BANK ALJAZIRA

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

Ernst & Young & Co. (Public Accountants)
General Partnership
13th Floor - King's Road Tower
King Abdulaziz Road
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Registration Number: 45
Head Office - Riyadh

Al Fozan & Partners
Certified Public Accountants
9th Floor, Zahran Business Centre
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Bank AlJazira
(A Saudi Arabian Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and the notes which form an integral part of these interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ('IAS 34') as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ('ISAs'), that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matter

As required by SAMA, certain capital adequacy information has been disclosed in note 17 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

for Ernst & Young & Co.
(Public Accountants)

Ahmed I.Reda
Certified Public Accountant
License Number 356

for KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
License Number 382

12 Shawwal 1441H
Corresponding to 4 June 2020

PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

C.R: 46
Certified Public Accountants
KPMG Al Fozan & Partners

Bank AlJazira
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
ASSETS				
Cash and balances with SAMA	14	**4,748,902**	5,477,687	4,407,633
Due from banks and other financial institutions		**1,855,022**	1,429,004	877,762
Investments	5	**28,656,652**	27,618,764	24,186,375
Positive fair value of derivatives	9	**150,729**	101,626	66,753
Loans and advances, net	6	**51,979,019**	49,660,119	42,127,908
Investment in an associate	7	**152,109**	148,332	139,261
Other real estate		**472,853**	468,992	465,015
Property and equipment, net		**1,141,367**	1,154,270	1,204,731
Other assets		**576,950**	485,550	450,726
Total assets		**89,733,603**	86,544,344	73,926,164
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**11,219,481**	8,253,754	6,995,292
Customers' deposits	8	**62,668,675**	62,696,794	51,432,493
Negative fair value of derivatives	9	**378,068**	216,011	148,288
Subordinated Sukuk	10	**2,027,916**	2,006,921	2,032,808
Other liabilities		**1,768,770**	1,781,347	1,822,028
Total liabilities		**78,062,910**	74,954,827	62,430,909
SHAREHOLDERS' EQUITY				
Share capital	11	**8,200,000**	8,200,000	8,200,000
Statutory reserve		**2,657,316**	2,657,316	2,409,560
General reserve		**68,000**	68,000	68,000
Other reserves	12	**(187,237)**	(86,804)	(80,507)
Retained earnings		**686,614**	505,005	488,202
Proposed dividend	18	**246,000**	246,000	410,000
Total shareholders' equity		**11,670,693**	11,589,517	11,495,255
Total liabilities and shareholders' equity		**89,733,603**	86,544,344	73,926,164

Tarek Al-Kasabi	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Notes	For the three month period ended 31 March 2020 SR'000	31 March 2019 SR'000 Restated (note 20)
Special commission income		805,421	749,916
Special commission expense		(260,285)	(260,784)
Net special commission income		545,136	489,132
Fees and commission income		252,554	217,843
Fees and commission expense		(95,561)	(67,985)
Fees and commission income, net		156,993	149,858
Exchange income, net		59,605	51,723
Net (loss) / gain on FVIS financial instruments		(1,680)	2,709
Dividend income		-	110
Net gains on de-recognition of financial assets measured at FVOCI - Debt		2,714	-
Net gains on de-recognition of financial assets measured at amortised cost		532	1,111
Other operating income		5,616	1,186
Total operating income		768,916	695,829
Salaries and employee-related expenses		250,711	234,729
Rent and premises-related expenses		12,180	13,391
Depreciation and amortisation		51,853	49,377
Other general and administrative expenses		112,690	104,729
Other operating expenses		6,789	7,833
Total operating expenses before impairment charge		434,223	410,059
Impairment charge for expected credit losses ("ECL"), net	6 (b)	121,955	26,004
Total operating expenses		556,178	436,063
Net operating income		212,738	259,766
Share in net income of an associate		3,873	3,546
Net income for the period before Zakat and income tax		216,611	263,312
Zakat and income tax		(35,002)	(28,306)
Net income for the period		181,609	235,006
Basic and diluted earnings per share for the period (expressed in SR per share)	11	0.22	0.29

Tarek Al-Kasabi Chairman	Nabil Al-Hoshan CEO and Managing Director	Shahid Amin Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Notes	For the three month period ended 31 March 2020 SR'000	31 March 2019 SR'000 Restated (note 20)
Net income for the period		**181,609**	235,006
Other comprehensive (loss) / income:			
Items that can be reclassified to consolidated statement of income in subsequent periods:			
Cash flow hedges:			
- Effective portion of change in the fair value	12	**(110,809)**	15,653
- Net amount transferred to consolidated statement of income	12	**(22)**	124
Net changes in fair value of investments classified as at FVOCI – Debt	12	**10,398**	-
Other comprehensive (loss) / income for the period		**(100,433)**	15,777
Total comprehensive income for the period		**81,176**	250,783

