vision of the Board and the Shareholders. Such vision enabled the bank to become a pioneering, modern Islamic banking institution.

To the shareholders, partners and clients, We would like to say "Thanks" for your highly regarded confidence in the bank.

Likewise, we would like to extend our appreciations to the bank (ambassadors) employees for their honesty, dedication and hard work. We believe that they will continue their high-caliber performance in the coming years.

Finally, The Board, the Board Committees and the Executive Management are grateful to all of you for your confidence in the bank and employees. We would be honored to meet you in the Annual General Meeting to answer your questions regarding the contents of this report, whether addressed to myself or to any member of the Board Committee.

## May Allah guide all of us!



Mr.  
**Abdulaziz bin  
Mohammed Alonaizan**

CEO

## Our goals and aspirations

As the ambassadors and ambassadors of Bank Albilad, we will strive to maintain our continuous growth and growth and achieve better results for 2019 by providing the best Shari'a compliant banking solutions, improving the quality of service and increasing our customer base through joint selling initiatives as well as enhancing efficiency. By investing in modern technology and human capital, continuing to support social responsibility programs and, more importantly, working actively to achieve the goals and aspirations of the Kingdom's Vision 2030.

## In the Name of Allah, Most Gracious, Most Merciful

**Dear Bank Albilad Stockholders,**

Peace be upon you

Our banking system continues to operate in a highly challenging and competitive environment with major advances in digital technology, artificial intelligence, process automation, fintech and other related technologies. Moreover, Banks must stay compliant with high regulatory standards in terms of capital adequacy, corporate governance, liquidity coverage, and institutional capability. The Kingdom is also pushing ahead with economic and social changes aimed at achieving the Vision 2030 goals. Several major reforms under Vision 2030 first announced in 2016 are now on stream.

Given the challenging business landscape, Bank Albilad continuously strives to improve by harnessing the latest technological advances, developing new distribution channels, transforming the organization by developing people and embracing a culture of innovation in order to serve our clients in a more efficient manner.

### FINANCIAL PERFORMANCE

2018 proved to be an excellent and another record-breaking year for Bank Albilad. The Bank's net income grew by 18% breaching the SAR1 Billion mark for the first time in its 14-year history to a record-high SAR1.111 Billion.

This was achieved as Total Operating Income increased by 15% bolstered by the growth in Income from Investing and Financing Assets of 23% to SAR2.1Billion while Fee and Commission Income was stable.

Looking at our balance sheet, we closed the year in Net Financing with SAR51Billion, up by 16%. Investments grew by 26% to SAR6.5 Billion. Deposits jumped by 20% to SAR57 Billion while Total Assets expanded by 17% to SAR74 Billion.

### EXPANDING OUR PRODUCT AND SERVICE OFFERINGS

Bank Albilad endeavors to provide superior customer service by having an in-depth understanding of clients' needs and providing solutions in professional, personalized and prompt manner. We developed new offerings to meet our customers' ever-increasing needs and expectations for traditional, e-banking and web-based products and services. The Bank now has an extensive array of consumer finance, corporate and treasury products.

On the customer deposit side, we introduced the Albilad Savings Account in Saudi Riyal and US Dollar-based Mudarabah. This supports, in one way or another, the National Savings Strategy to increase the savings of Saudi households from 6% to 10% by 2030.

In partnership with the Ministry of Housing and Real Estate Development Fund (REDF) mandate to increase home ownership, we rolled-out several home loan products in the market. The Bank opened some branches and sales centers (11 locations kingdom-wide) during evening hours of Saturdays to respond to customer inquiries and receive financing requests from beneficiaries of the Ministry of Housing and REDF in further support of these government schemes.

We expanded our cards offerings, giving our customers various payment options as well as convenience and security at the same time including the Household Card - a prepaid card for household staff.

Wholesale Banking continued to expand its product and service options catering to corporate clients, deepening our customer wallet share and ultimately led to growth of the portfolio in this segment. Now on offer are several Shariah-compliant products such as the Corporate Ijarah and Mudarabah Overdraft, the latter being a first in the Kingdom. Also introduced were the Supply Chain Finance and POS Financing, which further expanded our Corporate product suite. To boost our SME business, we launched several programs that were the main source of new clients for SME Banking in 2018 and more of these programs shall be developed to fulfill the requirements of this sector.

In Treasury, we exponentially increased Sukuk investments and reallocated assets to enhance and diversify the portfolio. Treasury Team introduced some new products for interbank and investment to diversify income base and decrease concentration risks. We have also broadened our interbank, investment and customer relationships that will support the Bank's growth and strengthen brand recognition.

Our market leading position in the remittance business was further solidified and our brand strengthened with the unveiling of new services and pioneering products, where customers can perform their remittances using their Mada cards.

### **ENHANCING THE CUSTOMER EXPERIENCE THROUGH OPERATIONAL EXCELLENCE AND DIGITIZATION**

As technology and information security remain key components of the Bank's transaction banking and client servicing strategies, we have made substantial investments in physical and IT infrastructure and laid the groundwork for our digital banking transformation to ensure Bank Albilad is future-ready. Bank Albilad has undertaken strategic initiatives towards transformation and innovation leading to the development of new products, services and apps.

The bank launched the Digital Account Opening without requiring the customer to visit the branch or provide any documents. Also rolled-out are the Enjaz Self-Service kiosk with several languages, the first of its kind in the Kingdom and the new version of Albilad Mobile Apps for smart devices serving our clients on 24/7 basis.

In 2018, Bank Albilad was recognized as "Best Digital Bank" by the Global Business Outlook, an accolade garnered in recognition of our push into the digital transformation space and providing innovative digital solutions aimed at optimizing customer experience.

### **PROMOTING A CULTURE OF HIGH PERFORMANCE AND CARING FOR THE COMMUNITY**

The Bank is committed to developing the potential of its employees and offering them opportunities to advance in their careers. By building the competencies and skills of personnel, by enhancing the training programs like Albilad Academy for e-Learning and other initiatives that strive to make Bank Albilad a better employer and a great place to work, the Bank is transforming the organization to be ready for the future. In accordance with our philosophy of building national talent, the Bank initiated the "Bilad Future Program" to develop young graduates and make them future managers and leaders.

Bank Albilad believes that corporate success is achieved together with the promotion of positive change. By implementing sustainable Corporate Social Responsibility programs focused on education, entrepreneurship, community engagement and environment along with employee involvement, we are able to promote social good in the community.

In line with our corporate social responsibility programs, the Bank purchased two mobile ATM vans that can be operated in public activities and events at moment's notice. We also won the naming rights on one of Riyadh Metro Stations. The station at the corner of Tahlia and Olalya Streets will be named "Bank Albilad Station" and will be able to serve the riding public with our branch and ATMs inside the station.

Bank Albilad remains committed to its vision as a Bank providing the best and widest selection of Islamic banking solutions, acquiring customers and deepening relationships through cross-selling initiatives, strengthening the balance sheet and improving profitability. The Bank will continue to transform and innovate, with a focus on responding to the needs of its stakeholders.

### **Finally**

Our high operational standards, strong risk management, financial strength, and reputation for integrity are a result of continuous attention from our Board of Directors. We are grateful for the guidance they provide our Management Team, as well as their care for the interests and welfare of all our stakeholders and business partners. We are also thankful for the hard work and skills of our Albilad Ambassadors, as they strive to serve our clients on daily basis. Finally, we extend our deepest appreciation to the Saudi Arabian Monetary Authority for implementing prudent monetary policies in support of the banking sector and the economy.

Abdulaziz bin Mohammed Alonaizan

## **May Allah Bless Us All**



**The challenge to success  
continues  
... steadfastly, God willing**



# Board of Directors Annual Report

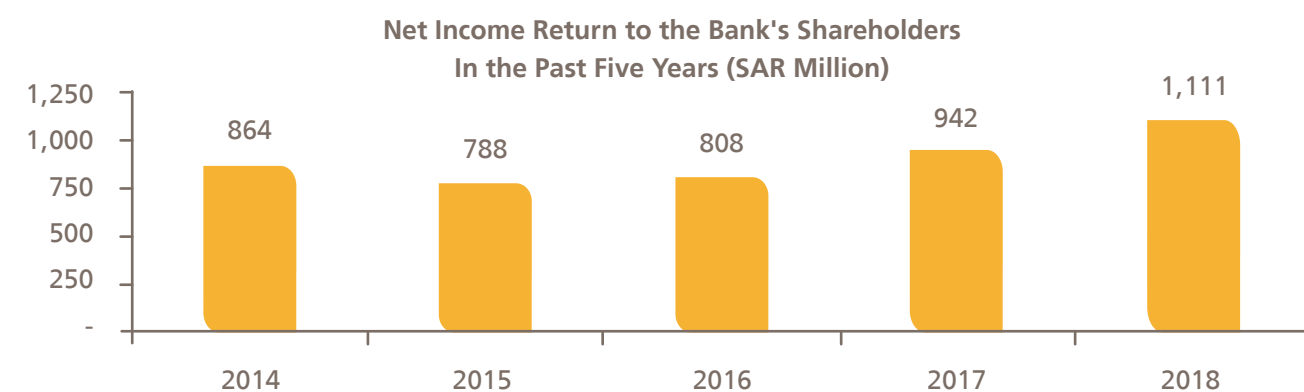


**Gentlemen: Shareholders of Bank Albilad**  
**Peace, mercy and blessings of Allah,**

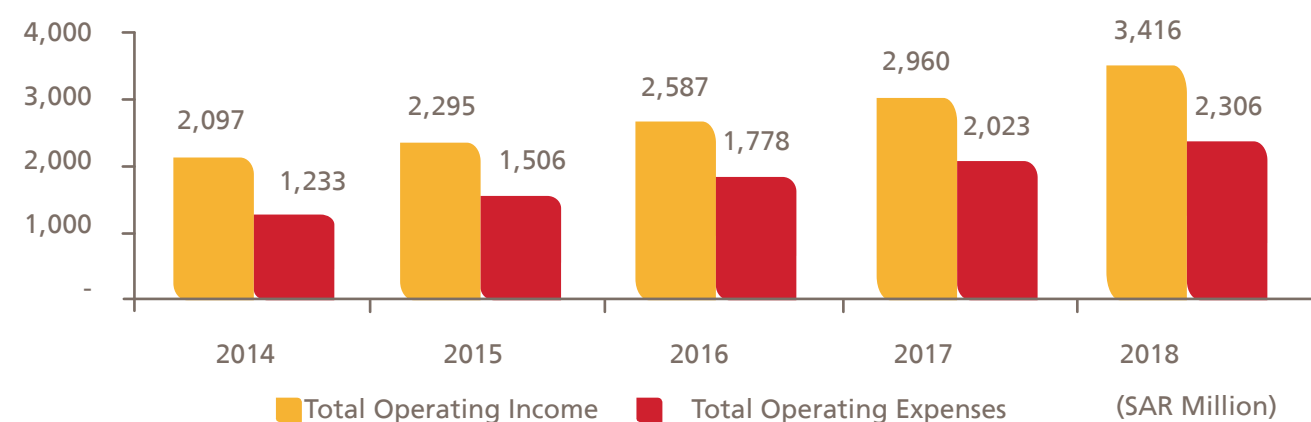
The Board of Directors is pleased to present to the shareholders of Bank Albilad the annual report of the Bank's performance in its subsidiaries, major activities and achievements for the financial year ended 31 December 2018.

**Operational Result**

During the year 2018, the bank earned a net profit of SAR 1,110.5 Million, compared to the net profit of SAR 942 Million gained in 2017, i.e., an increase of SAR 168.5 Million or 17.9%. Such growth is due to the increase of the total operating income by 15.4% as a result of the increase of income from investment and financing assets by 23.4%, or SAR 2, 145 Million.



Conversely, the total operating expenses increased by 13.9% to reach 2,306 SAR Million. Such increase is due to the growth of the provision for decline of financing, other financial assets, overhead & other administrative expenses and employees' salaries.



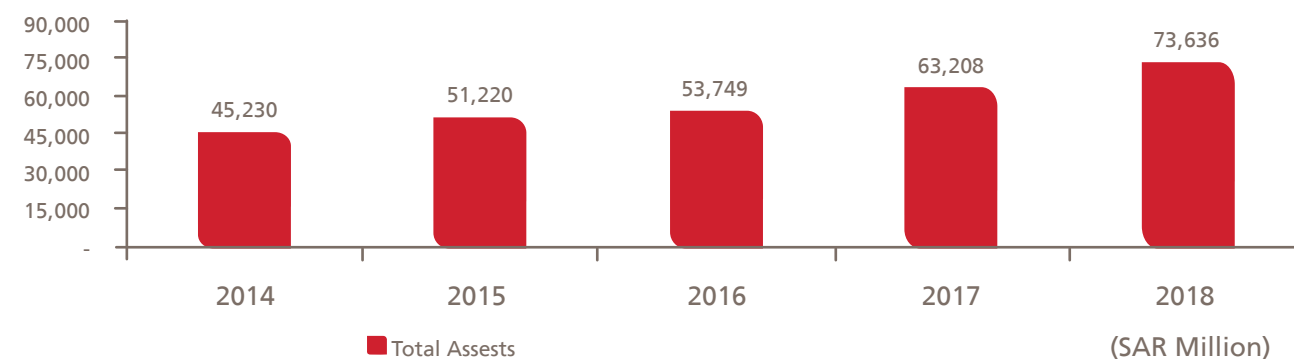
**Financial Position:**

**Assets**

By the end of the year 2018, the bank's assets amounted to SAR 73,636 Million, compared to SAR 63,208 Million in the 2017. That is an increase of SAR 10,428 Million or 16.5%. Increase in the financing assets is due to the increase of the bank's financing and investments.

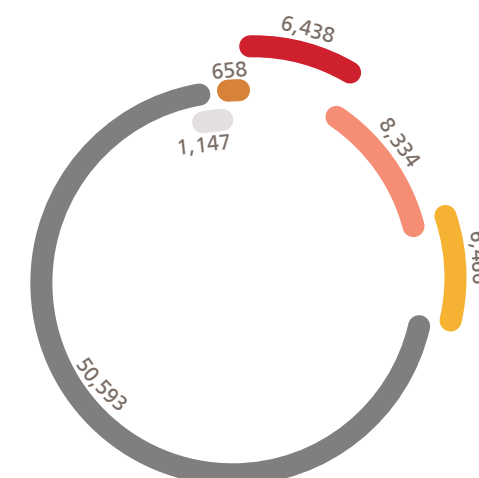
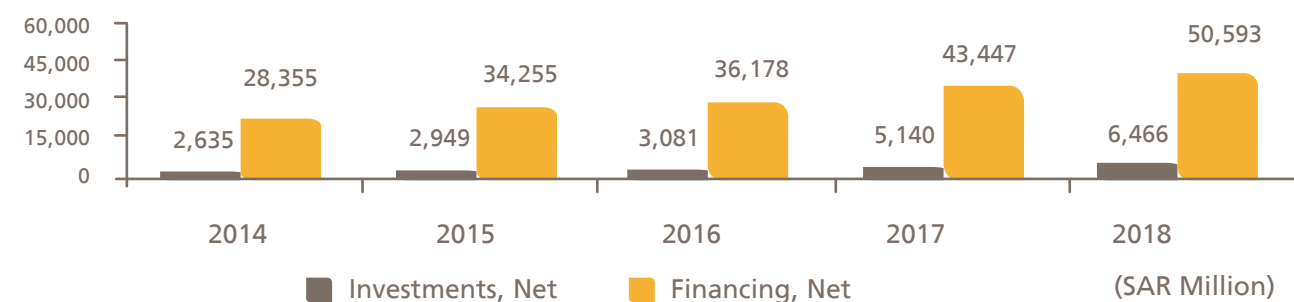
■ Property & Machinery, Net  
 ■ Financing, Net  
 ■ Other Assests

■ Property & Machinery, Net  
 ■ Financing, Net  
 ■ Other Assests



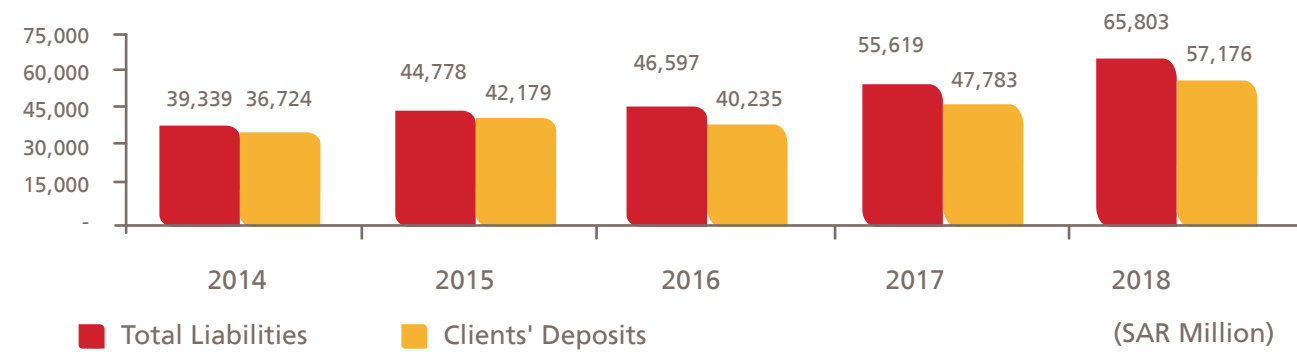
**Net Financing and Investment**

The net financing portfolio increased by SAR 7,146 Million or 16.4% to reach SAR 50,593 Million at the end of December 2018. Likewise, the investment portfolio recorded an increase of SAR 1,326 Million or 25% to reach SAR 6,466 Million.



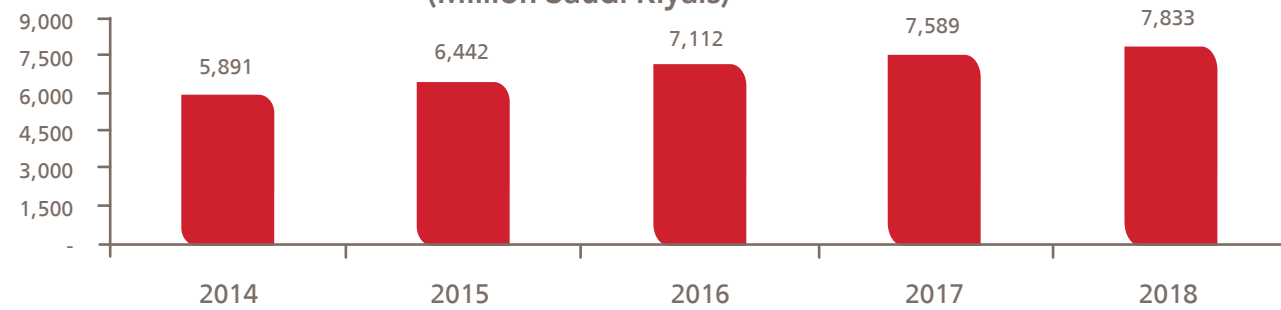
**Clients' Deposits:**

The clients' deposits increased by SAR 9,393 Million to reach SAR 57,176 Million by the end of the year 2018, compared to SAR 47,783 Million by the end of the year 2017.

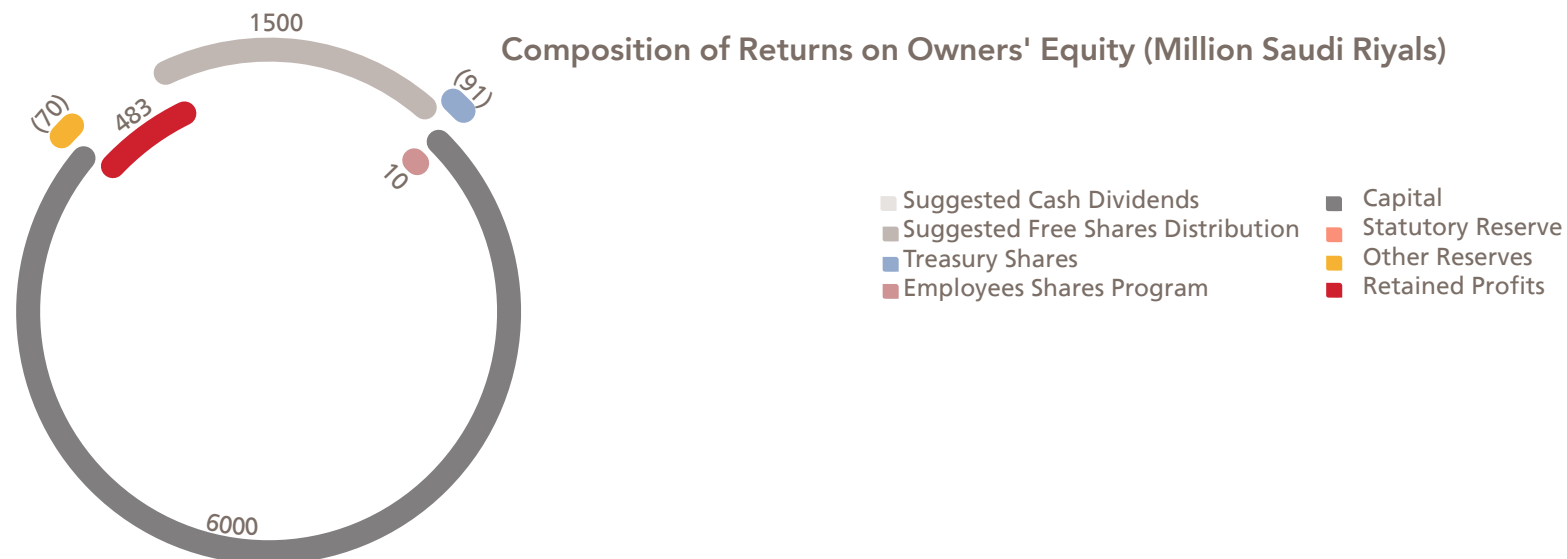
**Owners' Equity:**

Total owners' equity recorded an increase in the amount of SAR 244 Million, or 3.2% to reach SAR 7,833 Million by the end of December 2018, compared to SAR 7,589 Million by the end of December 2017. This is mainly attributed to the increase of the bank's income. Issued common shares totaled 600 Million shares. Capital adequacy rate reached 17.3% by the end of the year 2018. The bank's return on average assets reached 1.62%, whereas return on average owners' equity reached 14.40% and earnings per share amounted to SAR 1.85.

**Total Owners Equity for the Last Five Years**  
(Million Saudi Riyals)



**Composition of Returns on Owners' Equity (Million Saudi Riyals)**

**Financial Statistics**

(Million Saudi Riyals)	2018	2017	2016	2015	2014
Investments, Net	6,466	5,140	3,081	2,949	2,635
Financing, Net	50,593	43,447	36,178	34,255	28,355
Total Assets	73,636	63,208	53,749	51,220	45,230
Clients' Deposits	57,176	47,783	40,235	42,179	36,724
Total Liabilities	65,803	55,619	46,597	44,778	39,339
Total Owners Equity Returns to the Bank's Shareholders	7,833	7,589	7,112	6,442	5,891

**A) Analysis of the Main Items of the Consolidated Financial Position Statement:**

(Million Saudi Riyals)	2018	2017	Change	Change %
Investments, Net	6,466	5,140	1,326	25.8%
Financing, Net	50,593	43,447	7,146	16.4%
Total Assets	73,636	63,208	10,428	16.5%
Clients' Deposits	57,176	47,783	9,393	19.7%
Total Liabilities	65,803	55,619	10,184	18.3%
Total Owners Equity Returns to the Bank's Shareholders	7,833	7,589	244	3.2%

**B) Analysis of the Main Items of the Consolidated Income Statement:**

(Million Saudi Riyals)	2018	2017	2016	2015	2014
Net Income from Investment & Financing Assets	2,145	1,739	1,408	1,162	1,019
Fees & Commissions Income, Net	843	834	812	779	719
Foreign Exchange Gains, Net	316	310	311	317	293
Total Operating Income	3,416	2,960	2,587	2,295	2,097
Provision for Decline of Financing & Other Financial Assets	490	379	238	92	(8)
Total Operating Expenses	2,306	2,023	1,778	1,506	1,233
Net Year Income	1,111	936	809	788	864
Returns To :					
Bank's Shareholders	1,111	942	808	788	864
Uncontrolled Share/ Holding/ Quota	-	(6)	1	-	-
Net Year Income	1,111	936	809	788	864

(Million Saudi Riyals)	2018	2017	2017	Change	Change %
Net Income from Investment & Financing Assets	<b>2,145</b>	1,739	1,739	406	23.4%
Fees & Commissions Income, Net	<b>843</b>	834	834	9	1.1%
Foreign Exchange Gains, Net	<b>316</b>	310	310	6	1.9%
Total Operating Income	<b>3,416</b>	2,960	2,960	456	15.4%
Provision for Decline of Financing & Other Financial Assets	<b>490</b>	379	379	111	29.3%
Total Operating Expenses	<b>2,306</b>	2,023	2,023	283	13.9%
Net Year Income	<b>1,111</b>	936	936	175	18.7%
Returns To :					
Bank's Shareholders	<b>1,111</b>	942	942	169	17.9%
Uncontrolled Share/ Holding/ Quota	-	(6)	(6)	6	-100.0%
Net Year Income	<b>1,111</b>	936	936	175	18.6%

#### Analysis of the Total Earnings by Region:

(Million Saudi Riyals)	Central	Western	Eastern	Total
<b>Total Income for the Year 2018</b>	2,118	737	561	3,416

Most of the earnings of Bank Albilad (including its subsidiaries) are mainly achieved inside the Kingdom of Saudi Arabia. The bank has no branches or companies operating outside the Kingdom of Saudi Arabia.

#### Applied Accounting Standards:

The consolidated financial statements for the twelve months ending on December 31, 2018 have been prepared as per the international standards for financial reporting, amended by the Saudi Arabian Monetary Agency (SAMA) for computing Zakat and income tax in compliance with the International Standard No. (12). These statements have also been prepared in accordance with the Banks Control Regulations, Companies Act and the bank's Statute.

The Bank also applied Standard No. (9) (Financial Tools) related to the provisions for financing and investments and the Standard No. (15) (Acknowledgement of Contracts Earnings) related to the method of computing the earnings from contracts concluded with the clients.

The Bank will apply the International Standard No. (16) (Leasing Contracts) related to the method of registering the leasing contracts of the bank as of the January 01, 2019. The expected impact of such standard on the bank is minimal.

#### The Bank's Strategy and Future Plans:

In 2017, the Board of Directors approved the updating and extending of the bank's strategy to cover the period 2017 – 2021. The approval took place in conformity with the bank's continuous commitment to corporate values, current economic changes and review of the strategy directions. Review focused on the following:

- Expected investment opportunities;
- Acceptable levels of risk in accomplishing the bank's vision and objectives which comprise the following:
  - Increasing the bank's market share;
  - Achieving growth in earnings and net profits;
  - Expanding the bank's capital base.

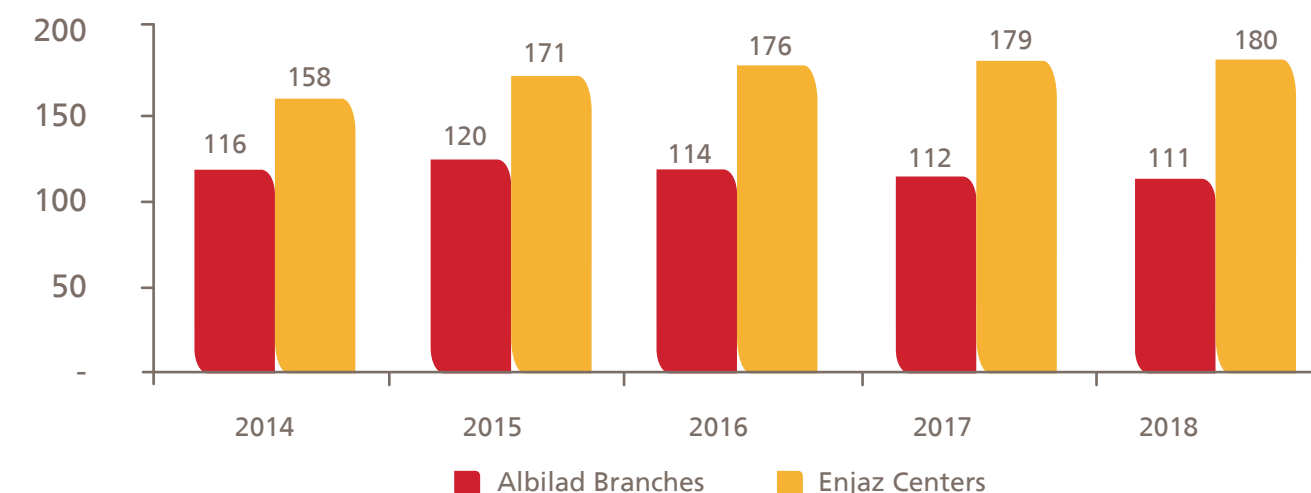
In 2018, the bank continued to develop strategy plans, mainly, targeting expansion of the base of business sector clients, inclusive of different segments. Furthermore, introducing new and safe products and services to meet their ambitions. The strategy plans also included enhancing the effectiveness of the bank's financial and banking channels. Moreover, such plans aim, in general, at increasing productivity by means of improving the procedures and the performance and distribution of the branches. In addition to the locations of the automated teller machines, as well as developing the technical and operating infrastructure.

#### Expanding Banking Services:

During the year 2018, the bank continued the policy of redistribution of the branches and focused on upgrading their efficiency by insuring their participation in accomplishing target profits. Implementation of the related study resulted in combining a number of branches into one branch. Thus, active branches amounted to 145, in addition to 5 sales centers. Moreover, a new Enjaz center has been opened in Tabuk within Neom City. Enjaz centers totaled 180.

#### Electronic Channels & Digital Transformation:

The Bank launched the Digital Account Opening without requiring customers to visit the branch. This widely-approved service resulted in opening 30,000 bank accounts during 2018. Likewise, the bank launched updating the ID expiry date without having the client to visit the branch. Furthermore, remittance service has been made available via sales points. Such service enables Bank Albilad clients to process remittances to their listed beneficiaries at any time, using Mada cards. More than 500 devices have been installed in Enjaz branches. Our plans include expanding this service outside the branches. On the other hand, we added two currencies (Sterling Pound and Emirates Dirham) alongside the US dollar and the Euro to the ATMs for encashment. Moreover, we launched Albilad interactive teller machines, which enable the clients to process transactions involving amounts exceeding the limit of the regular ATMs, by means of a video call to a distant ATM.



