Arab National Bank
Annual Report 2013

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Financial Statements

Independent Auditors' Report

To the Shareholders of Arab National Bank (A Saudi Joint Stock Company)
We have audited the accompanying consolidated financial statements of Arab National Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 40. We have not audited note 39, nor the information related to "Basel disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA"), International Financial Reporting Standards, the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws. In addition, management is responsible for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements taken as a whole:
- present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by SAMA and with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

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(Rabi Thani 11, 1435H)
February 11, 2014

Consolidated Statement of Financial Position

As at December 31, 2013 and 2012

	Note	2013 SAR' 000	2012 SAR' 000
Assets			
Cash and balances with SAMA	4	**14,971,749**	20,334,429
Due from banks and other financial institutions	5	**2,767,181**	2,240,924
Investments, net	6	**28,248,369**	24,323,047
Loans and advances, net	7	**88,456,106**	86,328,608
Investment in associates	8	**466,533**	430,046
Other real estate		**136,634**	319,006
Property and equipment, net	9	**1,647,318**	1,506,311
Other assets	10	**1,241,534**	1,156,905
Total assets		**137,935,424**	136,639,276
Liabilities and Equity			
Liabilities			
Due to banks and other financial institutions	12	**7,641,058**	6,549,924
Customers' deposits	13	**106,372,732**	107,560,443
Other liabilities	14	**3,045,720**	2,931,822
Debt securities in issue	15	**1,687,500**	1,687,500
Total liabilities		**118,747,010**	118,729,689
Equity attributed to equity holders of the Bank			
Share capital	16	**8,500,000**	8,500,000
Statutory reserve	17	**7,270,000**	6,630,000
Other reserves		**263,330**	244,618
Retained earnings		**2,622,124**	1,579,657
Proposed dividend	27	**425,000**	850,000
Total equity attributed to equity holders of the Bank		**19,080,454**	17,804,275
Non-controlling interest		**107,960**	105,312
Total equity		**19,188,414**	17,909,587
Total liabilities and equity		**137,935,424**	136,639,276

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Income Statement

For the years ended December 31, 2013 and 2012

	Note	2013 SAR' 000	2012 SAR' 000
Special commission income	19	**3,944,901**	3,748,063
Special commission expense	19	**570,002**	487,634
Net special commission income		**3,374,899**	3,260,429
Fees and commission income, net	20	**1,053,398**	914,842
Exchange income, net		**356,482**	243,662
Income (loss) from FVIS financial instruments, net	21	**3,763**	(149)
Trading income, net	22	**61,625**	58,265
Dividend income	23	**52,894**	35,990
Gains and impairment of non-trading investments, net	24	**74,577**	86,860
Other operating income, net	25	**131,907**	156,922
Total operating income		**5,109,545**	4,756,821
Salaries and employee related expenses	29	**1,189,959**	1,111,642
Rent and premises related expenses		**145,431**	133,328
Depreciation and amortization	9	**187,824**	193,218
General and administrative expenses		**470,687**	453,941
Impairment charges for credit losses, net	7	**626,988**	521,796
Total operating expenses		**2,620,889**	2,413,925
Net operating income		**2,488,656**	2,342,896
Share in earnings of an associate	8	**36,487**	28,129
Net income for the year		**2,525,143**	2,371,025
(Gain) loss attributed to non-controlling interest		**(2,648)**	153
Net income attributed to equity holders of the bank		**2,522,495**	2,371,178
Basic and fully diluted earnings (in SAR per share)	26	**2.97**	2.79

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2013 and 2012

	2013 SAR' 000	2012 SAR' 000
Net income for the year	**2,525,143**	2,371,025
Other comprehensive income:		
Available for sale investments:		
- Net changes in fair value	**64,287**	189,828
- Transfers to consolidated income statement	**(29,376)**	(96,235)
Cash flows hedges:		
- Net changes in fair value	**(4,406)**	2,180
- Transfers to consolidated income statement	**(11,793)**	(28,775)
	18,712	66,998
Total comprehensive income for the year	**2,543,855**	2,438,023
Attributable to:		
Equity holders of the Bank	**2,541,207**	2,438,176
Non-controlling interest	**2,648**	(153)
Total comprehensive income for the year	**2,543,855**	2,438,023

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2013 and 2012

		Attributable to equity holders of the Bank							
2013	**Note**	**Share capital SAR' 000**	**Statutory reserve SAR' 000**	**Other reserves SAR' 000**	**Retained earnings SAR' 000**	**Proposed dividend SAR' 000**	**Total SAR' 000**	**Non-controlling interest SAR' 000**	**Total equity SAR' 000**
Balance at beginning of the year		8,500,000	6,630,000	244,618	1,579,657	850,000	17,804,275	105,312	17,909,587
Changes in equity for the year									
Net changes in fair value of cash flow hedges				(4,406)	–	–	(4,406)	–	(4,406)
Net changes in fair value of available for sale investments				64,287	–	–	64,287	–	64,287
Transfers to consolidated income statement				(41,169)	–	–	(41,169)	–	(41,169)
Net comprehensive income for the year				18,712	–	–	18,712	–	18,712
Net income for the year				–	2,522,495	–	2,522,495	2,648	2,525,143
Total comprehensive income for the year				18,712	2,522,495	–	2,541,207	2,648	2,543,855
Transfer to statutory reserve	17		640,000	–	(640,000)	–	–	–	–
2012 final dividend	27		–	–	–	(850,000)	(850,000)	–	(850,000)
Proposed dividend	27		–	–	(425,000)	425,000	–	–	–
Zakat	27		–	–	(415,028)	–	(415,028)	–	(415,028)
Balance at end of the year		8,500,000	7,270,000	263,330	2,622,124	425,000	19,080,454	107,960	19,188,414

2012									
Balance at beginning of the year		8,500,000	6,030,000	177,620	1,066,440	850,000	16,624,060	105,465	16,729,525
Changes in equity for the year									
Net changes in fair value of cash flow hedges				2,180	–	–	2,180	–	2,180
Net changes in fair value of available for sale investments				189,828	–	–	189,828	–	189,828
Transfers to consolidated income statement				(125,010)	–	–	(125,010)	–	(125,010)
Net comprehensive income for the year				66,998	–	–	66,998	–	66,998
Net income for the year				–	2,371,178	–	2,371,178	(153)	2,371,025
Total comprehensive income for the year				66,998	2,371,178	–	2,438,176	(153)	2,438,023
Transfer to statutory reserve	17		600,000	–	(600,000)	–	–	–	–
2011 final dividend	27		–	–	–	(850,000)	(850,000)	–	(850,000)
Proposed dividend	27		–	–	(850,000)	850,000	–	–	–
Zakat	27		–	–	(407,961)	–	(407,961)	–	(407,961)
Balance at end of the year		8,500,000	6,630,000	244,618	1,579,657	850,000	17,804,275	105,312	17,909,587

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31, 2013 and 2012

	Notes	2013 SAR' 000	2012 SAR' 000
Operating Activities			
Net income for the year		**2,525,143**	2,371,025
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Accretion of discounts of non-trading investments, net		**(52,864)**	(37,385)
Gains and impairment of non-trading investments, net	24	**(74,577)**	(86,860)
Depreciation and amortization	9	**187,824**	193,218
Loss (gain) on disposal of property and equipment	25	**918**	(7)
Share in earnings of an associate	8	**(36,487)**	(28,129)
Impairment charges for credit losses, net	7	**626,988**	521,796
		3,176,945	2,933,658
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA	4	**(661,257)**	(624,196)
Due from banks and other financial institutions maturing after ninety days of the acquisition date		**-**	37,500
Investments held at FVIS	6	**60,735**	6,144
Loans and advances		**(2,795,623)**	(14,021,164)
Other real estate		**182,372**	(150,997)
Other assets		**(89,284)**	470,413
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**1,091,134**	(2,274,537)
Customers' deposits		**(1,187,711)**	19,701,628
Other liabilities		**(428,806)**	127,480
Net cash (used in) from operating activities		**(651,495)**	6,205,929
Investing Activities			
Proceeds from sale of and matured non-trading investments		**29,060,691**	60,636,528
Purchase of non-trading investments		**(32,733,708)**	(58,665,217)
Investment in associates	8	**-**	(52,500)
Purchase of property and equipment	9	**(329,964)**	(264,967)
Proceeds from sale of property and equipment		**215**	46,844
Net cash (used in) from investing activities		**(4,002,766)**	1,700,688
Financing Activities			
Dividend paid		**(843,419)**	(843,053)
Net cash used in financing activities		**(843,419)**	(843,053)
(Decrease) increase in cash and cash equivalents		**(5,497,680)**	7,063,564
Cash and cash equivalents at the beginning of the year		**17,304,744**	10,241,180
Cash and cash equivalents at the end of the year	28	**11,807,064**	17,304,744
Special commission received during the year		**3,925,699**	3,828,200
Special commission paid during the year		**579,599**	427,687
Supplemental non-cash information			
Net changes in fair value		**59,881**	192,008

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

1. General

Arab National Bank (a Saudi Joint Stock Company, the Bank) was formed pursuant to Royal Decree No. M/38 dated Rajab 18,1399H (corresponding to June 13, 1979). The Bank commenced business on February 2, 1980 by taking over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010027912 dated Rabi Awal 1, 1400H (corresponding to January 19, 1980) through its 150 branches (2012: 145 branches) in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The address of the Bank's head office is as follows:

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services. The Bank also provides to its customers non-commission based banking products which are approved and supervised by an independent Shariah Board established by the Bank.
The consolidated financial statements comprise the financial statements of the Bank and its following subsidiaries:

Arab National Bank Investment Company (ANB Invest)
In accordance with the Capital Market Authority directives, the Bank has established a wholly owned subsidiary "ANB Invest", a Saudi limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on 26 Shawal 1428 (corresponding to November 7, 2007), to takeover and manage the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority. The subsidiary commenced its operations effective on Muharram 3, 1429H (corresponding to January 12, 2008). Accordingly, the Bank started consolidating the financial statements of the above mentioned subsidiary effective January 12, 2008.

Arabian Heavy Equipment Leasing Company (AHEL)
A 62.5% owned subsidiary incorporated in the Kingdom of Saudi Arabia, as a Saudi closed joint stock company, under commercial registration no 1010267489 issued in Riyadh dated 15 Jumada 1, 1430H (corresponding to May 10, 2009). The company is engaged in leasing of heavy equipments and operating in compliance with Shariah principles. The Bank started consolidating the subsidiary financial statements effective May 10, 2009, the date the subsidiary started its operations.

Arabian National Bank Insurance Agency
A Saudi limited liability company, established during 2013 as a wholly owned subsidiary, registered in the Kingdom of Saudi Arabia under the commercial registration no. 1010396423 issued in Riyadh dated 28 Muharram, 1435 (corresponding to December 1, 2013). The agency is licensed by the Saudi Arabian Monetary Agency under the license no. 341000077525 to perform insurance agent activities. The agency is not yet operating and will start its operation after obtaining the approvals of the concerned regulatory parties.

2. Basis of preparation

a) Statement of compliance
The consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards (IFRS). The Bank prepares its consolidated financial statements to comply with the requirements of the Banking Control Law, the Provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's by-laws.

b) Basis of measurement
The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets and liabilities held at Fair Value through Income Statement (FVIS) and available for sale. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risk being hedged.

c) Functional and presentation currency
The consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as indicated, the financial information presented in SAR has been rounded off to the nearest thousands except otherwise indicated.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

2. Basis of preparation (continued)

d) Critical accounting judgments, 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 judgement in the process of applying the Bank's accounting policies. Such judgements, 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. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(i) Impairment for credit losses on loans and advances

The Bank reviews its loan portfolios to assess specific and collective impairment on a quarterly basis. In determining whether an impairment charge should be recorded, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(ii) Fair value of financial instruments

The Bank measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 6.

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 by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(iii) Impairment of available for sale equity investments

The Bank exercises judgement to consider impairment on its available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgement, the Bank evaluates among other factors, the normal volatility in share prices. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

Due to current volatility in the market, 30% or more is used as a reasonable measure for significant decline below cost, irrespective of the duration of the decline, and is recognized in the consolidated income statement under gains and impairment of non-trading investments, net. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount and is, thus, recognized in the consolidated income statement under gains and impairment of non-trading investments, net.

(iv) Classification of held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than in certain specific circumstances – for example, selling close to maturity or an insignificant amount– it will be required to reclassify the entire class as available-for-sale.

(v) Determination of control over investees

The control indicators set out note 3 (a) are subject to management's judgements that can have a significant effect in the case of the Group's interests in investments funds.

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

e) Going concern

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

3. Summary of significant accounting policies

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

The accounting policies used in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012 except that the Group has adopted the following new and amended IASB Standards and International Financial Reporting Interpretations Committee which had no impact on the financial position and financial performance of the Group:

- IAS 1 Presentation of Items of other comprehensive income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IFRS 7 Financial instruments: Disclosures offsetting financial assets and financial liabilities (Amendment)
- IFRS 10 Consolidated financial statements and IAS 27 separate financial statements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the Group). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries when necessary to align them with the Bank's financial statements.