Tarek Al-Kasabi
Chairman

Nabil Al-Hoshan
CEO and Managing Director

Shahid Amin
Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Proposed dividend SR'000	Total shareholders' equity SR'000
Balance at 1 January 2020 (audited)	8,200,000	2,657,316	68,000	(86,804)	505,005	246,000	11,589,517
Net income for the period	-	-	-	-	181,609	-	181,609
Other comprehensive loss	-	-	-	(100,433)	-	-	(100,433)
Total comprehensive income for the period	-	-	-	(100,433)	181,609	-	81,176
Balance at 31 March 2020 (unaudited)	8,200,000	2,657,316	68,000	(187,237)	686,614	246,000	11,670,693
Balance at 1 January 2019 (audited)	8,200,000	2,409,560	68,000	(96,284)	253,196	410,000	11,244,472
Net income for the period	-	-	-	-	235,006	-	235,006
Other comprehensive income	-	-	-	15,777	-	-	15,777
Total comprehensive income for the period	-	-	-	15,777	235,006	-	250,783
Balance at 31 March 2019 (unaudited)	8,200,000	2,409,560	68,000	(80,507)	488,202	410,000	11,495,255

Tarek Al-Kasabi
Chairman

Nabil Al-Hoshan
CEO and Managing Director

Shahid Amin
Chief Financial Officer

Naeem Ullah

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

	Notes	For the three month period ended 31 March 2020 SR'000	31 March 2019 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before Zakat and income tax		216,611	263,312
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Net loss / (gain) on FVIS financial instruments		1,680	(2,709)
Gain on investments not held as FVIS		(3,246)	(1,111)
Special commission expense on subordinated sukuk		20,995	24,606
Impairment charge for expected credit losses ("ECL"), net	6 (b)	121,955	26,004
Depreciation and amortization		51,853	49,377
Share in net income of an associate		(3,873)	(3,546)
Loss / (gain) on disposal of property and equipment		2,969	(1)
		408,944	355,932
Net changes in operating assets:			
Statutory deposit with SAMA		143,197	(121,807)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		246,313	100,564
Investments held at FVIS		77,974	(100,109)
Positive fair value of derivatives		(49,103)	(12,319)
Loans and advances		(2,415,124)	(1,233,993)
Other real estate		(3,861)	(11,865)
Other assets		(91,400)	(108,101)
Net changes in operating liabilities:			
Due to banks and other financial institutions		2,965,727	571,862
Customers' deposits		(28,119)	(371,605)
Negative fair value of derivatives		162,057	(3,501)
Other liabilities		(179,271)	(390)
Net cash from / (used in) operating activities		1,237,334	(935,332)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments not held as FVIS		57,683	595,565
Acquisition of investments not held as FVIS		(1,162,481)	(625,736)
Acquisition of property and equipment		(29,457)	(11,243)
Proceeds from sale of property and equipment		-	1
Net cash used in investing activities		(1,134,255)	(41,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(14)	(21)
Payment for principal portion of lease liabilities		(16,402)	(22,103)
Net cash used in financing activities		(16,416)	(22,124)
Net increase / (decrease) in cash and cash equivalents held		86,663	(998,869)
Cash and cash equivalents at the beginning of the period		2,646,838	3,409,307
Cash and cash equivalents at the end of the period	14	2,733,501	2,410,438
Special commission income received during the period		790,368	732,263
Special commission expense paid during the period		260,879	234,516
Supplemental non-cash information			
Net changes in fair value and transfers of cash flow hedge derivatives to the interim condensed consolidated statement of income		(110,831)	15,777

Tarek Al-Kasabi
Chairman

Nabil Al Hoshan
CEO and Managing Director

Shahid Amin
Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated 12 Jumad Al-Thani 1395H (21 June 1975). The Bank commenced its business on 16 Shawwal 1396H (9 October 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia under commercial registration number 4030010523 dated 29 Rajab 1396H (27 July 1976) issued in Jeddah. The Bank operates through its 78 branches (31 December 2019: 78 branches and 31 March 2019: 79 branches) and 61 Fawri Remittance Centers (31 December 2019: 61 and 31 March 2019: 57 Fawri Remittance Centers) in the Kingdom of Saudi Arabia. The Bank's Head Office is located at the following address:

Bank AlJazira
Nahda District, King Abdulaziz Road,
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-interest based) banking products and services comprising of Murabaha, Istisna'a, Ijarah, Tawaraq, Musharaka, Wa'ad Fx and Sukuk which are approved and supervised by an independent Shari'ah Board established by the Bank. The Bank's shares are listed on Tadawul in the Kingdom of Saudi Arabia.