#### Corporate Social Responsibility:

During 2018, the bank continued to introduce programs and initiatives for social development. Such programs encompass environment conservation and sustained development. Special attention is given to community-related issues. Albilad Volunteersteam comprising of 155 ambassadors, kept implementing, directly and indirectly, a number of initiatives – recording more than 1000 volunteer hours. Such initiatives include, among others:

#### • Environmental Conservation:

##### Cleaning Jeddah Sea-Front in (Western Region)

In collaboration with the Governorate of Makkah Region and professional divers, Albilad Volunteer Team participated in

cleaning Jeddah Sea front. The cleaning campaign lasted six months and extracted, from the seabed, more than five tons of environment – harmful garbages.

#### Cleaning Al Sodda Park (Southern Region)

Albilad Volunteers Team, in coordination with the Ministry of Environment, Water and Agriculture and with other government agencies as well as the local community in cleaning Al Sodda Park (20 km2 ).

#### Participation in the Worldwide Earth Hour Movement

The objective is to raise the awareness about climate change and the necessity to reduce harmful carbon pollution blamed for rising temperatures.

#### Tree - Planting in the Mosques' Courts

In cooperation with the Ministry of Municipal and Rural Affairs, Albilad Volunteers Team used ablution waste water to plant seedlings and grass in the courts of mosques. Planted more than 1,000 seedlings and spaces covered with green grass totaled 3,000 m2. Beneficiaries amount to more than 100,000 per year. Recycled waste water reach 20,000 cubic meters per annum.

#### • Community Development:

##### Bank Albilad Park for those who have special needs (Northern Frontiers Region)

The park, first of its kind in the Kingdom, includes 20 devices for entertaining those who have special needs, their families and visitors. Capacity of such devises amount to more than 50 thousand users. The park has been built in cooperation with the Region's Youth Council and the support of the Ministry of Municipal and Rural Affairs.

##### Mobile Sports Chairs for those who have special needs (Eastern Region)

In cooperation with the General Authority for sports, the bank provided mobile sports chairs for those who have special needs. In addition, the Bank extended support for their international competitions as well as other means of support. Those registered in the club amounted to 800, while the total number of those who have special needs in the Eastern Region counts more than 2,000.

##### Building a Specialized Hall in the Autism Spectrum Disorders Center in Jazan (Southern Region)

In collaboration with the Ministry of Education, the bank built and equipped a specialized hall for serving those who suffer Autism Spectrum Disorders whose number, in the Southern Region, totaled 500. Spending a period in such a hall is vital for such patients before going to school.

##### Albilad Ramadan Basket Program (All Regions)

For the third consecutive year, Albilad Volunteers Team participated – with charitable societies – in distributing more than 3,000 integrated food packages during the holy month of Ramadan, all over the Kingdom.

##### Providing drinking water for Pilgrims and Omrah Performers

In collaboration with King Abdulaziz Endowment (Waqf), the Bank provided support and contributed to the distribution of drinking water in the pilgrims halls at King Abdulaziz Airport, in service of more than 500,000 beneficiaries.

#### • Human Resources:

- Establishing Albilad Volunteers Team for participation in all community services activities.
- Enhancing work environment and promoting interaction of Albilad Ambassadors with all initiatives and events.
- Raising Saudization ratio up to more than 80% for regular positions and 97% for Executive positions.

- Continuing support for "Albilad Future" program, which aims to train and educate young graduates to become managers in the future.
- Developing and enriching "Albilad Academy" programs for training and upgrading the skills of the Bank's employees.
- Participating with the Ministry of Education in "Your Position is Your Scholarship" program.
- Introducing specialized programs in support for community development (first –aid, donating blood campaigns)

#### Awards and Achievements of the Bank in 2018:

1. The "Best Digital Bank" prize in 2018, awarded by **Global Business Outlook Awards**. GBOA is specialized in appraising the performance of corporations and companies around the world.
2. Listed in the 100 most popular trademarks in the Saudi market –**Al Watan Newspaper**.
3. Ranked 27 in the list of the best 100 international banks in the field of "Digital Marketing", as per **Digital scouting Report**.

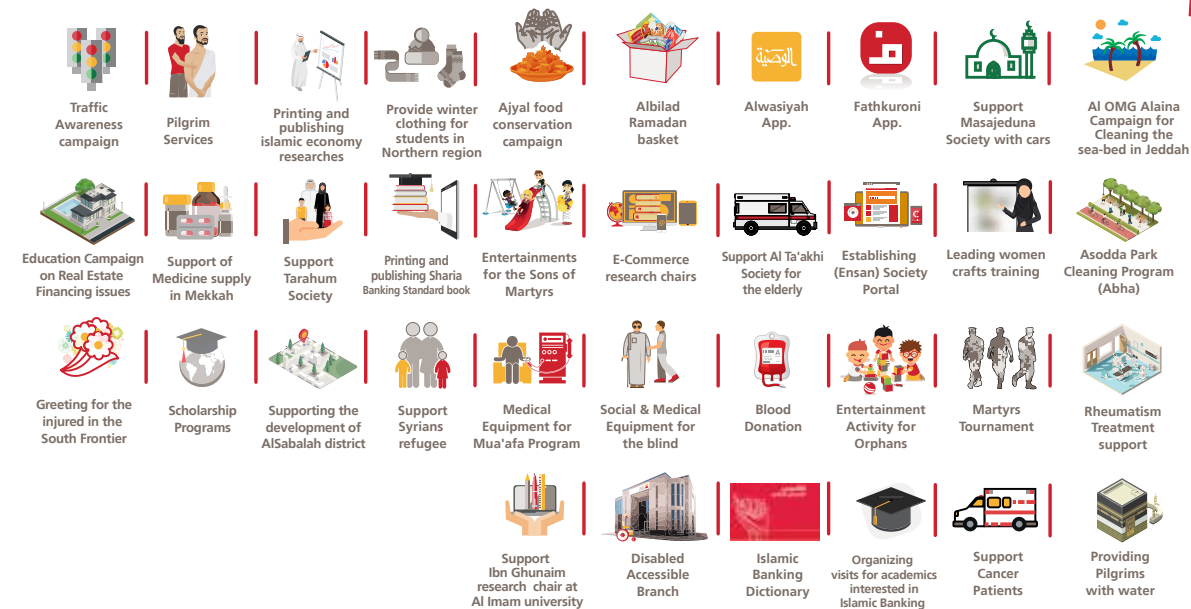
Social Responsibility Programs

#Albilad\_Initiative

بنك البلاد  
Bank Albilad

Program &  
Initiative

36



92 000 1002  
bankalbilad.com

Bank Albilad won the naming rights (for 10 years) on one of Riyadh Metro stations. Winning the announced a party held in the Culture Palace in the Embassies Neighborhood on Nov. 2018, under the auspices of HRH Prince Faisal bin Bandar bin Abdulaziz Al Saud, Governor of Riyadh Region, Chairman of Riyadh City Development Council.



Bank Subsidiaries:

The Bank owns two subsidiaries as shown below::

Name of the Company	Incorpora- tion Date	Main Activity	Capital	Country hosting the company's major operations	Country of Incor- poration	Own- ership (%)
Albilad Investment Company "Albilad Capital"	20 November 2007	Performs investment services and as- sets management activities represented in dealing with, arranging, managing, counseling and holding securities.	SR 200 Million	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%
Albilad Real Estate Company Ltd.	17 September 2006	Carry out registration procedures related to real estate guarantees provided to the Bank by its customers as collaterals	SR 500,000	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%

The Group's consolidated financial statements include the financial statements of Bank Albilad and its subsidiaries, name-ly Albilad Investment Company and Albilad Real Estate company, referred collectively as the "Group"

Strategic Investment:

Name of the Company	Incorporati- on Date	Main Activity	Author- ized Capital	Paid-up capital	Country hosting the company's major operations	Country of Incor- poration	Own- ership (%)
Bayan Credit Information Com- pany	28 December 2015	The Company provides credit information services, valuation services, credit valuation and consultation for companies and businesses	SR 100 Million	SR 50 Million	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	15%

Key Business Sectors and Activities of the Bank and its Subsidiaries:

The Bank and its subsidiaries practice the following activities:

Customers Retail banking Activity	Includes services and products provided to individuals, such as deposits, finance for individuals, remittances and foreign exchange.
Corporate Banking Activity	Includes services and products provided to companies and legal person cus- tomers, such as deposits, finance and business services to customers.
Treasury Activity	Includes Capital Market and the provision of treasury services.
Investment and Brokerage Services Activity	Includes investment management services and assets management activi- ties associated with the services of handling, management, arrangement, counseling and maintenance of securities provided by AlBilad Investment Company, which is owned by the Bank.

Summary of the Group's Businesses and Sector activities of the Bank and its Subsidiaries:

Customer Retail Banking Services:

As the business development process continued in 2018, a number of new and innovative products and services have been launched, including self-construction and flexible self-construction products for which the Bank is proud to be the first in the Kingdom of Saudi

Arabia. Added to that, the products of sales on the map; advance payment initiative, tailored for military personnel; and guarantees ini-  
tiative in corporation with the Saudi Real Estate Development Fund (REDF). Moreover, the service and products currently provided by the  
Bank have also been expanded and improved to support the sales channels and enhance the Bank clients' experience. Such improvements  
are reflected in providing the services of personal financing products, after the official working hours; and improving the financial results  
for many businesses, compared to the previous year 2017. Examples include: portfolios of customer finance individual financing; real es-  
tate financing; real estate-guaranteed financing; and car- lease financing. Furthermore, Bank Albilad has become the most performing  
bank in the Kingdom with respect to the real estate programs implemented in cooperation with both the Ministry of Housing and the  
Saudi Real Estate Development Fund (REDF), along with launching new credit card and pre-paid credit card products; and electronic trade  
payment services. The portfolio of the credit cards, in all different types, has recorded a remarkable revenue increase.

Enjaz banking Services Sector:

In continuation of the Bank' business development process and achievements, Enjaz banking services sector has recorded a re-  
markable growth during 2018 to become one of the most important providers of financial remittance services and selling/buying  
of foreign currencies Kingdom wide. Given the constant advancement and change in the electronic self-service, a service makes it  
convenient for clients to visit Enjaz centers for quick, hassle-free and 24 hours remittance service. The Bank correspondents' net-  
work has also expanded by entering into contracts with International Banks for wider geographical spread of Enjaz centers, which  
increased in number to 180 by year-end 2018. Additionally, these services have extended to benefit the workers at Neom City in  
contribution by the Bank towards Vision 2030, and the digital transformation strategy for financial transactions.

Treasury Sector:

Treasury sector has continued to grow in 2018 by diversifying and increasing the Bank's income sources through bigger market share; higher  
quality of customer services; effective and professional handling of risk management, relaying on adequate capital market studies, data  
analyses and business smart, constant investment portfolio growth, by focusing on Saudi government bonds, and on lease-related portfoli-  
os. With respect to capital markets, new products have been introduced such as long term and frequent Murabaha, more engagements in  
long term investments, foreign exchanges, with focus on closer and diversified relationships with local, regional and international financial  
institutions. The Bank introduced exchange rate fluctuation protection product by using the principle of "Promise of Protection" designed  
to make Bank Albilad the first choice competitor among all local and regional banks with respect to treasury's different activities of covering  
the currencies or capital market products. Furthermore, focus has been maintained on the quality of the Bank's customer services provided  
to government and semi-governmental agencies, companies, small and medium enterprisers and retail banking clients to satisfactorily meet  
their respective requirements for currencies and direct investment by directly dealing with treasury sector.

Group's Corporate Banking Services:

The Bank endeavored to increase the financing facility to this sector despite the difficulties and challenges encountered  
during 2018. The Bank has been successful in coping with the customers' requirements and responding to the economic  
changes. This helped the Bank's customers to perform their businesses and to maintain long-term and rewarding banking  
relations. As a Bank's contribution to Vision 2030, which is considered as a pillar for developing its strategy, the Bank con-  
tinued to finance many sectors in different fields of infrastructure, mining, petrochemicals, industry, trade, and real estate  
development. This has contributed to the Kingdom's economic and income sources diversification. Additionally, growing at-  
tention has been paid to the small and medium enterprises sector by providing a number of specially designed financing pro-  
grams to support investors in the fields of education, health, together with the "Mudaraba" Agreement for debtor current  
account", introduced for the first time in the region and it is in conformity with the Sharia controls. The Bank continuously  
works to improve quality and raises awareness of the bank's customers by conducting specialized workshops for customers  
and businessmen, in general, and small and medium enterprises in particular, to increase their level of awareness of banking  
products and to enhance their capability to develop their own businesses and strengthen their relationship with the Bank.



**Micro, Small and Medium Enterprises (MSMEs):****A-Qualitative disclosure**

During 2018, Bank Albilad completed the expansion policy for the MSME Sector. On one hand, expansion serves as a contribution to and implementation of the Kingdom Vision 2030; on the other, it is intended to meet the banking needs of the sector. To this end, financing programs, especially tailored banking solutions, have been provided for the public and private sectors. The Bank increased its contribution to Kafalah program and signed a new cooperation agreement intended to encourage maximum utilization of Kafalah program for small, medium and micro enterprises. To add on, a number of new strategic partnerships have been discussed with some regulatory agencies. Furthermore, the Bank continues to consolidate relationship with the clients by providing them with the best banking practices through conducting many specialized workshops delivered by experts in trade, financing, and electronic services. Different questionnaires were conducted to get feedbacks on quality of services provided, and to assess the customers' experience for working on further improvements.

**B-Quantitative disclosure**

2018	Million riyals			
Details	Micro	Small	Medium	Total
Direct facilities provided to MSMEs	22	1,250	1,643	2,914
Indirect facilities provided to MSMEs (face value)	22	301	351	674
Direct facilities provided to MSMEs as percentage to total direct facilities	0.04%	2.42%	3.18%	5.65%
Indirect facilities provided to MSMEs as percentage to total indirect facilities	0.40%	5.47%	6.39%	12.26%
<b>Number of direct and indirect facilities</b>				
Number direct and indirect facilities customers	44	261	157	462
Number of direct and indirect facilities guaranteed by Kafalah Program	8	77	9	94
Total direct and indirect facilities guaranteed by Kafalah Program	10	234	68	312

2017	Million riyals			
Details	Micro	Small	Medium	Total
Direct facilities provided to MSMEs	NA	595	1,744	2,339
Indirect facilities provided to MSMEs (face value)	NA	217	310	527
Direct facilities provided to MSMEs as percentage to total direct facilities		1%	4%	5%
Indirect facilities provided to MSMEs as percentage to total indirect facilities		3%	5%	8%
<b>Number of direct and indirect facilities</b>				
Number direct and indirect facilities customers		207	155	362
Number of direct and indirect facilities guaranteed by Kafalah Program		78	10	88
Total direct and indirect facilities guaranteed by Kafalah Program		178	41	219

**Activities of Albilad Investment Company " Albilad Capital" in 2018**

Albilad Capital has been incorporated in 2008 as a limited liability company authorized by the Capital Market Agency (CMA), with a capital of SR 200,000,000. It is the investment arm of Bank Albilad; headquartered in Riyadh; and its activities are in conformity with the principle of Islamic Sharia. Albilad Capital's legal identity has been changed from limited

liability into a single shareholder closed joint stock company, pursuant to the Minister of Commerce and Investment's decision No. 166/Q dated 3/6/1438H.

In 2018, Albilad Capital continued to strengthen its power and position, being the fastest growing financial institution with respect to its various activities. It has enhanced capabilities to respond effectively to the expectations of clients, in line with the Bank's continuous development process.

The profits of the Albilad Capital increased by (16%) in 2018 compared to 2017 at a time when the results of the 4th quarter of the accumulated profits earned by authorized persons declined by (9%) according to the Capital Market Agency report. This growth in Albilad Capital 's profits and activities is attributed to the new strategy developed by the company's senior management, which focuses on coping with the Kingdom Vision 2030, benefiting from available opportunities and launching a number of new projects and initiatives. Regarding new services, the company launched private ownership service in managing banking investment, i.e., "Sukuk issuance" which is the first of its kind to be issued by investment company rather than banks. This program volume approximates one Billion Saudi riyals. The first sector was closed at 278 Million riyals with a coverage of nearly 400%. This performance entitled Albilad Capital to be awarded "The Best Bond Deal in Local Currency" for 2018 in a ceremony organized by GFC in Dubai for granting Middle East awards for debenture, loans and sukuk in November 2018.

As for securities services, and despite the product was recently introduced, Albilad Capital was able, within only two-year span, to become the leading company in the Saudi market in respect of assets under protection. The company succeeded in signing in with managers of major local and international funds. Additionally, the company launched in 2018 Albilad Fund to invest in the traded real estate investment funds, and Albilad USD Murabaha Fund. The assets management was successful in recording substantial growth in the total assets managed by public funds and private portfolios. In real estate investment funds, the managed assets increased remarkably, compared to 2017.

The company continued to invest in advancing the brokerage services to keep with the expectations of its corporate and retail banking clients. To this end, a world-class trading platform has been launched to enrich the trading experience in the Saudi Stock Market. Furthermore, financing by electronic margin, which was introduced in 2017, is upgraded to enable customers to conclude various Murabaha contracts aligning with their investment objectives. All these have reflected in higher total revenues earned from brokerage service, and the financing of margins registered an increase of (26%) compared with 2017.

**Impact of key activities on the Bank businesses and total revenues are illustrated as follows:**

2018 (SAR' 000)	Activity Revenue	%
Retail Sector	1,880,958	55%
Corporate Sector	956,030	28%
Treasury Sector	339,516	10%
Investment and Brokerage Services Sector	166,479	5%
Other Revenues	73,037	2%
Total	3,416,020	100%

Table below summarizes Bank Albilad and its subsidiaries (Group) financial results as on 31 December 2018:

2018 SR ' 000	Retail Sector	Corporate Sector	Treasury Sector	Invest- ment and Brokerage Services	Other	Total
Total Assets	27,513,144	26,625,435	16,905,471	862,868	1,729,208	73,636,126
Total Liabilities	39,459,233	11,195,914	9,675,433	345,494	5,127,103	65,803,177
Income from Investment and Financing Assets, Net	1,062,512	842,301	174,988	15,386	50,282	2,145,469
Income from Fees, Commissions and others, Net	818,446	113,729	164,528	151,093	22,755	1,270,551
Total Operating Income	1,880,958	965,030	339,516	166,479	73,037	3,416,020
Provision for the Decline of Finance & Other Financial Assets, Net	222,248	263,934	3,738	533	-	490,453
Depressions and amortizations	94,366	8,522	2,596	2,608	-	108,092
Total Operating Expenses	1,577,615	554,310	80,890	94,766	(2,071)	2,305,510
Net Annual Income	303,343	401,720	258,626	71,713	75,108	1,110,510

Consolidated financial statements include all financial statements of the Bank and its subsidiaries, which are Albilad Investment Company, and Albilad Real Estate Company, collectively referred to as the "Group".

**Financing and Issued Sukuk:**

In its financing activities, Bank Albilad normally deals as usual with other banks and the Saudi Arabian Monetary Authority (SAMA). On August 30, 2016 the Bank issued 2,000 enhanced Sukuk certificates with a value of SAR1,000,000 each, payable on quarterly basis - 29 Feb., 30 May, 30 August, and 30 Nov. of every year until 30 August 2026, the date set for repayment.

The Bank has the right to redeem on or after 30 August 2021 upon satisfaction of certain conditions as per the provisions outlined in the Bulletin of Issuance. Sukuk certificates may also be redeemed under certain conditions specified in the abovementioned bulletin. It is worth mentioning that the Bank has not defaulted to pay the profits due in 2018.

**Profitability of Shares:**

The basic and reduced profits of the shares for years ending on 31 Dec. 2018 and 2017 were calculated by dividing the net income of the Bank shareholders by weighted - average number of standing shares of the year (596 million shares in 2018, and 596 shares in 2017) after Treasury shares were excluded.

**Profit Distribution Policy:**

Bank’s annual net profits, which are determined after deducting all the general expenses and other costs and developing precautionary reserves to face bad debts, investment losses and contingent liabilities that the Board deems necessary in conformity with the provisions of the Banking Control Regulations and the directives of the Saudi Arabian Monetary Authority (SAMA), are distributed as follows:

- 1- Zakat due on the Bank's shareholders is calculated and paid by the Bank to the competent authorities.
- 2- No less than (25%) of the remaining net profit shall be transferred after Zakat deduction to the statutory reserve till such reserve becomes at least equal to the Bank's paid-up capital.
- 3- An amount no less than (5%) of the paid-up capital is allocated from the remaining profits after deducting the statutory reserve and Zakat; is to be distributed to the shareholders, according to the Board’s proposal and the decision of the General Assembly. If the remaining profit rate accrued to shareholders is not enough to pay this percentage, the shareholders cannot claim payment during the year or the following years, and the General Assembly is not allowed to decide the distribution of a percentage of the profits exceeding the percentage proposed by the Board of Directors.
- 4- After allocating the amounts mentioned in Clauses 1, 2, and 3, the remainder would be used as per the Board of Directors recommendation and the General Assembly decision.

A cash amount of SR 240 million (SR 0.4 for each share) for the second half of 2017 was distributed pursuant to the Ordinary General Assembly meeting held on 11 April 2018.

**Current and Future Risks:**

The Bank may be exposed to some risks presently or in the future. Such exposure is only natural in the Bank’s activities. A Risk Management Group at the bank is tasked to effectively and efficiently monitor and manage credit risk, market risk, operating risk and the information security, and to ensure compliance to the requirements of Basel Committee. These risks are fully described in the representations attached to the Consolidated Financial Statements, (28 to 33) as a complementary part of the Board of Directors’ report. The most important of which are summarized as follows:

During 2018, the Risk Management Group at the Bank continued to exert efforts to improve effectiveness of risk management using the best practices to ensure that the Bank activities performed maintain an appropriate balance between the return earned and projected risk.

The framework of the Risk Management Group is composed of three pillars: sound principles for risk management, organizational structure and measurement and control processes. These are necessary for banking activities to ensure acceptable level of such risks. Furthermore, the Group Risk Management is functioning independently from the other Bank businesses, as stipulated by SAMA’s guidelines and Basel Committee's requirements. The Bank has developed frameworks for defining, measuring and managing risks and set forth a definition for the function of the Risk Management Group as a separate management from the Bank business divisions. The Banking Risk Management Process includes different types of banking risks such as credit risk, liquidity risk, operating risk and market risk. The Bank regularly reviews risk management systems and policies to ensure they are upgraded to cope with changes of markets and products and implement the best global banking practices.

**1-Credit Risk:**

The credit risk is one of essential elements the Bank is exposed to throughout its financing and investment activities, and the credit risk’s management involves multiple units operating under one system in accordance with the approved credit policies and procedures.

**A - Measurement of Credit Risk Degree:**

The Bank works on measuring the degree of credit risk for the purpose of reaching the maximum quantity and quality measurement degree to determine the credit risk degree faced by the Bank. Furthermore, Bank Albilad uses an advanced assessment system to assist in the internal assessment of the credit risk degree for corporate customers and retail banking customers to measure the probability of default, the amounts that may be defaulted, and the losses resulting from such defaults. The Bank constantly strives to develop ways and means for internal assessment of risk degree associated with customers. To this end, the Bank uses different assessment forms, designed to evaluate fairly and accurately the customers of small and medium enterprises, customers of high solvency, and corporate customers. Furthermore, the Bank is about to launch a system to measure credit risk degree for retail banking customers who are financed through approved financing programs.

**B - Credit Risk Controls and Mitigations:**

The Bank follows several methods to mitigate the credit risk degree to acceptable level. The most effective one is to conduct analytical studies on the future data to measure the customer’s capability for payment of his obligations. The credit approvals are carried out by several credit committees composed of Bank executives or through Board-level committees, depending on their vested authority as well as the degree of credit risk involved and the size of credit facilities provided. To add on, the Bank requires, as per its sole discretion, guarantees to be provided as collateral against the credit facilities. The Bank prefers the kind of guarantees that can be easily liquidated and enforceable. The Bank holds different and various kinds of guarantees as collaterals against the credit facilities provided. Examples of such preferred guarantees are: cash cover, mortgage of some investments and assets for the Bank or mortgage/reservation of some commercial and residential real estate assets. Furthermore, the presence of a security to guarantee facilities provided, whether personal or financial security or a third- party security, noting that the granting of finance for individuals is based on finance programs that include the transfer of the customer’s wage to the Bank. It is taken into account not to allow the presence of credit concentration in the credit portfolio, in addition to ensuring the conformity of the size of credit exposure with the controls stated in this regard, whether for the exposure with a certain authority or a certain sector (activity).

**C - Monitoring and Reports:**

The financial and credit position of all corporate and retail Bank-financed customers are to be thoroughly reviewed on annual basis to ensure continuity of the customer's status, business and financing needs, and that the credit relationship is functioning properly; and reports on the customers' frequent visits throughout the year are reviewed. Corporate customers who have high credit risk rates are considered and rated on the list of customers who require special supervision; as this credit exposure is monitored and pursued accurately and carefully to mitigate this credit exposure properly and in a biannually manner. The portfolio of the retail banking customers, who obtain credit facilities for consumption purposes, and the credit cards are followed up with on a comprehensive basis through the assessment of the criteria established for this portfolio for each sector individually. The Bank calculates the credit provisions in the Bank's financial statements and records in accordance with the applicable International Financial Reporting Standards (IFRS) for accounts that are likely to incur losses, in the presence of indicators implying the need to carry out these provisions, which may affect the expected cash flows from these assets or investments. The Bank also prepares a comprehensive monthly report for the status of the Bank's portfolio, containing an analysis of the credit concentrations analysis to be reviewed and supervised by senior management of the Bank.

**2- Market Risk:**

Most of the banks' businesses are exposed to market risks; as the fluctuations in margin prices often lead to positive or negative results, resulting in a gain or loss for the Bank. Furthermore, the sudden and high fluctuations in prices may affect the Bank liquidity and its financing capabilities. Main market risks are many and can be outlined as follows:

**Return Rate Risk or Profit Rate Risk :**

The return rate risk or the profit rate risk are known as the potential impact on the Bank's profitability, as a result of the changes in the rates of returns on the market, and the price changes often occur either due to overall market movements, or because of the source/ certain reasons for the borrower.

**Foreign Exchange Risk :**

It is the risk resulting from the impact of the fluctuations in the currency exchange rates on the existing currency centers at the Bank.

**Share Investment Risks:**

They are resulting from fluctuations in share prices, and thus impact the Bank's profitability and the shareholders' equity. In general, the core objective of the Bank's Market Risk Management is to manage and control Bank exposures to market risks in order to increase the revenues within the approved policies for market risk and the Bank's acceptable risk level. The sources of exposure to market risks for the Bank are divided into:

**Trading Portfolios:** The exposure to market risks in the trading portfolio in foreign currencies arises from the need to satisfy Bank and its customers' requirements of foreign currencies.

**Non-Trading Portfolios:** The exposure to market risks in the non-trading portfolios primarily arises because of inconformity of the assets and its maturity dates with the maturity dates of the liabilities, and the impact of the price changes with the implementation of the re-investment operations.

**3-Liquidity Risk:**

The liquidity risk is considered one of the most important risks faced by the banking sector in general or a certain bank in particular; taking into account the likelihood of the Bank's inability to meet the financing requirements at a reasonable cost (liquidity finance risk), or its inability to liquidate its positions at a reasonable speed, while maintaining the appropriate price (market liquidity risk).

**Governance of Market and Liquidity Risks:**

Market Risk Management is working on developing limitations and control for the extent of the compliance thereto by applying policies and limitations approved by the Board of Directors; and the Assets and Liabilities Committee (ALCO) is responsible for managing the market risk at the strategic level under the delegated authority. The limitations of the portfolios, products and risk types are specified based on the size of the liquidity in the market, the credit risks associated with

it, the implemented analysis and the extent of using the limitations. The Market Risk Management Sector is classified as an independent regulatory management responsible for implementing the market risk policies effectively. It is also responsible for the development of the methods and methodologies of the Market Risk Management in the Bank, the measurement mechanisms and the behavioral assumptions for liquidity and investment, in addition to the immediate reporting of any violations of the established limits to the Senior Management, in accordance with the strict mechanisms and procedures approved and certified by the Board of Directors, along with the regular reporting of the exposure to market risks and the violations of the limitations to the Asset and Liabilities Committee and the Board of Directors. The Bank also strives to diversify the financing sources in order to reduce exposure to liquidity risks, which results in reducing the degree of concentration and maintaining an acceptable level of assets for liquidation; in addition to developing a number of policies and standards for Liquidity Risk Management, as well as providing an emergency plan in line with the best practices issued by the Basel Committee regarding Liquidity Risk Management. The policies and procedures regarding Liquidity Risk Management are reviewed periodically and subjected to the approval of the Assets and Liabilities Committee and the Board of Directors. Furthermore, there are also additional control factors that often work on maintaining the level of market risk exposure within acceptable readiness levels in the event of adverse events (such as stress tests and procedures for approving new products); as the periodic receipt of the stress tests results determines the impact of the changes in the profit rates, foreign currency exchange rates and other risk factors on the Bank's profitability, capital adequacy, and liquidity. The results of the stress tests are sent periodically to the Executive Management and the Board of Directors to evaluate the potential financial impact in the extraordinary events. The Group Risk Management during 2017 embarked on development of technical systems to be used for measurement of liquidity risk, management of assets and liabilities, preparing related studies, reports and stress tests. This exerted effort is a part of the system that is undergoing advancement of various financial risk management systems.

**4-Operating Risk:**

Operating risk is known as the risk of loss resulting from inadequate or failure of internal operations, retail customer's activities, technical systems or external events, and the definition includes the legal risk and excludes the strategic risk and the reputational risk. Operating risks are collateral risks inherent in all the Bank's products, activities, operations, and IT systems, which are caused by internal factors, unlike the credit risks and the market risks that arise from external factors. Taking into account the above, Bank Albilad has adopted a strategy that relies on the active participation of the Senior Management in managing this type of risk. This is because of its impact on the various activities of the Bank; as the Bank is constantly trying to work on reducing the effects of the operating risk to achieve the Bank's strategic objectives through the following:

- Analyze and assess the objectives and sub-activities and work on reducing the exposure to operational risk.
- Identify the operating risks in the current and new products, activities, operations and IT systems through the use of the following operational risk management tools: Calculation of the operating losses in order to identify the regulatory gaps that led to these losses and working on developing the corrective actions to reduce recurrence in the future; the assessment of the collateral risks inherent in the various activities of the Bank and the applicable regulatory elements to address the risks, and the collection of key risk indicators in order to monitor and control the level of exposure to the operating risk as an initial warning before the risk occurs.
- A proactive initiative from the Bank Management to remedy the operational risk.
- An independent and continuous assessment of the regulatory elements, policies, procedures and performance of the Bank's activities.
- Ensure compliance with the regulators' instructions and the international standards in the Operational Risk Management.
- Providing the Executive Management and the Board of Directors with periodic reports on the results of the risk assessment and the operational losses suffered by the Bank and the corrective measures proposed.