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

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align them with the Bank's financial statements.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the equity holders of the bank. Any losses applicable to the non controlling interest in excess of the non controlling interest share are allocated against the interests of the Bank. Acquisitions of non-controlling interests are accounted for using the purchase method of accounting, whereby, the difference between the cost of acquisition and the fair value of the share of the net assets acquired is recognized as goodwill.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

b) Investment in associates

Associates are enterprises in which the Bank generally holds 20% to 50% of the voting power and/or over which it exercises significant influence. Investments in associates are initially recorded at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted or recoverable amount.

c) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the settlement date. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place. For financial instruments held at fair value, the Bank accounts for any change in fair values between the trade date and the reporting date.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, currency and commission rate options, are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

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

ii) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through income statement. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

iii) Hedge accounting

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

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

In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to fair value is recognized immediately in the consolidated income statement. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement. For hedged items measured at amortized cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective commission rate method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated income statement.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves within other comprehensive income and the ineffective portion, if any, is recognized in the consolidated income statement. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the consolidated income statement in the same period in which the hedged transaction affects the consolidated income statement. Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time the asset or liability is recognized, the associated gains or losses that had previously been recognized in other reserves are included in the initial measurement of the acquisition and related costs of the asset or liability.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecasted transaction is no longer expected to occur or the Bank revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other reserves is retained in equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in "other reserves" is transferred to the consolidated income statement for the year.

e) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at year end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the consolidated statement of financial position date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge are reported initially in other comprehensive income to the extent that the hedge is effective. Exchange component of gains or losses on non-monetary items are recognized either in the consolidated income statement or other comprehensive income, in accordance with the treatment of the related gain or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The monetary assets and liabilities of overseas branch are translated at the rate of exchange ruling at the consolidated statement of financial position date. The statement of income of the overseas branch is translated at the average exchange rates for the year.

f) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

g) Revenue and expenses recognition

Special commission income and expense for all commission-bearing financial instruments, except for those classified as held for trading or designated at fair value through income statement, including the fees which are considered an integral part of the effective yield of a financial instrument, are recognized in the consolidated income statement on the effective yield basis and include premiums amortized and discounts accreted during the year. The effective commission rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective commission rate but not future credit losses. Loan commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective commission rate on the loan.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as special commission income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognized using the original effective commission rate applied to the new carrying amount.
Exchange income/loss is recognized when earned/incurred.
Fees and commissions are recognized on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized rateably over the period when the service is being provided.
Dividend income is recognized when the right to receive income is established.
Revenue arising from trading activities include all gains and losses from changes in fair value and related commission income or expense and dividends for financial assets and financial liabilities held for trading and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

h) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized on the consolidated statement of financial position and are measured in accordance with related accounting policies for investments held as FVIS, available for sale, held to maturity and other investments held at amortized cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customers' deposits", as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective yield basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the consolidated statement of financial position, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in "Cash and balances with SAMA", "Due from banks and other financial institutions" or "Loans and advances", as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

i) Investments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

All investment securities are initially recognized at their fair value plus, in the case of all financial assets other than those carried at Fair Value through income statement (FVIS), any directly attributable incremental costs of acquisition. Premiums are amortized and discounts accreted on effective yield basis and taken to special commission income.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the consolidated statement of financial position date without any deduction for transaction costs. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

Following initial recognition, subsequent transfers between the various classes of investments are not ordinarily permissible. 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 at Fair Value Through Income Statement (FVIS)

Investments in this category include those investments held for trading or those designated as FVIS on initial recognition. Investments classified as trading are acquired for the purpose of selling or repurchasing in short term and are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognized in trading income/loss, net. An investment may be designated as FVIS if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

After initial recognition, investments held at FVIS are measured at fair value. Changes in fair value are recorded in the consolidated income statement in the year in which it arises. Special commission income and dividend income received on financial assets held as FVIS are reflected as either trading income or income from FVIS financial instruments in line with the underlying assets in the consolidated income statement.

(ii) Available for sale

Available-for-sale investments are those equity and debt securities intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices.

AFS are non-derivative instruments that are designated as AFS or not classified as another category of financial assets.

Investments which are classified as "available for sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in the consolidated statement of comprehensive income. On derecognition, any cumulative gain or loss previously recognized in shareholders' equity is transferred in the consolidated income statement for the year.

Special commission income is recognized in the consolidated income statement on an effective yield basis. Dividend income is recognized in consolidated income statement when the Group becomes entitled to the dividend. Foreign exchange gains or loss on available for sale debt security investments are recognized in consolidated income statement.

(iii) Held to maturity

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

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

(iv) Other investments held at amortized cost

Investment securities with fixed or determinable payments that are not quoted in an active market and other than those that the Bank intends to sell immediately or in the near term, or those designated as "available for sale" are classified as "Other investments held at amortized cost". Such investments where fair values have not been hedged are stated at amortized cost using an effective yield basis, less provision for any impairment. Any gain or loss is recognized in the consolidated income statement when the investment is derecognized or impaired.

j) Loans and advances

Loans and advances are non-derivative financial assets originated or acquired by the Bank with fixed or determinable payments. Loans and advances are recognized when cash is advanced to borrowers. They are derecognized when either the borrowers repays their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.
All loans and advances are initially measured at fair value, including acquisition charges associated with the loans and advances except for loans held as FVIS.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

j) Loans and advances (continued)

Loans and advances originated or acquired by the Bank that are not quoted in an active market and for which fair value has not been hedged are classified as loan and advances held at amortized cost and are stated at cost less any amount written off and allowance for impairment.

For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

For presentation purposes, impairment charges for credit losses are deducted from loans and advances.

k) Impairment of financial assets

A financial asset is classified as impaired when there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and where a loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired at the statement of financial position 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 anticipated cash flows, is recognized for changes in its carrying amounts. The present value of the estimated future cash flows is discounted at the financial asset's original effective commission rate. If an asset has a variable special commission rate, the discount rate for measuring any impairment loss is the current special commission rate.

When a financial asset is uncollectible, it is written off either directly by a charge to consolidated income statement or against the related allowance for impairment account. 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, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated income statement in impairment charges for credit losses.
Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognized based on the original effective commission rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.
Loans whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Restructuring policies and practices are based on indicators or criteria which, indicate that payment will most likely continue. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective yield rate.

In addition to specific impairment charges for credit losses, an allowance for collective impairment is made on a portfolio basis for credit losses where there is an objective evidence that unidentified losses exist at the reporting date. This allowance is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Bank has had in dealing with a borrower or group of borrowers and available historical default information.

i) Impairment of financial assets held at amortized cost

A specific impairment charges for credit losses due to impairment of a loan or any other financial asset held at amortized cost is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the specific provision is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows, including amounts estimated to be recoverable from guarantees and collateral, discounted based on the original effective yield rate.

For financial assets at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the consolidated income statement.

ii) Impairment of available for sale financial assets

In the case of debt instruments classified as available-for-sale, the Bank 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 income statement.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

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

l) Other real estate

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

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

m) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and amortization. Freehold land is not depreciated.

The cost of property and equipment is depreciated and amortized on a straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	over lease period or 10 years, whichever is shorter
Furniture, equipment and vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated income statement.

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

n) Financial liabilities

All money market deposits, customers' deposits, term loans and subordinated debts issued are initially recognized at cost, being the fair value of the consideration received less transaction costs.

Subsequently all special commission-bearing financial liabilities, other than those where fair values have been hedged, are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium. Premiums are amortized and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

Financial liabilities in an effective fair value hedge relationship are adjusted for fair value changes to the extent of the risk being hedged. The resultant gain or loss is recognized in the consolidated income statement. For financial liabilities carried at amortized cost, any gain or loss is recognized in the consolidated income statement when derecognized.

o) Provisions

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

p) Accounting for leases

i) Where the Bank is the lessee

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the consolidated income statement 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 is recognized as an expense in the period in which termination takes place.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

p) Accounting for leases (continued)

ii) Where the Bank is the lessor

When assets are sold under a finance lease, including assets under Shariah compliant lease, the present value of the lease payments is recognized as a receivable and disclosed under "loans and advances". 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.

q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "cash and cash equivalents" are defined as those amounts included in cash, balances with SAMA excluding statutory deposit, and due from banks and other financial institutions maturing within 90 days of the acquisition date.

r) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other Liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in 'impairment charges for credit losses'. The premium received is recognized in the consolidated income statement in 'Fees and commission income, net' on a straight line basis over the life of the guarantee.

s) Derecognition of financial instruments

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 right 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 derecognized if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Bank has not retained control of the financial asset. The Bank recognizes 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) is derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

t) Zakat and income taxes

Zakat and income taxes are the liabilities of Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are not charged to the Bank's consolidated income statement as they are payable by the shareholders.

u) Sharia compliant based banking products

In addition to conventional banking, the Bank offers its customers certain non-interest based banking products, which are approved by its Sharia Board.

All non-interest based banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

v) Prospective changes in accounting policies

Certain new IFRS and amendments and interpretations to existing IFRS, have been published and are mandatory for the Bank's accounting period beginning on or after January 1, 2014. These include:

IFRS 9 Financial Instruments

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments:

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novation. The standard does not have a mandatory effective date, but it is available for application now.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

IAS 36 – Amendments
Address the disclosure of information about the recoverable amount of impaired assets limiting disclosures requirements if that amount is based on fair value less costs of disposal.

4. Cash and balances with SAMA

	2013	2012
Cash in hand	**2,000,224**	2,073,327
Statutory deposit	**5,931,866**	5,270,609
Money market placements	**7,021,951**	12,983,910
Other balances	**17,708**	6,583
Total	**14,971,749**	20,334,429

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

5. Due from banks and other financial institutions

	2013	2012
Current accounts	**1,012,277**	1,138,288
Money market placements	**1,754,904**	1,102,636
Total	**2,767,181**	2,240,924

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

6. Investments, net

a) Investments are classified as follows:

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

	Domestic		International		Total	
	2013	2012	**2013**	2012	**2013**	2012
Mutual funds and others	**–**	–	**17,443**	78,178	**17,443**	78,178
Held at fair value through income statement	**–**	–	**17,443**	78,178	**17,443**	78,178

ii) Available for sale

	Domestic		International		Total	
	2013	2012	**2013**	2012	**2013**	2012
Fixed rate securities	**1,040,152**	1,540,519	**7,378,712**	4,799,702	**8,418,864**	6,340,221
Floating rate notes	**500,627**	275,317	**391,388**	1,340,540	**892,015**	1,615,857
Equities	**984,369**	808,762	**60,170**	63,331	**1,044,539**	872,093
Other	**323,210**	271,525	**229,121**	184,907	**552,331**	456,432
Available for sale	**2,848,358**	2,896,123	**8,059,391**	6,388,480	**10,907,749**	9,284,603

iii) Other investments held at amortized cost

	Domestic		International		Total	
	2013	2012	**2013**	2012	**2013**	2012
Fixed rate securities	**12,163,227**	9,607,624	**1,087,988**	1,189,146	**13,251,215**	10,796,770
Floating rate notes	**3,621,727**	2,708,618	**450,235**	1,445,503	**4,071,962**	4,154,121
Other	**–**	–	**–**	37,500	**–**	37,500
Other investments held at amortized cost, gross	**15,784,954**	12,316,242	**1,538,223**	2,672,149	**17,323,177**	14,988,391
Allowance for impairment	**–**	–	**–**	(28,125)	**–**	(28,125)
Other investments held at amortized cost, net	**15,784,954**	12,316,242	**1,538,223**	2,644,024	**17,323,177**	14,960,266
Total investments, net	**18,633,312**	15,212,365	**9,615,057**	9,110,682	**28,248,369**	24,323,047

b) The analysis of the composition of investments is as follows:

	2013			2012		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Fixed rate securities	**9,470,675**	**12,199,404**	**21,670,079**	6,681,975	10,455,016	17,136,991
Floating rate notes	**2,684,654**	**2,279,323**	**4,963,977**	3,932,073	1,837,905	5,769,978
Equities	**983,369**	**61,170**	**1,044,539**	807,762	64,331	872,093
Other	**414,775**	**154,999**	**569,774**	348,275	223,835	572,110
Allowance for impairment	**–**	**–**	**–**	–	(28,125)	(28,125)
Investments, net	**13,553,473**	**14,694,896**	**28,248,369**	11,770,085	12,552,962	24,323,047

Unquoted fixed rate securities and floating rate notes are mainly sukuk, treasury bills and Saudi Government Bonds.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

c) The analysis of unrecognized gains and losses and fair values of other investments held at amortized cost are as follows:

	2013				2012			
	Carrying value	**Gross unrecognized gains**	**Gross unrecognized losses**	**Fair value**	Carrying value	Gross unrecognized gains	Gross unrecognized losses	Fair value
i) Other investments held at amortized cost								
Fixed rate securities	**13,251,215**	**131,466**	**47,425**	**13,335,256**	10,796,770	125,031	4,897	10,916,904
Floating rate notes	**4,071,962**	**109,517**	**–**	**4,181,479**	4,154,121	64,792	1,964	4,216,949
Other	**–**	**–**	**–**	**–**	37,500	–	28,125	9,375
Allowance for impairment	**–**	**–**	**–**	**–**	(28,125)	–	–	(28,125)
Total	**17,323,177**	**240,983**	**47,425**	**17,516,735**	14,960,266	189,823	34,986	15,115,103

d) The analysis of investments by counter-party is as follows

	2013	2012
Government and quasi government	**24,110,960**	19,392,550
Banks and other financial institutions	**2,711,504**	3,615,740
Corporate	**976,921**	980,407
Other	**448,984**	334,350
Total	**28,248,369**	24,323,047

Investments include SAR 1,561 million (2012: SAR 7,494 million), which have been pledged under repurchase agreements with other banks and customers. The market value of such investments is SAR 1,561 million (2012: SAR 7,523 million).

e) Movement in the allowance for impairment of investments

	2013	2012
Balance at beginning of the year	**28,125**	18,750
Provided during the year	**–**	9,375
Recoveries of amounts previously provided	**(28,125)**	–
Balance at end of the year	**–**	28,125

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

7. Loans and advances, net

a) Loans and advances (all held at amortized cost) comprise the following:

2013	**Credit cards**	**Consumer loans**	**Commercial loans and overdrafts**	**Total**
Performing loans and advances, gross	**355,959**	**22,519,724**	**66,630,893**	**89,506,576**
Non-performing loans and advances, net	**3,803**	**41,325**	**958,442**	**1,003,570**
Total loans and advances	**359,762**	**22,561,049**	**67,589,335**	**90,510,146**
Impairment charges for credit losses, net	**(1,951)**	**(83,551)**	**(1,968,538)**	**(2,054,040)**
Loans and advances, net	**357,811**	**22,477,498**	**65,620,797**	**88,456,106**
2012				
Performing loans and advances, gross	392,840	21,839,949	65,479,763	87,712,552
Non-performing loans and advances, net	5,212	30,527	1,279,045	1,314,784
Total loans and advances	398,052	21,870,476	66,758,808	89,027,336
Impairment charges for credit losses, net	(2,674)	(88,968)	(2,607,086)	(2,698,728)
Loans and advances, net	395,378	21,781,508	64,151,722	86,328,608