The details of the Bank's subsidiaries and associate are as follows:

	Country of incorporation	Nature of business	**Ownership (direct and indirect) 31 March 2020**	Ownership (direct and indirect) 31 December 2019	Ownership (direct and indirect) 31 March 2019
Subsidiary					
AlJazira Capital Company	Kingdom of Saudi Arabia	Brokerage, margin financing and asset management	**100%**	100%	100%
Aman Development and Real Estate Investment Company	Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	**100%**	100%	100%
Aman Insurance Agency Company	Kingdom of Saudi Arabia	Acting as an agent for bancassurance activities on behalf of the Bank	**100%**	100%	100%
AlJazira Securities Limited	Cayman Islands	Carryout Shari'ah compliant derivative and capital market transactions	**100%**	100%	100%
Associate					
AlJazira Takaful Ta'awuni Company	Kingdom of Saudi Arabia	Fully Shari'ah compliant protection and saving products	**35%**	35%	35%

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the three month period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Group also prepares its consolidated financial statements to comply with the Banking Control Law and the Regulation for Companies in the Kingdom of Saudi Arabia and the Bank's By-laws.

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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

In preparing these interim condensed consolidated financial statements, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands except where otherwise stated.

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries as set out in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank.

The interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

a) Subsidiaries

Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

i. the Group has power over an entity;
ii. the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii. the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

3. BASIS OF CONSOLIDATION (continued)

a) Subsidiaries (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

c) Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed 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.

d) Investment in an associate

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/ (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of income.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for:

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

Measurement of the expected credit loss allowance
In the preparation of the consolidated financial statements management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (refer note 19).

Amendments to existing standards
Several amendments and interpretations apply for the first time from 1 January 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

5. INVESTMENTS

Investment securities are classified as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Fair value through income statement (FVIS)	**207,370**	287,024	144,111
Fair value through other comprehensive income (FVOCI) - Equity	**4,867**	4,880	4,880
Fair value through other comprehensive income (FVOCI) - Debt	**1,169,752**	101,921	-
Held at amortised cost	**27,275,563**	27,224,939	24,037,384
Total investments	**28,657,552**	27,618,764	24,186,375
Allowance for expected credit losses ("ECL")	**(900)**	-	-
Total	**28,656,652**	27,618,764	24,186,375

6. LOANS AND ADVANCES, NET

The loans and advances are classified as at amortized cost.

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Credit cards	**699,111**	725,560	612,933
Consumer loans	**24,193,477**	23,376,999	20,184,220
Commercial loans and overdrafts	**27,121,108**	25,486,099	21,216,589
Others	**400,998**	407,546	429,854
Performing loans and advances	**52,414,694**	49,996,204	42,443,596
Non - performing loans and advances	**617,193**	673,082	635,856
Total loans and advances	**53,031,887**	50,669,286	43,079,452
Allowance for expected credit losses ("ECL")	**(1,052,868)**	(1,009,167)	(951,544)
Loans and advances, net	**51,979,019**	49,660,119	42,127,908

6. LOANS AND ADVANCES, NET (continued)

a) Movement in allowance for ECL is as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Balance at the beginning of the period	**1,009,167**	933,505	933,505
Impairment charge for ECL	**131,858**	385,486	63,658
Bad debts written off	**(59,121)**	(187,766)	(2,357)
Reversal / recoveries of amounts previously impaired	**(29,036)**	(122,058)	(43,262)
Balance at the end of the period	**1,052,868**	1,009,167	951,544

b) Net impairment charge for ECL for the period in the interim condensed consolidated statement of income comprised of:

	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000
Impairment charge for ECL in in respect of loans and advances for the period	**131,858**	63,658
Recoveries / reversal of amounts previously impaired	**(29,036)**	(43,262)
Recoveries from debts previously written off	**(6,597)**	(17,420)
Reversal of impairment charge for ECL in respect of due from banks and other financial institutions	**(80)**	(149)
Net impairment charge for ECL in respect of investments	**900**	-
Net impairment charge for ECL in respect of credit related contingent liabilities	**24,910**	23,177
Impairment charge for ECL, net	**121,955**	26,004

7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company ("AJT"). The Group effectively holds 35% (31 December 2019: 35% and 31 March 2019: 35%) shareholding in AJT.