**5-Fraud Risk:**

Fraud risk is known to be one of the operating risks that institutions including Banking institutions are exposed to. As the Bank pursues to apply the best practices and requirements of the regulatory and supervisory entities to limit these risks, the anti-fraud management was restructured and merged into the Risk Management Group . This merger is intended to surely increase in the effectiveness of monitoring and analysis process. The Bank has continued in 2018 the development process of policies and functional procedures related to antifraud management, in accordance with the strategy of the Bank to limit the risks within acceptable margins and it also started to develop monitoring tools that will facilitate the work and increase its effectiveness



**Compliance with Regulations and Laws:**

Bank Al Bilad is committed to abide by legal, ethical and professional laws and regulations as a fundamental pillar of its orientation, policies, plans, strategic decisions and main objectives. The Bank is committed to all relevant laws, regulations and controls, and all issued by the regulatory and supervisory authorities such as the Saudi Arabian Monetary Authority (SAMA), the Capital Market Authority (CMA) and the Ministry of Commerce and Investment and others, including the relevant approved international standards. The Bank's Anti-Financial Crimes Sector is keen on developing its instruments and refining its capabilities in order to achieve the desired objectives and implement the adopted strategy which contributes to the elimination of all illegal transactions and to ensure the Bank's compliance with all relevant regulations, instructions and requirements of SAMA, in particular, to improve the efficiency of Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) laws and to participate in the training and sensitization of the Bank's staff in the field of AML/CFT.

**Internal Audit:**

Internal Audit is an independent and objective function reporting directly to the Audit Committee that is formed by the General Assembly of the Bank. It aims to provide reasonable assurance to the Audit Committee and the Bank's Senior Management on the adequacy and effectiveness of the Internal Audit System by applying a systematic approach to evaluating and improving the effectiveness of governance, risk and control management. The internal audit sector follows the risk-based audit methodology in the planning and implementation of audit work. It also follows up on correcting the observations contained in the audit reports to ensure that they are implemented according to the schedule and procedures established to ensure the integrity of the internal controls. The internal audit sector relies on the continuous development of its staff to upgrade their capabilities. The sector shall also ensure that the internal audit standards are applied through the quality assurance program covering all internal audit activities. The scope of the internal audit function involves auditing all Bank's activities and departments and this sector has performed in 2018 all audit works as scheduled in the plan approved by the Audit Committee, and based on comprehensive study and evaluation of the risks involving all auditable departments at the Bank. Besides, Internal Audit sector has performed other functions delegated to by the Bank Management of SAMA.

**Internal Audit System:**

The Bank's Executive Management is responsible for establishing and maintaining adequate and effective internal audit system, including policies, procedures and operations designed under the supervision of the Board of Directors to achieve the Bank's strategic objectives. To this end, a comprehensive system for internal audit is developed as recommended by the regulatory and control authorities, involving the framework of governance which assigns the roles and responsibilities of the Board of Directors and its affiliated committees and executive management committees to ensure adequate control over the Bank. All Bank divisions and departments exert concerted and integrated efforts to improve the control environment through continuous review and simplification of procedures to prevent and correct any deficiencies in the internal control. In addition to control function being performed by risk and obligation sector, internal audit is a defense line independent from the Management responsible for assessing and verifying the effectiveness of the Internal audit System, including the compliance with policies and procedures, and the contribution in the ongoing effectiveness of the internal control system. Furthermore, reports on significant and specific weaknesses detected and corrective measures recommended in the Internal audit system are to be submitted to the Audit Committee and Senior Management, while the function of the Audit Committee is to effectively monitors the adequacy and effectiveness of the internal audit system to ensure the mitigation of specific risks to protect the Bank's interests. Based on the ongoing internal audit assessment results during 2018, the Bank Management believes that the current internal audit system of the Bank is designed properly, and works effectively, and is monitored constantly. Nevertheless, the Management is constantly striving to enhance the Bank's Internal audit system effectively. The Board believes that the Internal audit system is designed adequately and implemented effectively, and there are no regulatory gaps or substantial weaknesses in the Bank's business for the year 2018; and this comes based on reasonable assurances of the Board on the safety of the design and the effectiveness of the application of the internal audit system; and that no internal audit system, regardless of the safety of its design and effectiveness of its application, can provide absolute assurances.

**Human Resources and Saudization:**

At the end of 2018, the number of Bank employees has reached 3,552 employees compared to 3,394 employees by the end of 2017, the Saudization percentage was 89% of the total personnel at the end of 2018. As the Bank believes in the importance of the human capital, the human resources division has recruited and developed qualified employees. Hence, the Bank arranged and conducted specialized training courses for new employees including graduates of universities and management institutes. Besides, the Bank has also conducted development courses for all employees; offering 3,159 training opportunities for its employees. Furthermore, Human Resources Division, through its competent management, is constantly implementing high professional and ethical standards.

**Code of Ethics and Professional Conduct:**

Code of ethics and professional conduct and pertinent principles are the cornerstone of the Bank Albilad Group's businesses ethnical and professional behaviors. Application of these assists the Group with realizing the Bank's vision, mission, protecting all its stakeholders including investors, customers, and dealers; besides protecting the Bank's interests, improving its businesses and reputation as well as its logo/trade mark. The Bank has successfully earned its good and respectful reputation from being adherent to its banking principles and values that are based on the Islamic Sharia rules and compliant with laws, regulations, guidelines, and directives issued and stipulated by regulatory authorities such as SAMA and CMA. Such good reputation is also attributed to the sincere, commitment and devotion of all Bank employees who are eager to provide to Bank's customers the best possible banking services at world-class level professionally and ethnically. Trust, honesty, respect and responsibility are essential foundation on which this reputation has been established and a source for the value the Bank effortlessly provides to customers; the obligations the Bank imposes on itself towards various and numerous stakeholders, to carry on and maintain these well-established principles and values of the Bank. Therefore, it is imperative on all bank employees, with no exception, to perform their job functions and duties towards customers and all counterparties in a way that maintains respect to others, reflects a good image of the Bank and its employees, ensures preservation of the good reputation of the Bank, and endeavor not to expose the Bank to any damages resulting from disrespectful behavior inside or outside the bank, within the Kingdom or abroad. By the same token, all Bank employees are required to treat and deal with others with honor and dignity, being liable for their deeds, and compliant to the prevailing laws, literally and non-literally. They are also required to be open-minded, frank, and honest for high and factual decision-making process.

**End-of-Service Gratuity:**

The gratuities accrued to the Bank employees are calculated at the end of their service, according to the Saudi Labor Law, and they are included in the other liabilities section in the consolidated statement of financial position.

**Employee Share Program:**

The Bank provides its qualified employees with incentive programs that are paid based on the shares as per a program approved by the Saudi Arabian Monetary Authority (SAMA). Under the terms of this program, the Bank grants shares to qualified employees, and they will be kept as part of their annual remunerations. The cost of these programs are measured based on the fair value at the shares' grant date, and the cost of the programs is recognized throughout the period during which the service requirement is fulfilled, which ends with the date on which the concerned employees are entitled to the granting of the shares (maturity date). The cumulative expenses, which are calculated under these programs from the preparation date of all the financial statements until the maturity date, show the extent of the maturity date, and the best Bank estimates for the number of shares that will be granted at the end. The amount charged or restricted on the consolidated income statement for a year represents the movement in the cumulative expense registered at the beginning and end of that year. After obtaining the approval of the Saudi Arabian Monetary Authority (SAMA), the Bank enters into an agreement with a neutral third party to retain the shares involved in the program, in addition to the benefits accrued from these shares. The important benefits of the program are as follows:

Details	2018
Grant Date	29 April 2018
Maturity Date	25% 1 January 2019 25% 1 January 2020 50% 1 January 2021
Number of Shares Granted on the Grant Date	475,319
Share price on the Grant Date (Saudi Riyals)	19.20
Value of the Shares Granted on the Grant Date (in Thousands Saudi Riyals)	9,126
Maturity Period	3 years
Grant Condition	Completion of Service Period
Payment Method	Shares
Following is a statement of the movement in the number of shares for the Employees Share Program during the year:	2018
At the beginning of the year	1,027,816
Shares granted during the year	475,319
Waived	(40,179)
Disbursed	(412,819)
At the end of the year	1,050,137

These shares were granted with an essential condition; which is the completion of the service period and it is not linked to the market conditions.

Sharia Committee :

Based on the Bank’s policy and its approach based on adherence to the Islamic Sharia principles, the General Assembly of the Bank has selected the members of the Sharia Committee and approved its regulations which stipulates the Board being independent from the Bank. Among other prominent clauses of such regulations are as follows:

- The Bank shall not implement any product, conclude contract or agreement without the consent of the Sharia Committee.
- Sharia Committee's decisions are binding on the all managements and subsidiaries of the Bank.
- Sharia Committee and the Sharia Division participate in the product development process, in accordance with the Sharia provisions.
- Sharia Committee and the Sharia Division promotes spreading awareness of the Islamic banking.

The six members of the Sharia Committee are proficient scholars in the jurisprudence of financial transactions and the economy. They are:

His Excellency Sheikh Abdullah Bin Suleiman Al Manea	Committee Head
His Excellency Sheikh Prof. Dr. Abdullah Bin Mohamed Al Mutlaq	Deputy
His Eminence Sheikh Prof. Dr. Abdullah Ibn Musa Al-Amar	Member
His Eminence Sheikh Dr. Muhammad Ibn Saud Al-Osaimi	Member
His Eminence Sheikh Prof. Dr. Abdul Aziz bin Fauzan Al-Fawzan	Member
His Eminence Sheikh Prof. Dr. Yusuf Al-Shubaili	Member

The preparatory committee, formed from some Sharia Committee members, and acts pursuant to delegated powers by Sharia Committee, performs several tasks, most notably of which are: Studying the issues received from the Bank in order to be submitted to the Sharia Committee to reach a decision; studying the Sharia inquiries related to the financial and Banking matters received from the Bank’s employees and customers and providing guidance thereon ; studying initial ideas for products and providing guidance in this regard. In 2018, the Sharia Committee held 7 meetings and the Preparatory Committee held 20 meetings.

The Sharia Division of the Bank exercises its functions through the Sharia Studies and Research Management and Sharia Supervisory Management and the Support Unit. Sharia Studies and Research Management prepares the subjects received by the Sharia Committee and prepares the necessary studies and research, in addition to participating in the development of Islamic Banking products and their clearances and spreading awareness of Islamic Banking. Whereas the Sharia Supervisory Management works on verifying the Bank’s commitment to the decisions of the Sharia Committee by implementing supervisory field visits to audit all the Bank’s business on a regular basis to make sure of the Bank’s commitment to the Sharia Committee's decisions and controls. The Support Unit works on arranging and coordinating the meetings of the Sharia Board and serving its results, in addition to, monitoring, executing projects and business that contribute in spreading the awareness of Islamic Banking inside and outside the Bank, like printing scientific research project that the Sharia Division has contributed since its establishment in printing researches that aim at spreading the Sharia knowledge in connection with jurisprudence of financial transactions and Islamic economy. In 2018, the Division has issued a thesis titled "licensing the described in contemporary applications" and knowledge sharing project that aim at linking the theoretical part to the practical part in financial transactions and understanding the Sharia forms, Islamic Banking products to teachers and students of the universities during their visit to the Sharia Division.

Governance Report :

The Bank’s Board of Directors is committed to provide a growing shareholder value over the long term, and it appreciates the role of an effective governance system in achieving sustainable growth, and that is achieved through the formulation of strategic objectives and translating them into appropriate work programs, and working on their achievement with a commitment to the transparency, disclosure and fairness standards.

Governance – as a concept in Bank Albilad- is a system of rules used in directing and guiding the Bank, including mechanisms to regulate the relationship between the Board of Directors, the Executive Management, shareholders and other stakeholders, where special regulations and procedures are applied to facilitate decision making and transparency in order to protect the rights of shareholders and stakeholders and achieve justice and transparency in the financial and business environment.

The Bank’s corporate governance is based on fair treatment on the basis of equality between the interests of the various concerned parties, including shareholders, management, customers, suppliers or government agencies (including Regulatory and Supervisory Authorities), and all community sectors. The Board of Directors and the Executive Management stresses the need to adhere to the governance controls as an effective method to develop the concepts of effective transparency, integrity and control, and achieving high professional performance, thus enhancing the confidence of the above-mentioned stakeholders locally. This report demonstrates the extent to which the Bank complies with the terms and conditions of corporate governance.

Based on the requirements and decisions of the regulatory authorities represented in the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA), and others and given the awareness and belief of the Bank’s Board of Directors and its Executive Management in the importance of governance, the Board of Directors has adopted the Bank’s corporate governance documents, including the Corporate Governance Manual, its annexes and a group of related policies and documents; in full conformity with the Companies Law, Governance Regulation and Principles and all Regulations issued by the relevant Regulatory and Supervisory Authorities as well as the Bank’s Articles of Association.

One of the most prominent achievements in this regard during the year 2018, the Corporate Governance Manual and its annexes were updated and approved, including general rules for the Board of Directors and Executive Management and their committees and introducing many policies and documents that are approved by the Board of Directors or the General Assembly according to what is required by the laws and regulations of approval and to be consistent specifically with the Updated Corporate Governance Regulations issued by the Capital Market Authority. In addition to the controls and regulatory procedures issued for implementing the Companies Law in connection with joint stock companies enlisted that is updated and the main principles of Bank governance –first update on March 2014- issued by Saudi Arabian Monetary Authority, and in accordance with Companies Law and its regulations and others relevant regulations. The Board and its committees follow up with the Executive Management to ensure its commitment in the application of all that is stipulated by these regulations and policies permanently and effectively.



Major Stakeholders:

The Bank’s major stakeholders are owners of more than 5% of the shares as at the end of trading on (31.12.2018), They are :

SN.	Shareholder Name	Percentage (%)
1	Mohammed Ibrahim Al-Subaie & Sons Company	19.24
2	Abdullah Ibrahim Al-Subaie Investment Company	11.14
3	Khaled Abdurahman Saleh Al-Rajhi	10.55
4	Abdulrahman Abdulaziz Saleh Al-Rajhi	6.58
5	Mohammed Saleh Hamza Sirf	5.09

The Bank adopted the aforementioned data based on the Bank records at EDAA Center Company by the end of trading on 31.12.2018.

General Assembly's meetings during 2018:

The General Assembly of Bank AlBilad shareholders held two ordinary meetings during the fiscal year 2018, the 9th Ordinary General Assembly Session on 22 Rabea Al-Akhar 1439 AH, (corresponding to 09 January 2018) and 10th Ordinary General Assembly Session on 25 Rajab 1439H corresponding to 11 April 2018.

Governance of the Board of Directors:

The Board of Directors is composed of eleven members who were elected at the Extraordinary General Assem- bly Meeting held on 04 / 4 / 1437 AH corresponding to 11/04/2016 for a period of three years starting from 17/04/2016 and ending on 16/04/2019.

Names and titles of the members of the Board of Directors:

SN	Name	Nature of Membership	Nature of Membership
1	Dr. Abdul Rahman bin Ibrahim Al-Humaid	Chairman	Non-executive
2	Nasser bin Mohammed Al-Subaie	Deputy Chairman	Non-executive
3	Saud bin Mohammed Al Fayez	member	independent
4	Abdulrahman bin Mohammed Ramzi Addas	member	independent
5	Fahad bin Abdullah bindekhayil	member	Non-executive
6	Khalid bin Abdul Aziz Al-Muqrin	member	Non-executive
7	Ahmed bin Abdul Rahman Al Hossan	member	independent
8	Engineer / Omar bin Saleh Babaker	member	independent
9	Khalid Bin Sulaiman Al-Jazzer	member	Non-executive
10	Fahd bin Abdullah Al Qasim	member	Non-executive
11	Khalid bin Abdul Rahman Al Rajhi	member	Non-executive

Attendance Record of the Board of Directors for the 9th Ordinary General Assembly Meeting:

Attendance Record of the Board of Directors for the 10th Ordinary General Assembly Meeting:

S.N	Name	Attendance Record 11 April, 2018	Attendance Record 09 January 2018
1	Dr. Abdul Rahman bin Ibrahim Al-Humaid Chairman of the Board of Directors and Chairman of the Executive Committee	✓	✓
2	Nasser bin Mohammed Al-Subaie Deputy Chairman of the Board	Apologized for non-attendance	✓
3	Saud bin Mohammed Al Fayez Head of the Risk Committee	✓	✓
4	Abdulrahman bin Mohammed Ramzi Addas Head of the Nomination and Remuneration Committee Head of Compliance and Governance Committee	✓	✓
5	Fahd bin Abdullah bin Dekhayil	Apologized for non-attendance	✓
6	Khalid bin Abdul Aziz Al-Muqrin	✓	✓
7	Ahmed bin Abdul Rahman Al Hossan Head of the Audit Committee	Apologized for non-attendance (Attended on his behalf the mem- ber of the Audit Committee, Dr. Ahmed bin Abdullah Al-Maghames)	✓
8	Engineer Omar bin Saleh Babaker	✓	✓
9	Khalid Bin Suleiman Al Jasser	✓	✓
10	Fahd bin Abdullah Al Qasim	✓	✓
11	Khalid bin Abdul Rahman Al - Rajhi	✓	✓
		Attended	✓
		Excused	×

Attendance record of the Board Meetings:

In order to enhance its role, the Board of Directors has held (6) meetings during 2018, the dates and attendance records of which are as follows:

Name	The number and date of the meeting					
	(71) 2018/01/14	(72) 2018/03/12	(73) 2018/04/11	(74) 2018/05/30	(75) 2018/09/17	(76) 2018/12/17
Dr. Abdul Rahman bin Ibrahim Al-Humaid	✓	✓	✓	✓	✓	✓
Nasser bin Mohammed Al-Subaie	✓	✓	✓	✓	✓	✓
Saud bin Mohammed Al Fayez	✓	✓	✓	✓	✓	✓
Abdulrahman bin Mohammed Ramzi Addas	✓	✓	✓	✓	✓	✓
Fahd bin Abdullah bin Dekhayil	✓	✓	✓	✓	✓	✓
Khalid bin Abdul Aziz Al-Muqrin	✓	✓	✓	✓	✓	✓
Ahmed bin Abdul Rahman Al Hossan	✓	✓	✓	✓	✓	✓
Engineer Omar bin Saleh Babaker	✓	✓	✓	✓	✓	✓
Khalid Bin Sulaiman Al-Jasser	✓	✓	✓	✓	✓	✓
Fahd bin Abdullah Al Qasim	✓	✓	✓	✓	✓	✓
Date of last meeting of the General Assembly					11/04/2018	

Attended	✓
Excused	×

(1) The names of companies inside/outside the Kingdom in which the Board member is/ was currently/previously a member in their Board of Directors or one of their Managers.

Name of the member	Current Membership in one of the Board of Directors of the companies or one of its Managers	Inside / outside the Kingdom	Legal entity	Previous Membership in one of the Board of Directors of companies or one of its managers	Inside / outside the Kingdom	Legal entity
Abdulrahman bin Ibrahim Al - Humaid	1- Member of the Board of Directors of the Saudi Company for the production of porcelain pipes 2- Member of the Board of Directors of Mohammed Abdul Aziz Al Rajhi and his Sons Holding Company (Al Rajhi Holding) 3- Member of the Board of Directors of Mohammad Ibrahim Al-Subaie & Sons Co. (MASK) 4- Member of the Board of Directors of Al Obeikan Investment Group 5- Member of the Board of Directors of the Saudi Company for Agricultural Investment and Animal Production (SALEC)	Inside the Kingdom	listed Jointed stock closed joint stock closed joint stock closed joint stock government joint stock	Not found	Not found	Not found
	deputy Chairman of the Board of Directors of Mohammad Ibrahim Al-Subaie & Sons Investment Co. (MASK) 2- Chairman of the Board of Directors of Al-Argan Projects Company 3- Member of the Board of Directors of Akwan Real Estate Company 4- Chairman of the Board of Directors of the company	Inside the Kingdom	Closed company Closed company Closed company Closed company	Not found		
Nasser bin Mohammed al-Subaie	5- Board member of Fajr Capital	Outside the kingdom	Limited liability			
Saud bin Mohammed al-Fayez	Not found			1- Member of the Board of Directors of National Industrialization Company. 2- Member of the Board of Directors of Saudi Tourist Checks Company. 3- Member of the Board of Directors of the Saudi-Spanish Bank	Inside the Kingdom  outside the Kingdom	Listed Joint stock company Non Listed joint stock company  Joint Bank
	1- Chairman of Deyaar Al Hayyal Real Estate Development Company 2- Member of the Board of Arcoma	Inside the Kingdom	Closed Limited Liability	1 - Al-Sorai Industrial Trading Group - Member of the Board of Directors and member of the Audit Committee and member of the Nomination and Remuneration Committee 2. Red Sea Markets Company Ltd. Member of the Board of Directors 3. Abdul Aziz Al-Saghir Group - Member of the Board of Directors and member of the Audit Committee and Nominating Committee	Inside the Kingdom	Listed joint stock company Limited liability company A financial company licensed by the Capital Market Authority
Abdul Rahman bin Mohammed Ramzi Addas	3- head of the Board of Directors and member of the Risk Committee - The Saudi-Tunisia Bank	outside the Kingdom	Company owned by the Ministries of Finance of Tunisia and Saudi Arabia	4- Quantum Investment Bank Member of the Board of Directors and member of the Audit Committee and member of the Risk and Compliance Committee	Outside the kingdom	A financial company licensed by the Capital Market Authority in Dubai
	Chairman of the Board of Directors of Al-Bilad Finance Company 2- Chairman of the Board of Directors of National Oil Services Company 3- Chairman of the Board of Directors of Al-Hikma for Commercial and Industrial Investment 4- Chairman of Al-Wafa Industries Company 5- Member of the Board of Directors of the Family Investment Company	Inside the kingdom	Closed Limited Liability Company owned by the Ministries of Finance of Tunisia and Saudi Arabia	National Oil Services Company, Dubai	Outside the kingdom	Limited liability
Fahd bin Abdullah bin Dekhayil						

Name of the member	Current Membership in one of the Board of Directors of the companies or one of its Managers	Inside / outside the Kingdom	Legal entity	Previous Membership in one of the Board of Directors of companies or one of its managers	Inside / outside the Kingdom	Legal entity
Khalid bin Abdulaziz Al-Muqrin	Chairman of the Board of Directors of the library company for shopping 2- Chairman of the Board of Directors of the Family Investment Company 3- Chairman of the Board of Directors of Khalid -Al Muqairn and his Sons Holding Company	Inside the kingdom	Closed joint stock company Limited liability company Limited liability company	1- Al Bilad Finance Company 2- Chamber of Commerce and Industry	Inside the kingdom	Closed joint stock Civil organization
Ahmed bin Abdulrahman Al Hossan	Not found		Not found			
Omar bin Saleh Babaker	1- Member of the Board of Directors of Al-Ahlia Cooperative Insurance Company 2- Chairman of Saleh Babker Trading Company 3 - Chairman of Babakr Catering Company 4 - Chairman of the Board of Directors of the structural company for contracting 5 – Construction company for prefabricated concrete 6- Member of the Board of Directors of East Asia Company for Agricultural Investment	Inside the company	listed joint stock company Limited liability Limited liability Limited liability company Limited liability company Closed joint stock company	1 - Ishraq Real Estate Company	Outside the kingdom	listed joint stock company
	1- Member of the Board of Directors of Al-Bilad Finance Company	Inside the kingdom	Closed joint stock company	1- Qassim Cement Company 2- Tourist checks company Member of the Board of Directors of United Cooperative Insurance Company 4- CEO of Arab Centers Company	Inside the Kingdom	Listed joint stock company Limited liability company Listed joint stock company Closed joint stock company
Khalid bin Suleiman Al - Jasser				5- Member of the Board of Directors of Middle East Shopping Centers	Outside the kingdom	Limited liability company
Fahd bin Abdullah al-Qasim	1- Member of the Board of Savola Group 2- Member of the Board of Directors of Ja'ir Marketing Company 3- Member of the Board of Directors of Dour Hospitality Company 4- Member of the Board of Directors of Dallah Health Company 5 - Chairman of the Board of Directors Fahd bin Abdullah Al Qasim and his Sons for Trade and Investment 6 - Member of the Board of Directors of the representative of the company in the Saudi Company for Heritage Hospitality 7 - Member of the Board of Directors of Dr. Mohammad Rashid Al Faqih and his partners 8- Member of the Board of Directors of Rakin Najd International Company 9 - Member of the Board of Directors of the representative of the Saudi Post in the carrier 10 - Chairman of the Board of Directors and a partner in Amwal Financial Consulting Company Limited 11. Chairman of the Board of Directors and a partner in Areez Commercial Investment Company Limited 12 - Member of the Board of Directors of Rad Real Estate Company 13- Board Member of Al Rajhi Alpha Investment Holding Company 14 - Member of the Board of Directors of Rakin Najd International Company 15 - Member of the Board of Directors of the General Organization of Saudi Post 16. Partner at the Pearl Gate 17- Partner in the facilities company	Inside the kingdom	Joint stock listed company Joint stock listed company Joint stock listed company Listed Joint stock Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Closed Joint Stock Company Limited liability company Limited liability company Limited liability company Limited liability company Limited liability company Governmental organizations Limited liability company	1- Abdul Latif Al-Abs Holding Group 2- National General Motors Company	Inside the kingdom	Non Listed joint stock company Limited liability company
	18. Gankurb Company	Outside the kingdom	Limited liability company			
Khalid bin Abdulrahman Al Rajhi	Chairman of the Board of Directors and Chairman of the Executive Committee of Saudi Cement Company 2 - Member of the Board of Directors and Chairman of the Investment Committee and member of the Risk Committee in the United Saudi Cooperative Insurance Company "Wala'a" 3- Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee in Takaful Industries Company 4- Member of the Board of Directors of the Arab Development Company 5- Member of the Board of Directors of Al-Bilad Finance Company 6- Chief Executive Officer of Abdulrahman Saleh Al Rajhi & Co. Ltd.	In the kingdom	Listed Joint stock company Listed Joint stock company Listed Joint stock company Closed Joint stock Closed Joint stock Limited liability company	1- Dana Gas Company 2 - Nass Company	Outside the kingdom	Listed Joint stock company Listed joint stock company
				3 - Saudi Telecom Company 4- Saudi National Shipping Company	Inside the kingdom	Listed Joint stock company Listed joint stock company

(2) Current and previous positions of the board members and their qualifications and expertise:

Name	Current Position	Current Position	Qualification	Experience
Abdulrahman bin Ibrahim Al - Humaid	<ul style="list-style-type: none"><li>* Retired from King Saud University</li><li>* A businessman and board member of several joint stock companies</li><li>* Member of a number of audit committees of Saudi joint stock companies</li></ul> Member of the Board of Trustees of the International Accounting Standards for the Middle East and North Africa Member of the Board of Trustees of Prince Sultan University since its establishment till now * Member of more than one professional association locally, regionally and internationally	<ul style="list-style-type: none"><li>* Professor of Accounting and Auditing, King Saud University</li><li>* Head of Accounting Department, King Saud University</li></ul>	<ul style="list-style-type: none"><li>* Ph.D. in financial accounting and auditing - State University of Louisiana State - 1981</li></ul>	<ul style="list-style-type: none"><li>* Director of Consulting - Al-Rashed Certified Public Accountants and Auditors 1986</li><li>* Member of the Board of Directors of the Saudi Organization for Certified Public Accountants (two sessions)</li><li>* Chairman of the examination committee - Saudi Organization for Certified Public Accountants</li><li>* Chairman of the Accounting Standards Committee - Saudi Organization for Certified Public Accountants 10 years</li><li>* Chairman of the Examination Committee - Gulf Organization for Certified Public Accountants</li><li>* Chairman of Securities Committee - Chamber of Commerce and Industry in Riyadh for 5 years</li><li>* Member of the primary committees and Zakat for 10 years</li><li>* Member of the Municipal Council of Riyadh for the first session</li></ul>
Nasser bin Moham-med al-Subaie	<ul style="list-style-type: none"><li>* Vice Chairman of the Board of Directors of Mohammed Ibrahim Al-Subaie &amp; Sons (MASK)</li><li>* A businessman and board member of several joint stock companies</li></ul>	Nothing found	<ul style="list-style-type: none"><li>* Bachelor of Administrative Sciences (Accounting Department) - King Saud University 1399</li></ul>	<ul style="list-style-type: none"><li>* Long experience in financial and banking</li><li>* Long experience in real estate and investment</li></ul>
Saud bin Mohammed al-Fayez	<ul style="list-style-type: none"><li>* Retired</li></ul>	<ul style="list-style-type: none"><li>* CEO of the Arab Pipe Company 1996 - 2014</li><li>* Assistant Director General for Credit Control Affairs, Riyadh Bank, 1984-1994</li><li>* Director of Projects of the Saudi Industrial Development Fund, 1977-1984</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Business Administration 1977 University of Jordan- Amman</li><li>* Citi Bank credit program - Athens Greece 1983</li><li>* chase Bank -credit program - New York USA 1979</li><li>* Accounting and Investigation Arthur Andersen &amp; Associates Chicago, USA 1979</li></ul>	<ul style="list-style-type: none"><li>* Long experience in financial, banking and risk management</li></ul>
Abdul Rahman bin Mohammed Ramzi Addas	<ul style="list-style-type: none"><li>* Financial advisor licensed in the Ministry of Commerce for financial consultations for non-securities from March 2010 to now</li></ul>	<ul style="list-style-type: none"><li>* Managing Director of Real Estate Investments at SEDCO from July 2007 to January 2010</li><li>* Incorporated in various leadership positions, most recently Head of Corporate Banking, National Commercial Bank from March 1980 to April 2007</li></ul>	<ul style="list-style-type: none"><li>MBA in financial management from the University of Denver, Colorado, USA in 1986</li><li>Bachelor of Business Administration from Jeddah University with first honours degree in 1979</li></ul>	<ul style="list-style-type: none"><li>* Comprehensive banking experience in all sectors of the bank financing and investment and risk management in addition to practical experience in the management of investments in general and real estate in particular</li></ul>
Fahd bin Abdullah Bindekhayil	<ul style="list-style-type: none"><li>* Businessman</li></ul>	<ul style="list-style-type: none"><li>* General Manager of Private Banking and Investment at SABB Bank</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Quantitative accounting Methods</li></ul>	<ul style="list-style-type: none"><li>* have more than 31 years of banking and business experience</li></ul>
Khaled Abdul Aziz Al - Muqrin	<ul style="list-style-type: none"><li>* Businessman</li></ul>	<ul style="list-style-type: none"><li>* Chairman of the Board of Directors of Al-Bilad Finance</li><li>* Vice Chairman of the Chamber of Commerce and Industry in Riyadh</li></ul>	<ul style="list-style-type: none"><li>* Postgraduate Diploma in Business and Finance</li><li>* BA in Economics from King Saud University</li></ul>	<ul style="list-style-type: none"><li>* Executive Partner - Almqairn exchange and investment from 1983 to 2005</li><li>* Chairman of the Board of Directors of Khalid Abdul Aziz Al-Meqrin and Sons Holding Company</li><li>* Chairman of the Library Marketing Company</li><li>* Chairman of the Board of Directors of the Family Investment Company</li></ul>