Loan and advances, net include Shariah compliant based banking products in respect of Murabaha, Tawarruq agreements and Ijarah, which are stated at amortized cost, of SAR 52.8 billion (2012: SAR 49.3 billion).

b) Movements in impairment charges for credit losses are as follows:

2013	**Credit cards**	**Consumer loans**	**Commercial loans and overdrafts**	**Total**
Balance at beginning of the year	**2,674**	**88,968**	**2,607,086**	**2,698,728**
Provided during the year	**9,178**	**196,517**	**421,293**	**626,988**
Bad debts written off	**(9,901)**	**(201,934)**	**(1,059,841)**	**(1,271,676)**
Balance at end of the year	**1,951**	**83,551**	**1,968,538**	**2,054,040**
2012				
Balance at beginning of the year	3,237	75,449	2,526,211	2,604,897
Provided during the year	9,370	172,931	340,973	523,274
Recovery of amounts previously provided	–	(1,478)	–	(1,478)
Bad debts written off	(9,933)	(157,934)	(260,098)	(427,965)
Balance at end of the year	2,674	88,968	2,607,086	2,698,728

c) The Bank in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

d) Economic sector risk concentrations for loans and advances and impairment charges for credit losses are as follows:

2013	Performing gross	Non performing, net	Impairment charges for credit losses	Loans and advances, net
1. Government and quasi government	**14,973**	**–**	**–**	**14,973**
2. Banks and other financial institutions	**1,449,647**	**–**	**–**	**1,449,647**
3. Agriculture and fishing	**727,404**	**–**	**(2,684)**	**724,720**
4. Manufacturing	**11,562,006**	**5,301**	**(137,912)**	**11,429,395**
5. Mining and quarrying	**2,396,782**	**–**	**–**	**2,396,782**
6. Electricity, water, gas and health services	**2,888,811**	**–**	**–**	**2,888,811**
7. Building and construction	**6,489,939**	**344,353**	**(474,075)**	**6,360,217**
8. Commerce	**15,663,599**	**585,794**	**(569,111)**	**15,680,282**
9. Transportation and communication	**3,350,790**	**–**	**(10,387)**	**3,340,403**
10. Services	**2,355,868**	**10,125**	**(10,297)**	**2,355,696**
11. Consumer loans and credit cards	**22,875,683**	**45,128**	**(55,844)**	**22,864,967**
12. Other	**19,731,074**	**12,869**	**(322,595)**	**19,421,348**
	89,506,576	**1,003,570**	**(1,582,905)**	**88,927,241**
Allowance for collective impairment	**–**	**–**	**(471,135)**	**(471,135)**
Total	**89,506,576**	**1,003,570**	**(2,054,040)**	**88,456,106**

2012				
1. Government and quasi government	7,727	–	–	7,727
2. Banks and other financial institutions	1,110,875	500,533	(709,016)	902,392
3. Agriculture and fishing	405,140	–	–	405,140
4. Manufacturing	11,585,618	8,742	(172,776)	11,421,584
5. Mining and quarrying	2,070,815	–	–	2,070,815
6. Electricity, water, gas and health services	2,650,965	–	–	2,650,965
7. Building and construction	5,240,412	36,367	(414,584)	4,862,195
8. Commerce	15,200,617	132,914	(128,246)	15,205,285
9. Transportation and communication	6,604,072	–	(26,565)	6,577,507
10. Services	2,250,800	390,687	(397,786)	2,243,701
11. Consumer loans and credit cards	22,232,789	35,739	(61,984)	22,206,544
12. Other	18,352,722	209,802	(316,636)	18,245,888
	87,712,552	1,314,784	(2,227,593)	86,799,743
Allowance for collective impairment	–	–	(471,135)	(471,135)
Total	87,712,552	1,314,784	(2,698,728)	86,328,608

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

8. Investment in associates

	2013	2012
Balance at beginning of the year	**430,046**	349,417
Investment during the year	**–**	52,500
Share in earnings	**36,487**	28,129
Total	**466,533**	430,046

The Bank participated in the setting up of Saudi Home Loans Company (the associate). The Bank's share is 40% of the associate's total equity capital of SAR 2 billion. The associate was launched at the end of the fourth quarter of 2007 and is accounted for under the equity method. The bank initially paid an amount of SAR 320 million, representing 40% of the issued share capital of the associate.

The investment during 2012 represents the Bank's share (30%) in setting up a cooperative insurance company in the Kingdom of Saudi Arabia. The company will start providing its services in the cooperative insurance after receiving the approval of the concerned regulatory parties.

9. Property and equipment, net

	Land and buildings	Leasehold improvements	Equipment, furniture and vehicles	Projects under execution	Total 2013	Total 2012
Cost						
Balance at beginning of the year	**1,052,298**	**444,409**	**1,416,739**	**133,785**	**3,047,231**	2,836,715
Additions	**44,862**	**32,029**	**197,120**	**55,953**	**329,964**	264,967
Disposals	**–**	**(3,275)**	**(11,136)**	**–**	**(14,411)**	(54,451)
Balance at end of the year	**1,097,160**	**473,163**	**1,602,723**	**189,738**	**3,362,784**	3,047,231
Accumulated depreciation						
Balance at beginning of the year	**248,471**	**302,046**	**990,403**	**–**	**1,540,920**	1,355,316
Charge for the year	**36,301**	**38,161**	**113,362**	**–**	**187,824**	193,218
Disposals	**–**	**(2,349)**	**(10,929)**	**–**	**(13,278)**	(7,614)
Balance at end of the year	**284,772**	**337,858**	**1,092,836**	**–**	**1,715,466**	1,540,920
Net book value						
As at December 31, 2013	**812,388**	**135,305**	**509,887**	**189,738**	**1,647,318**	
As at December 31, 2012	803,827	142,363	426,336	133,785		1,506,311

10. Other assets

	2013	2012
Accrued special commission receivable – banks and other financial institutions	**249**	202
– investments	**82,519**	84,901
– loans and advances	**328,770**	317,864
– derivatives	**34,069**	20,397
Total accrued special commission receivable	**445,607**	423,364
Positive fair value of derivatives (note 11)	**176,901**	165,357
Prepaid expenses	**285,761**	229,227
Other	**333,265**	338,957
Total	**1,241,534**	1,156,905

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

11. Derivatives

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

a) Swaps

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

b) Forwards and futures

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

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

d) Options

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

Held for trading purposes

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

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank'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.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of commission rate risk by setting limits on commission rate gaps for stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce commission rate gap within the established limits.

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to adjust its exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging, other than portfolio hedges for commission rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission-rate exposures.

The Bank also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value or cash flow hedges.

The tables below show the positive and negative fair values of derivative financial instruments, together with the notional amounts, analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

11. Derivatives (continued)

				Derivative financial instruments Notional amounts by term to maturity				
2013	**Positive fair value**	**Negative fair value**	**Notional amount total**	**Within 3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Monthly average**
Held for trading:								
Commission rate swaps	**119,174**	**114,332**	**7,786,184**	**240,000**	**1,074,611**	**6,419,894**	**51,679**	**7,107,119**
Commission rate futures and options	**–**	**–**	**24,815**	**–**	**–**	**24,815**	**–**	**5,344,968**
Forward foreign exchange contracts	**50,043**	**21,015**	**6,310,929**	**4,890,058**	**1,417,069**	**3,802**	**–**	**8,685,071**
Currency options	**2,825**	**2,820**	**13,306,210**	**3,652,580**	**7,023,594**	**2,630,036**	**–**	**11,144,597**
Held as fair value hedges:								
Commission rate swaps	**4,859**	**81,171**	**2,642,222**	**45,908**	**93,750**	**2,476,725**	**25,839**	**4,508,978**
Held as cash flow hedges:								
Commission rate swaps	**–**	**18,092**	**1,237,500**	**–**	**–**	**1,237,500**	**–**	**–**
Total	**176,901**	**237,430**	**31,307,860**	**8,828,546**	**9,609,024**	**12,792,772**	**77,518**	**36,790,733**
2012								
Held for trading:								
Commission rate swaps	70,566	63,595	6,941,399	225,000	558,750	3,137,061	3,020,588	5,135,403
Commission rate futures and options	–	–	–	–	–	–	–	2,246,887
Forward foreign exchange contracts	82,169	56,295	15,493,676	12,745,327	2,675,161	73,188	–	12,422,049
Currency options	6,632	492	5,896,813	291,624	4,014,199	1,590,990	–	6,806,129
Held as fair value hedges:								
Commission rate swaps	5,990	136,934	3,514,880	–	2,436,011	691,995	386,874	3,661,960
Held as cash flow hedges:								
Commission rate swaps	–	–	–	–	–	–	–	1,849,375
Total	165,357	257,316	31,846,768	13,261,951	9,684,121	5,493,234	3,407,462	32,121,803

The tables below show a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value:

Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
2013						
Fixed commission rate investments	**2,058,903**	**2,032,089**	Fair value	Commission rate swap	**–**	**26,225**
Fixed commission rate loans	**660,220**	**610,133**	Fair value	Commission rate swap	**4,859**	**54,946**
Floating commission rate loans	**1,255,592**	**1,237,500**	Cash flow	Commission rate swap	**–**	**18,092**
2012						
Fixed commission rate investments	657,875	617,261	Fair value	Commission rate swap	–	44,329
Fixed commission rate loans	2,984,234	2,897,619	Fair value	Commission rate swap	5,990	92,605

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Cash flow hedges

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

2013	**Within 1 year**	**1-3 years**	**3-5 years**
Cash inflows (assets)	13,310	26,598	26,547
Cash out flows (liabilities)	(7,423)	(24,626)	(55,079)
Net cash inflow (outflow)	5,887	1,972	(28,532)

2012			
Cash inflows (assets)	-	-	-
Cash out flows (liabilities)	-	-	-
Net cash inflow (outflow)	-	-	-

The discontinuation of hedge accounting resulted in reclassification of the associated cumulative losses of SAR 2.5 million from equity to consolidated income statement (2012: cumulative losses of SAR 466 thousands), included in the above numbers.

Approximately 15% (2012: 31%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and less than 17% (2012: 18%) of the positive fair value contracts are with any single counter-party at the consolidated statement of financial position date. Derivative activities are mainly carried out under the Bank's treasury banking segment.

12. Due to banks and other financial institutions

	2013	2012
Current accounts	**169,557**	219,267
Money market deposits	**7,471,501**	6,330,657
Total	**7,641,058**	6,549,924

13. Customers' deposits

	2013	2012
Demand	**57,388,751**	52,349,494
Saving	**104,608**	103,598
Time	**42,843,203**	51,248,571
Other	**6,036,170**	3,858,780
Total	**106,372,732**	107,560,443

Time deposits include deposits against sale of securities of SAR 923 million (2012: SAR 4,269 million) with agreements to repurchase the same at fixed future dates. Other customers' deposits include SAR 3,621 million (2012: SAR 2,705 million) of margins held for irrevocable commitments.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

13. Customers' deposits (continued)

The above include foreign currency deposits as follows:

	2013	2012
Demand	**1,637,820**	1,833,412
Saving	**3,219**	1,304
Time	**14,552,080**	20,085,439
Other	**148,866**	182,113
Total	**16,341,985**	22,102,268

14. Other liabilities

	2013	2012
Accrued special commission payable – banks and other financial institutions	**813**	1,591
– customers' deposits	**54,983**	57,766
– derivatives	**63,670**	84,145
– debt securities in issue	**4,555**	4,774
Total accrued special commission payable	**124,021**	148,276
Negative fair value of derivatives (note 11)	**237,430**	257,316
Other	**2,684,269**	2,526,230
Total	**3,045,720**	2,931,822

15. Debt securities in issue

During the year ended December 31, 2006, the Bank issued USD 500 million, 10 year subordinated floating rate notes (the notes) under its USD 850 million Euro Medium Term Note program. The notes initially carried a special commission rate of Libor plus 83 bps. The notes are non-convertible, unsecured and listed on the London stock exchange. These notes are callable after 5 years from their date of issuance. Effective October 31, 2011 and based on the step-up condition, the commission rate has been adjusted to Libor plus 133 bps.

During the year ended December 31, 2009, USD 50 million was purchased from the secondary market and retired.

16. Share capital

The authorized, issued and fully paid share capital of the Bank as at December 31, 2013 consists of 850 million shares of SAR 10 each (2012: 850 million shares of SAR 10 each). The ownership of the Bank's share capital is as follows:

	2013	2012
Saudi shareholders	**60%**	60%
Arab Bank PLC – Jordan	**40%**	40%

At December 31, 2013, the Bank has 850 million shares issued and outstanding.