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of AJT and was based on the latest available financial information of AJT. AJT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in AJT as of 31 March 2020 was SR 183.51 million (31 December 2019: SR 217.32 million and 31 March 2019: SR 224.91million) based on Tadawul market price.

8. CUSTOMERS' DEPOSITS

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Demand	**31,815,526**	30,839,375	27,169,506
Time	**28,957,409**	30,259,540	22,770,510
Other	**1,895,740**	1,597,879	1,492,477
Total	**62,668,675**	62,696,794	51,432,493

Time deposits comprise deposits received on Shari'ah Compliant (non-commission based) Murabaha and Wakala products.

9. DERIVATIVES

9.1 Nature/type of derivatives held

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

a) Swaps

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

b) Options (Wa'ad Fx)

Foreign exchange options are transactions, whereby a client, in consideration for the payment of a fee agrees to enter into one or a series of trades in which one party (promisor) gives a commitment as a unilateral undertaking, to a second party (promisee).

An option can be a unilateral promise or combination of promises. The Group enters into the option depending on the client's risk profile, whereby the client may promise to buy, sell or buy and sell a currency with or without conditions for hedging its exposure.

9.2 Purpose of derivatives

a) Held for trading purposes

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

9. DERIVATIVES (continued)

9.2 Purpose of derivatives (continued)

b) Held for hedging purposes

The Group uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to commission rate risk and foreign exchange risk.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

As part of its financial asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and commission rate risk. This is generally achieved by hedging specific transactions.

Cash flow hedges

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

The gains / (losses) on cash flow hedges reclassified to the interim condensed consolidated statement of income during the period are as follows:

	31 March 2020 SR'000	31 March 2019 SR'000
Special commission income	**413**	494
Special commission expense	**(391)**	(618)
Net gains / (losses) on cash flow hedges reclassified to the interim condensed consolidated statement of income	**22**	(124)

The cash flow hedges of special commission rate swap were highly effective in offsetting the variability of special commission expenses.

During the prior periods, the Bank sold certain of its special commission rate swaps used for cash flows hedges. However, the gain / (loss) would continue to be classified in interim condensed consolidated statement of comprehensive income as the related hedge items are still outstanding. In accordance with the IFRS requirements, the gain / (loss) will be reclassified to interim condensed consolidated statement of income in the period when the cash flows pertaining to hedged items will affect the interim condensed consolidated statement of income.

9. DERIVATIVES (continued)

The table below summarize the positive and negative fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	31 March 2020 (Unaudited) SR'000			31 December 2019 (Audited) SR'000			31 March 2019 (Unaudited) SR'000		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Special commission rate swaps	**32,722**	**32,722**	**1,492,347**	26,717	26,717	1,795,603	28,858	28,858	2,061,942
Structured deposits	**2,000**	**2,000**	**800,000**	2,000	2,000	800,000	2,000	2,000	800,000
Currency swaps	**-**	**-**	**-**	-	172	112,500	247	-	337,500
Currency forwards	**12**	**888**	**763,419**	14	138	301,899	1	70	333,172
Total	**34,734**	**35,610**	**3,055,766**	28,731	29,027	3,010,002	31,106	30,928	3,532,614
Held as cash flow hedge:									
Special commission rate swaps	**115,995**	**342,458**	**3,550,625**	72,895	186,984	3,550,625	35,647	117,360	3,550,625
Total	**150,729**	**378,068**	**6,606,391**	101,626	216,011	6,560,627	66,753	148,288	7,083,239

The negative fair values of special commission rate swaps are mainly due to a downward shift in the yield curve. The fair values of these swaps are expected to be settled on or before April 2044 (31 December 2019: April 2044 and 31 March 2019: April 2044).

Held for trading special commission rate swaps include special commission income receivable and payable amounting to SR 3.39 million (31 December 2019: SR 4.63 million and 31 March 2019: SR 8.43 million). Held as cash flow hedge special commission rate swaps include special commission income receivable amounting to SR 18.56 million (31 December 2019: SR 16.32 million and 31 March 2019: SR 23.48 million) and special commission payable amounting to SR 23.79 million (31 December 2019: SR 19.99 million and 31 March 2019: SR 24.54 million).