Name	Current Position	Current Position	Qualification	Experience
Ahmed bin Abdul Rahman Al Hossan	<ul style="list-style-type: none"><li>* Head of Thuraya Financial Consultancy Center</li></ul>	<ul style="list-style-type: none"><li>* Deputy General Manager of Finance, Al Rajhi Banking Investment Company</li><li>* Regional Manager of the Central Region of Al Rajhi Banking Investment Company</li><li>* Financial Controller at the Ministry of Finance</li></ul>	<ul style="list-style-type: none"><li>*Bachelor degree in business administration</li><li>* Diploma of Financial Control from the Institute of Management</li><li>* Postgraduate Diploma in Financial Management</li><li>* Banking Credit Diploma - Arab Academy for Banking and Financial Sciences</li><li>* Attendance of many specialized courses and conferences inside and outside the Kingdom</li></ul>	<ul style="list-style-type: none"><li>*Member of the Supreme Committee for the granting of international credit facilities</li><li>* Member of the senior management committee</li><li>* Long experience in financial and banking</li></ul>
Omar bin Saleh Bab-aker	<ul style="list-style-type: none"><li>* Chairman of the Board of Babkir Group</li></ul>	<ul style="list-style-type: none"><li>* Executive Director of the sons of Saleh Abdul Aziz Babiker (1989-2002)</li><li>* Director of the project of the Supreme Commission for the development of Riyadh (1983-1989)</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Civil Engineering - King Saud University (1984)</li></ul>	<ul style="list-style-type: none"><li>* Long experience in trading and contracting</li></ul>
Khalid bin Suleiman Al - Jasser	<ul style="list-style-type: none"><li>* Businessman</li></ul>	<ul style="list-style-type: none"><li>* CEO of Arab Centers.</li><li>* Chief Executive Officer of Bank Al-bilad.</li><li>* Executive Vice President of Human Resources, Riyadh Bank.</li><li>* Regional Manager, Eastern Region, Riyadh Bank.</li><li>* Manager of a branch group at Riyadh Bank.</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Business Administration.</li></ul>	<ul style="list-style-type: none"><li>* Long experience in financial and banking.</li></ul>
Fahd bin Abdullah Al-Qasim	<ul style="list-style-type: none"><li>Chairman of the Board of Directors (funds Financial Consultancy Company)</li><li>* Advisor to the Board of Directors (Al Rajhi Holding Investment Bank)</li></ul>	<ul style="list-style-type: none"><li>* Chief Executive Officer - Amwal Financial Consulting Company (2001 - 2011).</li><li>* General Manager - Al Othaim Trading Group (2000 - 2001).</li><li>* Partner - Director - KPMG International (1995 - 1999)</li><li>* Executive Director - Dallah Hospital (1991 - 1995).</li><li>* Partner - Al-Qassem Office Certified Public Accountants (1990-1991).</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Administrative Sciences, Accounting Major (King Saud University)</li><li>Advanced Management and Leadership Program (Oxford University).</li></ul>	<ul style="list-style-type: none"><li>* Financial and administrative consulting and auditing (20 years).</li><li>* Executive management - health institution (5 years).</li><li>* Executive management - retail and wholesale (one year).</li></ul>
Khalid bin Abdul Rahman Al Rajhi	<ul style="list-style-type: none"><li>* Chairman of the Board of Directors and Executive Committee - Saudi Cement Company</li><li>* Member of the Board of Directors and Risk Committee and Chairman of the Investment Committee - Walaa Cooperative Insurance Company</li><li>* Member of the Board of Directors and Chairman of the Rewards Committee</li><li>Member of the board of directors of the Arab Development Company</li><li>* Chief Executive Officer - Abdulrahman Saleh Al Rajhi &amp; Co. Ltd.</li></ul>	<ul style="list-style-type: none"><li>* Board Member - Dana Gas Company (UAE).</li><li>* Member of the Board of Directors - Saudi Telecom Company.</li><li>* Member of the Board of Directors and Executive Committee - Saudi National Shipping Company.</li><li>* Member of the Board of Directors - Nass Company (Bahrain).</li></ul>	<ul style="list-style-type: none"><li>* Bachelor of Financial Management - King Fahd University of Petroleum and Minerals.</li></ul>	<ul style="list-style-type: none"><li>* financial management.</li><li>* Transactions and cash transfers.</li><li>* Investments.</li></ul>

Current and previous positions of the Board of Directors' Committees members (not Board member) and their qualifications and expertise:

Name	Current Position	Current Position	Qualification	Experience
Ahmed bin Abdullah AlMoghamis Member of the Audit Committee	* Secretary General of the Saudi Organization for Certified Public Accountants	* Assistant Professor at King Saud University	* Doctoral degree in Business Administration in Accounting	* Member of the Board of Trustees of the Accounting and Auditing Organization for Financial and Islamic Institutions * Vice Chairman of the Committee for the development of remote accounting bodies affiliated with the Federation of Accountants * Member of the Saudi Organization for Certified Public Accountants * Chairman of the management committee of the Saudi Accounting Association * Member of the Standing Committee of the phenomenon of the recruitment of funds * Member of the Graduate Studies Committee at King Saud University * Member of the National Commission for Academic Assessment and Accreditation, Ministry of Higher Education * Member of the Audit Committee of Saudi Cement Company and Saudi Telecom Company * Member of the Board of Directors and Chairman of the Audit Committee of the Saudi National Shipping Company
Suleiman bin Nasser Al - Hitlan Member of the Audit Committee	* CEO of National Consulting House	* Member of the Training Institute of Public Administration	* Master of Professional Accounting	Accounting, internal audit, financial reporting, mergers and acquisitions, management and corporate evaluation.
Adib bin Mohammed Abanumai Member of the Compliance and Governance Committee	* Legal Accountant - Abanmi Certified Accountants and Auditors	* Second Advisor - Capital Market Authority * Lecturer - Imam Mohammed bin Saud University * Financial Analyst - Saudi Fund for Development	* Master of Accounting. * Bachelor of Accounting	* 27 years experience in accounting and auditing.

**Abdul Fatah bin Ibrahim Al Taweel**  
Member of the Compliance and Governance Committee

\* Executive Director of IT Consulting

\* Head of the Corporate Governance, Risk and Compliance Sector in the Financial Expert

\* Master of Business Administration University of Texas, United States

\* 30 years banking experience and held several positions - Head of Risk, Governance, Compliance and Credit Manager at NCB and Qatar Commercial Bank.

Name	Current Position	Current Position	Qualification	Experience
Khalid bin Saleh Al-Hathal Member of the Nomination and Remuneration Committee	* Chief Executive Officer of Mizin Investment	* Chief Executive Officer of Joint Services Al Faisalah Group. * Vice President of Hail Economic City	* Master of Business Administration.	* Experience of more than 23 years from various commercial sectors "Ministry of Housing and Public Works - General Electric - Al Faisalah Group" * Executive Director of strategy in the companies of Mohammed and Abdullah Ibrahim Al-Subaie and adviser to the family. Vice President of Hail Economic City. * Member of the Board of Directors and Chairman of the Nominations and Compensation Committee in Al-Bilad Finance Company. * Member of the Board of Directors and Chairman of the Nominations and Compensation Committee Mohammed Al-Subaie and Sons Investment - MASK. * Member of the Board of Directors of: Library Marketing Company, Simpleve International Company, Cannaboba Houses Fund. * Chairman of both a company of investment, logistics services company. * Member of the Committee of Nominations and Compensation Company Alargan.
Bashar bin Zakaria Member of the Nomination and Remuneration Committee	*Administrative consultant - Employment and evaluation of executives and board members.	* Management consultant. * Director of technical projects. * Computer and Electronics Engineer.	* Bachelor degree in computer engineering. * Master's degree - Management Sciences. * Master's degree - General Administration.	* 12 years experience in management consulting, recruitment and evaluation of executives and board members. * 10 years experience in computer engineering.
Mohammed bin Suleiman Al - Hegelan Member of the Risk Committee	* Financial consulting.	* General Manager of National Bank of Dubai, Saudi Arabia. * Manager of Credit and Personal Loans Department and Credit Manager of bank French Saudi Branch Management Group. * Director of Personal Loans Department and Director of Small Business Administration, Saudi American Bank. * Manager of credit and collection of credit card management at Saudi American Bank.	BA in Economics from the University of Amboria, Kansas, USA.	* Credit and risk for individuals and companies. * Strategic Planning. * In addition to membership of boards of directors and executive / credit committees.
Abdul Aziz bin Mohammed Al Onaizan Member of the Executive Committee	* Chief Executive Officer of the Bank of the country of 2016.	* Executive Director of Business Bank of the country 2014-2016 * General Manager of Treasury - Al Inma Bank 2008 - 2014 * Al Inma Investment Company 2008 - 2014. * Arab National Bank 2004 - 2008. Samba Financial Group 1991-2004.	* Bachelor degree - specialization in quantitative methods - 1987.	* Specialized courses and training programs - 30 years of work in banking and financial institutions.



## The Balance of the Board Members' Shares, their Spouses and Minor Children:

The number of the Board members' shares, their Spouses and Minor Children at the beginning and at the end of the fiscal year 2018:

S.N	Name of the stakeholders	The number of shares at the beginning of the year 2018	Owner-ship %	Number of shares at end of the year	Own-ership %	Net change	Change %
1	Dr. Abdul Rahman bin Ibrahim Al-Humaid	1,999	0.0003	1,999	0.0003	0	0
2	Nasser bin Mohammed Al-Subaie (and his family) *	2,058,051	0.3430	2,058,051	0.3430	0	0
3	Saud bin Mohammed Al Fayez	2,400	0.0004	2,400	0.0004	0	0
4	Abdulrahman bin Mohammed Ramzi Addas	3,998	0.0007	3,998	0.0007	0	0
5	Fahd bin Abdullah Bindekhayil	1,500	0.0003	1,500	0.0003	0	0
6	Khalid bin Abdulaziz al-Muqrin (and his family) *	588265	0.0980	511,233	0.0852	-77,032	13.09
7	Ahmed bin Abdulrahman AlHossan	1,500	0.0003	1,500	0.0003	0	0
8	Engineer Omar bin Saleh Babaker	1,900,989	0.3168	1,700,989	0.2835	-200,000	10.52
9	Khalid Bin Sulaiman Al-Jasser	659,210	0.1099	659,210	0.1099	0	0
10	Fahd bin Abdullah Al Qasim	1,440	0.0002	1,440	0.0002	0	0
11	Khalid bin Abdulrahman Al Rajhi	63,277,420	10.5462	63,274,730	10.5458	-2,690	0.0042

(\*) Wife and children under 18 years old.

## The Balance of Senior Executives Shares, their Spouses and Minor Children:

The balance of shares of senior executives, their spouses and their minor children by at the beginning and at the end of the fiscal year 2018:

S.N	Name of the stakeholders	The number of shares at the beginning of the year 2018	Owner-ship %	Number of shares at end of the year	Own-ership %	Net change	Change %
1	Abdul Aziz bin Mohammed Al-Onaizan	64,766	0.0108	223,034	0.0372	158,268	244.37
2	Mussadiq Ijaz	4,806	0.0008	28,930	0.0048	24,124	501.96
3	Hisham bin Ali Al-Aqil	38	0.00001	3,554	0.00060	3,516	9252
4	Saad Osman Almazroa	4,139	0.00006	8,439	0.00141	4,300	104

### Remunerations and compensations:

Remunerations, compensations and disclosure process thereof shall be set out under the Companies Law and its bylaws, and as per the "Regulations and Regulatory Procedures of the Listed Joint Stock Companies", that were issued in implementation of the Companies Law on 17/10/2016 and as amended on 23/03/2017", as well as the Corporations Governance Regulations. All of these require the disclosure of the remuneration policies, and the mechanisms to identify them. So do the rules, principles and regulations of SAMA, CMA and related approved international standards. The Bank shall also adhere to its disclosure policy under the disclosure requirements in the Board of Directors' report. The following shows the mechanism set to determine the remunerations and allowances of the Board members and the Board committees and the details of disbursements to the Board members, the Board's committees and Senior Executives:

### Remuneration Policy for Board Members, Board's Committees and Senior Executives::

#### A- Remuneraiton Policy for Board Members, Board Committees:

Remunerations standards and policies for Board Members, Board Committees are subjected to rules of the Companies Law and its bylaws, such as controls and regulatory procedures issued in implementation of the Companies Law in connection with Listed Joint Stock Companies and the updated Corporate Governance Regulations, as well as related circulations and principles set up of the Saudi Arabian Monetary Authority as well as the Bank's Article of Associations. The most important rules and mechanisms items used to determine the remunerations of the Board Members and the Board Committees are shown as follows:

#### General Rules of Remunerations:

- 1-1 The amounts of money disbursed to the board members shall not exceed (5%) five percent of net profits, under all circumstances, the total amount received by the board member in terms of remunerations, financial or in-kind privileges shall not exceed (500) five hundred thousand Riyals per year, including attendance allowance that shouldn't exceed (5000) five thousand Riyals per meeting. This shall be implemented in accordance with the control stipulated in the corporate Law, controls and regulatory procedures for the corporate law, Companies Governance Regulation, principles and instructions (circulations) of the Saudi Arabian Monetary Authority and related policies of the Bank.
- 1-2 The Board Member shall have the right to receive a remuneration in compensation for his memberships in the Audit Committee formed by the General Assembly or for any additional works, executive, technical, administrative or consultancy positions by virtue of professional license that are assigned to him by the Bank; in addition to remunerations he received in his capacity as a Board Member and a member in a committee formed by the Board of Directors, as per the Companies Law and the Company's Article of Associations and this policy.
- 1-3 In case any committee member is absent from a meeting, an amount of money shall be deducted from its annual remuneration in a percentage proportional to his absenteeism, through dividing the total amount of remunerations by the total number of meetings held by the committee during the year and deducting the remuneration due to the member for the meeting or the meetings he didn't attend.
- 1-4 The Board Member shall not have the right to vote on the remunerations item of Board Members in the General Assembly.
- 1-5 If the General Assembly decided to end the membership of the absent Board Member due to his absenteeism in three consecutive meetings of the Board without valid reason, this member shall not be entitled to any remunerations for the period preceding the last meeting he attended and he should return all the remunerations disbursed to him for this period.
- 1-6 The remunerations of the Board Members may vary to the extent that reflects the member's experience, tasks assigned, specialty, independency, number of sessions attended and other considerations.

2- Mechanisms used to determine the Remunerations of Board Members and Board Committees:

- 2-1 Without prejudice to :
- The above-mentioned general rules;
  - The Companies Law;
  - Controls and regulatory procedures issued for implementing the Companies Law; related to the Listed Joint Stock Companies;
  - The updated Companies Governance Regulation;

The related principles and circulations of the Saudi Arabian Monetary Authority, especially the ones related to the minimum and maximum that shall not exceed five hundred thousand Saudi Riyals (500,000 Riyals), the mechanisms used to determine this policy, such as board members and board committees, shall be specified as per the policies and decisions issued by the Board of Directors and in accordance with specific rules applied by the audit committee, as per the Companies Laws and its regulations and related controls and regulations.

2-2 Each Board Member shall have the actual expenses amount incurred by the member to attend the board of directors' meetings and the committee meetings, including accommodation expenses, first class air tickets, in addition to the lump-sum remuneration and attendance allowance amount as per the above-mentioned controls.

2-3 Each member of a Board Committee (external) but not a Board Member, shall have the actual expenses amount incurred by the member to attend the Committee meetings, including accommodation expenses, business class air tickets, in addition to the lump-sum remuneration and attendance allowance amount as per the above-mentioned controls.

B- Policy and Mechanisms of Remunerations for Executive Management Members:

Without prejudice to the above-mentioned rules & general standards; and in accordance with the related Laws and Regulations; the updated Companies Governance Regulation, principles and circulations of the Saudi Arabian Monetary Authority, the mechanisms of the remunerations of the employees in general and the senior executive members in particular shall be determined according to the policies and decisions issued by the Board of Directors. These mechanisms shall take into consideration the related controls and standards mentioned in the nominations and remunerations approved by the General Assembly and the rules of remunerations issued by the Saudi Arabian Monetary Authority such as:

- 1- To conform to the Bank’ strategy and objectives;
- 2- To specify the standards for giving remuneration and its disclosure; and to make sure of its implementation.
- 3- To focus on relating the standards of giving remuneration to performance.
- 4- To determine the remuneration on the basis of scale of position, tasks, responsibilities, academic qualifications, work experiences, skills and level of performance.
- 5- The remuneration must conform to the size, nature and level of risks at the Bank.
- 6- The amounts of remunerations and incentives related to performance shall be determined based on profit rate connected to the levels of risk and as per the rules and principles of the Saudi Arabian Monetary Authority in connection with remunerations, incentives and the standards of the Financial Stability Board (FSB).

Remuneration policy for Board Members, Board Committee members, and Bank senior executives has been updated and approved by the ninth General Assembly Meeting held on 9/1/2018.

Pursuant to SAMA's circular No. 391000083183 dated 28/7/1439H, the clause pertaining to the maximum limit of remuneration for Board Members and Board Committees members at no more than SR 500,000 annually (as stipulated in SAMA previous circular No. 381000063670 dated 14/6/1438), is no longer applicable to the Chairman of the Board of the Bank as referred to in Clause 81 of the Companies Law.

	Fixed Remuneration						Variable Numeration									
	A certain amount	Allowance for attending meetings of the Council	Total attendance allowance for committee meetings	In-kind benefits	The rewards of technical, administrative and extraordinary works <small>Remuneration of the Chairman, Managing Director or Secretary if he is a Member</small>		Total	Profit %	Periodic Rewards (*)	Short - term incentive plans Long - term incentive plans Shares awarded (value entered)			Total	End of Service Gratuity	Grand Total (***)	Expenses Allowance
First: Independent Members																
1 - Saud bin Mohammed al-Fayez	320,000	30,000	25,000	-	-	-	375,000	034%.0	110,000	-	-	-	110,000	-	485,000	-
2 - Abdul Rahman bin Mohammed Ramzi Adas	320,000	30,000	40,000	-	-	-	390,000	035%.0	110,000	-	-	-	110,000	-	500,000	29,860
3 - Abdul Rahman bin Ahmed AlHossan	320,000	30,000	21,000	-	-	-	371,000	033%.0	300,000 (**)	-	-	-	300,000\$	-	671,000	-
4 - Omar bin Saleh Babaker	320,000	30,000	15,000	-	-	-	365,000	033%.0	45,000	-	-	-	45,000	-	410,000	-
Total	1,280,000	120,000	101,000	-	-	-	1,501,000	0.0135%	565,000	-	-	-	565,000	-	2,066,000	29,860
Second: Non-executive Members																
1- Abdul Rahman bin Ibrahim Al-Humaid	320,000	30,000	60,000	-	-	-	410,000	037%.0	101,539	-	-	-	101,538.46	-	500,000	-
2 - Nasser bin Mohammed al-Subaie	320,000	30,000	65,000	-	-	-	415,000	037%.0	60,000	-	-	-	60,000	-	475,000	-
3 - Fahd bin Abdullah Bin dekhayil	320,000	30,000	60,000	-	-	-	410,000	037%.0	55,385	-	-	-	55,384.62	-	465,384.62	-
4 - Khalid bin Abdul Aziz Al-Muqrin	320,000	30,000	80,000	-	-	-	430,000	039%.0	55,385	-	-	-	55,384.62	-	485,384.62	-
5 - Khalid bin Suleiman Al-Jasser	320,000	30,000	0	-	-	-	350,000	031%.0	0	-	-	-	0	-	350,000	-
6 - Fahd bin Abdullah al-Qasim	320,000	30,000	20,000	-	-	-	370,000	033%.0	48,000	-	-	-	48,000	-	418,000	-
7 - Khalid bin Abdul Rahman Al Rajhi	320,000	30,000	65,000	-	-	-	415,000	037%.0	60,000	-	-	-	60,000	-	475,000	-
Total	2,240,000	210,000	350,000	-	-	-	2,800,000	0.025%	380,308	-	-	-	380,308	-	3,168,770	-

Third: Executive Members

There are no executive members

The remunerations of the heads of committees and external members is SR110,000, and the remunerations of the members of the committees who are also Board members is SR 60,000. In the case of absence of a committee member from meetings, then the amount of the annual remuneration shall be deducted proportionately to his absence, by dividing the total value of the remuneration by the number of total meetings held by the Committee during the year and then deducting the remuneration due to the member for the meeting(s) he missed.  
\*\*The remuneration of the head of the Audit Committee shall be SR 300,000 and each External member of the Committee shall be paid an annual remuneration equal to SR 120,000 according to the Committee's Articles of Association approved by the Ordinary General Assembly held on 09 January 2018.  
(\*\*\*) The maximum limit for any member, either for membership of the Board only or membership of both the Board and the Committee's combined – should not exceed in all cases the amount of (500) thousand riyals per year, except for the Chairman and members of the Audit Committee.

(2) Remuneration of Members of the Board Committees (Members from outside the Board):

Committee Members	Fixed remuneration (Except Attendance Allowance)	Sessions attending Allowance	Total
1- Abdulaziz bin Mohammed Al-Onaizan (*)	101,538.46	60.000	161,538.46
<b>Total</b>	<b>101,538.46</b>	<b>60.000</b>	<b>161,538.46</b>
<b>Members of the Audit Committee from outside the Board:</b>			
1 - Ahmed bin Abdullah AlMoghames	120,000	21,000	141,000
2- Sulaiman bin Nasser Al-Hatlan	120,000	21,000	141,000
<b>Total</b>	<b>240,000</b>	<b>42,000</b>	<b>282,000</b>
<b>Members of Nomination and Remuneration Committee from outside the board:</b>			
Khalid bin Saleh Al-Hathal	110,000	20,000	130,000
2- Bashar bin Zakaria al-Mashal (*)	110,000	20,000	130,000
<b>Total</b>	<b>220,00</b>	<b>40,000</b>	<b>260,000</b>
<b>Members of the Risk Committee from outside the board:</b>			
1- Mohammed bin Suleiman Al-Hegelan	110,000	25,000	135,000
<b>Total</b>	<b>110,000</b>	<b>25,000</b>	<b>135,000</b>
<b>Members of the Committee on Compliance and Governance from outside the board:</b>			
1- Adib bin Mohammed Abanumai	110,000	20,000	130,000
2 - AbdulfatahIbrahim Altaweel	110,000	20,000	130,000
<b>Total</b>	<b>220,000</b>	<b>40,000</b>	<b>260,000</b>

(\*) In the case of absence of a member of the Committees from outside the Board from the meetings of the concerned committee, then an amount shall be deducted from the annual bonus commensurate with his absence percentage.

(3) Details of bonuses, salaries, allowances and other compensations paid to Senior Executives:

Statement (In thousands Saudi Riyals)	Seven senior executives including Chief Executive Officer and financial Manager
Salaries and Compensation	12,304
Annual Allowances and Bonuses	12,625
<b>Total</b>	<b>24,957</b>

Board Committees:

The Board Committees carry out their tasks and responsibilities based on the policies, regulations and other related governance documents approved by the Board or the General Assembly, as the case may be, which determine their powers and working procedures. These committees have been formed for a period of three years, concurrently with the formation of the Board of Directors starting from 17.04.2016 to 16.04.2019. Accordingly, the Board of Directors formed five committees drawn from the Board, and their membership comprise board members, independent and non-executive members from outside the Bank, i.e., experts and specialists, and an executive member. Formation and regulations of the Audit Committee have been approved by the General Assembly pursuant to established stipulations thereof.

Committees Governance:

The Committee’s responsibilities include ensuring the effectiveness of the decision-making process at the highest levels in order to achieve the Bank’s objectives with all flexibility and according to the set schedule. In addition, to assisting the Board of Directors in assuming its responsibilities and activating its role in promoting, following-up and implementing the strategy to support the effective performance. Moreover, reviewing and monitoring of the Bank’s business on a regular basis, along with making necessary recommendations. At the same time, the Committee is also responsible for discussing issues that need in-depth review and detailed study before being submitted to the Board for review and issuing a final decision; in addition to any other tasks delegated or assigned by the Board.

The Committee held (13) meetings during 2018 and is formed from six members, five of them are non-executives and one executive member. They are:

		Number and date of the meeting												
Name	Nature of Membership	٢٠١٨/٠١/٠١ (138)	٢٠١٨/٠٢/٠٦ (139)	٢٠١٨/٠٢/١٨ (140)	٢٠١٨/٠٣/١١ (141)	٢٠١٨/٠٤/١١ (142)	٢٠١٨/٠٥/٢٩ (143)	٢٠١٨/٠٦/٢٥ (144)	٢٠١٨/٠٧/٢٢ (145)	٢٠١٨/٠٨/٠٥ (146)	٢٠١٨/٠٩/١٦ (147)	٢٠١٨/١٠/١٧ (148)	٢٠١٨/١١/٢٥ (149)	٢٠١٨/١٢/٠٤ (150)
Dr. Abdul Rahman bin Ibrahim Al-Humaid	Committee president Non-executive	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Nasser bin Mohammed al-Subaie	Non-executive member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fahd bin Abdullah Bindekhayil	Non-executive member	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓
Khalid bin Abdul Aziz Al-Muqrin	Non-executive member	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalid bin Abdul Rahman Al Rajhi	Non-executive member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abdul Aziz bin Mohammed Al-Onaizan	Executive member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×

Attended	✓
Apologized for non-attendance	×

Nomination and Remuneration Committee:

The Committee’s responsibility comprise conducting annual review of the appropriate skills required for membership of the Board, the Board committees and the Sharia Committee, in a way that is appropriate to its nature and regulations. In addition to reviewing the structure and format the Board of directors, from time to time. Furthermore, making recommendations regarding the strengths and weaknesses of the members and giving suggestions. It is also responsible for submitting its recommendation to the Board of Directors regarding candidates nominated for membership of the Board, its committees and the qualifications and expertise needed for such membership. It also checks the convening of the Board’s regular meetings on a regular basis. Moreover, the Committee ensures the impartiality of the independent members on a yearly basis, and the absence of any conflict of interests. The Committee is also responsible for studying the situation, developing, updating and suggesting policies related to the remuneration and incentives paid to the members of the Board and the Executive Management, following up with the matters relating to the scale of positions and human resources, as well as making recommendations to the Board of Directors in these matters.

The Committee held (4) meeting during 2018, and it is currently composed of (5) members, 3 of them are Board members and 2 from outside the Board and the Bank. Composition of the Committee is as follows:

Name	Nature of Membership	Number and date of the meetings			
		49 04/03/2018	50 23/05/2018	51 10/09/2018	52 12/12/2018
Abdulrahman bin Mohammed Ramzi Addas	Head of Committee Independent member	✓	✓	✓	✓
Khalid bin Abdulaziz Al-Muqrin	Non-executive member	✓	✓	✓	✓
Engineer / Omar Bin Saleh Babakar	Independent member	✓	✓	×	✓
Khalid bin Saleh Al-Hathal	Non-executive member from outside the Board	✓	✓	✓	✓
Bashar bin Zakaria AlMashal	Independent member from outside the Board	✓	✓	✓	✓
				Attended	✓
				Apologized for non-at- tendance	×

Risk Committee:

The main purpose of the Risk Committee, drawn from the Board, is to provide advice and consultation to the Board on current and future overall plans and strategies regarding the Bank’s capacity and ability to bear risks; in addition to supervising the Bank’s Executive Management implementation of such plans and strategies. In general, the Committee assists the Board in overseeing all the activities and decisions related to the Risk Management Group at the Bank. Such activities and decisions include market, credit, investment, financial and operating risks as well as liquidity, reputation, business continuity and technical systems risks. To add on, the Committee is to perform any tasks or responsibilities assigned to it by the Board of Directors, without prejudice to the other Board committees' tasks or responsibilities.

In addition, the Committee is responsible for monitoring the risks at the Bank to ensure that work is carried out within the approved levels and to ensure that the Bank has adequate policies and procedures adopted by the competent authority. Furthermore, the Committee is tasked with reviewing the Bank’s internal policies related to risks and submitting its recommendations to the Board of Directors for approval. Added to that, obtaining the Board of Directors' approval of the distribution of the acceptable credit risks and all other risks. Moreover, the Committee is responsible for conducting periodic assessment of risk levels and the new products risks. Concurrently, ensuring compliance with the instructions of the regulatory authorities and applying the appropriate control systems.

The Committee held (5) meetings in 2018. It is formed by (3) members, two Board members, and one independent member from outside the Board and the Bank. Composition of the Committee is as follows:

Name	Nature of Membership	Number and date of the meetings				
		18/01 28/02/2018	18/02 14/05/2018	18/03 04/09/2018	18/04 14/10/2018	18/05 03/12/2018
Saud bin Mohammed Al Fayez	The head of the committee is independent member	✓	✓	✓	✓	✓
Fahd bin Abdullah Al Qasim	Non-executive member	✓	×	✓	✓	✓
Mohammed bin Sulaiman Al-Hegelan	Independent member	✓	✓	✓	✓	✓
				Attended	✓	
				Apologized for non-at- tendance	×	



### Compliance and Governance Committee:

The Committee is responsible for supervising and maintaining the highest standards of governance by ensuring, on behalf of the Board of Directors, that sound governance practices are followed in the Bank's activities.

The Committee ensures that the Bank complies with all relevant local, regional and international regulations, standards and rules related to its activities. It conducts continuous review of the overall governance framework and related mechanisms. The Committee is also responsible for reviewing the Board committees' and the executive management' regulations and submitting recommendations, thereof to the Board of Directors. It is also responsible for monitoring and ensuring that the Bank has sufficient mechanisms to identify cases of conflict of interest in all transactions and operating activities. The committee shall approve the annual commitment plan/program and undertakes the task of reviewing the annual compliance report submitted to the regulatory authorities, and monitoring the adequacy, effectiveness and independence of the compliance sector and the money laundering mechanism in relation to the implementation of the compliance policy and guidelines. It also reviews compliance reports, periodic and annual AML / CTF reports, and ensures effective correction of any gaps or irregularities identified.