17. Statutory reserve

In accordance with the Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up share capital of the Bank. Accordingly, SAR 640 million has been transferred from the net income for the year ended December 31, 2013 (2012: SAR 600 million). The statutory reserve is not available for distribution.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

18. Commitments and contingencies

a) Legal proceedings

As at December 31, 2013 and 2012 there were legal proceedings of a routine nature outstanding against the Bank. No material provision has been made as related professional legal advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2013 the Bank had capital commitments of SAR 112 million (2012: SAR 140 million) in respect of building 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.
Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

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

i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2013	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**3,023,152**	**1,887,049**	**752,766**	**–**	**5,662,967**
Letters of guarantee	**9,959,339**	**8,665,174**	**6,171,460**	**120,865**	**24,916,838**
Acceptances	**1,082,372**	**439,491**	**15,021**	**–**	**1,536,884**
Irrevocable commitments to extend credit	**–**	**236,952**	**1,969,516**	**–**	**2,206,468**
Other	**–**	**–**	**–**	**148,462**	**148,462**
Total	**14,064,863**	**11,228,666**	**8,908,763**	**269,327**	**34,471,619**

2012					
Letters of credit	3,956,422	3,251,609	859,211	–	8,067,242
Letters of guarantee	6,992,166	11,307,291	6,402,406	333,307	25,035,170
Acceptances	1,736,751	728,105	6,840	–	2,471,696
Irrevocable commitments to extend credit	70	159,231	1,148,275	19,565	1,327,141
Other	–	–	–	166,375	166,375
Total	12,685,409	15,446,236	8,416,732	519,247	37,067,624

The unutilized portion of non-firm commitments as at December 31, 2013, which can be revoked unilaterally at any time by the Bank, amounts to SAR 18,773 million (2012: SAR 12,548 million).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

18. Commitments and contingencies (continued)

ii) The analysis of commitments and contingencies by counter-party is as follows:

	2013	2012
Government and quasi government	**220,888**	33,600
Corporate	**26,595,211**	26,404,181
Banks and other financial institutions	**6,799,484**	9,699,351
Other	**856,036**	930,492
Total	**34,471,619**	37,067,624

d) Assets pledged

Securities pledged under repurchase agreements with other banks include government and non government banks. Assets pledged as collateral with other financial institutions for security are as follows:

	2013		2012	
	Assets	Related liabilities	Assets	Related liabilities
Other investments held at amortized cost (note 6)	**1,560,656**	**922,573**	6,742,681	4,268,654
Available for sale investments (note 6)	**-**	**-**	751,501	750,000
Total	**1,560,656**	**922,573**	7,494,182	5,018,654

e) Operating lease commitments

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

	2013	2012
Less than 1 year	**96,869**	90,949
1 to 5 years	**231,050**	225,722
Over 5 years	**90,128**	106,391
Total	**418,047**	423,062

19. Net special commission income

Special commission income	2013	2012
Investments:		
Available for sale	**124,243**	139,608
Other investments held at amortized cost	**258,721**	259,512
	382,964	399,120
Due from banks and other financial institutions	**21,782**	12,673
Loans and advances	**3,540,155**	3,336,270
Total	**3,944,901**	3,748,063

Special commission expense		
Due to banks and other financial institutions	**13,846**	24,478
Customers' deposits	**527,211**	428,919
Debt securities in issue	**28,945**	34,237
Total	**570,002**	487,634
Net special commission income	**3,374,899**	3,260,429

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

20. Fees and commission income, net

	2013	2012
Fee income		
Share trading and fund management	**107,643**	128,164
Trade finance	**302,686**	241,000
Credit cards	**113,399**	119,408
Other banking services	**979,246**	831,477
Total	**1,502,974**	1,320,049
Fee expense		
Credit cards	**106,015**	99,825
Custody and brokerage fees	**3,908**	8,997
Other banking services	**339,653**	296,385
Total	**449,576**	405,207
Fees and commission income, net	**1,053,398**	914,842

21. Income (loss) from FVIS financial instruments, net

	2013	2012
Fair value change of financial assets held as FVIS investments	**3,763**	(149)

22. Trading income, net

	2013	2012
Fixed rate securities	**23,514**	43,126
Derivatives	**38,111**	15,139
Total	**61,625**	58,265

23. Dividend income

	2013	2012
Available for sale investments	**52,894**	35,990

24. Gains and impairment of non-trading investments, net

	2013	2012
Realized gains on available for sale investments	**29,376**	96,235
Realized gains on other investments held at amortized cost	**17,076**	-
Impairment gain (loss) on other investments held at amortized cost	**28,125**	(9,375)
Total	**74,577**	86,860

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25. Other operating income, net

	2013	2012
(Loss) gain on disposal of property and equipment	**(918)**	7
Recoveries of loans and advances previously written off	**70,305**	141,312
Gain (loss) on disposal of other real estate	**16,370**	(105)
Other	**46,150**	15,708
Total	**131,907**	156,922

26. Basic and fully diluted earnings per share

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

The fully diluted earnings per share is the same as the basic earnings per share figure.

27. Proposed gross dividend, Zakat and Income Tax

Gross dividend is comprised of the following:

	2013	2012
Proposed dividends	**425,000**	850,000
Zakat (including prior year difference)	**415,028**	407,961
Total	**840,028**	1,257,961

At December 15, 2013 the Board of Directors' recommended to pay cash dividends of SAR 425 million and bonus shares by issuing 3 bonus shares for every 17 existing shares. The bonus shares will be issued by transferring SAR 1,500 million from the retained earnings. These dividends are subject to final approval of the general assembly.

The dividends are paid to the Saudi and non-Saudi shareholders after deduction of Zakat and income tax respectively as follows:

Zakat

Zakat attributable to Saudi Shareholders for the year amounted to approximately SAR 257 million (2012: SAR 245 million).

Income Tax

Income tax payable by the non-Saudi Shareholder on the current year's share of net income is SAR 208 million (2012: SAR 199 million).

The Bank has submitted its Zakat and income tax returns for the years up to 2012 and received Zakat/Tax assessment in respect of prior years from 2004 to 2008. The bank, in consultation with its advisors, will contest the assessment and file an appeal. At the current stage, a reasonable estimation of the exposure cannot be determined reliably.

28. Cash and cash equivalents

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

	2013	2012
Cash and balances with SAMA excluding statutory deposit (note 4)	**9,039,883**	15,063,820
Due from banks and other financial institutions maturing within ninety days of the acquisition date	**2,767,181**	2,240,924
Total	**11,807,064**	17,304,744

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29. Compensation practices

In compliance with the rules set out by SAMA, which are consistent with the principles and standards of Financial Stability Board (FSB), the Bank has implemented a "Risk-Based Compensation Policy". The policy is approved by the Bank's Board of Directors (The Board) and gives highest consideration to the alignment of compensation with risk and provides a competitive and balanced package of fixed and variable compensation. The policy ensures that compensation takes into account the likelihood and timelines of earnings and its impact on the Bank's capital. It also focuses on promoting effective risk management, achieving financial stability and dealing with risks posed by its compensation practices. The Bank takes into account all types of existing and potential material risks and ensures a balance between general industry practices and bank-specific factors such as business model, financial condition, operating performance, market perception, business prospects, appropriate managerial judgment etc.

The Board of Directors, while determining and approving the bonus pool for the Bank, considers performance in absolute and relative terms, consistency of earnings, long term performance, historical bonus pool, market conditions, and the like. Similarly, while allocating the Bank-wide pool to business units, due consideration is given to the type of business transacted, level of risk assumed, relative importance of earnings, distinctive business drivers, historical bonus pool, current performance and the business unit's consistency of performance.

The Board has ultimate responsibility for promoting effective governance and sound compensation practices. In order to assist in overseeing the Compensation system's design and its operation, the Board has appointed a Nomination & Compensation Committee. The Nomination & Compensation Committee comprises of three non-executives members of the Board and is chaired by an independent member of the Board. The Committee has full authority on behalf of the Board to review and where considered appropriate propose changes to the Bank's compensation policy and practices and recommend the same to the Board, for its approval, to ensure adequacy and effectiveness of the policy in meeting its intended objectives. The Committee also reviews the level and composition of remuneration of key executives of the Bank, and recommends the risk-adjusted bonus pool to the Board, for approval.

The governance process ensures that the Compensation Policy is consistently applied within the Bank and operates as intended. The Bank has established an oversight mechanism to regularly evaluate the design characteristics of compensation practices and their implementation.

S.No.	Categories of employees	Number of employees	Fixed compensation	Variable costs paid cash in 2013
1.	Senior executive requiring SAMA no objections	**20**	**40,449**	**22,386**
2.	Employees engaged in risk taking activities	**157**	**86,407**	**28,502**
3.	Employees engaged in control functions	**362**	**98,428**	**9,614**
4.	Other employees	**4,047**	**660,044**	**55,562**
5.	Outsourced employees engaged in risk taking activities	**–**	**–**	**–**
	Total	**4,586**	**885,328**	**116,064**
	Variable compensation accrued in 2013		**105,000**	
	Other employment related costs*		**199,631**	
	Total salaries and employment related expenses		**1,189,959**	

S.No.	Categories of employees	Number of employees	Fixed compensation	Variable cost paid cash in 2012
1.	Senior executive requiring SAMA no objections	21	41,016	22,086
2.	Employees engaged in risk taking activities	171	81,674	21,367
3.	Employees engaged in control functions	366	91,091	7,187
4.	Other employees	4,069	619,498	56,734
5.	Outsourced employees engaged in risk taking activities	–	–	–
	Total	4,627	833,279	107,374
	Variable compensation accrued in 2012		90,000	
	Other employment related costs*		188,363	
	Total salaries and employment related expenses		1,111,642	

* Other employment related costs include end of service benefits, GOSI, business travel, training and development, and other employees' benefits.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

30. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance.

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

Retail banking	Deposit, credit and investment products for individuals.
Corporate banking	Loans and advances, deposits and other credit products for corporate and institutional customers, small to medium sized businesses, and the Bank's London Branch.
Treasury banking	Manages the Bank's trading and investment portfolios and the Bank's funding, liquidity, currency and commission risks.
Investment and brokerage services	Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.
Other	Includes income on capital and unallocated costs, assets and liabilities pertaining to the Head Office and other supporting departments.

Transactions between the operating segments are reported as recorded in the Group's transfer pricing system. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.
The Group's primary business is conducted in the Kingdom of Saudi Arabia with one international branch in London. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Group's overall consolidated financial statements.

a) The Group's total assets and liabilities as at December 31, 2013 and 2012, its total operating income, expenses and net income for the years then ended, by operating segments, are as follows:

2013	Retail banking	Corporate banking	Treasury banking	Investment & brokerage services	Other	Total
Total assets	32,028,809	60,352,931	42,676,008	77,536	2,800,140	137,935,424
Total liabilities	57,363,915	51,321,417	9,383,684	32,063	645,931	118,747,010
Fee and commission income, net	294,241	572,717	19,292	105,568	61,580	1,053,398
Total operating income	2,093,443	1,781,241	972,615	112,430	149,816	5,109,545
Total operating expenses	1,543,975	864,638	90,053	74,921	47,302	2,620,889
Share in earnings of an associate	–	–	–	–	36,487	36,487
Gain attributed to non-controlling interest	–	–	–	–	(2,648)	(2,648)
Net income attributed to equity holders of the Bank	549,468	916,603	882,562	37,509	136,353	2,522,495
Impairment charges for credit losses, net	213,303	413,685	–	–	–	626,988
Investment in associates	–	–	–	–	466,533	466,533
Depreciation and amortization	136,611	2,799	3,554	6,121	38,739	187,824

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2012	Retail banking	Corporate banking	Treasury banking	Investment & brokerage services	Other	Total
Total assets	30,819,872	59,315,473	43,420,050	44,194	3,039,687	136,639,276
Total liabilities	51,822,096	57,833,016	8,393,092	35,897	645,588	118,729,689
Fee and commission income, net	307,881	439,743	32,820	123,586	10,812	914,842
Total operating income	2,145,472	1,507,933	873,981	139,804	89,631	4,756,821
Total operating expenses	1,453,112	771,405	72,285	87,586	29,537	2,413,925
Share in earnings of an associate	–	–	–	–	28,129	28,129
Loss attributed to non-controlling interest	–	–	–	–	153	153
Net income attributed to equity holders of the Bank	692,360	736,528	801,696	52,218	88,376	2,371,178
Impairment charges for credit losses, net	194,760	327,036	–	–	–	521,796
Investment in associates	–	–	–	–	430,046	430,046
Depreciation and amortization	156,209	3,354	4,139	7,251	22,265	193,218

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

2013	**Retail banking**	**Corporate banking**	**Treasury banking**	**Investment & brokerage services**	**Other**	**Total**
Consolidated statement of financial position assets	**29,251,462**	**60,024,648**	**42,387,374**	**16,182**	**1,230,048**	**132,909,714**
Commitment and contingencies	**3,309,730**	**12,921,401**	**–**	**74,231**	**–**	**16,305,362**
Derivatives	**–**	**9,809**	**769,833**	**–**	**–**	**779,642**

2012						
Consolidated statement of financial position assets	28,063,603	58,888,148	43,064,256	26,185	1,541,534	131,583,726
Commitment and contingencies	3,723,745	13,542,555	–	83,187	–	17,349,487
Derivatives	–	2,917	719,228	–	–	722,145

Credit exposure comprises the carrying value of consolidated statement of financial position assets, excluding cash, property and equipment, other real estate, and other assets. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure (note 32a).

31. Credit risk

The Bank 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 arise principally in lending activities that relate to loans and advances, and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk. The Bank's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counter-parties fail to fulfill their obligation. To control the level of credit risk taken, the Bank assesses counter-parties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counter-parties 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.

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31. Credit risk (continued)

Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The Bank also seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

The Bank regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practices.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counter-party is provided in note 6d. Information on credit risk relating to derivative instruments is provided in note 32 and for commitments and contingencies in note 18. The information on banks maximum credit exposure by operating segment is given in note 30. The information on maximum credit risk exposure and their relative risk weights is also provided in note 37.

The Bank classifies its exposure into thirteen risk categories. Of these, ten categories are for performing and three for non performing. Each borrower is rated on an internally developed objective risk rating model that evaluates risk based on financial as well as qualitative factors such as management strength, industry characteristics, account conduct and company type. An independent credit review unit reviews the assigned ratings periodically. Exposures falling below a certain classification threshold are considered to be impaired, and appropriate specific provisions are made against them by comparing the present value of expected future cash flows for each such exposure with its carrying amount based on the criteria prescribed by IAS 39. Collective impairment is also measured and recognized on a portfolio basis for group of similar credits that are not individually identified as impaired.

a) Credit risk exposures – on- consolidated statement of financial position assets:

	2013	2012
Loans and advances, net:		
Consumer loans		
Credit cards	**357,811**	395,378
Term loans	**22,477,498**	21,781,508
Total	**22,835,309**	22,176,886
Corporate loans		
Syndicated loans	**12,881,373**	13,843,066
Overdrafts	**4,278,923**	4,179,317
Term loans	**48,372,254**	46,107,348
Other	**88,247**	21,991
Total	**65,620,797**	64,151,722
Investments, net:		
Fixed-rate securities	**21,670,079**	17,136,991
Floating-rate notes	**4,963,977**	5,769,978
Other	**1,614,313**	1,416,078
Total	**28,248,369**	24,323,047
Gross Total	**116,704,475**	110,651,655

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b) Credit risk exposures – off- consolidated statement of financial position items:

	2013	2012
Loan commitments and other credit related liabilities	**2,206,468**	1,327,141
Financial guarantees	**32,265,151**	35,740,483
Total	**34,471,619**	37,067,624

c) Credit quality of loans and advances

	2013	2012
Description		
Neither past due nor impaired	**87,055,936**	84,782,616
Past due but not impaired	**841,836**	793,539
Impaired (any loan with specific provision)	**2,612,374**	3,451,181
Total loans and advances	**90,510,146**	89,027,336
Impairment charges for credit losses, net	**(2,054,040)**	(2,698,728)
Loans and advances, net	**88,456,106**	86,328,608

d) Loans and advances that are neither past due nor impaired

	2013	2012
Grades:		
Low risk (1-4)	**40,873,995**	39,009,948
Acceptable risk (5-8)	**45,776,392**	45,652,090
Watch list (9-10)	**405,549**	120,578
Total	**87,055,936**	84,782,616

Grade 1-4: includes corporate and commercial loans having financial conditions, risk factors and ability to repay that are superior to excellent. For retail, it includes loans with salary assignment or real estate collaterals.