9. DERIVATIVES (continued)

Pursuant to changes in certain international laws, the Bank has established a Special Purpose Vehicle (SPV) namely Al Jazira Securities Limited and intends to transfer all of its PRS derivatives, hedged or traded, to this SPV. In this connection, a novation agreement has been signed among the Bank, the SPV and one of the counter party. Going forward, the SPV will execute all the derivatives with counterparties with a back to back transaction with the Bank. As the change was necessitated by laws, management believe that existing hedging relationships continue to be effective.

10. SUBORDINATED SUKUK

On 2 June 2016, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 190 basis point per annum and payable semi-annually in arrears on 2 June and 2 December each year until 2 June 2026, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 2 June 2021 on 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. These Sukuk are registered with Saudi Stock Exchange (Tadawul).

11. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 820 million shares of SR 10 each (31 December 2019: 820 million shares of SR 10 each and 31 March 2019: 820 million shares of SR 10 each).

Basic earnings per share for the current and prior period is calculated by dividing the net income for the period attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding.

	31 March 2020 (Unaudited) SR'000	31 March 2019 (Unaudited) SR'000 Restated
Profit attributable to ordinary shareholders		
For basic and diluted earnings per share	**181,609**	235,006
	Shares	Shares
Weighted-average number of ordinary shares		
For basic and diluted earnings per share	**820,000,000**	820,000,000
Basic and diluted earnings per share (in SR)	**0.22**	0.29

The calculations of basic and diluted earnings per share are same for the Bank.

12. OTHER RESERVES

31 March 2020	**Cash flow hedges SR' 000**	**Fair value reserve – FVOCI debt SR' 000**	**Actuarial gains SR' 000**	**Total SR' 000**
Balance at beginning of the period	**(110,411)**	**5,508**	**18,099**	**(86,804)**
Net change in fair value	**(110,809)**	**10,398**	**-**	**(100,411)**
Transfer to interim condensed consolidated statement of income	**(22)**	**-**	**-**	**(22)**
Net movement during the period	**(110,831)**	**10,398**	**-**	**(100,433)**
Balance at end of the period	**(221,242)**	**15,906**	**18,099**	**(187,237)**

31 March 2019	Cash flow hedges SR' 000	Fair value reserve – FVOCI debt SR' 000	Actuarial gains SR' 000	Total SR' 000
Balance at beginning of the period	(96,367)		83	(96,284)
Net change in fair value	15,653	-	-	15,653
Transfer to interim condensed consolidated statement of income	124	-	-	124
Net movement during the period	15,777	-	-	15,777
Balance at end of the period	(80,590)	-	83	(80,507)

13. COMMITMENTS AND CONTINGENCIES

a) The Group is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings as disclosed at 31 December 2019.

13. COMMITMENTS AND CONTINGENCIES (continued)

b) The Bank's credit related commitments and contingencies are as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Letter of credit	**709,466**	840,608	608,111
Letter of guarantee	**4,062,613**	3,812,812	3,964,001
Acceptances	**210,572**	239,871	364,482
Irrevocable commitments to extend credit	**259,947**	464,618	150,000
Total	**5,242,598**	5,357,909	5,086,594
Allowance for ECL	**(118,399)**	(93,489)	(177,306)
Net exposure	**5,124,199**	5,264,420	4,909,288

c) During 2018, the Bank reached a Settlement Agreement (the "Agreement") with the GAZT to comply with the directives provided by Royal Decree No. (26/M) dated Rabi Al-Awaal 20, 1440 H (28 November 2018) and the Ministerial Resolution No. 1260 dated Rabi Al-Thani 5, 1440 H (12 December 2018), in order to settle outstanding Zakat liabilities for the years from 2006 to 2017 against a full and final payment of SR 551 million, payable in 6 instalments over a period of 5 years ending 1 December 2023. The Bank paid the first and second instalment of SR 110 million and SR 88.2 million during the month of December 2018 and November 2019 respectively. Under the Agreement, the Bank and GAZT also agreed to settle Zakat for the year 2018 in accordance with the settlement framework provided by the Royal Decree and the Ministerial Resolution. As a result of the Agreement, all Zakat related disputes between the Bank and the GAZT pertaining to the years 2006 to 2017 stand resolved.

The Bank will continue to contest its appeals before the Appellate Committee for Resolution of Tax Disputes and Violations for the years 2006 through 2011.The Bank is confident of a favorable outcome from the appeal process in respect of these tax matters.