The Committee held four (4) meetings during 2018. Currently, it consists of (3) members, one member from the Board of Directors and two independent external members:

Name	Nature of Membership	Number and date of the meetings			
		18/11 04/03/2018	18/12 23/06/2018	18/13 10/09/2018	18/14 12/12/2018
<b>Abdulrahman bin Mohammed Ramzi Addas</b>	The chairman of the committee is independent	✓	✓	✓	✓
<b>Adeeb bin Mohammed Abanumai</b>	Independent Member	✓	✓	✓	✓
<b>Abdulfatah bin Ibrahim AlTaweel</b>	Independent Member	✓	✓	✓	✓
					Attended ✓
					Apologized for non-attendance ×

### Audit Committee:

The Audit Committee is responsible for supervising the internal audit sector, including verifying the independence and effectiveness of the sector, ascertaining the availability of human resources, reviewing reports issued by the audit sector, following corrective procedures and approving the internal audit plan. The committee also nominates external auditors, assess their performance and verify their independence. The Committee reviews the contracts and transactions proposed by the Bank with related parties, in addition to the other supervisory work that falls within the scope of the work of the Committee in accordance with the regulations approved by the General Assembly.

In 2018, the Committee held 7 meetings to discuss all entrusted tasks and responsibilities according to the approved plan for the fiscal year 2018. Presently, the Audit Committee consists of three members, headed by a Board member and two external specialist members as shown below:

Name	Nature of Membership	Number of Meetings (7 meetings)						
		First Meeting 01 Feb 2018	Second Meeting 20 Mar 2018	Third Meeting 17 Apr, 2018	Fourth Meeting May 31, 2018	Fifth Meeting, 23 July, 2018	Sixth Meeting 17 Oct, 2018	Seventh Meeting Dec, 16 2018
<b>Ahmed bin Abdulrahman Al Hossan</b>	The chairman of the committee is independent	✓	✓	✓	✓	✓	✓	✓
<b>Dr. Ahmed bin Abdullah Al-Moghames</b>	Independent Member	✓	✓	✓	✓	✓	✓	✓
<b>Sulaiman bin Nasser Al-Hatlan</b>	Independent member	✓	✓	✓	✓	✓	✓	✓
								Attended ✓
								Apologized for non-attendance ×

**Sanctions imposed on the Bank and its subsidiaries by the Supervisory Authorities:**

During the year 2018, financial sanctions were imposed on the Bank and its subsidiaries because of violations in the operating activities. All which have been remedied.

Table below illustrates the penalties imposed on the Bank by the supervisory authorities:

Subject of the Violation	2017		2018	
	Number of Pen- al Decisions	Total Amount of Financial Penalties in Saudi Riyals	Number of Penal Decisions	Total Amount of Financial Penalties in Saudi Riyals
Violations of the Supervisory Authority's instructions				
Violations of the Authority's instructions related to safety of the customers	7	1,246,000	10	<b>135,000</b>
Violations of the Authority's instructions related to due diligence	1	80,000	2	<b>15,000</b>
Violations of the Authority's instructions related to the performance level of the ATMs. And POS.	0	-	-	-
Violations of the Authority instructions related to due diligence in anti-money laundering and terrorism financing.	4	353,000	1	<b>47,000</b>
	2	550,000	-	-
<b>Total</b>	<b>14</b>	<b>2,411,000</b>	<b>13</b>	<b>197,000</b>

(\*) There is a difference in the violations of 2017 due to the difference in the date of maturity, as there are irregularities not recorded in 2017 and irregularities recorded in 2016 and recorded in 2017. The total violations of 2017 are "18" violations totaling SAR "2.279.104". The difference between the total declared amount and the actual amount is SAR 131,896, noting that it has been accounted for.

Supervisory Bodies	2018	
	Number of Fines	Total Amount of Fines in Saudi Riyals
Ministry of Municipal and Rural Affairs and General Authority of Civil Aviation	92	621,420
Capital Market Authority	3	120,000
Zakat and Income Tax Authority	2	6,884
SADAD Company	5	135,845
<b>Total</b>	<b>102</b>	<b>844,149</b>

- Two (2) fines imposed by the Zakat and Income Tax Department on Albilad Real Estate Company with a total amount of SAR 6,884.
- Five (5) fines imposed by SADAD on Bank Albilad totaling SAR 135,845.
- Three (3) fines imposed by the CMA on AlBilad Capital totaling SR 120,000.

**Mechanisms and Methods used to evaluate performances of the Board and the Board Committees and their Members:**

The Board of Directors depends in evaluating its performance and the performance of its Committees and their Members on a mechanism that makes the Nomination and Remunerations Committee, due to its specialty, conduct an annual assessment for the Boards of Directors and its Committees. This is performed through evaluation forms specially designed for this purpose: (Board of Directors' Evaluation Form/ Self-Evaluation Form for the Board Member/ Assessment Form for the Board Committees/ Assessment Form for the Committee's Members. The NRC studies and discusses the evaluation results to know the points of strength, in order to be enhanced and the points of weakness, in order to be addressed by the Board or Board's Committees. Thereafter, a summary of the NRC's recommendations are to be submitted to the Board of Directors at its earliest meeting. Prior to the year-end of 2018, assessment process is outsourced to be conducted by a specialized center. This will be recurrent every 3 years or when need arises. Additionally, training courses for members of the Board and Board Committees were delivered.

**Transactions with Related Parties:**

In the course of conducting its day-to-day business, the Bank deals with related parties by conducting transactions that are subjected to the controls stipulated in the Banks Control System and the instructions issued by SAMA. Nature and balances of these transactions for the year ended in 31 December 2018 are illustrated below (all amounts in thousands Saudi Riyals):

**Nature and Balances of these transactions for the year ended on the 31st of December 2018 are as follows:****A- Balances of the Board Members, other Senior Executive Officers and key shareholders and their subsidiary companies:**

Details	2018 (In thousand Saudi Riyals)
Finance	<b>2,274,067</b>
Commitments and contingencies	<b>78,726</b>
Deposits	<b>227,408</b>

**B- Group's Investment Funds:**

This item represents outstanding balances with the Group's investment funds as on 31 December 2018:

Details	2018 (In thousand Saudi Riyals)
Customer Deposits	<b>8,758</b>
Investments - Units	<b>221,307</b>

**C. Revenues and Expenses:**

The following is an analysis of the income and expenses relating to transactions with related parties that are included in the Consolidated Income Statement for the year ended 31 December 2018:

Details	2018 (In thousand Saudi Riyals)
Revenues	<b>114,106</b>
Expenses	<b>15,683</b>

**D- Total Compensations Paid to Senior Management staff during the Year is as follows:**

Details	2018 (In thousand Saudi Riyals)
Staff benefits	<b>76,300</b>

The Group deals through the course of its ordinary business with related parties. These transactions are subject to the rules and regulations prescribed by the relevant regulations and policies of the relevant regulatory bodies and in accordance with the mechanisms contained in the Bank's approved governance documents.

On the other hand, the major shareholders are those who own 5% or more of the bank's capital. Senior executives mean those persons who have the authority and responsibility to carry out the planning, direction and supervision of the Bank's activities directly or indirectly.

Hereunder is an information on the activities and contracts to which the Bank was a party and in which a Board member, senior executive or any person related to any of them has interest in, during 2018 (all amounts in Saudi Riyals)

S.N	Nature of contract	Name of the relevant party	Duration of the contract	Annual Contract Value (SAR)
1	Lease contract for ATM site - Riyadh City, owned by Mohammed bin Ibrahim Al-Subaiy & Sons Company.	Member of the Board Nasser bin Mohammed Al - Subaie (As Vice Chairman and Partner of the Company)	From 03/07/2015 To 02/07/2025	102,000
2	Lease contract of ENJAZ center of the southern branch of southern Khalidiyah district in Dammam, owned by Mohammed Bin Ibrahim Al-Subaie & Sons Company.	Member of the Board Nasser bin Mohammed Al - Subaie (As Vice Chairman and Partner of the Company)	From 05/12/2016 To 04/12/2026	174,790
3	A lease contract for the second Industrial ENJAZ Center - Riyadh City, owned by Mohammed bin Ibrahim Al-Subaie & Sons Company.	Member of the Board Nasser bin Mohammed Al - Subaie (As Vice Chairman and Partner of the Company)	From 06/04/2016 To 05/04/2026	472,000
4	Lease of the two offices (101), (102), leased to Al-Bilad Investment Company, located in King Fahad Road in Riyadh City (Smart Tower), owned by Khalid Abdul Aziz Al- Muqrin & Sons Holding Company.	Member of the Board Khalid bin Abdul Aziz Al - Muqrin (As Chairman and Owner of the Company)	From 01/01/2013 To 31/12/2019	1,168,200
5	Lease contract No. 103, (104) leased to Al-Bilad Investment Company, located in King Fahad Road in Riyadh City (Smart Tower), owned by Khalid Abdul Aziz Al-Muqrin and Sons Holding Company.	Member of the Board Khalid bin Abdul Aziz Al - Muqrin (As Chairman and Owner of the Company)	From 01/01/2013 Till 31/12/2019 (Automatic renewal of the contract)	1,089,000
6	A lease contract for the ENJAZ center - Al- Khafji Province, owned by Mr. Abdul Rahman Bin Saleh Al-Rajhi.	Board Member Khalid Bin Abdul Rahman Al Rajhi (As the son of the landlord)	From 08/08/2016 Till 10/04/20020	150,000
7	Furniture Supply Contract for Albilad tower - the Library Stores Company.	Member of the Board Khalid bin Abdul Aziz Al - Muqrin (As Chairman of the Board)	From 21/11/2012 Till 20/11/2018	17,545,864
8	Albilad Stationery Supply Contract - Jarir Bookstore Company for Marketing	Board Member Fahad bin Abdullah Al Qaseim (As a board member)	From 22/04/2018 To 08/04/2021	2,348.716.33 (Unit contract depreciation 2018)
9	Furniture Supply Contract for Albilad Investment Company - Library Stores Company Ltd.	Member of the Board of Directors Khalid bin Abdulaziz Al - Muqrin (As Chairman of the Board)	From 19/12/2017 Till 28/02/2018	1,187,420
10	Lease contract of the Head Office in Yanbu - owned by Mr. Abdulrahman bin Abdulaziz bin Saleh Al Rajhi.	Abdulrahman bin Abdulaziz bin Saleh Al Rajhi (As a Senior Shareholder)	From 09/08/2015 till 08/08/2025	180,000
11	Lease contract of Alilad branch, Al-Khubayb , Buraidah city, owned by Abdulrahman Bin Abdulaziz Bin Saleh Al Rajhi.	Abdulrahman bin Abdulaziz bin Saleh Al Rajhi (As a Senior Shareholder)	From 01/06/2015 Till 31/05/2025	400,000
12	Lease contract of the main branch - Dammam, owned by Mr. Abdulrahman bin Abdulaziz bin Saleh Al Rajhi.	Abdulrahman bin Abdulaziz bin Saleh Al Rajhi (As a Senior Shareholder)	From 15/09/2010 Till 14/09/2025	500,000
13	Providing Real Estate – Evaluation Services - 21st Century Company and Real Estate Evaluation Partner	Fahd bin Abdullah Al-Qasim (As partner)	From 26/08/2018 Till 27/08/2019	1,205,663

Means for Communication with Shareholders:

The Bank is keen on strengthening relationship with shareholders and all investors and customers. The bank also believes in information disclosure and transparency to investors. Based on the foregoing, the Board works tirelessly to promote these principles included governance principles, which lead to ensuring fair treatment for all shareholders and determining the responsibility of the Board of Directors towards the Bank and its shareholders. To this end, the Bank complies with regulations, standards and guidelines of SAMA, CMA, and Basel Committee’s recommendations on corporate governance. The Bank provides comprehensive information on all of its activities and businesses outlined in its annual reports and brief financial statements published in the local newspapers, and on the Tadawul website and the Bank’s website (www.bankalbilad. com), which contains additional information and news about the Bank.

One of the most important developments in 2018 has been restructuring of the shareholders relations management within the Corporate Secretariat of the Bank. This new body - Investor Relations Department is to adopt the best practices. The page of investor relations included all of the important and necessary information needed by shareholders and all investors and other stakeholders. This information contained copies of the Bank's Articles of Association / Shareholder's Guide / all minutes of meetings of Ordinary and Extraordinary General Assemblies held by the Bank since inception up to the last Assembly held. In addition to other information such as capital increases and dividends distributed to shareholders, the Bank also gives priority to inquiries received from the shareholders and responds promptly. Moreover, the Bank encourages shareholders to attend the annual General Assembly meetings either in person or by remote voting. The bank seeks continuously to develop the Bank's website to offer what is best in this regard.

Actions taken by the Board of Directors to inform its members, especially non-executive members, about the recommendations of the shareholders and their notes about the Bank and its performance:

The Bank always works on protecting the rights of the stakeholders, especially the shareholders. These rights are detailed in the Bank’s articles of association or in the policies, handbooks and relevant procedures. The most important relevant right is the right to attend the ordinary and extraordinary General Assembly meetings, and to discuss its topics and direct questions to the Board, auditors and the executive management. They have the right to submit their recommendations and notes regarding the company and its performance as per the specified mechanisms. The Board members shall get answers for their questions, whether through General Assembly meetings, by reading the minutes of the meetings that include the details or by being informed in the first meeting of the Board. The recommendations submitted by the shareholders and others through the specified channels should be included in the minutes of the meetings- if available - knowing that all the Board members are currently non-executives or independent.

Voting Shares Interests :

There are no interest rights for individuals in the category of voting shares except for the Board members of the (issuing) bank, senior executives and their spouses & under age sons and daughters.

Waiver of the Interests rights of the Shareholders, Board Members or Senior Executives

- There are no arrangements or agreement with any one of the Board members or the senior executives for waiver of salaries, remunerations or compensations.
- There are no arrangements or agreement with any one of the Shareholders for waiver of profit rights.

**Shareholders' Register Applications:**

Number of Applications	Date of Application	Date of Equity File	Reasons for Application
1	03/01/2018	02/01/2018	Bank Procedures
2	09/01/2018	08/01/2018	General Assembly
3	03/04/2018	02/04/2018	Bank Procedures
4	11/04/2018	10/04/2018	Bank Procedures
5	11/04/2018	11/04/2018	General Assembly
6	15/04/2018	15/04/2018	Profits File
7	02/07/2018	02/07/2018	Bank Procedures
8	30/09/2018	02/10/2018	Bank Procedures
9	02/12/2018	03/12/2018	Bank Procedures
10	31/12/2018	02/01/2019	Bank Procedures

**Outstanding Statutory Payments**

(SAR Million)

**Details**

**2018**

Legal Zakat (1)
General Organization for Social Insurance (GOSI) (2)

105.5

7.6

(1) Legal Zakat – As per the Zakat Acknowledgement, the bank estimated the outstanding Zakat for the year 2018 in the sum of SAR 105 Million (2017 SAR 30 Million).

(2) The bank estimated the outstanding amount due to the General Organization for Social Insurance (GOSI) for the year 2018 in the sum of SAR 7.6 Million (2017 SAR 7.3 Million) to be paid during January 2019.

**Zakat:**

Zakat is calculated on the Saudi shareholders' holdings in equity or net income, using the basis established by Zakat Regulations. During the year, the Bank concluded an agreement with Zakat and Income Tax Department for settlement of outstanding Zakat amounts for the past years as of the year 2006 up to the end of the year 2017. Agreed-upon amounts totaled SAR 392.8 Million. As a result of this settlement, owners' equity declined by the amount of SAR 392.8 Million.

Taxes to be deducted from payments to non-resident importers against services rendered and purchased goods as per the taxation rules applied in the Kingdom of Saudi Arabia. Payments will be forwarded to the Zakat and Income Tax Department on monthly basis.

**Value of Statutory Payments (Paid – in or Accrued) for the Period Ending on 31, December 2018:**

**Bank Albilad**

(Thousand Saudi Riyals)

Particulars	Paid - in	Accrued Up to the End of the Annual Fiscal Year ; Unpaid	Brief Description	Statement of Reasons
Zakat*	18,635	105,000	Payment of Zakat and the First Installment of the Settlement between the Bank & Zakat Department	Legal Zakat on Income
Settlement of Zakat for the Past Years	78,563	314,254	Settlement of Zakat for the Past Years as of the Year 2006 up to the End of the Fiscal Year 2017	Legal Zakat on Income
Tax	3,831	569	Payment of Tax Claims for the Year 2018	Payment of Tax for November & December 2018
General Organization for Social Insurance	85,130	7,213	Payment of Employees' Social Insurance for the Year 2018	Social Insurance Claims for December 2018
Government Fees	9,387	-	Payment of Government Claims for the Year 2018	Government Fees

\*Including the Bank and Subsidiary Companies.

**Albilad Financial Company**

(Thousand Saudi Riyals)

Particulars	Paid - in	Accrued Up to the End of the Annual Fiscal Period; Unpaid	Brief Description	Statement of Reasons
Tax	168	34	Tax on Non-Residents in the Kingdom	Tax on Non-Residents in the Kingdom
General Organization for Social Insurance	4,711	363	Social Insurance Premiums Paid During 2018	Social Insurance Premiums for December 2018
Passports & Visas Expenses	37	-	Iqamas Renewal Fees	Renewal of Foreign Employees' Iqamas
Labor Office Fees	114	-	Work Permits Fees for Foreign Employees	Work Permits Fees for Foreign Employees
Capital Market Authority	316	-	Capital Market Authority Fees	Capital Market Authority Fees, plus Employees Registration Charges
Secretariat of Riyadh City	10	-	Annual Fees of the Municipality	Annual Fees of the Municipality
Riyadh Chamber of Commerce & Industry	25	-	Subscription to the Chamber of Commerce for a Period of 4 years + Documents' Authentication Fees	Subscription to the Chamber of Commerce for a Period of 4 years + Documents' Authentication Fees



Compliance with Corporate Governance Regulations:

The Bank abides by the updated Corporate Governance Regulation issued by the Capital Market Authority on 31/2/2017 and its updates. Furthermore, the bank complies with the regulatory controls and procedures issued on 17/10/2016 on the basis of the Companies' Law provisions pertaining to the listed joint stock companies; and their updates. Moreover, the bank adheres to the general principals of governance of the banks working in the Kingdom of Saudi Arabia, and their updates. The Saudi Arabian Monetary Authority (SAMA) has issued the first update in March 2014. In addition, the bank follows the directions compatible with the Companies Law, its regulations and updates as well as the Bank's policies.

The Bank applied all of the Articles of the aforementioned Corporate Governance Regulation, issued by the Capital Market Authority, except, partially, for the following item:

Article	Item	Article/Item Provisions	Compliance Status
4	50	Members of the Committees Shall Not be Less than Three and <b>Shall Not Exceed Five</b>	Complied with in respect of All Board Committees Except for the Executive Committee. Compliance Shall be Effected in the New Session of the Board and its Committees

Capital Adequacy:

In managing the capital, the Group's objective is to comply with the capital requirements set up by the Saudi Arabian Monetary Authority (SAMA). Such requirements aim at securing the Group's capability for continuing and maintaining strong capital base.

The Group, regularly monitors capital adequacy and usage of the statutory capital. The Saudi Arabian Monetary Authority stipulated the minimum of the statutory capital so that its ratio to the weighted-risk assets be around the agreed upon minimum of 8% or higher.

The Group reviews capital adequacy using the ratios prescribed by SAMA. Thus, capital adequacy is measured by comparing the Group's qualified capital items with the assets included in the Consolidated Financial Position Statement and potential liabilities using weighted-risk balances to show its relative risks.

Summary of the Group's First Pillar of Weighted-Risk Assets Core Capital, Supplementary Capital and Capital Adequacy Ratio

Details	2018 (Thousand Saudi Riyals)	2017 (Thousand Saudi Riyals)
Credit Weighted-Risk Assets	55,268,406	49,050,813
Operation Weighted-Risk Assets	5,572,623	4,899,270
Market Weighted-Risk Assets	231,436	1,512,788
Total of First Pillar's Weighted-Risk Assets	61,072,465	55,462,871
Core Capital	7,890,012	7,588,793
Supplementary Capital	2,690,855	2,693,286
Total Core Capital and Supplementary Capital	10,580,867	10,282,079
<b>Capital Adequacy Ratio</b>		
Core Capital Ratio	12.92%	13.68%
Supplementary Capital Ratio	17.33%	18.54%

The Board of Directors Acknowledgements:

The Bank's Board of Directors affirms that:

- The accounts records have been prepared properly.
- The internal control system has been built on solid grounds and effectively applied.
- The ability of the Bank to continue its activities is beyond a shadow of doubt.

The Bank's Auditors Report:

The Bank's auditors submitted an unqualified audit report on the Bank's Consolidated Financial Statements for the current year.

External Auditors:

In the General Assembly meeting held on the 25th of Ragab1439H, corresponding to the 11th of April 2018, M/S Price Waterhouse Cooper office and KPMG Office Al Fowzan & company have been appointed as external auditors of the Bank for the fiscal year 2018. As for the year 2019, the auditors will be appointed at the meeting of the General Assembly scheduled to be held in the early second quarter 2019, with Allah's willing.

# In Conclusion

The Board of Directors, Chief Executive Officer and all Bank employees are honored to extend their deepest thanks to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud – may Allah protect him, and the Crown Prince HRH Prince Mohammed bin Salman bin Abdulaziz – may Allah protect him. We also thank the Ministry of Finance, the Ministry of Commerce and Investment, the Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) for the assistance, support and encouragement received by the banks and the Financial Institutions Sector.

The Chairman and Members of the Board are also pleased to express their thanks and appreciation to all Shareholders and customers for their precious support and trust. The Board also thanks the ambassadors (employees) for their consistent and sincere efforts to develop and improve performance and achieve the Bank's purposes and desired objectives.

**Basel Notes – Third Pillar:**

These notes have been prepared by virtue of SAMA's requirement of quantitative and qualitative notes related to Basel Third Pillar. For reviewing these notes, please visit the Bank's website: [www.bankalbilad.com](http://www.bankalbilad.com)



# Consolidated Financial Statements



KPMG Al Fozan & Partners  
Certified Public Accountants

**Independent auditors' report on the audit of the consolidated financial statements  
to the shareholders of Bank Albilad (A Saudi Joint Stock Company)**

**Opinion**

We have audited the consolidated financial statements of Bank Albilad ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

**Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing 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 as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

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



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**Independent auditors' report on the audit of the consolidated financial statements  
to the shareholders of Bank Albilad (A Saudi Joint Stock Company)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of financing</b></p> <p>As at 31 December 2018, the gross financing of the Group amounted to SAR 52.3 billion against which an impairment allowance of SAR 1.7 billion was maintained.</p> <p>During the year the Group has adopted IFRS 9 – "Financial Instruments" which introduced a forward looking, expected credit loss ("ECL") impairment model. On adoption, the Group has applied the requirement of IFRS 9 retrospectively without restating the comparatives. The adoption of IFRS 9 resulted in transition adjustment to the retained earnings as at 1 January 2018 of SAR 62.8 million. The impact of transition is explained in note 3(A) to the consolidated financial statements.</p> <p>We considered this as a key audit matter as the determination of the ECL involves significant management judgment and this has a material impact on the consolidated financial statements of the Group. The key areas of judgment include:</p> <ol style="list-style-type: none"><li>1. Categorisation of financing in Stage 1, 2 and 3 based on the identification of: (a) exposures with significant deterioration in credit quality since their origination; and (b) individually impaired / defaulted exposures.</li><li>2. Assumptions used in the ECL model such as financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors.</li><li>3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model.</li></ol> <p>Refer to the significant accounting policies note [3(a)] to the consolidated financial statements for the adoption of IFRS 9 and significant accounting policy relating to the impairment of financial assets, note [2(d)(i)] which contains the disclosure of critical accounting judgment, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note [7] which contains the disclosure of impairment against financing and note [28(i)(b)] for details of credit quality analysis and key assumptions and factors considered in determination of ECL.</p>	<p>We have obtained an understanding of management's assessment of impairment of financing including the IFRS 9 implementation process, the Group's internal rating model, the Group's impairment allowance policy and the ECL modelling methodology.</p> <p>We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9.</p> <p>We assessed the design and implementation, and tested the operating effectiveness of controls over:</p> <ul style="list-style-type: none"><li>- the modelling process, including governance over monitoring of the models and approval of key assumptions;</li><li>- the classification of borrowers in various stages and timely identification of significant increase in credit risk ("SICR") and defaulted or individually impaired exposures; and</li><li>- integrity of data input into the ECL model.</li></ul> <p>We assessed the Group's criteria for determination of significant increase in credit risk and identification of impaired / default exposures and their classification into various stages.</p> <p>For a sample of customers, we assessed:</p> <ul style="list-style-type: none"><li>- the internal ratings determined by the management based on the Group's internal rating model and ensured that these ratings were in line with the ratings used in the ECL model;</li><li>- the staging as identified by management; and</li><li>- managements' computations for ECL.</li></ul> <p>We assessed the underlying assumptions including the forward looking assumptions used by the Group in ECL calculations.</p> <p>Where management overlays were used, we assessed those overlays and the governance process around such overlays.</p> <p>We checked the completeness of data underlying the ECL calculation as of 31 December 2018.</p> <p>Where relevant, we involved specialists to assist us in review of model calculations and data integrity.</p> <p>As the Group has used the modified retrospective approach for the adoption of IFRS 9, we performed all the above mentioned procedures to evaluate management's computation of ECL adjustment to the Group's equity as at 1 January 2018 (as a result of adoption of IFRS 9).</p> <p>We assessed the disclosures included by management in the consolidated financial statements.</p>





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## Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Bank Albilad (A Saudi Joint Stock Company)

### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Fees from banking services</b></p> <p>The Group charges administrative fees upfront to borrowers on financing.</p> <p>All Such fees are an integral part of generating an involvement with the resulting financial instrument, and therefore, all such fees should be considered in making an adjustment to the effective yield and such adjustment should be recognised within income from financing assets.</p> <p>However, due to the large volume of transactions with mostly individually insignificant fee amounts, management uses certain assumptions and thresholds for recognition of such fees and classified them within "Fee and Commission Income, net".</p> <p>We considered this as a key audit matter since the use of management assumptions and judgments could result in material misstatement to the consolidated financial statements due to affecting the timing and recognition of fees.</p> <p>Refer to the significant accounting policies note [3(F)] to the consolidated financial statements.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>- We assessed the design and implementation and tested the operating effectiveness of key controls over the consistent application of managements' assumptions and thresholds for recognition of fee income.</li> <li>- We assessed the reasonableness of the assumptions and thresholds used by management for making adjustments to the effective yield of financing and recording such adjustment.</li> <li>- We obtained management's assessment of the impact of the use of assumptions and thresholds and performed the following: <ul style="list-style-type: none"> <li>- on a sample basis, traced the historical and current year data used by management to the underlying accounting records; and</li> <li>- assessed management's estimation of the impact of non-amortisation of fees on 'Fee and commission income, net' and 'income from investing and financing assets'.</li> </ul> </li> </ul>



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## Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Bank Albilad (A Saudi Joint Stock Company)

### Other information included in the Group's 2018 annual report

The Board of Directors ("the Directors") is responsible for the other information. Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

### Responsibilities of the Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax, applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing 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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Certified Public Accountants

### Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Bank Albilad (A Saudi Joint Stock Company)

#### Auditors' responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with the International Standards on Auditing 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain jointly responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.