Grade 5-8: includes corporate and commercial loans having financial conditions, risk factors and ability to repay that are acceptable to good, in addition to other retail loans not included in the above category.

Grade 9-10: A credit that is currently protected but has potential weaknesses that deserve management's close attention.

e) Loans and advances past due but not impaired

2013	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Past due up to 30 days	**25,511**	**663,343**	**102,230**	**791,084**
Past due 30 - 60 days	**–**	**–**	**43,512**	**43,512**
Past due 60-90 days	**–**	**–**	**66**	**66**
Past due more than 90 days	**–**	**–**	**7,174**	**7,174**
Total	**25,511**	**663,343**	**152,982**	**841,836**

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31. Credit risk (continued)

e) Loans and advances past due but not impaired (continued)

2012	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Past due up to 30 days	34,934	620,515	119,455	774,904
Past due 30 - 60 days	-	-	3,697	3,697
Past due 60-90 days	-	-	8,857	8,857
Past due more than 90 days	-	-	6,081	6,081
Total	34,934	620,515	138,090	793,539

f) Impaired loans and advances

	2013	2012
Corporate loans	**2,464,441**	3,337,590
Retail loans	**147,933**	113,591
Total	**2,612,374**	3,451,181

g) Credit quality of financial assets (investments)

The credit quality of investments excluding investment in equities is managed using external credit ratings except Structured Investment Vehicles (SIVs), where internal credit ratings are used. The table below shows the credit quality by class of asset:

	2013	2012
Saudi Government Bonds	**11,831,297**	10,432,957
Investment grade	**15,043,178**	12,449,718
Non Investment grade	**169,769**	131,063
Unrated	**1,204,125**	1,309,309
Total investment, net	**28,248,369**	24,323,047

The Saudi Government Bonds comprise Saudi Government Development Bonds, Floating Rate Notes and Treasury Bills.
Investment Grade comprises investments having credit rating equivalent to Standard and Poor's rating of AAA to BBB.
The unrated investments comprise mainly mutual funds and investment in equities.

h) Collateral

The bank obtained assets by taking possession of collateral held as security, or calling upon other credit enhancements as follows:

	2013	2012
Nature of collateral held as security	**Carrying value**	Carrying value
Listed securities	**19,868,153**	14,610,064
Properties	**4,194,305**	3,454,149
Others	**4,404,260**	1,865,434
Total	**28,466,718**	19,929,647

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32. Concentration of risks of financial assets with credit risk exposure and financial liabilities

a) Geographical concentration

The bank's main credit exposure by geographical region is as follows:

2013	Saudi Arabia	Other GCC & MiddleEast	Europe	North America	Latin America	South East Asia	Other Countries	Total
Assets								
Cash and balances with SAMA	**14,969,110**	**–**	**2,639**	**–**	**–**	**–**	**–**	**14,971,749**
Due from banks and other financial institutions	**1,600,000**	**263,835**	**538,701**	**243,475**	**–**	**120,870**	**300**	**2,767,181**
Investments, net	**18,633,312**	**2,002,802**	**1,212,383**	**6,288,272**	**–**	**111,600**		**28,248,369**
Investment in associates	**466,533**	**–**	**–**	**–**	**–**	**–**	**–**	**466,533**
Loans and advances, net	**87,866,065**	**63,547**	**396,129**	**130,365**	**–**	**–**	**–**	**88,456,106**
Total	**123,535,020**	**2,330,184**	**2,149,852**	**6,662,112**	**–**	**232,470**	**300**	**134,909,938**
Liabilities								
Due to banks and other financial institutions	**93,750**	**1,611,970**	**78,730**	**5,854,451**	**–**	**1,641**	**516**	**7,641,058**
Customers' deposits	**105,890,287**	**132,471**	**345,151**	**3,082**	**–**	**579**	**1,162**	**106,372,732**
Debt securities in issue	**–**	**840,000**	**623,250**	**–**	**–**	**224,250**	**–**	**1,687,500**
Total	**105,984,037**	**2,584,441**	**1,047,131**	**5,857,533**	**–**	**226,470**	**1,678**	**115,701,290**
Commitments and contingencies	**21,634,927**	**4,051,733**	**3,776,429**	**386,648**	**9,653**	**4,588,103**	**24,126**	**34,471,619**
Maximum credit exposure (stated at credit equivalent amounts)								
Commitments and contingencies	**10,426,588**	**1,969,578**	**1,598,523**	**197,842**	**5,471**	**2,100,163**	**7,197**	**16,305,362**
Derivatives	**305,255**	**35,327**	**350,040**	**88,792**	**228**	**–**	**–**	**779,642**

2012	Saudi Arabia	Other GCC & MiddleEast	Europe	North America	Latin America	South East Asia	Other Countries	Total
Cash and balances with SAMA	20,331,609	–	2,820	–	–	–	–	20,334,429
Due from banks and other financial institutions	775,000	533,136	329,574	414,636	–	187,342	1,236	2,240,924
Investments, net	15,907,281	1,891,551	2,749,548	3,609,321	–	113,497	51,849	24,323,047
Investment in associates	430,046	–	–	–	–	–	–	430,046
Loans and advances, net	85,814,510	34,939	471,265	7,894	–	–	–	86,328,608
Total	123,258,446	2,459,626	3,553,207	4,031,851	–	300,839	53,085	133,657,054
Liabilities								
Due to banks and other financial institutions	1,650,104	3,715,074	436,582	746,526	–	1,478	160	6,549,924
Customers' deposits	107,362,274	28,545	165,782	2,104	127	560	1,051	107,560,443
Debt securities in issue	–	840,000	623,250	–	–	224,250	–	1,687,500
Total	109,012,378	4,583,619	1,225,614	748,630	127	226,288	1,211	115,797,867
Commitments and contingencies	19,868,813	2,291,746	4,935,381	1,366,006	23,223	8,391,887	190,568	37,067,624
Maximum credit exposure (stated at credit equivalent amounts)								
Commitments and contingencies	9,483,590	1,060,578	2,115,458	870,059	7,191	3,723,694	88,917	17,349,487
Derivatives	239,202	7,603	417,037	57,739	564	–	–	722,145

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32. Concentration of risks of financial assets with credit risk exposure and financial liabilities (continued)

a) Geographical concentration (continued)

Credit equivalent amounts reflect the amounts that result from translating the Bank's off-consolidated statement of financial position liabilities into the risk equivalent of loans using credit conversion factors prescribed by SAMA. Credit conversion factor is meant to capture the potential credit risk related to the exercise of the commitment.

b) The distributions by geographical concentration of non-performing loans and advances and impairment charges for credit losses are as follows:

	Non-performing loans, net		Impairment charges for credit losses	
	2013	2012	**2013**	2012
Saudi Arabia	**1,003,570**	1,314,784	**2,054,040**	2,698,728

33. Market risk

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices. The Bank classifies exposures to market risk into either trading or banking-book.

a) Market risk-trading book

The Board has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in trading book, the Bank periodically applies a VAR (value at risk) methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank uses risk models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VAR that the bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VAR figure should occur, on average, not more than once every hundred days.

The VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VAR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

Although VAR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

I. A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market liquidity for a prolonged period.

II. A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VAR.

III. VAR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

IV. The VAR measure is dependent upon the Bank's position and the volatility of market prices. The VAR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VAR methodology are recognized by supplementing VAR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio

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The Bank's VAR related information for the years ended December 31, 2013 and 2012 is as under. All the figures are in million SAR:

	2013				2012			
	Foreign exchange risk	**Special commission risk**	**Equity price risk**	**Overall risk**	Foreign exchange risk	Special commission risk	Equity price risk	Overall risk
VAR as at December 31	**0.7096**	**0.3334**	**–**	**0.6797**	2.6938	0.2649	–	2.6704
Average VAR	**0.9494**	**2.4853**	**–**	**2.8822**	1.7110	3.0542	–	3.9168

(b) Non-Trading portfolio VAR by risk type

Market risk on non-trading or banking positions mainly arises from the commission rate, foreign currency exposures and equity price changes.

i) Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established commission rate gap limits for stipulated periods. The Bank monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in commission rates, with other variables held constant, on the Bank's consolidated income statement or equity. The sensitivity of the income is the effect of the assumed changes in commission rates on the special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2013, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate available for sale financial assets, including the effect of any associated hedges as at December 31, 2013 for the effect of assumed changes in commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2013

Currency	**Ilncrease in basis points**	**Sensitivity of special commission income**	**Sensitivity of equityy**				**Total**
			6 months or less	**1 year or less**	**1-5 years or less**	**Over 5 years**	
SAR	**+10**	**33.25**	**(0.04)**	**(0.06)**	**(1.10)**	**(0.21)**	**(1.41)**
USD	**+10**	**(7.66)**	**(0.10)**	**(0.01)**	**(21.73)**	**–**	**(21.84)**
Others	**+10**	**(0.40)**	**(0.04)**	**(0.02)**	**(0.03)**	**(0.02)**	**(0.11)**

2013

Currency	**Decrease in basis points**	**Sensitivity of special commission income**	**Sensitivity of equityy**				**Total**
			6 months or less	**1 year or less**	**1-5 years or less**	**Over 5 years**	
SAR	**-10**	**(33.25)**	**0.04**	**0.06**	**1.10**	**0.21**	**1.41**
USD	**-10**	**7.66**	**0.10**	**0.01**	**21.73**	**–**	**21.84**
Others	**-10**	**0.40**	**0.04**	**0.02**	**0.03**	**0.02**	**0.11**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

33. Market risk (continued)

(b) Non-Trading portfolio VAR by risk type (continued)

i) Commission rate risk (continued)

2012

Currency	IIncrease in basis points	Sensitivity of special commission income	Sensitivity of equityy				Total
			6 months or less	1 year or less	1-5 years or less	Over 5 years	
SAR	+10	23.68	(0.01)	(0.11)	(0.46)	(0.01)	(0.59)
USD	+10	(12.53)	(0.04)	(0.35)	(11.55)	-	(11.94)
Others	+10	3.96	(0.01)	(0.28)	-	-	(0.29)

2012

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equityy				Total
			6 months or less	1 year or less	1-5 years or less	Over 5 years	
SAR	-10	(23.68)	0.01	0.11	0.46	0.01	0.59
USD	-10	12.53	0.04	0.35	11.55	-	11.94
Others	-10	(3.96)	0.01	0.28	-	-	0.29

Commission sensitivity of assets, liabilities and off consolidated statement of financial position items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market commission rates on its financial position and cash flows.

The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off consolidated statement of financial position instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

2013	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Assets						
Cash and balances with SAMA	7,021,951	–	–	–	7,949,798	14,971,749
Due from banks and other financial institutions	1,754,904	–	–	–	1,012,277	2,767,181
Investments, net	10,688,535	5,927,363	8,721,134	1,295,006	1,616,331	28,248,369
Loans and advances, net	42,909,381	24,551,097	20,314,663	680,965	–	88,456,106
Investment in associates	–	–	–	–	466,533	466,533
Other real estate	–	–	–	–	136,634	136,634
Property and equipment, net	–	–	–	–	1,647,318	1,647,318
Other assets	–	–	–	–	1,241,534	1,241,534
Total assets	62,374,771	30,478,460	29,035,797	1,975,971	14,070,425	137,935,424
Liabilities and equity						
Due to banks and other financial institutions	6,719,465	752,036	–	–	169,557	7,641,058
Customers' deposits	22,886,792	20,612,892	3,854	–	62,869,194	106,372,732
Other liabilities	–	–	–	–	3,045,720	3,045,720
Debt securities in issue	1,687,500	–	–	–	–	1,687,500
Equity	–	–	–	–	19,188,414	19,188,414
Total liabilities and equity	31,293,757	21,364,928	3,854	–	85,272,885	137,935,424
On-consolidated statement of financial position gap	31,081,014	9,113,532	29,031,943	1,975,971	(71,202,460)	
Off-consolidated statement of financial position gap	749,748	507,082	(1,230,990)	(25,840)	–	
Total commission rate sensitivity gap	31,830,762	9,620,614	27,800,953	1,950,131	(71,202,460)	
Cumulative commission rate sensitivity gap	31,830,762	41,451,376	69,252,329	71,202,460	–	

2012	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Assets						
Cash and balances with SAMA	12,983,910	–	–	–	7,350,519	20,334,429
Due from banks and other financial institutions	1,102,636	–	–	–	1,138,288	2,240,924
Investments, net	10,386,380	4,637,196	6,833,181	1,067,107	1,399,183	24,323,047
Loans and advances, net	44,377,458	20,719,730	20,535,840	695,580	–	86,328,608
Investment in associates	–	–	–	–	430,046	430,046
Other real estate	–	–	–	–	319,006	319,006
Property and equipment, net	–	–	–	–	1,506,311	1,506,311
Other assets	–	–	–	–	1,156,905	1,156,905
Total assets	68,850,384	25,356,926	27,369,021	1,762,687	13,300,258	136,639,276

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

33. Market risk (continued)

(b) Non-Trading portfolio VAR by risk type (continued)

i) Commission rate risk (continued)

2012	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Liabilities and equity						
Due to banks and other financial institutions	5,700,657	630,000	-	-	219,267	6,549,924
Customers' deposits	33,231,227	20,554,168	29,489	-	53,745,559	107,560,443
Other liabilities	-	-	-	-	2,931,822	2,931,822
Debt securities in issue	1,687,500	-	-	-	-	1,687,500
Equity	-	-	-	-	17,909,587	17,909,587
Total liabilities and equity	40,619,384	21,184,168	29,489	-	74,806,235	136,639,276
On-consolidated statement of financial position gap	28,231,000	4,172,758	27,339,532	1,762,687	(61,505,977)	
Off-consolidated statement of financial position gap	2,975,933	(1,797,468)	(803,465)	(375,000)	-	
Total commission rate sensitivity gap	31,206,933	2,375,290	26,536,067	1,387,687	(61,505,977)	
Cumulative commission rate sensitivity gap	31,206,933	33,582,223	60,118,290	61,505,977	-	

The off-consolidated statement of financial position gap represents the net notional amounts of derivative financial instruments, which are used to manage the commission rate risk.