The Bank has filed its Zakat and income tax returns with the GAZT and paid Zakat and income tax for the years up to and including the year 2018, except for the amounts agreed as a liability under the Agreement which will be paid to GAZT as and when they fall due.

During 2019, the Bank received VAT assessments with an additional Value Added Tax (VAT) of SR 61 million and associated delay fines amounting to SR 29 million. The Bank has objected to the imposition of additional VAT and associated delay fines and has paid the additional VAT "under protest" in order to adhere to the regulations. The settlement of additional VAT has been recorded as a receivable from the customers and Ministry of Housing in the consolidated financial statements. The Bank is confident of a favorable outcome from the appeal process.

14. CASH AND CASH EQUIVALENTS

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

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	**1,491,618**	2,077,206	1,532,190
Due from banks and other financial institutions with an original maturity of 90 days or less from the date of acquisition	**1,241,883**	569,632	878,248
Total	**2,733,501**	2,646,838	2,410,438

The reconciliation of cash and cash equivalents to cash and balances with SAMA is as follows:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Cash and cash equivalents as per statement of cash flows	**2,733,501**	2,646,838	2,410,438
Statutory deposit	**3,257,284**	3,400,481	2,875,443
Due from banks and other financial institutions with original maturity of 90 days or less from the date of acquisition	**(1,241,883)**	(569,632)	(878,248)
Cash and balances with SAMA	**4,748,902**	5,477,687	4,407,633

15. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Chief Executive Officer) in order to allocate resources to the segments and to assess their performance.

All of the Group's operations are based in the Kingdom of Saudi Arabia.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the interim condensed consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2019.

15. OPERATING SEGMENTS (continued)

For management purposes, the Group is organized into following main operating segments:

Personal banking
Deposit, credit and investment products for individuals.

Corporate banking
Loans, deposits and other credit products for corporate, small to medium sized businesses and institutional customers.

Treasury
Treasury includes money market, foreign exchange, trading and treasury services.

Brokerage and asset management
Provides shares brokerage services to customers (this segment includes the activities of the Bank’s subsidiary AlJazira Capital Company).

Takaful Ta’awuni
Provides protection and saving products services. As required by the Insurance Law of Saudi Arabia, the Group has spun off its insurance business in a separate entity named AlJazira Takaful Ta’awuni Company (AJT) formed under the new Insurance Law of Saudi Arabia. Current segment represents the insurance portfolio of policies entered into by the Bank before 2014.

During 2019, AJT has obtained from SAMA no objection to transfer the insurance portfolio through letter dated 26 Rabi ’Al-Thani 1441 AH (corresponding to 23 December 2019). The insurance portfolio will be transferred with effect from 1 January 2020 at a value to be agreed between the Bank and AJT and the financial impact of transfer is expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2020.

Others
Others include investment in associate, inter segment income and expense eliminations and gain on sale of other real estate.

The Group’s total assets and liabilities at 31 March 2020 and 31 March 2019, its total operating income and expenses, and its net income for the three month period then ended, by operating segment, are as follows:

15. OPERATING SEGMENTS (continued)

31 March 2020 (SR'000)

	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'awuni	Others	Total
Total assets	27,902,275	24,106,051	35,912,057	1,560,828	100,283	152,109	89,733,603
Total liabilities	41,847,987	21,433,896	14,104,045	576,699	100,283	-	78,062,910
Total operating income	427,818	147,355	244,289	50,518	392	(101,456)	768,916
Net special commission income	256,452	117,018	180,558	12,110	392	(21,394)	545,136
Fee and commission income, net	101,374	25,808	-	40,635	-	(10,824)	156,993
Net loss on FVIS financial instruments	-	-	-	(1,680)	-	-	(1,680)
Share in net income of an associate	-	-	-	553	-	3,320	3,873
Impairment charge for ECL, net	(14,059)	(107,554)	(342)	-	-	-	(121,955)
Depreciation and amortization	(31,797)	(4,414)	(9,969)	(3,375)	(183)	(2,115)	(51,853)
Total operating expenses	(263,446)	(167,213)	(82,027)	(34,303)	(315)	(8,874)	(556,178)
Net income / (loss) before Zakat and income tax	164,372	(19,858)	162,262	16,768	77	(107,010)	216,611