KPMG Al Fozan & Partners  
Certified Public Accountants

### Independent auditors' report on the audit of the consolidated financial statements to the shareholders of Bank Albilad (A Saudi Joint Stock Company)

#### Report on other legal and regulatory requirements

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

#### PricewaterhouseCoopers

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Ali A. Alotaibi  
Certified Public Accountant  
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1 Jumada Al-Akhirah 1440H  
(6 February 2019)

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Certified Public Accountant  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 AS AT DECEMBER 31, 2018 AND 2017

	Notes	2018 SAR' 000	2017 SAR' 000
<b>ASSETS</b>			
Cash and balances with SAMA	4	6,438,201	5,688,931
Due from banks and other financial institutions, net	5	8,334,284	7,706,382
Investments, net	6	6,465,710	5,140,017
Financing, net	7	50,593,033	43,447,429
Property and equipment, net	8	1,146,848	875,424
Other assets	9	658,050	349,493
<b>Total assets</b>		<b>73,636,126</b>	<b>63,207,676</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to SAMA		-	2,012,518
Due to banks and other financial institutions	10	3,100,791	1,748,937
Customers' deposits	11	57,175,594	47,782,959
Sukuk	12	2,008,587	2,006,575
Other liabilities	13	3,518,205	2,067,894
<b>Total liabilities</b>		<b>65,803,177</b>	<b>55,618,883</b>
<b>Equity</b>			
Share capital	14	6,000,000	6,000,000
Statutory reserve	15	-	866,508
Other reserves	17	(69,832)	47,420
Retained earnings		483,441	530,805
Proposed cash dividend	16	-	240,000
Proposed issuance of bonus shares	14	1,500,000	-
Treasury shares		(90,780)	(104,575)
Employees' share plan reserve	23	10,120	8,635
<b>Total equity</b>		<b>7,832,949</b>	<b>7,588,793</b>
<b>Total liabilities and equity</b>		<b>73,636,126</b>	<b>63,207,676</b>

**CONSOLIDATED STATEMENT OF INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Notes	2018 SAR' 000	2017 SAR' 000
<b>INCOME:</b>			
Income from investing and financing assets	19	2,704,984	2,117,189
Return on deposits and financial liabilities	20	(559,515)	(378,194)
<b>Income from investing and financing assets, net</b>		<b>2,145,469</b>	<b>1,738,995</b>
Fee and commission, net	21	842,900	833,901
Exchange income, net		315,693	309,909
Dividend income		22,611	7,539
Gains on fair value through profit or loss investments, net		-	7,820
Gains on available for sale investments, net		43,838	-
Other operating income	22	45,509	61,414
<b>Total operating income</b>		<b>3,416,020</b>	<b>2,959,578</b>
<b>EXPENSES:</b>			
Salaries and employee related expenses	23	1,052,360	953,585
Rent and premises related expenses		248,106	252,012
Depreciation and amortisation	8	108,092	96,519
Other general and administrative expenses		406,499	342,670
Impairment charge for credit and other financial assets, net		490,453	378,625
<b>Total operating expenses</b>		<b>2,305,510</b>	<b>2,023,411</b>
<b>Net income for the year</b>		<b>1,110,510</b>	<b>936,167</b>
:Attributable to			
Equity holders of the Bank		1,110,510	942,047
Non-controlling interest		-	(5,880)
<b>Net income for the year</b>		<b>1,110,510</b>	<b>936,167</b>
<b>Basic and diluted earnings per share (attributable to ordinary equity holders of the Bank) (Saudi Riyals)</b>	24	<b>1.85</b>	<b>1.56</b>

**CONSOLIDATED STATEMENT OF INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Notes	2018 SAR' 000	2017 SAR' 000
<b>Net income for the year</b>		<b>1,110,510</b>	936,167
<b>Other comprehensive income:</b>			
<b>Items that cannot be reclassified to consolidated statement of income in subsequent periods</b>			
- Net movement in fair value reserve (equity instruments)		<b>(20,121)</b>	-
<b>Items that can be reclassified to consolidated statement of income in subsequent periods</b>			
-Debt instrument at fair value through other comprehensive income:			
•Net changes in fair value		<b>(42,848)</b>	-
<b>Items that can be reclassified to consolidated statement of income or have been reclassified in the year 2017</b>			
- Available for sale financial assets			
Net changes in fair value		-	29,716
Net amount transferred to consolidated statement of income		-	(7,820)
Impairment charge on available for sale investments		-	244
Total other comprehensive income		<b>(62,969)</b>	22,140
<b>Total comprehensive income for the year</b>		<b>1,047,541</b>	958,307
<b>Attributable to:</b>			
Equity holders of the Bank		<b>1,047,541</b>	964,187
Non-controlling interest		-	(5,880)
<b>Total comprehensive income for the year</b>		<b>1,047,541</b>	958,307

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2018 SAR' 000	Notes	Attributable to the equity holders of the Bank								Total	Total equity
		Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed cash dividend	Proposal issuance of bonus shares	Treasury shares	Employees' share plan		
<b>Balance at the beginning of the year as previously reported</b>		6,000,000	866,508	47,420	530,805	240,000	-	(104,575)	8,635	7,588,793	7,588,793
<b>Impact of adoption of new standards at 1 January 2018</b>	3 (a)	-	-	(54,283)	(26,345)	-	-	-	-	(80,628)	(80,628)
<b>Restated balance at 1 January 2018</b>		6,000,000	866,508	(6,863)	504,460	240,000	-	(104,575)	8,635	7,508,165	7,508,165
<b>Changes in the equity for the year</b>											
Net movement in fair value reserve (equity instruments) realized losses				(20,121)	(220)					(20,341)	(20,341)
Net movement in FVOCI reserve for investments				(42,848)						(42,848)	(42,848)
<b>Other comprehensive income</b>				(62,969)	(220)					(63,189)	(63,189)
<b>Net income for the year</b>					1,110,510					1,110,510	1,110,510
<b>Total comprehensive income for the year</b>				(62,969)	1,110,290	-	-	-	-	1,047,321	1,047,321
Treasury shares								13,795		13,795	13,795
Employees' share plan reserve	23								1,485	1,485	1,485
Cash dividend	16					(240,000)				(240,000)	(240,000)
Proposal issuance of bonus shares	14	(1,144,135)		(355,865)			1,500,000			-	-
Zakat settlement for prior years				(392,817)						(392,817)	(392,817)
Zakat for current period				(105,000)						(105,000)	(105,000)
Transfer to statutory reserve	15		277,627	(277,627)						-	-
<b>Balance at end of the year</b>		6,000,000	-	(69,832)	483,441	-	1,500,000	(90,780)	10,120	7,832,949	7,832,949



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2017 SAR' 000	Notes	Attributable to the equity holders of the Bank								Non controlling interest	Total equity
		Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed cash dividend	Treasury shares	Employees' share plan	Total		
Balance at the beginning of the year as previously reported		6,000,000	630,997	169,201	285,188	300,000	(113,207)	8,720	7,280,899	39,906	7,320,805
Effect of change in accounting policy	3 (a)	-	-	(143,921)	(25,000)	-	-	-	(168,921)	-	(168,921)
Balance at the beginning of the year - as restated		6,000,000	630,997	25,280	260,188	300,000	(113,207)	8,720	7,111,978	39,906	7,151,884
<b>Changes in the equity for the year</b>											
Net changes in fair values of available for sale investments				29,716					29,716		29,716
Net amount transferred to consolidated statement of income on disposal				(7,820)					(7,820)		(7,820)
Impairment charge on available for sale investments				244					244		244
Other comprehensive income				22,140					22,140		22,140
Net income for the year					942,047				942,047	(5,880)	936,167
Total comprehensive income for the year				22,140	942,047	-	-	-	964,187	(5,880)	958,307
2016 final cash dividend paid						(300,000)			(300,000)		(300,000)
2017 interim cash dividend paid					(180,000)				(180,000)		(180,000)
2017 proposed final cash dividend	16				(240,000)	240,000			-		-
Treasury shares							8,632		8,632		8,632
Employees' share plan reserve	23							(85)	(85)		(85)
Zakat for the transferred to other liabilities					(15,919)				(15,919)		(15,919)
Transfer to statutory reserve	15		235,511		(235,511)				-		-
Non-controlling interest removed on de-consolidation									-	(34,026)	(34,026)
Balance at end of the year		6,000,000	866,508	47,420	530,805	240,000	(104,575)	8,635	7,588,793	-	7,588,793

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Notes	2018 SAR' 000	2017 SAR' 000
<b>OPERATING ACTIVITIES</b>			
Net income for the year		1,110,510	936,167
<b>Adjustments to reconcile net income to net cash from / (used in) operating activities:</b>			
Gains on fair value investments through profit or loss, net		(43,838)	-
Gains on disposal of non-trading investments, net		-	(7,820)
Gains from disposal of property and equipment, net		(214)	(1,359)
Depreciation		108,092	105,218
Impairment charge for credit and other financial assets, net		490,453	378,625
Profit on sukuk		86,780	77,662
Employees' share plan		15,280	8,547
<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,767,063</b>	1,497,040
<b>Net (increase) / decrease in operating assets:</b>			
Statutory deposit with SAMA		(416,044)	(323,044)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(452,790)	(314,249)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		298,314	(148,228)
Financing		(7,694,591)	(7,647,423)
Other assets		(308,557)	(142,248)
<b>Net increase / (decrease) in operating liabilities:</b>			
Due to SAMA		(2,012,518)	6,304
Due to banks and other financial institutions		1,351,854	752,546
Customers' deposits		9,392,635	7,548,244
Other liabilities		1,253,112	699,556
<b>Net cash generated from operating activities</b>		<b>3,178,478</b>	1,928,498

	Notes	2018 SAR' 000	2017 SAR' 000
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments held as FVOCI		60,193	-
Purchase of investments held as Fair Value through Other Comprehensive Income		(2,364,314)	-
Proceeds from sales and maturities of investments held as FVTPL		614,934	-
Purchase of investments held as fair value through profit or loss		(274,881)	-
Purchase of non-trading investments		-	(2,400,147)
Proceeds from sale of non-trading investments		-	519,014
Disposal of a subsidiary		-	991,301
Purchase of property and equipment		(379,582)	(170,157)
Proceeds from sale of property and equipment		280	1,997
<b>Net cash used in investing activities</b>		<b>(2,343,370)</b>	<b>(1,057,992)</b>
<b>FINANCING ACTIVITIES</b>			
Distributed Sukuk profit		(84,768)	(78,134)
Dividend paid	16	(240,000)	(480,000)
Non-controlling interest		-	(34,026)
<b>Net cash used in financing activities</b>		<b>(324,768)</b>	<b>(592,160)</b>
<b>Net change in cash and cash equivalents</b>		<b>510,340</b>	<b>278,346</b>
Cash and cash equivalents at the beginning of the year		9,064,626	8,786,280
<b>Cash and cash equivalents at the end of the year</b>	25	<b>9,574,966</b>	<b>9,064,626</b>
<b>Supplemental information</b>			
<b>Income received from investing and financing assets</b>		<b>1,638,432</b>	<b>1,463,295</b>
		<b>399,082</b>	<b>278,027</b>
<b>Return paid on deposits and financial liabilities</b>		<b>(62,969)</b>	<b>22,140</b>
<b>Total other comprehensive income</b>			



# Explanatory Notes on the Consolidated

# 1. GENERAL

## a) Incorporation and operation

Bank Albilad (the “Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Counsel of Ministers’ resolution No. 258 dated 18 Ramadan 1425H (corresponding to November 1, 2004). The Bank is listed on Tadawul (Saudi Stock Exchange).

The Bank operates under Commercial Registration No. 1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

**Bank Albilad**  
**P.O. Box 140**  
**Riyadh 11411**  
**Kingdom of Saudi Arabia**

1425-2004

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, ‘Albilad Investment Company’ and ‘Albilad Real Estate Company’ (collectively referred to as “the Group”). Albilad Investment Company and Albilad Real Estate Company are 100% owned by the Bank. All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group’s objective is to provide full range of banking services and conduct, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with Islamic Shariah and within the provisions of the Articles of Association and the Banking Control Law. The Bank provides these services through 111 banking branches (2017: 112) and 180 exchange and remittance centers (2017: 179) in the Kingdom of Saudi Arabia.

## b) Shariah Authority

The Bank has established a Shariah Authority (“the Authority”). It ascertains that all the Bank’s activities are subject to its approval and control.

# 2. BASIS OF PREPARATION

## a) Statement of compliance

The consolidated financial statements for the twelve months ended December 31, 2018 have been prepared;

- in accordance with ‘International Financial Reporting Standards (IFRS) as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax’ (relating to the application of International Accounting Standard (IAS) 12 “Income Taxes” and IFRIC 21 - “Levies” in so far as these relate to accounting for Saudi Arabian zakat and income tax); and
- in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

## b) Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for the measurement of investments which are classified as fair value through other comprehensive income (FVOCI) and Fair Value through Income Statement (FVTPL).

## c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the Bank’s functional currency and are rounded off to the nearest thousands.

## d) Critical Accounting Judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. Such judgments, estimates and assumptions 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 resulting accounting estimates will, by definition, seldom equal the related actual results. Significant areas where management uses estimates, assumptions or exercised judgments and that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are as follows:

### i) Impairment losses on financial assets

The measurement of impairment losses under both IFRS 9 and IAS 39 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Bank’s internal credit grading model, which assigns PDs to the individual grades
- The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

- ii) Fair value measurement
- iii) Impairment of FVOCI equity and debt investments
- iv) Classification of investments at amortised cost
- v) Determination of control over investees
- vi) Depreciation
- vii) Defined benefit pla



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

#### a) Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2017 except for the adoption of the following new standards and other amendments to existing standards and a new interpretation mentioned below. Except for adoption of IFRS 9 these amendments and adoption has had no material impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have an insignificant effect in future periods. The impact and disclosures pertaining to adoption of IFRS 9 has been illustrated in the later part of these financial statements.

#### a. Adoption of new standards

Effective January 1, 2018 the Group has adopted two new accounting standards, the impact of the adoption of these standards is explained below:

##### IFRS 15 Revenue from contracts with customers

The bank adopted IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the bank in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Bank has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at January 1, 2018 in equity. The Bank has carried out the impact assessment as at 1 January 2018 and has made adjustments to opening retained earnings (refer to note 3-a-a iii).

##### IFRS 9 – Financial instruments

The Bank has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Bank does not have any hedging instruments as at December 31, 2018.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below.

##### - Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This classification is generally based, except for equity instruments, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, financing and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and the group has no change in the existing policy for financial liabilities.

##### - Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Bank to record an allowance for ECLs for all Financing and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. For an explanation of how the Bank applies the impairment requirements of IFRS 9, please refer note to 28.

##### - Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets and resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designated financial assets.
- The designation of certain investments in equity instruments not held for trading as FVOCI.

#### A. Financial assets and financial liabilities

##### i) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
SAR in '000				
<b>Financial assets</b>				
Cash and balances with SAMA	Amortised cost	Amortised cost	5,688,931	5,688,931
Due from banks and other financial institutions	Amortised cost	Amortised cost	7,706,382	7,703,786
Investments, net (Sukuk and Equity)	Available for sale	FVOCI	2,541,158	2,537,328
Investment, net (Commodity Murabaha with SAMA)	Amortised cost	Amortised cost		
Available for sale		FVTPL	1,892,801	1,890,704
Investment, net (Mutual fund)	Amortised cost	Amortised cost	706,058	706,058
Financing, net	Amortised cost	Amortised cost	43,447,429	43,384,623
Other assets			349,493	349,493
<b>Total financial assets</b>			<b>62,332,252</b>	<b>62,260,923</b>
<b>Financial liabilities</b>				
Due to SAMA	Amortised cost	Amortised cost	2,012,518	2,012,518
Due to banks and other financial institutions	Amortised cost	Amortised cost	1,748,937	1,748,937
Customers' deposits	Amortised cost	Amortised cost	47,782,959	47,782,959
Sukuk	Amortised cost	Amortised cost	2,006,575	2,006,575
Other liabilities	Amortised cost	Amortised cost	2,067,894	2,067,894
<b>Total financial liabilities</b>			<b>55,618,883</b>	<b>55,618,883</b>

## ii) Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

	IAS 39 carrying amount as at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
	SAR in '000'			
<b>Financial assets</b>				
<b>Amortized cost</b>				
<b>Cash and balances with SAMA:</b>				
Opening balance	5,688,931	-	-	5,688,931
Remeasurement	-	-	-	-
<b>Closing balance</b>	<b>5,688,931</b>	<b>-</b>	<b>-</b>	<b>5,688,931</b>
<b>Due from banks and other financial institutions:</b>				
Opening balance	7,706,382	-	-	7,706,382
Remeasurement	-	-	(2,596)	(2,596)
<b>Closing balance</b>	<b>7,706,382</b>	<b>-</b>	<b>(2,596)</b>	<b>7,703,786</b>
<b>Financing:</b>				
Opening balance	43,447,429	-	-	43,447,429
Remeasurement	-	-	(62,806)	(62,806)
<b>Closing balance</b>	<b>43,447,429</b>	<b>-</b>	<b>(62,806)</b>	<b>43,384,623</b>
<b>Investments:</b>				
Opening balance	1,892,801	-	-	1,892,801
Remeasurement	-	-	(2,097)	(2,097)
<b>Closing balance</b>	<b>1,892,801</b>	<b>-</b>	<b>(2,097)</b>	<b>1,890,704</b>
<b>Other assets:</b>				
Opening balance	349,493	-	-	349,493
Remeasurement	-	-	-	-
<b>Closing balance</b>	<b>349,493</b>	<b>-</b>	<b>-</b>	<b>349,493</b>
<b>Total amortized cost</b>	<b>59,085,036</b>	<b>-</b>	<b>(67,499)</b>	<b>59,017,537</b>

### FVOCI

#### Investment:

Opening balance	3,247,216	-	-	-
Transferred to:	-	-	-	-
FVOCI – equity	-	(290,647)	-	-
FVOCI – debt	-	(2,250,511)	-	-
FVTPL	-	(706,058)	-	-
Amortized cost	-	-	-	-
<b>Closing balance</b>	<b>3,247,216</b>	<b>(3,247,216)</b>	<b>-</b>	<b>-</b>

#### Investment:

Opening balance	-	-	-	-
From available for sale	-	2,541,158	(3,830)	2,537,328
<b>Total FVOCI</b>	<b>-</b>	<b>2,541,158</b>	<b>(3,830)</b>	<b>2,537,328</b>

### FVTPL

#### Investment:

Opening balance	-	-	-	-
From available for sale	-	706,058	-	706,058
<b>Total FVTPL</b>	<b>-</b>	<b>706,058</b>	<b>-</b>	<b>706,058</b>
<b>62,332,252</b>	<b>-</b>	<b>(71,329)</b>	<b>62,260,923</b>	

### Financial liabilities

#### At amortized cost

Due to SAMA	2,012,518	-	-	2,012,518
Due to banks and other financial institutions	1,748,937	-	-	1,748,937
Customers' deposits	47,782,959	-	-	47,782,959
Sukuk	2,006,575	-	-	2,006,575
Other liabilities	2,067,894	-	-	2,067,894
<b>Total amortized cost</b>	<b>55,618,883</b>	<b>-</b>	<b>-</b>	<b>55,618,883</b>

## iii) Impact on retained earnings and other reserves

	Retained earnings	Other reserves
	SAR in '000'	
<b>Closing balance under IAS 39 (December 31, 2017)</b>	530,805	47,420
Reclassifications under IFRS 9	54,283	(54,283)
Recognition of expected credit losses under IFRS 9 (including lease receivables, financing commitments and financial guarantee contracts. including those measured at FVOCI )	(71,329)	-
Fee impact under IFRS 15	(9,299)	-
<b>Opening balance (January 1, 2018)</b>	<b>504,460</b>	<b>(6,863)</b>

The following table reconciles the provision recorded as per the requirements of IAS 39 to that of IFRS 9:

- The closing impairment allowance for financial assets in accordance with IAS 39 and provisions for financing commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at December 31, 2017;
- The opening ECL allowance determined in accordance with IFRS 9 as at January 1, 2018.

	31 December 2017 (IAS 39 / IAS 37)		1 January 2018 (IFRS 9)	
		Reclassification	Remeasurement	
	SAR in '000'			
<b>Financing and receivables (IAS 39)/Financial assets at amortised cost (IFRS-9)</b>				
Due from banks and other financial institutions	90,923	-	2,596	93,519
Financing, net	1,248,951	-	62,806	1,311,757
<b>Total</b>	<b>1,339,874</b>	<b>-</b>	<b>65,402</b>	<b>1,405,276</b>
<b>AFS (IAS 39)/Financial assets at amortised cost (IFRS-9)</b>				
Investment, net	-	-	2,097	2,097
<b>Held to maturity (IAS 39)/Financial assets at FVOCI (IFRS-9)</b>				
Investment, net	-	-	3,830	3,830
<b>Total</b>	<b>1,339,874</b>	<b>-</b>	<b>71,329</b>	<b>1,411,203</b>

## iv) The following table provides carrying value of financial assets and financial liabilities in the statement of financial position.

## 31st December 2018

SAR in '000'

Notes	FVTPL	FVOCI – debt instruments	FVOCI – equity investments	Amortized cost	Total carrying amount
<b>Financial assets</b>					
Cash and balances with SAMA	-	-	-	6,438,201	<b>6,438,201</b>
Due from banks and other financial institutions, net	-	-	-	8,334,284	<b>8,334,284</b>
Investments, net	400,083	4,390,851	381,512	1,293,264	<b>6,465,710</b>
Financing, net	-	-	-	50,593,033	<b>50,593,033</b>
Other assets	-	-	-	658,050	<b>658,050</b>
<b>Total financial assets</b>	<b>400,083</b>	<b>4,390,851</b>	<b>381,512</b>	<b>67,316,832</b>	<b>72,489,278</b>

## Financial liabilities

Due to banks and other financial institutions	-	-	-	3,100,791	<b>3,100,791</b>
Customers' deposits	-	-	-	57,175,594	<b>57,175,594</b>
Sukuk	-	-	-	2,008,587	<b>2,008,587</b>
Other liabilities	-	-	-	3,518,205	<b>3,518,205</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,803,177</b>	<b>65,803,177</b>

## 31st December 2017

SAR in '000'

Note	Held to maturity	Available for sale	Other amortized cost	Total carrying amount
<b>Financial assets</b>				
Cash and balances with SAMA	-	-	5,688,931	5,688,931
Due from banks and other financial institutions, net	-	-	7,706,382	7,706,382
Investments, net	1,892,801	3,247,216	-	5,140,017
Financing, net	-	-	43,447,429	43,447,429
Other assets	-	-	349,493	349,493
<b>Total financial assets</b>	<b>1,892,801</b>	<b>3,247,216</b>	<b>57,192,235</b>	<b>62,332,252</b>
<b>Financial liabilities</b>				
Due to SAMA	-	-	2,012,518	2,012,518
Due to banks and other financial institutions	-	-	1,748,937	1,748,937
Customers' deposits	-	-	47,782,959	47,782,959
Sukuk	-	-	2,006,575	2,006,575
Other liabilities	-	-	2,067,894	2,067,894
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>55,618,883</b>	<b>55,618,883</b>

## B. Policies applicable from January 1, 2018

### 1. Classification of financial assets

From January 1, 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI);
- Amortised cost, or
- Fair value through profit or loss (FVTPL);

#### Financial Asset at amortised cost

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

- 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 profit on the principal amount outstanding.

#### Financial Asset at FVOCI

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

- 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 profit 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. Profit income and foreign exchange gains and losses are recognised in profit or loss.

**Equity Instruments** on initial recognition, for an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

#### Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL 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 Bank changes its business model for managing financial assets.

The classification requirements for financing, debt instruments and equity investment are described as per the following:

#### 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;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL 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 SPPI

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin. In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank 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 Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

#### Designation at fair value through profit or loss

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

### 2. Classification of financial liabilities (Policy applicable before January 1, 2018)

All customer deposits, due to SAMA, due to banks and other financial institutions, sukuk and other financial liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost.

#### (Policy applicable after January 1, 2018)

### 3. Derecognition a. Financial assets

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to the cash flows from the financial asset expires.



In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognised 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 derecognised only if the Bank has not retained control of the financial asset. The Group recognises separately as assets or liabilities any rights and obligations created or retained in the process.

On derecognition, any cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is included in the consolidated statement of income for the period.

From January 1, 2018, any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

## b. Financial liabilities

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

## 4. Modifications of financial assets and financial liabilities

### a. Financial assets

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

In case the Modification of Asset does not result in De-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash-flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognised in Profit or Loss for Asset Modification.

### b. Financial liabilities

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

## 5. Impairment

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

- Financial assets that are measured at amortised cost;
- Debt instruments assets measured at FVOCI;
- Financial guarantee contracts issued; and
- Financing commitments issued.

No impairment loss is recognized on equity investments.

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

### Measurement of ECL

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

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

### Restructured financial assets

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

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

### Credit-impaired financial assets

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

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

- When the obligor is unlikely to pay for its credit obligations in full, without recourse by the bank to the actions such as realizing security (if held) and is also known as unlikeliness to pay events;
- A breach of contract such as a default or past due event;
- The restructuring of financing by the Bank on terms that the Bank would not consider otherwise.

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

- 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.

### Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Financing commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in profit and loss and changes between the amortised cost of the assets and their fair value are recognised in OCI.

### Write-off

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

## 6. Financial guarantees and financing commitments

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

Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received.

Subsequent to the initial recognition

- From January 1, 2018: the Bank's liability under each guarantee is measured at higher of the amortized amount and the loss allowance.
- Before January 1, 2018: the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees.

The premium received is recognised in the consolidated statement of income in "Fees and commission income, net" on a straight-line basis over the life of the guarantee.

Financing commitments are firm commitments to provide credit under pre-specified terms and conditions.

The Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments:

- From January 1, 2018: the Bank recognizes loss allowance;
- Before January 1, 2018: the Bank recognizes a provision in accordance with IAS 37 if the contract was considered to be onerous.

## 7. Rendering of services

The Bank provides various services to its customer. These services are either rendered separately or bundled together with rendering of other services.

The Bank has concluded that revenue from rendering of various services related to Share trading and fund management, Trade finance, Corporate finance and advisory and other banking services, should be recognized at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for free services related to credit card, the Bank recognizes revenue over the period of time.

## 8. Customer Loyalty Program

The Bank offers customer loyalty program (reward points / air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed for certain Partner outlets. The Bank allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative stand-alone selling price.

The amount of revenue allocated to reward points is deferred and released to the income statement when reward points are redeemed.

The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

## C. Policies Applicable before adoption of IFRS 9

### a) Investments

All investments in securities are initially recognized at fair value and except for investments classified at fair value through statement of income (FVSI), include the acquisition costs associated with the investment. Transaction costs if any are not added to fair value measurement at initial recognition of investments classified at FVSI.

Premiums are amortized and discounts are accreted using the effective yield method and are taken to consolidated statement of income.

For securities traded in organized financial markets, the fair value is determined by reference to the exchange quoted market bid prices at the close of business on the reporting date. Fair value of managed assets and investments in mutual funds are determined by reference to the declared net asset values which approximate the fair value.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference

to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are recognized at cost.

Following initial recognition, subsequent transfers between the various classes of investments are permissible only if certain conditions are met. The subsequent period-end reporting values for each class of investment are determined on the basis as set out in the following paragraphs.

#### (i) Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. The Group does not have any FVSI financial instruments.

#### (ii) Available for sale

Available-for-sale investments are those equity, sukuk and mutual funds investments which are neither classified as held to maturity investments, financing nor designated as FVSI, that are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices.

Investments which are classified as “available-for-sale” are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured and are carried at cost. Unrealized gains or losses arising from changes in fair value are recognized in other comprehensive income until the investment is de-recognized or impaired whereupon any cumulative gain or loss previously recognized in other comprehensive income are reclassified to consolidated statement of income. Financing and investing income is recognized in the consolidated statement of income on effective yield basis. Dividend income is recognized in the consolidated statement of income when the Group becomes entitled to the dividend. Foreign exchange gains or loss on available for sale debt security investments are recognized in consolidated statement of income. A security held as available for sale may be reclassified to “other investments held at amortized cost” if it otherwise would have met the definition of “other investments held at amortized cost” and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

#### (iii) Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Group’s ability to use this classification.

However, sales and reclassifications in any of the following circumstances would not impact the Group’s ability to use this classification.

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value.
- Sales or reclassifications after the Group has collected substantially all the assets’ original principal.
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group’s control that could not have been reasonably anticipated.

#### (iv) Other investments held at amortized cost

Investment securities with fixed or determinable payments that are not quoted in an active market are classified as “other investments held at amortized cost”. Such investments are stated at amortized cost using effective yield basis, less provision for impairment. Any gain or loss is recognized in the consolidated statement of income when the investment is derecognized or when it is impaired.

#### (v) Impairment of financial assets

##### a) Financing and investments held at amortized cost

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired at the reporting date. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future expected cash flows, is recognized for changes in its carrying amounts.

The Group considers evidence of impairment for financing and advances and investments held at amortized cost at both specific asset and collective level.

When a financial asset is uncollectible, it is either written off against the related provision for impairment or directly by a charge to the consolidated statement of income. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the impairment allowance account. The amount of the reversal is recognized in the consolidated statement of income in impairment charge account.

Financing whose terms have been renegotiated are no longer considered to be past due but are treated as new financing. Restructuring policies and practices are based on indicators or criteria which, indicate that payment will most likely continue. The financing continue to be subject to an individual or collective impairment assessment, calculated using the financing’s original effective yield rate.

Financing are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a revised rate of commission to genuinely distressed borrowers. This results in the asset continuing to be overdue and individually impaired as the renegotiated payments of commission and principal do not recover the original carrying amount of the financing. In other cases, renegotiation lead to a new agreement, this is treated as a new financing.

The Group also considers evidence of impairment at a collective financing assets level. The collective provision is based on following criteria i.e. deterioration in internal grading, external credit ratings allocated to the group of borrowers, the current economic climate in which the borrowers operate and the experience and historical default patterns that are embedded in the components of the credit portfolio.

**b) Available for sale investments**

In the case of sukuk investment classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

If, in a subsequent period, the fair value of a sukuk investments increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

For equity and mutual funds investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income.

**(vi) De-recognition of financial instruments****a) Financial Assets**

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to receive the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition.

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 recognises separately, as assets or liabilities, any rights and obligations created or retained in the process.

A financial liability (or a part of a financial liability) can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

**b) Financial liabilities**

All customer deposits, due to SAMA, due to banks and other financial institutions, sukuks and other financial liabilities are initially recognized at fair value less transaction costs. Subsequently, financial liabilities are measured at amortized cost.

**D. Basis of consolidation**

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as set forth in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**E. Foreign currencies**

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank's and group companies' functional currency.

Transactions in foreign currencies are translated into Saudi Riyals ('SAR') at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the reporting date.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of income.

**F. Revenue / expenses recognition**

- Income on investing and financing assets, and return on financial liabilities

Income on investing and financing assets, and return on financing liabilities is recognized in the consolidated statement of income using the effective yield method on the outstanding balance over the term of the contract.

The calculation of effective yield takes into account all contractual terms of the financial instruments including all fees (above certain threshold), transaction costs, discounts that are integral part of the effective yield method but does not include the future financing loss. Transactional costs are incremental costs that are directly attributable to acquisition of financing assets and financial liabilities.

**- Fees and commission income**

Fees and commission income (above certain threshold for fee related to financing) that are integral to the effective yield rate are included in the measurement of the relevant assets.

Fees and commission income that are not integral part of the effective yield calculation on a financial asset or liability are recognized when the related service is provided as follows:

- 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 over the period when the service is being provided.
- Performance linked fees or fee components are recognized when the performance criteria are fulfilled.
- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective yield on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service, is received.



**- Exchange income / (loss)**

Exchange income/ (loss) is recognized as detailed in foreign currencies policy above.

**- Dividend income**

Dividend income from investment in equities is recognized when the Group's right to receive the dividend is established which is generally when the shareholders approve the dividend.

**Fair value measurement**

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Collateral valuation**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule. However, some collateral, for example, cash or securities is valued daily.

The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, audited financial statements, and other independent sources.

**Collateral repossessed**

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its consumer portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

**G. Zakat and withholding tax**

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations.

Zakat is accrued on a quarterly basis and charged to retained earnings in accordance with SAMA guidance for the accounting of zakat. Previously, zakat was deducted from dividends upon payment to the shareholders and was recognized as a liability at that time.

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the General Authority for Zakat and Tax (GAZT) on a monthly basis.

**H. Accounting for leases**

**Where the Group is the lessee**

Leases that do not transfer to the Group substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognized as an expense in the period in which termination takes place.

The Group evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

Where the Group is the lessor

When assets are transferred under Ijara Muntahia Bittamleek, the present value of the lease payments is recognized as a receivable and disclosed under “Financing”. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

I. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, balances and murabaha with SAMA excluding statutory deposit, and due from banks and other financial institutions with original maturities of three months or less from the date of acquisition which is subject to insignificant changes in their fair value.

J. Property and equipment

Property and equipment is stated at cost less accumulated depreciation, and impairment, if any. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Building	33 years
Leasehold improvements	Over lease period or economic life (10 years), whichever is shorter
Equipment and furniture and motor vehicles	4 to 6 years
Computer hardware and software	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

K. Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has exercised judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

L. Defined benefit plans

Bank operates an end of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected unit method in accordance with the periodic actuarial valuation.

M. Going concern

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

N. Employees’ share plan

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by SAMA. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted.

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option (‘the vesting date’). The cumulative expense recognized for the plan 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 consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party for custody of the shares under the plan, plus any benefits accrued there-on.

O. Treasury shares

Treasury shares 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 shares are carried at the amount equal to the consideration paid.

These shares are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its share-based payment plans.

4. CASH AND BALANCES WITH SAMA

	Notes	2018 SAR’ 000	2017 SAR’ 000
Statutory deposit	1-4	3,151,301	2,735,257
Cash in hand		1,702,065	1,724,325
Other balances	2-4	1,584,835	1,229,349
Total		6,438,201	5,688,931

4.1 In accordance with the Banking Control Law and Regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, saving, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank’s day to day operations and therefore is not part of cash and cash equivalents.