The effective commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 2013 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated income statement (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps used as cash flow hedges). A positive effect shows a potential increase in consolidated income statement or equity; whereas a negative effect shows a potential net reduction in consolidated income statement or equity.

	2013		2012	
Currency risk exposures	**Changes in currency rate in %**	**Effect on net income**	Changes in currency rate in %	Effect on net income
USD	**+5**	**(23.486)**	-5	(23.463)
EUR	**-3**	**(0.153)**	-3	(3.566)
GBP	**-3**	**(0.085)**	-3	(12.207)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

iii) Currency position

The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

	Long (short) 2013	Long (short) 2012
US Dollar	**(469,711)**	(158,670)
Euro	**5,112**	2,917
Pound Sterling	**2,824**	13,407

iv) Equity price risk

Equity price risk refers to the risk of decrease in fair values of equities in the Bank's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

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

Market indices	**2013**		2012	
	Change in index %	**Effect in SAR'000**	Change in index %	Effect in SAR'000
Tadawul	**+5**	**50,640**	+5	41,354

34. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up 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.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2012: 7%) of total demand deposits and 4% (2012: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash, Saudi Government Development Bonds or assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through repo facilities with SAMA against Saudi Government Development Bonds up to 75% of the nominal value of bonds held.

i) Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not affect the expected cash flows indicated by the Bank's deposit retention history.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

34. Liquidity risk (continued)

i) Analysis of undiscounted financial liabilities by remaining contractual maturities (continued)

2013	Within 3 months	3-12 months	1-5 years	Above 5 years	No fixed maturity	Total
Financial liabilities						
Due to banks and other financial institutions	**6,719,642**	**754,201**	**–**	**–**	**169,557**	**7,643,400**
Customers' deposits	**22,665,118**	**23,306,438**	**228,558**	**–**	**61,017,840**	**107,217,954**
Derivative financial instruments						
Contractual amounts payable	**21,156**	**104,373**	**479,320**	**4,802**	**–**	**609,651**
Contractual amounts receivable	**(15,949)**	**(74,479)**	**(420,162)**	**(5,351)**	**–**	**(515,941)**
Debt securities in issue	**11,260**	**20,091**	**1,741,297**	**–**	**–**	**1,772,648**
Total financial liabilities	**29,401,227**	**24,110,624**	**2,029,013**	**(549)**	**61,187,397**	**116,727,712**

2012						
Financial liabilities						
Due to banks and other financial institutions	6,189,785	631,711	–	–	219,267	7,040,763
Customers' deposits	32,604,852	21,100,450	29,390	–	54,676,011	108,410,703
Derivative financial instruments						
Contractual amounts payable	15,495	93,641	326,042	16,444	–	451,622
Contractual amounts receivable	(18,411)	(54,991)	(246,534)	(6,798)	–	(326,734)
Debt securities in issue	7,073	25,292	1,767,450	–	–	1,799,815
Total financial liabilities	38,798,794	21,796,103	1,876,348	9,646	54,895,278	117,376,169

ii) Maturity profile of Bank's assets, liabilities and equity

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. See note (i) above for the Bank's contractual undiscounted financial liabilities.

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 ALCO. Daily reports cover the liquidity position of both the Bank and operating subsidiaries and foreign branch. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

2013	Within 3 months	3–12 months	1–5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	**7,021,951**	**–**	**–**	**–**	**7,949,798**	**14,971,749**
Due from banks and other financial institutions	**1,754,904**	**–**	**–**	**–**	**1,012,277**	**2,767,181**
Investments, net	**6,987,403**	**5,304,934**	**10,850,143**	**3,489,558**	**1,616,331**	**28,248,369**
Loans and advances, net	**30,005,449**	**21,101,588**	**31,461,956**	**5,132,663**	**754,450**	**88,456,106**
Investment in associates	**–**	**–**	**–**	**–**	**466,533**	**466,533**
Other real estate	**–**	**–**	**–**	**–**	**136,634**	**136,634**
Property and equipment, net	**–**	**–**	**–**	**–**	**1,647,318**	**1,647,318**
Other assets	**–**	**–**	**–**	**–**	**1,241,534**	**1,241,534**
Total assets	**45,769,707**	**26,406,522**	**42,312,099**	**8,622,221**	**14,824,875**	**137,935,424**
Liabilities and equity						
Due to banks and other financial institutions	**6,719,465**	**752,036**	**–**	**–**	**169,557**	**7,641,058**
Customers' deposits	**22,118,181**	**23,036,044**	**200,667**	**–**	**61,017,840**	**106,372,732**
Other liabilities	**–**	**–**	**–**	**–**	**3,045,720**	**3,045,720**
Debt securities in issue	**–**	**–**	**1,687,500**	**–**	**–**	**1,687,500**
Equity	**–**	**–**	**–**	**–**	**19,188,414**	**19,188,414**
Total liabilities and equity	**28,837,646**	**23,788,080**	**1,888,167**	**–**	**83,421,531**	**137,935,424**

2012						
Assets						
Cash and balances with SAMA	12,983,910	–	–	–	7,350,519	20,334,429
Due from banks and other financial institutions	1,102,636	–	–	–	1,138,288	2,240,924
Investments, net	5,785,399	4,564,130	9,976,477	2,597,858	1,399,183	24,323,047
Loans and advances, net	29,731,336	20,079,890	28,654,269	3,964,772	3,898,341	86,328,608
Investment in associates	–	–	–	–	430,046	430,046
Other real estate	–	–	–	–	319,006	319,006
Property and equipment, net	–	–	–	–	1,506,311	1,506,311
Other assets	–	–	–	–	1,156,905	1,156,905
Total assets	49,603,281	24,644,020	38,630,746	6,562,630	17,198,599	136,639,276
Liabilities and equity						
Due to banks and other financial institutions	5,700,657	630,000	–	–	219,267	6,549,924
Customers' deposits	32,300,775	20,554,168	29,489	–	54,676,011	107,560,443
Other liabilities	–	–	–	–	2,931,822	2,931,822
Debt securities in issue	–	–	1,687,500	–	–	1,687,500
Equity	–	–	–	–	17,909,587	17,909,587
Total liabilities and equity	38,001,432	21,184,168	1,716,989	–	75,736,687	136,639,276

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

35. Fair values of financial assets and liabilities

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking):

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at FVIS	**–**	**17,443**	**–**	**17,443**
Financial investments available for sale	**8,941,166**	**1,870,982**	**95,601**	**10,907,749**
Derivative financial instruments	**50,043**	**126,858**	**–**	**176,901**
Total	**8,991,209**	**2,015,283**	**95,601**	**11,102,093**
Financial Liabilities				
Derivative financial instruments	**21,015**	**216,415**	**–**	**237,430**
Total	**21,015**	**216,415**	**–**	**237,430**

2012				
Financial assets				
Financial assets designated at FVIS	–	78,178	–	78,178
Financial investments available for sale	7,472,794	1,739,186	72,623	9,284,603
Derivative financial instruments	82,169	83,188	–	165,357
Total	7,554,963	1,900,552	72,623	9,528,138
Financial Liabilities				
Derivative financial instruments	56,295	201,021	–	257,316
Total	56,295	201,021	–	257,316

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of on-consolidated statement of financial position financial instruments, except for other investments held at amortized cost, held-to-maturity investments which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, debts securities in issue, due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

The estimated fair values of held-to-maturity investments and other investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds (respectively). The fair values of these investments are disclosed in note 6. The fair values of derivatives and other off-consolidated statement of financial position financial instruments are based on the quoted market prices when available or by using the appropriate valuation technique. The total amount of the changes in fair value recognized in the consolidated income statement, which was estimated using valuation technique, is SAR 42 million (2012: SAR 92 million).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012 (Saudi Riyals in Thousands)

36. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of the management and the Board of Directors, the related party transactions are performed on an arm's length basis. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA.

a) The balances as at December 31 resulting from such transactions included in the consolidated financial statements are as follows:

	2013	2012
Arab Bank PLC:		
Due from banks and other financial institutions	**126,290**	395,363
Due to banks and other financial institutions	**454,102**	1,097,762
Commitments and contingencies	**4,178,568**	6,608,299
Derivatives (at fair value)	**21,998**	-
Directors, key management personnel, other major shareholders and their affiliates:		
Loans and advances	**2,714,866**	2,742,818
Customers' deposits	**4,719,715**	4,574,918
Commitments and contingencies	**1,610,335**	861,357
Bank's mutual funds:		
Investments	**414,776**	348,276
Loans and advances	**1,340**	275
Customers' deposits	**770,966**	677,489
Associate:		
Loans and advances	**2,454,729**	1,380,681
Customers' deposits	**104,090**	10,231

Other major shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Bank's issued share capital.

b) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2013	2012
Special commission income	**159,213**	177,818
Special commission expense	**45,563**	38,426
Fees and commission income	**24,886**	19,770
Directors' remuneration	**4,245**	4,424

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

	2013	2012
Short-term employee benefits (Salaries and allowances)	**59,015**	58,615
Post-employment benefits (End of service indemnity and social security)	**6,711**	6,674

Key management personnel are those persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Notes to the Consolidated Financial Statements

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37. Capital Adequacy

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

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III – which are effective starting January 1, 2013. Accordingly, the Group's pillar I consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, are as follows:

The increase of the regulatory capital in the year is mainly due to the contribution of the current-year profit.

	2013	2012
Credit Risk RWA	**112,994,422**	111,543,836
Operational Risk RWA	**9,852,558**	8,828,346
Market Risk RWA	**931,221**	1,866,856
Total Pillar-I RWA	**123,778,201**	122,239,038
Tier I Capital	**18,655,454**	16,813,075
Tier II Capital	**1,146,135**	1,237,123
Total Tier I & II Capital	**19,801,589**	18,050,198
Capital Adequacy Ratio %		
Tier I ratio	**15.07%**	13.75%
Tier I + Tier II ratio	**16.00%**	14.77%

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.
For the purposes of presentation, the RWAs, total capital and related ratios as at December 31, 2013 are calculated using the framework methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 are calculated under Basel II and have not been restated.

38. Investment management services

The Group offers investment services to its customers, which include management of investment funds with assets totaling SAR 4,293 million (2012: SAR 3,482 million).

The financial statements of these funds are not consolidated with these consolidated financial statements. However, the Group's share of these funds is included in available-for-sale investments and fees earned are disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

39. Basel disclosures

Under Basel II pillar 3 and Basel III capital structure disclosures, certain quantitative and qualitative disclosures are required, and these disclosures will be made available on the Bank's website www.anb.com.sa, as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to audit by the external auditors.

40. Board of directors' approval

The consolidated financial statements were approved by the Board of Directors at February 11, 2014 (11 Rabi Thani 1435).

Basel III Pillar 3 Qualitative Disclosures

1. General

Under the directives of Saudi Arabian Monetary Agency (SAMA), banks operating in the Kingdom of Saudi Arabia, implemented Basel Capital Adequacy framework commonly known as Basel II Accord, with effect from 1 January 2008. In this regard, SAMA's aim is to encourage market discipline through disclosures, which will provide the reader more valuable information about the banks' risks and exposures. In this context, below are the necessary disclosures required under Basel Accord's Pillar 3 framework.

2. Subsidiaries & Significant Investments

SAMA disclosure requirements apply to Arab National Bank (ANB), as well as to its subsidiaries. A brief description of the bank's subsidiary is as follows:

Arab National Bank Investment Company (ANBI):
A wholly owned Saudi limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on 26th Shawal 1428 (corresponding to 7th November 2007). The main activities are to provide investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority. The subsidiary commenced its operations effective 3rd Muharram 1429 (corresponding to 12th January 2008). Accordingly, ANB started consolidating the financial statements of ANBI, effective 12th January 2008.

Arabian Heavy Equipment Leasing Company:
A 62.5 % owned subsidiary incorporated in the Kingdom of Saudi Arabia, as a Saudi closed joint stock company, under commercial registration no. 1010267489 issued in Riyadh dated 15th Jumada 1, 1430 (10th May 2009). The company is engaged in leasing of heavy equipments and operating in compliance with Shariah principles. The Bank started consolidating the subsidiary's financial statements effective 10th May 2009, when the subsidiary started its operation. AHEL's other shareholders are Ejar cranes and Equipments LLC and Olayan Group.

Apart from this, ANB has made more than 10% equity investments in the following entities :-

Saudi Home Loan Company (SHL):
SHL is a Saudi limited liability company owned 40% by ANB and the remaining 60% is mainly owned by Dar Al Arkan Real Estate Development Company (DAAR), International Finance Corporation (IFC) and Kingdom Installment Company.

SHL was established as a specialized Islamic home finance company within the Kingdom of Saudi Arabia. Products and services are fully Shari'ah compliant. The company's authorized capital is SAR 2 billion, out of which a total amount of SAR 800 million (ANB's Share 320 million) was paid by the shareholders as of 31st December 2013.