15. OPERATING SEGMENTS (continued)

	Personal Banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'awuni	Others	Total
31 December 2019							
Total assets	27,568,359	22,083,463	34,908,570	1,734,127	101,493	148,332	86,544,344
Total liabilities	42,038,284	20,757,629	11,283,423	773,998	101,493	-	74,954,827
31 March 2019							
Total assets	23,454,990	18,864,701	29,911,516	1,485,734	69,962	139,261	73,926,164
Total liabilities	37,077,644	14,882,701	9,801,043	599,559	69,962	-	62,430,909
Total operating income	336,043	122,707	257,009	41,971	4,456	(66,357)	695,829
Net special commission income	181,966	93,370	203,307	14,258	138	(3,907)	489,132
Fee and commission income, net	98,559	26,158	261	25,388	4,316	(4,824)	149,858
Net gain on FVIS financial instruments	-	-	-	2,709	-	-	2,709
Share in net income of an associate	-	-	-	507	-	3,039	3,546
Impairment reversal/(charge) for ECL, net	38,525	(64,529)	-	-	-	-	(26,004)
Depreciation and amortization	(30,667)	(5,751)	(8,877)	(2,323)	(177)	(1,582)	(49,377)
Total operating expenses	(205,507)	(109,318)	(82,033)	(33,679)	(6,578)	1,052	(436,063)
Net income / (loss) before Zakat and income tax	130,536	13,389	174,976	8,799	(2,122)	(62,266)	263,312

16. 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

a) The following table presents the Group's financial assets and liabilities that are measured at fair values:

		31 March 2020 (SR'000)		
		Fair Value		
	Carrying Value	**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value:				
FVIS - Mutual funds	**207,000**	**-**	**207,000**	**207,000**
FVIS - Equities	**370**	**370**	**-**	**370**
FVOCI – Debt	**1,169,752**	**-**	**1,169,752**	**1,169,752**
Derivatives	**150,729**	**-**	**150,729**	**150,729**
Total	**1,527,851**	**370**	**1,527,481**	**1,527,851**
Financial liabilities measured at fair value:				
Derivatives	**378,068**	**-**	**378,068**	**378,068**

		31 December 2019 (SR'000)		
		Fair Value		
	Carrying Value	Level 1	Level 2	Total
Financial assets measured at fair value:				
FVIS - Mutual funds	287,024	-	287,024	287,024
FVOCI – Debt	101,921	-	101,921	101,921
Derivatives	101,626	-	101,626	101,626
Total	490,571	-	490,571	490,571
Financial liabilities measured at fair value:				
Derivatives	216,011	-	216,011	216,011

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		31 March 2019 (SR'000)		
		Fair Value		
	Carrying Value	Level 1	Level 2	Total
Financial assets measured at fair value:				
FVIS - Mutual funds	135,257	-	135,257	135,257
FVIS – Equities	8,854	8,854	-	8,854
Derivatives	66,753	-	66,753	66,753
Total	210,864	8,854	202,010	210,864
Financial liabilities measured at fair value:				
Derivatives	148,288	-	148,288	148,288

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options, profit rate swaps and structured deposits. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Profit rate swaps, options and structured deposits are fair valued using forward profit rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

There were no transfers between Levels 1 and 2 during the period. New investments acquired during the year are classified under the relevant levels. There were no financial assets or financial liabilities at fair value classified under level 3.

There were no changes in valuation techniques during the period.

Investments amounting to SR 4.87 million (31 December 2019: SR 4.88 million and 31 March 2019: SR 4.88 million) are carried at cost and, accordingly, are not fair valued.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

b) Following table represent fair values of financial assets and liabilities which are carried at amortised cost. There are no financial assets and liabilities where fair value is measurable as level 1 fair value.

	31 March 2020 (SR'000)		
	Amortised cost	**Fair value Level 2**	**Fair value Level 3**
Financial assets:			
Due from banks and other financial institutions	**1,855,022**	**-**	**1,872,231**
Investment held at amortised cost, net	**27,274,663**	**27,811,528**	**-**
Loans and advances, net	**51,979,019**	**-**	**54,263,169**
Total	**81,108,704**	**27,811,528**	**56,135,400**
Financial liabilities:			
Due to banks and other financial institutions	**11,219,481**	**-**	**11,280,711**
Customers' deposits	**62,668,675**	**-**	**63,016,386**
Total	**73,888,156**	**-**	**74,297,097**

	31 December 2019 (SR'000)		
	Amortised cost	Fair value Level 2	Fair value Level 3
Financial assets:			
Due from banks and other financial institutions	1,429,004	-	1,441,363
Investment held at amortised cost, net	27,224,939	27,684,963	-
Loans and advances, net	49,660,119	-	51,282,736
Total	78,314,062	27,684,963	52,724,099
Financial liabilities:			
Due to banks and other financial institutions	8,253,754	-	8,304,612
Customers' deposits	62,696,794	-	62,986,854
Total	70,950,548	-	71,291,466

The fair value of the cash and balances with SAMA, other assets and other liabilities and subordinated Sukuks approximate to their carrying amount. The fair values of level 2 and level 3 financial instruments are estimated as at 31 March 2020 at the current applicable yield curve taking into account the counterparty risks and applicable market rate.