4.2 This includes cash management account with SAMA of SAR 1,510 million (2017: SAR 1,075 million).

## 5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2018 SAR' 000	2017 SAR' 000
Demand	188,592	157,645
Commodity murabaha - performing	8,147,578	7,548,737
Commodity murabaha - non performing	90,923	90,923
	<b>8,238,501</b>	<b>7,639,660</b>
less : impairment	(92,809)	(90,923)
<b>Total</b>	<b>8,334,284</b>	<b>7,706,382</b>

An analysis of changes in loss allowance for Due from banks and other financial institutions is, as follows:

	SAR in '000'			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>31st December 2018</b>				
<b>SAR in '000'</b>	<b>2,590</b>	<b>6</b>	<b>90,923</b>	<b>93,519</b>
Loss allowance as at 1 January 2018	-	-	-	-
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net charge for the period	(704)	(6)	-	(710)
Write-offs	-	-	-	-
<b>Loss allowance as at 31 December 2018</b>	<b>1,886</b>	<b>-</b>	<b>90,923</b>	<b>92,809</b>

## 6. INVESTMENTS, NET

a) Investments as at December 31 comprise the following:

SAR' 000	Note	2018 Domestic		2018 International		Total
		Quoted	Unquoted	Quoted	Unquoted	
<b>Fair Value Through Other Comprehensive Income (FVOCI)</b>						
Equities		215,619	165,893	-	-	381,512
Sukuk		3,874,772	253,062	14,685	248,332	4,390,851
		<b>4,090,391</b>	<b>418,955</b>	<b>14,685</b>	<b>248,332</b>	<b>4,772,363</b>
<b>Fair value through profit or loss (FVTPL)</b>						
Mutual funds		54,497	327,501	-	18,085	400,083
<b>Amortized Cost</b>						
Commodity Murabaha with SAMA		-	1,293,264	-	-	1,293,264
<b>Total</b>		<b>4,144,888</b>	<b>2,039,720</b>	<b>14,685</b>	<b>266,417</b>	<b>6,465,710</b>

SAR' 000	Note	2017 Domestic		2017 International		Total
		Quoted	Unquoted	Quoted	Unquoted	
<b>Available-for-sale investments</b>						
Equities, net of impairment		132,254	158,393	-	-	290,647
Mutual fund		374,539	319,317	8,333	3,869	706,058
Sukuk		630,698	1,308,036	311,777	-	2,250,511
		<b>1,137,491</b>	<b>1,785,746</b>	<b>320,110</b>	<b>3,869</b>	<b>3,247,216</b>
<b>Held at amortized cost</b>						
Commodity Murabaha with SAMA		-	1,892,801	-	-	1,892,801
<b>Total</b>		<b>1,137,491</b>	<b>3,678,547</b>	<b>320,110</b>	<b>3,869</b>	<b>5,140,017</b>

b) The analysis of investments by counterparty is as follows:

	2018 SAR' 000	2017 SAR' 000
Government and quasi government	4,611,162	3,015,391
Corporate	1,854,548	2,124,626
<b>Total</b>	<b>6,465,710</b>	<b>5,140,017</b>

c) Equities include unquoted shares of SAR 165.9 million (2017: SAR 158.4 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of commodity murabaha with SAMA and unquoted sukuk approximates its fair value.

An analysis of changes in loss allowance for Debt instruments carried at amortized cost, is as follows:

'SAR in '000	31st December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>Loss allowance as at 1 January 2018</b>	5,927	-	-	<b>5,927</b>
Transfers to 12 month ECL	-	-	-	-
Transfers to Life time ECL not credit impaired	-	-	-	-
Transfers to Life time ECL credit impaired	-	-	-	-
Net charge/ (reversal) for the period	4,982	-	-	<b>4,982</b>
Write-offs	-	-	-	-
<b>Loss allowance as at 31 December 2018</b>	<b>10,909</b>	-	-	<b>10,909</b>

## 7. FINANCING, NET

a) Held at amortized cost

SAR' 000	2018		
	Commercial		Total
<b>Performing</b>	<b>30,235,333</b>		<b>51,580,023</b>
<b>Non-performing</b>	<b>563,618</b>		<b>728,626</b>
<b>Total</b>	<b>30,798,951</b>		<b>52,308,649</b>
<b>Allowance for impairment</b>	<b>(1,352,102)</b>		<b>(1,715,616)</b>
<b>Financing, net</b>	<b>29,446,849</b>		<b>50,593,033</b>

SAR' 000	2017		
	Commercial	Consumer	Total
Performing	28,628,698	15,535,506	44,164,204
Non-performing	392,158	140,018	532,176
Total	29,020,856	15,675,524	44,696,380
Allowance for impairment	(1,015,799)	(233,152)	(1,248,951)
Financing, net	28,005,057	15,442,372	43,447,429

An analysis of changes in loss allowance for Financing is, as follows:

SAR in '000'	31st December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>Loss allowance as at 1 January 2018</b>	<b>467,969</b>	<b>314,648</b>	<b>529,140</b>	<b>1,311,757</b>
Transfers to 12 month ECL	6,665	(6,665)	-	-
Transfers to Life time ECL not credit impaired	(302,568)	304,778	(2,210)	-
Transfers to Life time ECL credit impaired	(111,428)	(116,073)	227,501	-
Net charge for the period	298,675	52,738	134,768	<b>486,181</b>
Write-offs	-	-	(82,322)	<b>(82,322)</b>
<b>Loss allowance as at 31 December 2018</b>	<b>359,313</b>	<b>549,426</b>	<b>806,877</b>	<b>1,715,616</b>

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2018 and that are still subject to enforcement activity is SAR 82 million.

The movement in the allowance for impairment of financing to customers for the year ending 2018 is as follows:

	Total SAR'000
<b>2018</b>	
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	<b>1,248,951</b>
Amounts restated through opening retained earnings	<b>62,806</b>
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	<b>1,311,757</b>
Charge for the year, net	<b>486,181</b>
Bad debts written off against provision	<b>(82,322)</b>
<b>Balance at the end of the period</b>	<b>1,715,616</b>

b) Financing include finance lease receivables, which are as follows:

	2018		2017	
	SAR'000		SAR'000	
	Consumer	Commercial	Consumer	Commercial
<b>Gross receivables from ijarah financing :</b>	<b>409,036</b>	<b>409,036</b>	409,036	409,036
Less than 1 year	<b>904,861</b>	<b>904,861</b>	904,861	904,861
1 to 5 years	<b>108,032</b>	<b>108,032</b>	108,032	108,032
Over 5 years	<b>1,421,929</b>	<b>1,421,929</b>	1,421,929	1,421,929
Unearned finance income on ijarah financing	<b>(319,521)</b>	<b>(319,521)</b>	(319,521)	(319,521)
<b>Net receivables from ijarah financing</b>	<b>1,102,408</b>	<b>1,102,408</b>	1,102,408	1,102,408

	2018		2017	
	SAR'000		SAR'000	
	Consumer	Commercial	Consumer	Commercial
	<b>332,911</b>	-	241,604	-
	<b>704,798</b>	<b>206,377</b>	578,796	140,816
	<b>64,699</b>	-	64,334	-
	<b>1,102,408</b>	<b>206,377</b>	884,734	140,816



## 8. PROPERTY AND EQUIPMENT, NET

	SAR' 000					
	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware and software	Total 2018	Total 2017
<b>Cost:</b>						
As at the beginning of the year	457,231	700,800	328,613	395,902	1,882,546	1,772,763
Additions during the year	234,305	11,674	88,478	45,125	379,582	170,157
Disposals	-	-	(981)	-	(981)	(60,374)
<b>As at December 31</b>	<b>691,536</b>	<b>712,474</b>	<b>416,110</b>	<b>441,027</b>	<b>2,261,147</b>	1,882,546
<b>Accumulated depreciation:</b>						
At the beginning of the year	4,424	422,929	257,553	322,216	1,007,122	970,339
Charge for the year	7,386	28,411	35,450	36,845	108,092	96,519
Disposals	-	-	(915)	-	(915)	(59,736)
<b>As at December 31</b>	<b>11,810</b>	<b>451,340</b>	<b>292,088</b>	<b>359,061</b>	<b>1,114,299</b>	1,007,122
<b>Net book value:</b>						
<b>As at December 31, 2018</b>	<b>679,726</b>	<b>261,134</b>	<b>124,022</b>	<b>81,966</b>	<b>1,146,848</b>	
As at December 31, 2017	452,807	277,871	71,060	73,686		875,424

Fixed assets include work in progress as at December 31, 2018 amounting to SAR 18.1 million (2017: SAR 141.4 million).

## 9. OTHER ASSETS

	2018 SAR' 000	2017 SAR' 000
Prepaid expenses	104,065	113,090
Advances to suppliers	16,168	18,408
Management fee receivable	63,379	40,159
Others	474,438	177,836
<b>Total</b>	<b>658,050</b>	349,493

## 10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018 SAR' 000	2017 SAR' 000
Demand	278,675	346,546
Direct investment	2,822,116	1,402,391
<b>Total</b>	<b>3,100,791</b>	1,748,937

## 11. CUSTOMERS' DEPOSITS

	Note	2018 SAR' 000	2017 SAR' 000
Demand	1-11	29,290,547	27,442,213
Direct investment		11,023,615	6,623,054
Albilad account (Mudarabah)		15,781,512	12,811,178
Others	2-11	1,079,920	906,514
<b>Total</b>		<b>57,175,594</b>	47,782,959

11-1 Demand includes foreign currency deposits of SAR 443 million (2017: SAR 537 million).

11-2 Other includes Margins held for irrevocable commitments of SAR 1,080 million (2017: SAR 906 million). Margins includes foreign currency margin of SAR 33 million (2017: SAR 51 million).

11-3 The above include foreign currency deposits as follows:

	2018 SAR' 000	2017 SAR' 000
Demand	469,169	537,050
Direct investment	401,896	890,352
Others	48,533	51,037
<b>Total</b>	<b>919,598</b>	1,478,439

## 12. SUKUK

On August 30, 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SR 1 million each, and payable quarterly in arrears on February 29, May 30, August 30, November 30 each year until August 30, 2026, on which Sukuk will be redeemed. The Bank has a call option which can be exercised on or after August 30 2021 upon meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the offering circular. The Bank has not defaulted on any of payments (profit / principal) due during the year. The expected profit distribution on the sukuk is the base rate for three months in addition to the profit margin of 2%.

## 13. OTHER LIABILITIES

	2018 SAR' 000	2017 SAR' 000
Accounts payable	999,615	955,842
Accrued expenses	619,270	450,698
Others	1,899,320	661,354
<b>Total</b>	<b>3,518,205</b>	2,067,894

During the year, the bank has reached an agreement with the General Authority of Zakat and Tax on the settlement of Zakat claims for the prior years from 2006 up to the end of the fiscal year of 2017, the settlement amount is SR 392.8 million. This settlement will result in the decrease in shareholders' equity by SR 392.8 million and increase in other liabilities.

## 14. SHARE CAPITAL

The authorized issued and fully paid-up capital of the Bank consists of 600 million shares of SAR 10 each (2017: 600 million shares of SAR 10 each).

The Board of Directors recommended in its meeting held on December 17, 2018 to the Extra-ordinary General Assembly an issuance of bonus shares of one share for every four shares held, thus increasing the Bank's capital from SAR 6,000 million to SAR 7,500 million . The increasing will be done through capitalization of SAR 1,500 million from the statutory reserve and the retained earnings after obtaining the regulatory approval. The number of shares outstanding after the bonus issuance will increase from 600 million shares to 750 million shares.

## 15. STATUTORY RESERVE

In accordance with Article 13 of the Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 278 million (2017: SAR 236 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

The statutory reserve has been utilized for the proposed issuance of bonus shares as detailed in note 14).

## 16. DIVIDENDS

Cash dividends of SAR 240 million (SAR 0.4 per share) have been paid after its been approved by the Ordinary General Assembly meeting of the Bank on April 11, 2018.

## 17. OTHER RESERVES

Other reserves represent the net unrealized revaluation (losses) / gains on FVOCI and available for sale investments. This reserve is not available for distribution to shareholders. Movement in other reserves is as follows:

2018	FVOCI (Sukuk) SAR' 000	FVOCI (Equity) SAR' 000	2017 SAR' 000
	(4,202)	(2,661)	(6,863)
	(42,848)	(20,121)	(62,969)
	(47,050)	(22,782)	(69,832)
2018			2017 SAR' 000
Balance at beginning of the year			25,280
Net change in fair value of available for sale investments			29,716
Transfer to consolidated statement of income			(7,820)
Impairment charge on available for sale investments			244
Net movement during the year			22,140
<b>Balance at end of the year</b>			<b>47,420</b>
Impact of adoption of new standards at 1 January 2018			(54,283)
<b>Restated balance at end of the year</b>			<b>(6,863)</b>

## 18. COMMITMENTS AND CONTINGENCIES

### a) Legal proceedings

As at December 31, 2018, there were legal proceedings outstanding against the Bank. Provisions have been made for some of these legal cases based on the assessment of the Bank's legal advisers.

### b) Capital commitments

As at December 31, 2018, the Bank had capital commitments of SAR 124 million (2017: SAR 52 million) relating to leasehold improvements and equipment purchases.

### c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

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

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

(i) Contractual maturity structure of the Group's commitments and contingencies:

2018 (SAR' 000)	Less than 3 months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	469,188	321,070	35,640	-	825,898
Letters of guarantee*	707,086	2,177,617	1,199,203	192,251	4,276,157
Acceptances	417,740	36,309	362	-	454,411
Irrevocable commitments to extend credit	-	-	496,104	-	496,104
<b>Total</b>	<b>1,594,014</b>	<b>2,534,996</b>	<b>1,731,309</b>	<b>192,251</b>	<b>6,052,570</b>
2018 (SAR' 000)	Less than 3 months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	338,317	531,557	61,467	-	931,341
Letters of guarantee*	750,241	2,296,408	1,171,030	114,921	4,332,600
Acceptances	197,253	213,569	1,812	-	412,634
Irrevocable commitments to extend credit	-	-	568,010	-	568,010
<b>Total</b>	<b>1,285,811</b>	<b>3,041,534</b>	<b>1,802,319</b>	<b>114,921</b>	<b>6,244,585</b>

The outstanding unused portion of commitments as at December 31, 2018 which can be revoked unilaterally at any time by the Group, amounts to SAR 7.7 billion (2017: SAR 6.8 billion).

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

(ii) Commitments and contingencies by counterparty:

	2018 SAR' 000	2017 SAR' 000
Corporate	4,571,693	5,105,524
Financial institutions	1,392,324	1,052,347
Others	88,553	86,714
<b>Total</b>	<b>6,052,570</b>	<b>6,244,585</b>

d) Operating lease commitments

The future minimum lease payments under non-cancelable operating leases where the Group is the lessee are as follows:

	2018 SAR' 000	2017 SAR' 000
Less than one year	157,167	139,496
One year to five years	525,349	416,836
Over five years	145,065	272,358
<b>Total</b>	<b>827,581</b>	<b>828,690</b>

## 19. INCOME FROM INVESTING AND FINANCING ASSETS

	2018 SAR' 000	2017 SAR' 000
<b>Income from investments and due from banks and other financial institutions</b>		
Income from commodity murabaha with		
- SAMA	53,883	45,999
- Banks and other financial institutions	189,261	141,766
Income from sukuk	118,302	46,339
<b>Income from financing</b>	<b>2,343,538</b>	<b>1,883,085</b>
<b>Total</b>	<b>2,704,984</b>	<b>2,117,189</b>

## 20. RETURN ON DEPOSITS AND FINANCIAL LIABILITIES

	2018 SAR' 000	2017 SAR' 000
Return on:		
Due to banks and other financial institutions	61,130	53,271
Deposits	411,605	247,261
Sukuk	86,780	77,662
<b>Total</b>	<b>559,515</b>	<b>378,194</b>

## 21. FEES AND COMMISSION INCOME, NET

	2018 SAR' 000	2017 SAR' 000
<b>Fees and commission income</b>		
Remittance	453,171	465,651
ATM and point of sale	247,362	204,568
Facilities management fee	100,798	90,704
Letters of credit and guarantee	44,060	47,585
Management fee (mutual fund and others)	81,162	61,286
Brokerage income	51,769	27,013
Documentation charges	89,713	69,825
Others	75,599	59,185
<b>Total fees and commission income</b>	<b>1,143,634</b>	<b>1,025,817</b>
<b>Fees and commission expenses</b>		
ATM and point of sale	183,166	142,092
Brokerage expenses	23,314	4,296
Remittance	7,435	7,360
Others	86,819	38,168
<b>Total fees and commission expenses</b>	<b>300,734</b>	<b>191,916</b>
<b>Fees and commission income, net</b>	<b>842,900</b>	<b>833,901</b>

## 22. OTHER OPERATING INCOME

	2018 SAR' 000	2017 SAR' 000
Recovery of directly written-off financing	34,356	38,652
Others	11,153	22,762
<b>Total</b>	<b>45,509</b>	<b>61,414</b>

## 23. SALARIES AND EMPLOYEE RELATED BENEFITS

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended December 31, 2018 and 2017, and the form of such payments:

	Number of employees		Fixed compensation SAR 000		Variable compensation paid					
					Cash		Shares		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Senior executives requiring SAMA no objection	9	9	14,385	14,845	9,285	6,774	3,110	1,318	12,395	8,092
Employees engaged in risk taking activities	267	271	88,567	82,976	19,305	12,572	1,171	1,801	20,476	14,373
Employees engaged in control functions	278	278	80,272	74,914	11,066	7,922	1,590	1,802	12,656	9,724
Other employees	2,998	2,849	440,576	393,780	61,596	46,185	3,237	3,221	64,833	49,406
Outsourced employees	680	457	93,269	71,917	64	30	-	-	64	30
Total	4,232	3,850	717,069	638,432	101,316	73,483	9,108	8,142	110,424	81,625
Variable compensation accrued			124,826	109,618						
Other employee related benefits			210,465	205,535						
Total salaries and employee related expenses			1,052,360	953,585						

### Employees Compensation and Benefits

#### 1. Quantitative disclosure:

This disclosure has to be bifurcated between the following categories, whereby the meaning of each category is mentioned below:

##### a. Senior executive requiring SAMA no objection:

Whose appointment is subject to approval of SAMA: This includes all staff which requires prior approval of SAMA before appointment, such as: CEO, COO, CRO, CFO, CBO, Head of Internal Audit, Head of Compliance, etc.

##### b. Employees engaged in risk taking activities:

This comprises of management staff within various business lines i.e. corporate, retail, treasury, trade services, private banking etc. who are responsible for executing and implementing the business strategy of the bank.

##### c. Employees engaged in control functions:

This comprises of employees working in divisions that are not involved in risk taking activities but engaged in review functions i.e. risk management, compliance, internal audit, treasury operations, finance and accounting, etc.

##### d. Other employees:

All regular employees other than those mentioned in (a) to (c) above.

##### e. Outsourced employees:

This includes staff employed by various agencies who supply services to the Bank on a full time basis in non-critical roles. None of these roles require risk undertaking or control.

#### 2. Qualitative disclosure:

The Bank has developed a Compensation Policy based on the 'Rules on Compensation Practices' issued by SAMA as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect. The Compensation Policy has been approved by the Board of Directors (BOD). The BOD have also established a Nominations and Remuneration Committee, comprising of five members, the Chairman and two members of the Committee are independent to oversee the implementation of the Policy.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Compensation Policy and evaluate its effectiveness in line with the industry practice.

#### Policy objectives

The policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank's Capital Adequacy and to mitigate the risk of potential future losses.

#### Compensation structure

The compensation structure of the Bank is based on appropriate industry benchmarking and includes both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three year vesting period.

##### a. Fix components:

Provide a competitive salaries or wage according to annual market alignment. Including (Basic, Housing, Transportation and Fix allowance) which is written in the employee's contract.

##### b. Variable components:

Taking into account the risk associated with the Bank's performance & individual performance appraisal, all these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period. Including (LTIP or the Stoke Options & STIP as Incentives scheme, Annual Bonus and Annual tickets allowance).



### Performance management system

The performance of all employees is measured by way of a balance score card methodology taking in to consideration, financial, customer, process and people factors with appropriate weightage to each factor based on the respective assignments.

The Bank has following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

	2018	2017
Grant date	29 Apr 2018	14 May 2017
Maturity Date	25% 1 Jan 2019	25% 1 Jan 2018
	25% 1 Jan 2020	25% 1 Jan 2019
	50% 1 Jan 2021	50% 1 Jan 2020
Number of shares offered on the grant date	475,319	733,620
Share price on the grant date (SAR)	19.20	18.12
Value of shares offered on grant date (SAR' 000)	9,126	13,293
Vesting period	3 years	3 years
Vesting condition	Employees to be in service	Employees to be in service
Method of settlement	Equity	Equity

### The movement in the number of shares, during the year, under employees' share plan is as follows

	2018	2017
Beginning of the year	1,027,816	822,646
Granted during the year	475,319	733,620
Forfeited	(40,179)	(128,563)
Exercised	(412,819)	(399,887)
End of the year	1,050,137	1,027,816

The shares are granted only under service condition with no market condition associated with them.

## 24. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2018 and 2017 is calculated by dividing the net income for the period attributable to the equity holders by the weighted average number of outstanding shares 2018: 596 million shares (2017: 596 million shares) during the period adjusted for treasury shares.

## 25. CASH AND CASH EQUIVALENTS

	Notes	2018 SAR' 000	2017 SAR' 000
Cash in hand	4	1,702,065	1,724,325
Due from banks and other financial institutions (maturing within ninety days from acquisition)		5,988,016	5,810,887
Held at amortized cost (maturing within ninety days from acquisition)		300,050	300,065
Balances with SAMA (excluding statutory deposits)	4	1,584,835	1,229,349
<b>Total</b>		<b>9,574,966</b>	<b>9,064,626</b>

## 26. EMPLOYEE BENEFIT OBLIGATION

### a) General description

The Bank operates an End of Service Benefit Plan for its employees based on the prevailing Saudi 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.

### b) The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2018 SAR' 000	2017 SAR' 000
Defined benefit obligation at the beginning of the year	201,316	161,307
Current service cost	34,658	47,770
Finance cost	8,902	8,700
Benefits paid	(21,286)	(16,461)
Unrecognized actuarial loss / (gain)	-	-
<b>Defined benefit obligation at the end of the year</b>	<b>223,590</b>	<b>201,316</b>

### c) Charge /(reversal) for the year

	2018 SAR' 000	2017 SAR' 000
Current service cost	34,634	47,770
Past service cost	24	-
	<b>34,658</b>	<b>47,770</b>

### d) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2018 SAR' 000	2017 SAR' 000
Discount rate	4.90%	4.75%
Expected rate of salary increase	4.50%	4.00%
Normal retirement age		
• Male	60 years	60 years
• Female	55 years	55 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

**Sensitivity of actuarial assumptions**

The table below illustrates the sensitivity of the Defined Benefit Obligation valuation as at December 31, 2018 and 2017 to the discount rate (4.90%), salary escalation rate (4.50%), withdrawal assumptions and mortality rates.

2018	SAR' 000		
	Impact on defined benefit obligation – Increase / (Decrease)		
	Change in as-sumption	Increase in assumption	Decrease in assumption
Base Scenario			
Discount rate	1%	(21,995)	32,694
Expected rate of salary increase	1%	32,509	(22,303)
Normal retirement age	20%	166	5,519
2017	SAR' 000		
	Impact on defined benefit obligation – Increase / (Decrease)		
	Change in as-sumption	Increase in assumption	Decrease in assumption
Base Scenario			
Discount rate	1%	(26,905)	20,685
Expected rate of salary increase	1%	20,617	(27,241)
Normal retirement age	20%	(7,101)	(3,606)

The above sensitivity analyses are based on a change in an assumption keeping all other assumptions constant.

## 27. SEGMENTAL INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There has been no change to the basis of segmentation or the measurements basis for the segment profit or loss since December 31, 2017.

For management purposes, the Group is divided into the following five operating segments:

**Retail banking**

Services and products to individuals, including deposits, financing, remittances and currency exchange.

**Corporate banking**

Services and products to corporate customers including deposits, financing and trade services.

**Treasury**

Money market and treasury services.

**Investment banking and brokerage**

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

**Other**

All other support functions.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on an approved criteria.

a) The Group total assets and liabilities, together with its total operating income and expenses, and net income /(loss), for the years ended December 31, 2018 and 2017 for each segment are as follows:

2018 (SAR' 000)	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	27,513,144	26,625,435	16,905,471	862,868	1,729,208	73,636,126
Total liabilities	39,459,233	11,195,914	9,675,433	345,494	5,127,103	65,803,177
Net income from investing and financing assets	1,062,512	842,301	174,988	15,386	50,282	2,145,469
Fee, commission and other income, net	818,446	113,729	164,528	151,093	22,755	1,270,551
Total operating income	1,880,958	956,030	339,516	166,479	73,037	3,416,020
Impairment charge for credit and other financial assets, net	222,248	263,934	3,738	533	-	490,453
Depreciation	94,366	8,522	2,596	2,608	-	108,092
Total operating expenses	1,577,615	554,310	80,890	94,766	(2,071)	2,305,510
Net income for the year	303,343	401,720	258,626	71,713	75,108	1,110,510
Attributable to						
Equity holders of the Bank	303,343	401,720	258,626	71,713	75,108	1,110,510
Non-controlling interest	-	-	-	-	-	-
Net income for the year	303,343	401,720	258,626	71,713	75,108	1,110,510

2017 (SAR' 000)	Retail banking	Corporate bank- ing	Treasury	Investment banking and brokerage	Other	Total
Total assets	19,226,564	25,567,342	16,460,585	444,834	1,508,351	63,207,676
Total liabilities	31,939,534	11,782,080	7,532,423	17,710	4,347,136	55,618,883
Net income from investing and financing assets	747,033	799,059	135,787	14,238	42,878	1,738,995
Fee, commission and other income, net	826,316	134,744	111,650	91,374	56,499	1,220,583
Total operating income	1,573,349	933,803	247,437	105,612	99,377	2,959,578
Impairment charge for credit and other financial assets, net	71,597	306,784	-	-	244	378,625
Depreciation	83,403	9,761	1,412	1,943	-	96,519
Total operating expenses	1,307,703	566,647	68,872	79,945	244	2,023,411
Net income for the year	265,646	367,156	178,565	25,667	99,133	936,167
Attributable to						
Equity holders of the Bank	265,646	367,156	178,565	25,667	105,013	942,047
Non-controlling interest	-	-	-	-	(5,880)	(5,880)
Net income for the year	265,646	367,156	178,565	25,667	99,133	936,167

(b) Credit exposure by operating segments is as follows:

2018 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	21,146,184	29,446,849	14,018,980	64,612,013
Commitments and contingencies	-	2,720,263	-	2,720,263
2017 SAR' 000	Retail	Corporate	Treasury	Total
Total assets	15,442,372	28,005,057	11,849,694	55,297,123
Commitments and contingencies	-	3,148,960	-	3,148,960

Group credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure as calculated in accordance with SAMA regulations.

28. FINANCIAL RISK MANAGEMENT

i. CREDIT RISK

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 Supervisory Board which has the responsibility to monitor the over-all risk process within the bank.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a weekly basis to the Supervisory Board.

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arrive principally in financing and investment activities. There is also credit risk in off-balance sheet financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Group assesses the probability of default of counterparties using internal rating tools. In addition, the Group uses external ratings from major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group’s risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

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 seeks to manage its credit risk exposure through diversification and managing undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Group also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant facilities.

Management requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment of financings.