Ejar Cranes & Equipment LLC (Ejar):
ANB has 16.67% ownership interest in the Company. Ejar is a dedicated crane leasing company, which was founded in Dubai at the end of 2006. The company is a joint venture between a number of regional companies involved in providing plant machinery, and specifically cranes. As of 31st December 2013, ANB's paid capital in Ejar reached SAR 59.8 million. ANB has initiated the process to divest its investment in Ejar Cranes & Equip. LLC and will in turn increase its share in AHEL after Ejar has divested its stake in AHEL.

ANB-AIG Cooperative Insurance Co. (JV) :
ANB has established a Joint Venture (JV) with Chartis-AIG subsidiary - (10% share) and MetLife ALICO (30% share) to form a cooperative insurance company in Saudi Arabia, which is owned 30% by ANB and its nominees, and balance of 30% has been offered to the public. The company's Initial Public Offering (IPO)was completed during second quarter of 2013.The company is currently being licensed by SAMA and is expected to commence operations shortly. It will offer general as well as individual insurance policies.

ANB Insurance Agency
A Saudi limited liability company, established during 2013 as a wholly owned subsidiary, registered in the Kingdom of Saudi Arabia under the commercial registration no. 1010396423 issued in Riyadh dated 28 Muharram, 1435 (corresponding to December 1, 2013). The agency is licensed by the Saudi Arabian Monetary Agency under the license no. 341000077525 to perform insurance agent activities. The agency is not yet operating and will start its operation after obtaining the approvals of the concerned regulatory parties.

Restrictions and Impediments on Transfer of Funds
There are no restrictions or major impediments on transfer of funds or regulatory capital between the Bank and its fully owned subsidiary, apart from obtaining SAMA approval, when required.

3. Bank's Capital Structure

The Bank's capital comprises of:

Tier I capital which is the core measure of a bank's financial strength from a regulator's point of view. It comprises paid up capital, eligible reserves, retained earnings and adjustments due to changes in the unrealized mark-to-market (MTM) for available-for-sale (AFS) securities.

Tier II capital, comprises subordinated loan capital, qualifying general provisions. During 2006, ANB issued USD 500 million 10 year subordinated floating rate notes under its USD 850 million Euro Medium Term Note program. The notes initially carried a special commission rate of Libor plus 83 bps. The notes are non-convertible, subordinated and listed on the London stock exchange. These notes are callable on a quarterly basis starting from the 5th years from issuance. Effective October 31, 2011 and based on the step-up condition the commission rate has been adjusted to Libor plus 133 bps. During 2009, USD 50 Million was purchased from the secondary market & retired. The maturity of notes is now less than 5-years, and only 40% of the value is considered as Tier II capital.

4. Bank's Capital Adequacy

ANB has established Internal Capital Adequacy Assessment Committee (ICAAC) with the mandate to monitor and ensure that the Bank has adequate capital to support all the risks inherent in its current and future business plans.

ANB's capital adequacy process inter-alia includes identification and assessment of all types of material risks and ensures that besides having enough capital to cover these risks, adequate policies, processes and internal controls are in place to manage these risks in a timely manner. While ANB has adhered to the Pillar-I capital calculation methodologies under the Standardized Approaches, as per the guidelines issued by SAMA,

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4. Bank's capital adequacy (continued)

it has developed its own methodologies for assessing and allocating capital for Pillar-II risks. At the same time, stress-testing scenarios are applied to arrive at the stressed capital ratios, with a view to ensure that ANB remains adequately capitalized under stressed conditions during economic down-turns.
ANB's capital adequacy targets are set for the ratios based on Pillar-I and II risks, calculated on both Tier 1 & 2 capital. ANB intends to operate at least 4% over and above Basel's minimum capital adequacy requirements of 8% (corresponds to 12%) or the capital adequacy ratio (CAR) target advised by SAMA, whichever is higher. However, a management action trigger is set at 0.5% over and above the minimum target CAR, wherein the Bank's Internal Capital Adequacy Assessment Committee (ICAAC) will review the capital adequacy position and recommend corrective action, if required.

5. Bank's Risk Management

ANB has an independent Risk Management Group responsible for overall enhancement of the risk culture within the Bank by encouraging open communication with other business/supporting units and developing techniques in alignment with best practices for risk management as well as in compliance with local regulatory requirements. Risk Management Group has the following five major Departments:

1. Credit Risk
2. Market Risk
3. Operational Risk
4. Business Continuity Management (BCM)
5. Credit Administration & Control (CAC)

5.1 Credit Risk

Credit Risk Department manages the credit exposures arising principally from lending activities. Such lending activities may include loans, advances as well as exposures arising from off-balance sheet financing instruments such as commitments, guarantees and letters of credit.

5.1.1 Strategies and Processes

Credit Risk policies and procedures are established to provide control on credit risk portfolios through periodic assessment of the credit worthiness of obligors, quantifying maximum permissible exposure to specific obligor and continuous monitoring of individual exposures and portfolios.

The Credit Risk policy of the Bank is designed to ensure clear recognition of credit risk management strategies and objectives, which include:

- Strengthening and enhancing Bank's ability to measure and mitigate credit risks on pre-emptive basis to minimize credit losses.
- Strengthening and enhancing Bank's systems and procedures for early problem recognition.
- Strengthening and enhancing credit portfolio management process.
- Compliance with local regulatory requirement and industry's best practices for credit risk management.

The Bank's Credit Risk policy addresses all functions and activities related to the credit lending process, starting from defining the minimum required information for assessing obligor credit worthiness and ending with clear risk-based approval authority mechanism.

5.1.2 Structure & Organization

An independent Credit Risk Department, part of Risk Management Group, is responsible for Policy formulation and Portfolio management for all type of credit risks undertaken by the Bank. Furthermore, Credit Review Department has specialized teams for Corporate, Commercial and Retail business units, and are responsible for conducting independent financial analysis and appraisals of Credit proposals, submitted by the respective business units.

ANB has a centralized credit approval process and follows the philosophy of joint approval authority, which is directly linked to the borrower's Probability of Default (PD) and its facility characteristics measured by Loss Given Default (LGD) estimates. Based on afore-mentioned factors, there are three main layers of approval authorities. The highest credit authority is vested in the Executive committee, having five Board members, including MD, as its members. The second level of credit approval authority is vested in the Senior Credit Committee, which comprises of MD, Head of Credit Review Division and three or more senior managers of the Bank. The third layer consists of the four levels of approval authorities, which draws its members from the business units and the Credit Review Division.

5.1.3 Risk Measurement & Reporting System

The Bank's loan portfolio can be broadly divided into the following two categories:

A) Corporate and Commercial Loans Portfolio:
Credit Risk tracks trends and identifies weaknesses in the quality of corporate and commercial loans portfolio by employing:

- Obligor & facility risk rating system to assess the quality of obligor and riskiness of facilities.
- Periodic reviews and reporting of aggregate statistics on asset diversification and credit quality for key segments of the portfolio.

Rating system is established with the objective to:

- place the responsibility on business units to regularly evaluate credit risk on exposures and identify problems within their portfolios;
- establish early warning signals for detecting deterioration in credit quality;
- set standard for business units to submit their inputs on problematic exposures;
- provide guidelines to respond and take remedial actions as soon as deterioration in credit quality is detected.

The Bank classifies its exposures into 13 risk categories, of which 10 are for performing obligors and 3 are for non-performing obligors.

Periodic reviews & reporting standards are established to monitor Corporate and Commercial credit portfolio quality and diversification. Regular monthly and quarterly reports are sent to Senior Management/ Board, covering the following:

- Total potential exposure and actual outstanding amount;
- Amount and percentage of exposure outstanding in each risk rating grade;

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- Obligors' exposure migration across risk grades from one period to another;
- Overall portfolio risk grade by Region/Business units.

B) Consumer Assets Loans Portfolio:
The major part of Bank's consumer loans and credit card exposures are against salary assignments, and borrowers are employees of selective list of acceptable employers. The consumer loans' portfolio is driven by strict lending criteria in the form of minimum salary requirements, length of service and pre-specified Debt Service Ratio (DSR).

Periodic reviews & reporting mechanism is in place to monitor the Consumer assets loans portfolio quality and diversification, covering the following:

- Consumer Assets loans portfolio growth from one period to another.
- Consumer Assets loans portfolio distribution by employer.
- Consumer Assets loans portfolio distribution by delinquencies (days past due bucket wise).
- Amount of losses charged-off.

5.1.4 Hedging and Mitigants

Collaterals and securities are always desirable, being an effective means of reducing risk and enhancing credit quality. However, Bank's credit risk policy does not encourage granting credit exposures solely based on collaterals. Collaterals are viewed as a secondary source of repayment or way-out in the event that the customer is facing difficulty in repaying the granted credit from cash flows. The Bank's policy is that credit facilities should always be able to stand on their own (successful repayment from operational cash flows) without relying on the collateral as the primary source of repayment.

As per Bank's policy credit exposure is considered secured, if it is fully supported by tangible collateral/security and in accordance with minimum requirement in terms of coverage ratios as detailed under:

Type of tangible Collateral Security	Minimum collateral required
Cash Margin	100% of the facility limit
Bank Guarantees	100% of the facility limit
Pledged shares: Corporate/Commercial	150% of the facility limit
Pledged shares: Margin Trading customers	200% of the facility limit
Transfer of Title Deeds	200% of the facility limit

All collaterals and securities are evaluated periodically to ensure that the market value of collateral/security against credit exposures is in line with the stipulated coverage ratios. ANB has identified a selective list of companies based on strict criteria, whose shares are accepted as collateral. For Real Estate properties offered to the bank as collateral, the security must be appraised by accredited real estate offices appointed by the Bank prior to giving any acceptance/commitment to the borrower.

Bank Guarantees, held as collateral, should meet strict criteria for acceptance, which includes being unconditional & irrevocable, issued by banks, acceptable to ANB.

As a matter of policy all collaterals should be in the same currency as the underlying credit exposure. Exceptions are made on case-by-case basis with appropriate justification.

5.2 Market Risk

The primary objective of ANB's market risk management function is to provide a coherent policy and operating framework for a strong Bank-wide management of market risk and liquidity risk.

5.2.1 Strategies and Processes

The Board approves the market risk appetite, in terms of limits, for all types of market risks including foreign currency risk, interest rate risk and equity risk. These limits are based on notional amount, sensitivity, stop-loss and/or VaR (Value at Risk). The Board has also approved Market Risk Policy that provides guidance to identify, measure and monitor the Bank's exposure to market risk.

Liquidity management policy and limits ensure that liquidity is maintained at sufficient levels to support operations and meet payment demands even under stressed conditions that might arise with a sudden change in the market environment. The Bank has also in place a comprehensive stress testing policy and liquidity contingency funding plan.

5.2.2 Structure & Organization

Market risk and Liquidity risk are overseen by two management committees – Asset Liability Committee (ALCO) and Market Risk Policy Committee (MRPC). ALCO deals with Bank-wide market risk issues as opposed to MRPC, which deals with Treasury specific issues. ALCO meets on a regular basis to discuss the risk exposures vis-à-vis the prevailing market conditions and sets guidelines to manage these risks within the risk appetite set by the Board. MRPC acts as a sub-committee of ALCO with authority to monitor and control Treasury-related (as opposed to bank-wide) activities. MRPC has the authority to restrict utilization of the ALCO-approved limits. Market Risk Department, which is independent of the business function, monitors all limits and provides periodic market risk reports to ALCO and MRPC members.

Treasury Middle Office is an independent unit reporting to MRD and is responsible for ensuring that all Treasury related internal controls are functioning effectively and all non-adherence are brought to management's attention on a timely basis.

5.2.3 Scope and Nature of Reporting System

Daily Risk Report is provided to Senior Management that covers the trading activity and liquidity ratios. Stress testing for interest rate risk, foreign exchange risk and liquidity risk is conducted on a regular basis and results are presented to ALCO for review. Detailed market risk reviews are submitted to the Board and its committees, including Risk Committee and Audit Committee, on a quarterly or semi-annual basis. The reviews highlight major changes in the Bank's market and liquidity risk profiles as well as compositions of the investments portfolio.

5.2.4 Hedging and Mitigants

Bank has implemented a dynamic interest rate hedging policy in accordance with the International Accounting Standards. Interest rate derivatives, mainly interest rate swaps and futures are used to hedge specific exposures with an aim to keep the interest rate risks within limits. The Bank also uses currency swap to hedge specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

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5. Bank's Risk Management (continued)

5.3 Operational Risk Management [OR]

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal and regulatory risk, but excludes strategic and reputational risk.

5.3.1 Objectives

Objective of Operational Risk Management is to support ANB's vision through efficient and effective operational processes. Operational risk management aims to:

- Develop common understanding of Operational Risk across the Bank in order to assess exposure of businesses to operational risk and take appropriate actions.
- Ensure that there is clear accountability, responsibility and adherence to best practices for management and mitigation of operational risk.
- Provide robust tools that help Business Units manage operational risks towards successful achievement of business objectives.
- Minimize reoccurrence of similar type of losses.

5.3.2 Governance

ANB monitors its operational risks through an Operational Risk Framework supported by its policy and procedures that define roles and responsibilities for managing and reporting operational risk.

Bank has established governance structure to support management and oversight of operational risk across business units and support functions. The governance framework includes oversight by Board's Risk Committee, Senior Management supervision through Operational Risk Committee (ORC), and independent monitoring and reporting of operational risks by Operational Risk Management (ORM) department. To ensure that highest level of governance is maintained, Internal Audit Division conducts independent assessment of the activities carried out and reports directly to Audit Committee of the Bank.

5.3.3 Measurement and Management

ANB has established Control and Risk Self-Assessment (CRSA) framework to identify operational risks arising from products, procedures & activities and evaluate the effectiveness of controls over those risks. These risks and controls are self-assessed and monitored by the business/ support units on a regular basis. The consolidated assessment results are benchmarked with pre-defined risk appetite/acceptable level and appropriate actions initiated to strengthen the control environment. Historical internal loss events and internal audit issues support the completeness and accuracy of the CRSA. An independent review and challenge process also assists in ensuring completeness, accuracy and consistency across the Bank.