17. 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 on a periodic basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets 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, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

The following table summarizes the Group's Pillar-I Risk Weighted Assets ("RWA"), Tier I and Tier II Capital and Capital Adequacy Ratios:

	31 March 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000	31 March 2019 (Unaudited) SR'000
Credit Risk RWA	**54,259,326**	51,675,067	47,112,397
Operational Risk RWA	**5,145,810**	5,059,741	4,770,180
Market Risk RWA	**1,434,444**	1,677,030	928,749
Total Pillar-I RWA	**60,839,580**	58,411,838	52,811,326
Tier I Capital	**12,528,092**	12,081,624	11,957,539
Tier II Capital	**2,303,459**	2,300,699	2,354,422
Total Tier I and II Capital	**14,831,551**	14,382,323	14,311,961
Capital Adequacy Ratio (%)			
Tier I ratio	**20.59%**	20.68%	22.64%
Total Tier I and II Capital	**24.38%**	24.62%	27.10%

18. PROPOSED DIVIDEND

The Board of Directors on 26 January 2020 proposed a final dividend (net of Zakat) of SR 246 million equal to SR 0.3 per share for the year ended 31 December 2019 (31 March 2019: SR 410 million equal to SR 0.5 per share). This dividend is calculated based on 820 million shares. The shareholders' of the Bank in their Ordinary General Assembly Meeting held on 15 April 2020 have approved the dividend and accordingly it will be paid during second quarter of current year. The share of dividend of non-Saudi shareholders will paid after deducting the related income taxes due.

19. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Bank has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programs.

The current events and the prevailing economic condition require the Bank to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Bank in estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Bank in ECL estimation. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of SR 38.67 million for the Bank. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Bank will continue to reassess its position and the related impact on a regular basis.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Bank has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the PD and LGD determinations. The Bank will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

19. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

As part of the deferred payments program, the Bank is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Bank recognising a day 1 modification loss of SR 38.39 million as at 31 March 2020 and this has been presented as part of net financing income. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related cost that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received SR 550 million of profit free deposit from SAMA. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 38.39 million which has been recognised in the statement of consolidated income as at 31 March 2020 immediately. The management has exercised certain judgements in the recognition and measurement of this grant income.

As at 31 March 2020, the Bank is yet to participate in SAMA's funding for lending and loan guarantee programs. Furthermore, the POS and e-commerce service fee programs have had an immaterial impact to the Bank's financial statements.

During April 2020, SAMA has issued a guidance around Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Bank will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

Health care sector support

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, the Bank has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with the Bank for three months. This has resulted in the Bank recognising a day 1 modification loss of SR 19.88 million as at 31 March 2020 and this has been presented as part of net financing income.

20. COMPARATIVE FIGURES AND RESTATEMENTS

During 2019, the Bank changed the accounting treatment of Zakat and income tax pursuant to issuance of instructions from SAMA dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the Zakat and income tax is required to be recognized in the Statement of income.

The impacts of this change on the condensed interim financial statements for the three month ended 31 March 2019 are as follows:

20. COMPARATIVE FIGURES AND RESTATEMENTS (continued)

Account	Financial statement impacted	Before the restatement for the three month period ended 31 March 2019	Effect of restatement	As restated as at and for the three month period ended 31 March 2019
Zakat and income tax	Consolidated statement of income	-	(28,306)	(28,306)
Net income for the Period	Consolidated statement of income	263,312	(28,306)	235,006
Earnings per share for the period (expressed in SR per share)	Consolidated statement of income	0.32	(0.03)	0.29
Zakat and income tax (retained earnings)	Consolidated statement of changes in equity	(28,251)	28,251	-
Share in Zakat of an associate (retained earnings)	Consolidated statement of changes in equity	(55)	55	-
Total comprehensive income for the period	Consolidated statement of comprehensive income and Consolidated statement of changes in equity	279,089	(28,306)	250,783

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 27 Ramadan 1441H, corresponding to 20 May 2020.