The Group regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

**Concentration of risks of financial assets with credit risk exposure and financial li-abilities.****a) Geographical concentration**

The geographical distribution of assets, liabilities, commitments and contingencies and credit risk exposure as of December 31:

2018 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
<b>Assets</b>							
<b>Cash and balances with SAMA</b>	<b>6,372,971</b>	<b>7,404</b>		<b>53,205</b>	<b>548</b>	<b>120</b>	<b>6,438,201</b>
• Cash in hand	1,636,835	7,404	3,953	53,205	548	120	1,702,065
• Balances with SAMA	4,736,136	-	-	-	-	-	4,736,136
<b>Due from Banks and other financial institutions</b>	<b>6,302,702</b>	<b>732,851</b>	<b>1,177,377</b>	<b>43,936</b>	<b>36,746</b>	<b>40,672</b>	<b>8,334,284</b>
• Demand	-	40,016	27,174	43,936	36,746	40,672	188,544
• Commodity murabaha	6,302,702	692,835	1,150,203	-	-	-	8,145,740
<b>Investments, net</b>	<b>6,184,143</b>	<b>263,482</b>	-	<b>18,085</b>	-	-	<b>6,465,710</b>
• FVOCI	4,508,881	263,482	-	-	-	-	4,772,363
• FVTPL	381,998	-	-	18,085	-	-	400,083
• Amortized cost	1,293,264	-	-	-	-	-	1,293,264
<b>Financing, net</b>	<b>50,593,033</b>	-	-	-	-	-	<b>50,593,033</b>
• Consumer	21,146,183	-	-	-	-	-	21,146,183
• Commercial	29,446,850	-	-	-	-	-	29,446,850
<b>Property and equipment, net</b>	<b>1,146,848</b>	-	-	-	-	-	<b>1,146,848</b>
<b>Other assets</b>	<b>658,050</b>	-	-	-	-	-	<b>658,050</b>
<b>Total</b>	<b>71,257,747</b>	<b>1,003,737</b>	<b>1,181,330</b>	<b>115,226</b>	<b>37,294</b>	<b>40,792</b>	<b>73,636,126</b>
<b>Liabilities</b>							
<b>Due to SAMA</b>	-	-	-	-	-	-	-
<b>Due to banks and other fi-nancial institutions</b>	<b>2,714,499</b>	<b>364,705</b>	<b>762</b>	-	<b>4,069</b>	<b>16,756</b>	<b>3,100,791</b>
• Demand	-	257,088	762	-	4,069	16,756	278,675
• Direct investment	2,714,499	107,617	-	-	-	-	2,822,116
<b>Customer deposits</b>	<b>57,175,594</b>	-	-	-	-	-	<b>57,175,594</b>
• Demand	29,290,547	-	-	-	-	-	29,290,547
• Direct investment	11,023,615	-	-	-	-	-	11,023,615
• Albilad account (Mudarabah)	15,781,512	-	-	-	-	-	15,781,512
• Other	1,079,920	-	-	-	-	-	1,079,920
<b>Sukuk</b>	<b>2,008,587</b>	-	-	-	-	-	<b>2,008,587</b>
<b>Other liabilities</b>	<b>3,518,205</b>	-	-	-	-	-	<b>3,518,205</b>
<b>Total</b>	<b>65,416,885</b>	<b>364,705</b>	<b>762</b>	-	<b>4,069</b>	<b>16,756</b>	<b>65,803,177</b>
<b>Commitments and contin-gencies</b>							
• Letters of credit	825,898	-	-	-	-	-	825,898
• Letter of Guarantee	4,276,157	-	-	-	-	-	4,276,157
• Acceptances	454,411	-	-	-	-	-	454,411
• Irrevocable commit-ments to extend credit	496,104	-	-	-	-	-	496,104
<b>Total</b>	<b>6,052,570</b>	-	-	-	-	-	<b>6,052,570</b>
<b>Credit risk (stated at credit equivalent amounts) on commitments and contin-gencies</b>	<b>2,720,263</b>	-	-	-	-	-	<b>2,720,263</b>

2017 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
<b>Assets</b>							
<b>Cash and balances with SAMA</b>	5,688,931	-	-	-	-	-	5,688,931
• Cash in hand	1,724,325	-	-	-	-	-	1,724,325
• Balances with SAMA	3,964,606	-	-	-	-	-	3,964,606
<b>Due from Banks and other finan-cial institutions</b>	5,757,587	1,808,903	79,857	6,277	35,933	17,825	7,706,382
• Demand	-	17,753	79,857	6,277	35,933	17,825	157,645
• Commodity murabaha	5,757,587	1,791,150	-	-	-	-	7,548,737
<b>Investments, net</b>	4,815,538	311,777	8,833	3,869	-	-	5,140,017
• Available for sale	2,922,737	311,777	8,833	3,869	-	-	3,247,216
• Held at amortized cost	1,892,801	-	-	-	-	-	1,892,801
<b>Financing, net</b>	43,447,429	-	-	-	-	-	43,447,429
• Consumer	15,442,372	-	-	-	-	-	15,442,372
• Commercial	28,005,057	-	-	-	-	-	28,005,057
<b>Property and equipment, net</b>	875,424	-	-	-	-	-	875,424
<b>Other assets</b>	349,493	-	-	-	-	-	349,493
<b>Total</b>	<b>60,934,402</b>	<b>2,120,680</b>	<b>88,690</b>	<b>10,146</b>	<b>35,933</b>	<b>17,825</b>	<b>63,207,676</b>
<b>Liabilities</b>							
<b>Due to SAMA</b>	2,012,518	-	-	-	-	-	2,012,518
<b>Due to banks and other fi-nancial institutions</b>	1,221,517	91,955	-	245,539	181,885	8,041	1,748,937
• Demand	-	69,428	-	245,539	23,537	8,041	346,545
• Direct investment	1,221,517	22,527	-	-	158,348	-	1,402,392
<b>Customer deposits</b>	47,782,959	-	-	-	-	-	47,782,959
• Demand	27,442,213	-	-	-	-	-	27,442,213
• Direct investment	6,623,054	-	-	-	-	-	6,623,054
• Albilad account (Mudarabah)	12,811,178	-	-	-	-	-	12,811,178
• Other	906,514	-	-	-	-	-	906,514
<b>Sukuk</b>	2,006,575	-	-	-	-	-	2,006,575
<b>Other liabilities</b>	2,067,894	-	-	-	-	-	2,067,894
<b>Total</b>	<b>55,091,463</b>	<b>91,955</b>	<b>-</b>	<b>245,539</b>	<b>181,885</b>	<b>8,041</b>	<b>55,618,883</b>
<b>Commitments and contin-gencies</b>							
• Letters of credit	931,341	-	-	-	-	-	931,341
• Letter of Guarantee	4,332,600	-	-	-	-	-	4,332,600
• Acceptances	412,634	-	-	-	-	-	412,634
• Irrevocable commit-ments to extend credit	568,010	-	-	-	-	-	568,010
<b>Total</b>	<b>6,244,585</b>	-	-	-	-	-	<b>6,244,585</b>
<b>Credit risk (stated at credit equivalent amounts) on commitments and contin-gencies</b>	<b>3,148,960</b>	-	-	-	-	-	<b>3,148,960</b>

Credit equivalent amounts reflect the amounts that result from translating the Group's commitments and contingencies into the risk equivalent of financing facilities using credit conversion factors prescribed by SAMA. Credit conversion factor is used to capture the potential credit risk resulting from the Group meeting its commitments.



## b) The geographical distribution of the impaired financial assets and the allowance for impairment is set out as below:

	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other countries	Total
<b>2018 (SAR' 000)</b>							
Non-Performing financing	728,626	-	-	-	-	-	728,626
Allowance for financing impair-ment	1,715,616	-	-	-	-	-	1,715,616
Impaired other financial assets	-	90,923	-	-	-	-	90,923
Allowance for impairment for other financial assets	11,227	91,652	802	5	12	20	103,718

**2017 (SAR' 000)**

Non-Performing financing	532,176	-	-	-	-	-	532,176
Allowance for financing impair-ment	1,248,951	-	-	-	-	-	1,248,951
Impaired available for sale in-vestments and commodity mu-rabaha	547	90,923	-	-	-	-	91,470
Allowance for impairment for investments and commodity murabaha	244	90,923	-	-	-	-	91,167

**Credit quality analysis**

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments (2018) and available for sale debt assets (2017). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guar-antee contracts, the amounts in the table represent the amounts committed or guaran-teed, respectively.

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>2018 (SAR' 000)</b>				
<b>Due from bank and other financial institutions</b>				
Investment grade	8,287,166	-	90,923	8,378,089
Non-investment grade	33,685	-	-	33,685
Unrated	15,318	-	-	15,318
Carrying amount	8,336,169	-	90,923	8,427,092

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>2018 (SAR' 000)</b>				
<b>Financing to customers at amortized cost</b>				
Commercial				
Grades 1-15: Low – fair risk	20,949,078	5,371,121	-	6,320,199
Grades 16-20: Watch list	1,520,627	2,394,507	100,174	4,015,308
Grades 21: Substandard	-	-	58,023	58,023
Grades 22: Doubtful	-	-	40,696	40,696
Grades 23: Loss	-	-	364,726	364,726
<b>Consumer</b>				
Unrated	21,128,920	152,129	228,648	21,509,697
Carrying amount	43,598,625	7,917,757	792,267	52,308,649

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>2018 (SAR' 000)</b>				
<b>Debt investment securities at amortized cost (2017: Held to maturity)</b>				
Investment grade	1,294,422	-	-	1,294,422
Carrying amount	1,294,422	-	-	1,294,422

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>2018 (SAR' 000)</b>				
<b>Debt investment securities at FVOCI (2017: Available for sale)</b>				
Investment grade	4,049,487	-	-	4,049,487
Unrated	351,116	-	-	351,116
Carrying amount	4,400,603	-	-	4,400,603

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
<b>2018 (SAR' 000)</b>				
<b>Commitments and contingen-cies</b>				
Grades 1-15: Low – fair risk	5,008,057	387,135	-	5,395,192
Grades 16-20: Watch list	208,540	341,170	-	549,710
Grades 21: Substandard	-	-	23,304	23,304
Grades 22: Doubtful	-	-	-	-
Grades 23: Loss	-	-	84,364	84,364
Carrying amount	5,216,597	728,305	107,668	6,052,570

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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The point in time PD at the reporting date; with
- The Point in time PD estimated at the time of initial recognition of the exposure.

In addition to the above, other major quantitative consideration include days past due and rating of customer.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The assessment of significant increase in credit risk, is assessed taking on account of:

- Days past due;
- Change in risk of default occurring since initial recognition;
- Expected life of the financial instrument; and
- Reasonable and supportable information, that is available without undue cost or effort that may affect credit risk.

Lifetime expected credit losses are recognized against any material facility which has experienced significant increase in credit risk since initial recognition. Recognition of lifetime expected credit losses will be made if any facility is past due for more than 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

For the wholesale portfolio, the bank allocates each exposure (either through reliance on internal rating or external rating agencies) to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. 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 moved to a different credit risk grade. The monitoring typically involves use of the following data.

Commercial exposures	All exposures
<ul style="list-style-type: none"><li>• 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, and compliance with covenants, quality management, and senior management changes.</li><li>• Data from credit reference agencies, press articles, changes in external credit ratings</li><li>• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities</li><li>• Business analysis of the borrower, including business risk, management, financial document and support, stability and behavior.</li><li>• Industry analysis in which the borrower is operating, including the phase of industry growth and industry failure rate.</li></ul>	<ul style="list-style-type: none"><li>• Payment record – this includes overdue status as well as a range of variables about payment ratios</li><li>• Utilization of the granted limit</li><li>• Requests for and granting of forbearance</li><li>• Existing and forecast changes in business, financial and economic conditions</li></ul>

Generating the term structure of PD

Credit risk grades (or the four aforementioned bucket created for consumer portfolio) are a primary input into the determination of the term structure of PD for exposures.

Using the realized default data for each grade or bucket, the bank employs statistical models to generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The bank employs following steps in order to generate term structure of the PD:

The bank first calculates the observed default rates for its portfolios which involves monitoring customer behavior over next 12 months, then classifying default, which is then forecasted using acceptable actuarial method and thereafter adjusted for macroeconomic outlook (see below).

The Bank factors in forward looking information in its PD calibration through macroeconomic models for each portfolio. The impact of macroeconomic variables on default rates has been calculated using a multiple scenario-based modeling framework which factors upturn, downturn and baseline scenarios' forecast in to the probability of default. This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors. The forecast is used to estimate the impact on the PD over the upcoming years.

The Point in Time" PD, and later adjusted for macroeconomic overly to make it forward looking. Transition matrix approach is used to forecast grade wise PDs over the upcoming years transition matrix. This provide the grade wise PD over the upcoming years, thus the term structure of the PD.

Definition of 'Default'

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group actions such as realizing security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default. The Bank 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 Bank; and
- Based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

**Modified financial assets**

The contractual terms of a financing 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 financing whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing at fair value in accordance with the accounting policy.

When the terms of the financial assets are modified that does not result into De-recognition, the Bank will recalculate the gross carrying amount of the asset by discounting the modified contractual cash flows using EIR prior to the modification. Any difference between the recalculated amount and the existing gross carrying amount will be recognized in statement of income for Asset Modification.

To measure the Significant Increase in Credit Risk (for financial assets not de-recognized during the course of modification), the Bank will compare the risk of default occurring at the reporting date based on modified contract terms and the default risk occurring at initial recognition based on original and unmodified contract terms. Appropriate ECL will be recorded according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3.

The Bank renegotiates financing to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, financing 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 profit payments and amending the terms of financing covenants. Both consumer and commercial financing are subject to the forbearance policy. The Bank Audit Committee regularly reviews reports on forbearance activities.

The asset will be provided appropriate treatment according to the identified staging after Asset Modification i.e. 12 Month ECL for Stage 1, Lifetime ECL for Stage 2 and Default for Stage 3. No Asset Modification to be considered if the same were not driven by Credit Distress situation of Obligor.

During the period, no material losses were recognized on modification or restructuring of any facility.

**Incorporation of forward looking information**

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

For the purpose of ECL measurement with respect to the consumer and commercial (and SME) portfolios, this is done through application of macroeconomic models which have been developed for the various portfolios of the banks. Through the macroeconomic models the banks assesses the impact of the macroeconomic variables on the default rates. The forecasts of the variables is gathered from the external sources.

The Bank 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 or more additional economic scenarios 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 Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses 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 losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 8 to 10 years.

With respect to the listed, sovereign and Financial Institutions, the bank utilizes a Credit Default Swap based methodology, which incorporates the market’s forward looking view in order to arrive at the ECL.

**Measurement of ECL**

For Consumer and Commercial (including SME exposures), the key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD is calculated on a discounted cash flow basis using the contractual profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments 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 historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance, terminate a financing commitment, or guarantee.

For consumer overdrafts and credit card facilities that include both a financing and an undrawn commitment component, the Bank measures ECL over a period of contractual maturity, as the bank considers that it has the contractual ability to demand repayment and cancel the undrawn commitment. Although these facilities do not have a fixed term or repayment structure and are managed on a collective basis, there is an annual review of the limits, where these can be cancelled.

For portfolios, such as listed exposures, Sovereign and FI exposures, in respect of which the Bank has limited historical data, credit default swap spreads are utilized to determine the Expected Credit Loss amount.

a) Economic Sector risk concentration for the financing and allowance for impairment are as follows

	2018				2017			
	Perform-ing	Credit-im-paired	Allowance for impair-ment	Financing, net	Performing financing	Non-per-forming financing	Allowance for impair-ment	Financing, net
Commercial	4,633,522	283,649	(426,887)	4,490,284	4,619,301	166,309	(271,564)	4,514,046
Industrial	5,639,354	104,174	(224,377)	5,519,152	5,618,660	98,185	(186,548)	5,530,297
Building and con-struction	10,872,621	73,853	(307,470)	10,639,004	9,981,591	50,361	(252,295)	9,779,657
Transportation and communica-tion	1,570,853	144	(5,700)	1,565,296	744,765	574	(8,460)	736,879
Electricity, water, gas & health ser-vices	1,172,915	2,125	(3,956)	1,171,084	941,828	3,000	(8,079)	936,749
Services	1,423,689	19,259	(77,458)	1,365,490	2,155,851	4,945	(62,281)	2,098,515
Agriculture and fishing	759,342	-	(14,106)	745,235	475,978	-	(28,545)	447,433
Mining & Quarry-ing	32,420	-	(125)	32,295	9,609	-	(24)	9,585
Consumer	21,344,690	165,007	(363,514)	21,146,183	15,535,506	140,018	(233,152)	15,442,372
Other	4,130,617	80,415	(292,023)	3,919,010	4,081,115	68,784	(198,003)	3,951,896
Total	51,580,023	728,626	(1,715,616)	50,593,033	44,164,204	532,176	(1,248,951)	43,447,429

b) Collateral

The banks in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the financing. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer financing and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk

The amount of commercial collateral held as security for financing that are credit-impaired as at 31 December 2018 are as follows

SAR '000	2018
Total amount of collateral	29,817,363

29. MARKET RISK

Market risk is the risk that the fair value to future cash flows of the financial instruments will fluctuate due to changes in mar-ket variables such as profit rate, foreign exchange rates and equity prices.

a) Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the consolidated financial statements at amortized cost. In addition to this, a substantial portion of the Group’s financial liabilities are non-profit bearing.

b) Foreign exchange rate risk

- a. Foreign exchange rate risk represents the risk of change in the value of financial instruments due to change in exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Group’s management sets limits on the level of exposure by individual currency and in total for intra day positions, which are monitored daily.

The Group had the following summarized exposure to foreign currency exchange rate risk as at December 31:

SAR' 000	2018		2017	
	Saudi Riyal	Foreign currency	Saudi Riyal	Foreign currency
Assets				
Cash and balances with SAMA	6,372,968	65,233	5,620,789	68,142
Due from banks and other financial institutions, net	7,957,037	377,247	7,548,737	157,645
Investments, net	5,802,294	663,416	4,568,759	571,258
Financing, net	50,335,198	257,835	43,244,465	202,964
Other assets	633,355	24,695	325,782	23,711
Liabilities and equity				
Due to SAMA	-	-	2,012,518	-
Due from banks and other financial institutions	2,477,006	623,785	716,830	1,032,107
Customer deposits	56,255,996	919,598	46,304,520	1,478,439
Sukuk	2,008,587	-	2,006,575	-
Other liabilities	3,513,164	5,041	2,060,342	7,552
Equity	7,841,066	(8,117)	7,588,708	85

A substantial portion of the net foreign currency exposure to the Group is in US Dollars, where SAR is pegged to US Dollar. The other currency exposures are not considered significant to the Group’s foreign exchange rate risks and as a result the Group is not exposed to major foreign exchange rate risks.

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.



b. Currency position

At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2018 SAR' 000 Long/(short)	2017 SAR' 000 Long/(short)
US Dollars	(172,436)	(1,474,290)
Kuwaiti Dinars	4,198	(2,253)
Pakistani Rupees	26,423	10,018
Euro	(43,709)	(8,443)
UAE Dirhams	28,351	(3,129)
Bangladeshi Takas	(4,118)	(2,308)
Others	9,410	(14,058)
Total	(151,881)	(1,494,463)

c) Investment price risk

Investment risk refers to the risk of decrease in fair values of equities, mutual funds and sukuk in the Group’s available-for-sale investment portfolio as a result of possible changes in levels of market indices over a one year time horizon and the value of individual stocks.

The effect on the Group’s investments held as available for sale due to reasonable possible change in market indices, with all other variables held constant is as follows:

Security types	December 31, 2018		December 31, 2017	
	Change in investment price %	Effect in SAR’ 000	Change in investment price %	Effect in SAR’ 000
<b>Equity</b>				
Quoted	10±	21,562	10±	13,225
Unquoted	2±	3,318	2±	3,168
<b>Mutual Funds</b>				
Quoted	10±	5,450	10±	38,287
Unquoted	2±	6,912	2±	6,464
<b>Sukuk</b>				
Quoted	10±	388,848	10±	94,248
Unquoted	2±	10,048	2±	26,161

30. LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Assets Liability Committee (ALCO). Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2017: 7%) of total demand deposits and 4% (2017: 4%) of time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with SAMA.

a) Analysis of discounted assets and liabilities by expected maturities

The table below summarises the maturity profile of the Group’s assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group’s deposit retention history. The amounts disclosed in the table are the contractual discounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows.

2018 SAR' 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed ma- turity	Total
<b>Assets</b>						
<b>Cash and balances with SAMA</b>	<b>3,286,900</b>	-	-	-	<b>3,151,301</b>	<b>6,438,201</b>
• Cash in hand	1,702,065	-	-	-	-	1,702,065
• Balances with SAMA	1,584,835	-	-	-	3,151,301	4,736,136
<b>Due from Banks and other fi-nancial institutions</b>	<b>6,885,787</b>	<b>75,261</b>	<b>1,373,236</b>	-	-	<b>8,334,284</b>
• Demand	188,544	-	-	-	-	188,544
• Commodity murabaha	6,697,243	75,261	1,373,236	-	-	8,145,740
<b>Investments, net</b>	<b>991,451</b>	<b>248,811</b>	<b>706,647</b>	<b>3,737,206</b>	<b>781,595</b>	<b>6,465,710</b>
• FVOCI	-	248,811	706,647	3,435,393	381,512	4,772,363
• FVTPL	-	-	-	-	400,083	400,083
• Amortized cost	991,451	-	-	301,813	-	1,293,264
<b>Financing, net</b>	<b>12,275,282</b>	<b>10,796,460</b>	<b>22,200,108</b>	<b>5,321,183</b>	-	<b>50,593,033</b>
• Consumer	1,402,865	3,860,325	11,709,970	4,173,023	-	21,146,183
• Commercial	10,872,417	6,936,135	10,490,138	1,148,160	-	29,446,850
<b>Other assets*</b>	-	-	-	-	<b>143,080</b>	<b>143,080</b>
<b>Total assets</b>	<b>23,439,420</b>	<b>11,120,532</b>	<b>24,279,991</b>	<b>9,058,389</b>	<b>4,075,976</b>	<b>71,974,308</b>
<b>Liabilities</b>						
<b>Due to SAMA</b>	-	-	-	-	-	-
<b>Due to banks and other finan-cial institutions</b>	<b>2,912,798</b>	<b>187,993</b>	-	-	-	<b>3,100,791</b>
• Demand	278,675	-	-	-	-	278,675
• Direct investment	2,634,123	187,993	-	-	-	2,822,116
Customer deposits	55,461,745	1,713,849	-	-	-	57,175,594
• Demand	29,290,547	-	-	-	-	29,290,547
• Direct investment	9,309,766	1,713,849	-	-	-	11,023,615
• Albilad account (Mudarabah)	15,781,512	-	-	-	-	15,781,512
• Other	1,079,920	-	-	-	-	1,079,920
Sukuk	-	-	-	2,008,587	-	2,008,587
<b>Other liabilities*</b>	-	-	-	-	<b>3,402,009</b>	<b>3,402,009</b>
<b>Total Liabilities</b>	<b>58,374,543</b>	<b>1,901,842</b>	-	<b>2,008,587</b>	<b>3,402,009</b>	<b>65,686,981</b>
<b>Commitments &amp; contingencies</b>	<b>1,594,015</b>	<b>2,534,995</b>	<b>1,731,309</b>	<b>192,251</b>	<b>192,251</b>	<b>6,052,570</b>

The cumulative maturities of commitments & contingencies are given in note 18 of the financial statements

\*It does not include non-financial assets and liabilities.

2017 SAR' 000	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 years	No fixed maturity	Total
<b>Assets</b>						
<b>Cash and balances with SAMA</b>	<b>2,953,674</b>	-	-	-	<b>2,735,257</b>	<b>5,688,931</b>
• Cash in hand	1,724,325	-	-	-	-	1,724,325
• Balances with SAMA	1,229,349	-	-	-	2,735,257	3,964,606
<b>Due from Banks and other financial institutions</b>	<b>6,391,004</b>	<b>360,579</b>	<b>954,799</b>	-	-	<b>7,706,382</b>
• Demand	157,645	-	-	-	-	157,645
• Commodity murabaha	6,233,359	360,579	954,799	-	-	7,548,737
<b>Investments, net</b>	<b>1,628,633</b>	<b>10,230</b>	<b>497,500</b>	<b>2,006,948</b>	<b>996,706</b>	<b>5,140,017</b>
• Available for sale	37,532	10,230	497,500	1,705,248	996,706	3,247,216
• Held at amortized cost	1,591,101	-	-	301,700	-	1,892,801
Financing, net	9,927,147	20,042,406	10,868,928	2,608,948	-	43,447,429
• Consumer	623,114	3,284,472	9,655,390	1,879,396	-	15,442,372
• Commercial	9,304,033	16,757,934	1,213,538	729,552	-	28,005,057
Other assets*	-	-	-	-	64,024	64,024
<b>Total assets</b>	<b>20,900,458</b>	<b>20,413,215</b>	<b>12,321,227</b>	<b>4,615,896</b>	<b>3,795,987</b>	<b>62,046,783</b>
<b>Liabilities</b>						
<b>Due to SAMA</b>	<b>2,012,518</b>	-	-	-	-	<b>2,012,518</b>
<b>Due to banks and other fi-nancial institutions</b>	<b>1,236,723</b>	<b>512,214</b>	-	-	-	<b>1,748,937</b>
• Demand	346,546	-	-	-	-	346,546
• Direct investment	890,177	512,214	-	-	-	1,402,391
Customer deposits	46,266,291	1,516,668	-	-	-	47,782,959
• Demand	27,442,213	-	-	-	-	27,442,213
• Direct investment	5,106,386	1,516,668	-	-	-	6,623,054
• Albilad account (Mudarabah)	12,811,178	-	-	-	-	12,811,178
• Other	906,514	-	-	-	-	906,514
Sukuk	-	-	-	2,006,575	-	2,006,575
<b>Other liabilities*</b>	-	-	-	-	<b>1,448,034</b>	<b>1,448,034</b>
<b>Total Liabilities</b>	<b>49,515,532</b>	<b>2,028,882</b>	-	<b>2,006,575</b>	<b>1,448,034</b>	<b>54,999,023</b>
<b>Commitments &amp; contingencies</b>	<b>1,285,811</b>	<b>3,041,534</b>	<b>1,802,319</b>	<b>114,921</b>	-	<b>6,244,585</b>

The cumulative maturities of commitments & contingencies are given in note 18 of the financial statements

\*It does not include non-financial assets and liabilities.

## b) Analysis of financial liabilities by the remaining undiscounted contractual maturities as at December 31, are as follows:

	(SAR' 000)					
	Within 3 Months	3 months to 1 year	Over one year to 5 years	Over 5 Years	No fixed Maturity	Total
<b>2018</b>						
<b>Financial liabilities</b>						
Due to banks and other financial institutions	<b>2,914,620</b>	<b>190,903</b>	-	-	-	<b>3,105,523</b>
Customers' deposits	<b>55,476,013</b>	<b>1,737,470</b>	-	-	-	<b>57,213,483</b>
<b>2017</b>						
<b>Due to SAMA</b>	2,014,309	-	-	-	-	2,014,309
Due to banks and other financial institutions	1,237,279	515,578	-	-	-	1,752,857
Customers' deposits	46,274,649	1,533,665	-	-	-	47,808,314

## 31. 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 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 accessible market for the asset or liability.

### Determination of fair value and fair value hierarchy

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

- Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- 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.

### SAR' 000 December 31, 2018

#### Financial assets measured at fair value

Held as FVTPL

Held as FVOCI

#### Financial assets not measured at fair value

Due from banks and other financial institutions, net

Investments held at amortized cost

Financing, net

Carrying value	Fair value			
	Level 1	Level 2	Level 3	Total
<b>400,083</b>	<b>54,496</b>	<b>345,587</b>	-	<b>400,083</b>
<b>4,772,363</b>	<b>4,104,095</b>	-	<b>668,268</b>	<b>4,772,363</b>
<b>8,334,284</b>	-	-	<b>8,334,284</b>	<b>8,334,284</b>
<b>1,293,264</b>	-	-	<b>1,293,264</b>	<b>1,293,264</b>
<b>50,593,033</b>			<b>50,014,077</b>	<b>50,014,077</b>

### SAR' 000 December 31, 2017

Financial assets measured at fair value

Available for sale investments

#### Financial assets not measured at fair value

Due from banks and other financial institutions, net

Investments held at amortized cost

Financing, net

Carrying value	Fair value			
	Level 1	Level 2	Level 3	Total
3,247,216	1,457,601	323,186	1,466,429	3,247,216
7,706,382	-	-	7,706,382	7,706,382
1,892,801	-	-	1,892,801	1,892,801
43,447,429	-	-	42,356,960	42,356,960

### SAR' 000 December 31, 2018

#### Financial liabilities not measured at fair value

Due to SAMA

Due to banks and other financial institutions

Customers' deposits

Sukuk

Carrying value	Fair value			
	Level 1	Level 2	Level 3	Total
-	-	-	-	-
<b>3,100,791</b>	-	-	<b>3,100,791</b>	<b>3,100,791</b>
<b>57,175,594</b>	-	-	<b>57,175,594</b>	<b>57,175,594</b>
<b>2,008,587</b>	-	-	<b>2,008,587</b>	<b>2,008,587</b>

### SAR' 000 December 31, 2018

#### Financial liabilities not measured at fair value

Due to SAMA

Due to banks and other financial institutions

Customers' deposits

Sukuk

Carrying value	Fair value			
	Level 1	Level 2	Level 3	Total
2,012,518	-	-	2,012,518	2,012,518
1,748,937	-	-	1,748,937	1,748,937
47,782,959	-	-	47,782,959	47,782,959
2,006,575	-	-	2,006,575	2,006,575

The fair values of financial instruments which are not measured at fair value in these consolidated financial statements are not significantly different from the carrying values included in the consolidated financial statements.

The fair values, of profit bearing customer deposits, held at amortized cost investment, 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 either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Financing classified as level 3 have been valued using expected cash flows discounted at relevant SIBOR. Fair Value Through Other Comprehensive Income (FVOCI) and Available for sale investments classified as level 3 include unlisted sukuk which have been measured by the management at fair value using broker quotes or estimating present value by discounting cash flows using adjusted discount rate. The adjusted discount rate is calculated using CDS of a similar entity using publicly available information. The valuation method has been approved by ALCO. During the current year, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

#### Reconciliation of level 3 fair values held as FVOCI

	December 31, 2018 SAR' 000	December 31, 2017 SAR' 000
Balance at the beginning of the year	1,466,429	628,144
Purchase	256,250	830,284
Sales	(1,048,754)	-
<b>Gain / (loss) included in OCI</b>		
Net changes in fair value (unrealised)	(5,657)	8,001
<b>Total</b>	<b>668,268</b>	<b>1,466,429</b>

## 32. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. Major shareholders are those shareholders who own 5% or more of the Bank's issued share capital. Key management personnel include the Chief Executive Officer and other officers having authority and responsibility for planning, directing, and controlling the activities of the Bank. The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

#### a) Directors, Key management personnel, other major share-holders and their affiliates balances:

	2018 SAR' 000	2017 SAR' 000
- Financing	2,274,067	2,042,234
- Commitments and contingencies	78,726	81,512
- Deposits	227,408	175,239

#### b) Group's mutual funds\*:

These are the outstanding balances with Group's mutual funds as of December 31:

	2018 SAR' 000	2017 SAR' 000
- Customers' deposits	8,758	196
- Investments – units	221,307	220,367

#### c) Income and expense:

Directors, Key management personnel, other major shareholders and their affiliates and mutual funds managed by the Group:

	2018 SAR' 000	2017 SAR' 000
- Income	114,106	91,422
- Expenses	15,683	18,035

#### d) The total amount of compensation paid to key management personal during the year is as follows:

	2018 SAR' 000	2017 SAR' 000
- Employee benefits	76,300	69,523

## 33. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

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



The following table summarizes the Group’s Pillar-I Risk Weighted Assets, Tier I and Ti-er II Capital and Capital Adequacy Ratios.

	2018 SAR' 000	2017 SAR' 000
Credit Risk RWA	55,268,406	49,050,813
Operational Risk RWA	5,572,623	4,899,270
Market Risk RWA	231,436	1,512,788
Total Pillar-I RWA	61,072,465	55,462,871
Tier I Capital	7,890,012	7,588,793
Tier II Capital	2,690,855	2,693,286
Total Tier I & II Capital	10,580,867	10,282,079
Capital Adequacy Ratio %		
Tier I ratio	12.92%	13.68%
Tier I + Tier II ratio	17.33%	18.54%

### 34. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, AlBilad Investment Company. These services include the management of seven public mutual funds (2017: seven public mutual funds) with assets under management (AUM) totaling SAR 1,053 million (2017: SAR 921 million). Al Bilad Investment acts as the fund manager of these funds. All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors.

The Group also manages private investment portfolios on behalf of its customers amounting to SAR 1,240 million (2017: SAR 1,105 million). The financial statements of these funds and private portfolios are not included in the consolidated financial statements of the Group. However, the transactions between the Group and the funds are disclosed under related party transactions (see note 32).

### 35. PROSPECTIVE CHANGES IN THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK

The Group has chosen not to early adopt the following new standards which have been issued but not yet effective for the Bank’s accounting years beginning on or after 1 January 2019 and is currently assessing their impact. Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2019:

i. IFRS 16 – “Leases”, applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

#### Transition to IFRS 16

The Bank plans to adopt IFRS 16 prospectively, in that, comparative periods are not restated. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Bank will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Bank has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

ii. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after 1 January 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period. For other Standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2019, the Bank does not anticipate that these will have a material impact on the Bank’s consolidated financial statements.

### 36. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year presentation.

### 37. BOARD OF DIRECTORS’ APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Bank’s Board of Directors on 24 Jumada Al Awwal 1440H (corresponding to 30 January, 2019).