ANB's Loss data management system allows collection and analysis of loss events (actual, potential and near-miss), identifies new risks or control weaknesses that caused the operational loss, escalating them to appropriate levels of management and to ORC. The mechanism aims at minimizing any financial consequences of the events and addressing the root causes for refining the control mechanism to reduce re-occurrence of similar losses in future.

5.3.4 Monitoring and Reporting

The goal of operational risk monitoring and reporting is mainly to initiate corrective actions as early as possible to strengthen control environment. ORM monitors self-assessment results on monthly basis and follows-up with business/support units on key weaknesses in their respective areas. ORM regularly updates Operational Risk Committee on the overall operational risk environment of the Bank and key operational loss events during the period. Operational Risk Dashboard which covers operational loss trends, details of major events and risk profiles status are reported to the Managing Director and Senior Management on a monthly basis. A quarterly Risk review report is submitted to Board/ ExCom summarizing impact of operational risk events during the quarter and progress on key operational risk initiatives. Regular reporting to ORC and senior management facilitates oversight and provides necessary executive support for operational risk activities in the Bank.

5.4 Business Continuity Management

The mission of Business Continuity Management (BCM) is to plan for the Bank continuing to function as a viable business entity, during a disaster or serious business disruption, and providing for the orderly restoration of essential business services, at the earliest possible time.

BCM achieves its objective by conducting business impact analysis, working with all essential business and support units within the Head Office to identify the impact of disruptions and to prioritize the critical business processes. BCM has developed recovery plans for all critical business processes, defining the level of recovery and resumption service to be offered during a crisis, which has already been tested. A Crisis Management plan has also been developed to define crisis invocation procedures and the roles/responsibilities of crisis management teams.

5.5 Credit Administration & Control

Credit Admin & Control (CAC) is responsible for ongoing administration of the credit portfolio, which inter-alia includes Limit monitoring, Disbursement authorization, Collateral coverage & monitoring; Compliance with terms of approval, Preparation, maintenance and custody of collateral security documentation, Credit checking and Follow-up on credit irregularities.

6. Bank's Credit Exposures

6.1 Definition of Past Due

Exposures that are not settled on their due date are classified as "Past Due" and reflected as such on the Bank's books the following day. The appearance of a loan as past due, does not imply that there is a problematic credit, as the business units often successfully prompt the customers to settle the amounts within a few days.

6.2 Definition of Impaired Assets:

In determining whether a corporate exposure has become impaired, Bank makes judgments as to whether there is any observable data indicating decrease in the estimated future cash flows. This evidence may include an indication that there has been an adverse change in the payment status of borrowers. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics, when estimating the cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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6.3 Definition of Non Performing Assets:
Exposures are classified as non-performing and are placed on the non-accrual status in the following cases:

- The principal of loan or interest payment remains past due more than 90 days after its due date.
- The balance of an overdraft account remains in-active for more than 180 days.

The non-performing exposures migrate across the non-performing risk grades (Substandard, Doubtful, and Loss) according to their days past due and/or deterioration in credit quality.

6.4 Approaches for Specific & General Provisions:
As per Bank's provisioning policy, provisions are estimated depending on risk rating, type of collateral held and expected future recovery.

I. Provisions for Corporate & Commercial portfolio:
Specific provisions are booked against the impaired exposures by comparing the present value of expected cash-flows with its current carrying amount based on the criteria prescribed by International Accounting Standards– IAS 39.

II. Provisions for Consumer Loans & Credit Cards loans portfolio:
Specific provisions are booked against the impaired exposures based on the criteria of Days Past Due (DPD), as per the following table:

Buckets	Days Past Due (DPD)	Provisioning (% of total bucket)
1*	1 – 29 days	0%
2	30 – 59 days	15%
3	60 – 89 days	25%
4	90 – 119 days	50%
5	120 – 149 days	75%
6	150 – 179 days	100%
7	180+ days	Write – Off

*Due to high instance of customers becoming bucket 1 delinquent and their self-curing nature, no specific provisions are to be raised against these accounts.

III. General Provisions:
In addition to specific allowances against individual borrowers, ANB also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a higher risk of default than when it was originally granted. This takes into consideration factors such as any deterioration in country risk, industry, technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

7. External Credit Assesment Institutions (ECAIS) Used
As per the guidelines provided by SAMA, ANB is using i) Moody's, ii) Standard & Poor's, and iii) Fitch for assigning Risk Weight and calculating Risk Weighted Assets (RWAs) under the Standardized Approach. Obligors, which are not rated by any of these three ECAIs are considered as "un-rated". Only the solicited ratings from the eligible ECAIs are being used for capital adequacy calculations.

8. Credit Risk Mitigation: Disclosures for Standardized and IRB Approaches
ANB is using standardized approach to calculate capital charge for credit risk, and has adopted simple approach for calculating Credit Risk Mitigation, The calculation methodologies are based on the guidelines specified by SAMA. ANB has been using following types of collateral for Credit Risk Mitigation (CRM) purposes under the Standardized Approach, as per SAMA guidelines:

- **Financial Collateral**
  The Bank takes only cash as financial collateral for mitigation purpose as per Simple Credit Risk Mitigation Approach.

- **Guarantees as collateral**
  The Bank takes guarantees issued by other banks as a credit risk mitigant for its exposures. In such cases, a simple substitution of the risk weight is applied as per Simple Credit Risk Mitigation Approach. The Bank has limit structure in place for managing exposure to each bank, which mitigates the concentration risk while using bank-guarantees as eligible collateral.

9. Counterparty Credit Risk
9.1 Objective and Policies
The primary objective of counterparty credit risk management function is to effectively identify, measure and manage all derivatives related counterparty exposures through regular review of counterparty limits and daily monitoring of exposures vs. limits.

9.2 Strategies and Process
Limits for all banking counterparties are approved by Senior Credit Committee based on guidelines approved by the Executive Committee of the Board. With regard to corporate customers, derivative products are offered only to selective large corporate customers with a demonstrated need to employ these products to manage the financial risks in their businesses.

9.3 Structure and Organization
Treasury Group manages day-to-day counterparty exposures for derivatives within the limits set by the Senior Credit Committee. Credit Control Department monitors and controls the exposures independently so that the exposures remain within the approved limits.

9.4 Scope and Nature of Risk Measurement and Reporting Systems
Capital charge for Over the Counter (OTC) derivative products is calculated using the current exposure method. Under this method potential future exposure is calculated, applying SAMA recommended add-on factors and positive mark-to-market of the transactions.

10. Market Risk Capital Calculation
ANB maintains a low risk appetite for proprietary trading activity; as a result, trading activity is limited to FX Spots, FX Forwards, Plain vanilla interest rate derivatives and FX derivative instruments. The Bank uses standardized approach to calculate the capital charge for market risk in trading book. However, Bank is also in compliance with required qualitative and quantitative standards of SAMA for the adoption of Internal Model Approach.

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10. Market Risk Capital Calculation (continued)

10.1 Strategies and Processes

Board approves the trading limits keeping in view the overall business strategy of the Treasury Group. All traded products are covered by individual product programs, which lay down product description, business strategy, target customers, risk management, back office and accounting processes. The overall trading book limits as approved by the Board includes:

- Notional limit
- Volume limit
- VaR limit
- Sensitivity limit

10.2 Structure and Organization

The Head of Treasury Group is responsible for managing all trading activities on a day-to-day basis within the established trading limits and in accordance with the direction and guidance given by Market Risk Policy Committee (MRPC). Treasury is responsible to identify and recommend to MRPC new trading strategies in specific instruments and target markets that are in accordance with the Bank's risk appetite.

Market Risk Department is responsible for monitoring and comparing trading activity exposures to the Board-approved trading risk limits. All trading instruments are regularly marked-to-market and valuation methodologies are reviewed by Market Risk Department.

11. Operational Risk Capital Calculation

For the purpose of its capital computation under Basel II, ANB adopted the Alternative Standardized Approach (ASA). Under ASA, the capital charge is computed by categorizing ANB's activities into 8 business lines (as defined by the Basel framework) and multiplying the business line's twelve quarters' average gross income by a pre-defined beta factor, which is same as for the Standardized Approach except for two business lines – retail banking and commercial banking. For these business lines, Loans and Advances multiplied by a fixed factor 'm' (0.035) – replaces gross income as the exposure indicator, and for both business lines using a beta of 15%.

12. Equities (Banking book positions)

12.1 Strategies and Processes

The Bank's equity exposure is diversified across listed local stocks of different industry sectors and mutual funds. The portfolio is managed with a conservative approach to achieve a stable long term return with low market volatility. The Bank has also made Strategic Equity Investments in affiliates and subsidiaries to achieve diversification of revenue streams and capitalize on the opportunities available in housing finance, equipment leasing and insurance.

12.2 Structure and Organization

A senior management committee manages the Bank's local equity portfolio. Treasury group monitors the portfolio on a day to day basis and makes recommendation to the management committee for purchase or sale of existing stocks within the Board's approved limits. Board has also approved limits for international equity investments to be managed by Treasury Group, however currently there are no positions in international equity. Investments in affiliates and subsidiaries are regularly reviewed and monitored by the strategic investment unit of the Bank.

12.3 Scope and Nature of Risk Reporting and/or Measurement Systems

A detailed investment report is submitted to ALCO and MRPC on a regular basis. The report covers details of securities held, their market values, and securities sold/ bought during the period. Valuation for the equity exposures are based on quoted market price, whereas strategic equity investments are held at book value.

13. Banking book interest rate risk

Interest rate risk in the banking book mainly arises from mismatches in re-pricing dates of interest sensitive assets and liabilities. ANB's policy is to achieve a balance between profitability from banking activities and minimizing risk to earnings and capital from changes in interest rates. The Bank's exposure to interest rate risk is managed with the objective that profits are not unduly impacted by the volatility of the interest rates.

13.1 Risk Management and Monitoring Process

The Board approves the acceptable level of interest rate risk in the banking book by setting a limit on interest rate gaps by maturity buckets together with other limits. Treasury Group is responsible for day-to-day management of interest rate risk under the guidance provided by ALCO. Treasury Group monitors the changes in financial markets leading to interest rate movements. Based on future outlook, Treasury takes appropriate interest rate exposures or hedges the existing exposures, if needed. Interest rate derivatives (mainly interest rate swaps) are used to hedge interest rate exposure of the Bank. Interest rate limits are independently monitored by Market Risk Department of Risk Management Group and reported to ALCO.

13.2 Scope and Nature of Risk Reporting and/or Measurement Systems

To manage the Bank's interest rate risk exposure, Market Risk Department uses the following reports:

- Interest rate gap Analysis
- VaR analysis
- Interest rate stress testing
- Impact of rate movements on investment portfolio

ALCO approves key assumptions underlying these reports, which are documented and reviewed on a periodic basis.

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Table 1: Scope of application

Capital Deficiencies (Table 1, (e))

Particulars	Amount
The aggregate amount of capital deficiencies in subsidiaries not included in the consolidation i.e. that are deducted:	Nill
1. Subsidiary 1	–
2. Subsidiary 2	–
3. Subsidiary 3	–
4. Subsidiary n	–

Table 2: Capital Structure

Balance sheet – Step 1 (Table 2(b)). All figures are in SAR'000

	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (*) (D)	Under regulatory scope of consolidation (E)
Assets			
Cash and balances at central banks	14,971,749		14,971,749
Due from banks and other financial institutions	2,767,181		2,767,181
Investments, net	28,248,369		28,248,369
Loans and advances, net	88,456,106		88,456,106
Debt securities	–		–
Trading assets	–		–
Investment in associates	466,533		466,533
Derivatives	–		–
Goodwill	–		–
Other real estate	136,634		136,634
Property and equipment, net	1,647,318		1,647,318
Other assets	1,241,534		1,241,534
Total assets	**137,935,424**	**–**	**137,935,424**
Liabilities			
Due to Banks and other financial institutions	7,641,058		7,641,058
Items in the course of collection due to other banks	–		–
Customer deposits	106,372,732		106,372,732
Trading liabilities	–		–
Debt securities in issue	1,687,500		1,687,500
Derivatives	–		–
Retirement benefit liabilities	–		–
Taxation liabilities	–		–
Accruals and deferred income	–		–
Other liabilities	3,045,720		3,045,720
Subtotal	**118,747,010**	**–**	**118,747,010**

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	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (*) (D)	Under regulatory scope of consolidation (E)
Paid up share capital	8,500,000		8,500,000
Statutory reserves	7,270,000		7,270,000
Other reserves	263,330		263,330
Retained earnings	2,622,124		2,622,124
Minority Interest	107,960		107,960
Proposed dividends	425,000		425,000
Total liabilities and equity	**137,935,424**	**-**	**137,935,424**

Table 2: Capital Structure

Balance sheet - Step 2 (Table 2 (c). All figures are in SAR'000

	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (D)	Under regulatory scope of consolidation (E)	Reference
Assets				
Cash and balances at central banks	14,971,749		14,971,749	
Due from banks and other financial institutions	2,767,181		2,767,181	
Investments, net	28,248,369		28,248,369	
Loans and advances, net	88,456,106		88,456,106	
of which Collective provisions	471,135		471,135	A
Debt securities	-		-	
Equity shares	-		-	
Investment in associates	466,533		466,533	
Derivatives	-		-	
Goodwill	-		-	
Other real estate	136,634		136,634	
Property and equipment, net	1,647,318		1,647,318	
Other assets	1,241,534		1,241,534	
Total assets	**137,935,424**	**-**	**137,935,424**	
Liabilities	-		-	
Due to Banks and other financial institutions	7,641,058		7,641,058	
Items in the course of collection due to other banks	-		-	
Customer deposits	106,372,732		106,372,732	
Trading liabilities	-		-	
Debt securities in issue	1,687,500		1,687,500	
of which Tier 2 capital instruments	675,000		675,000	B
Derivatives	-		-	
Retirement benefit liabilities	-		-	
Taxation liabilities	-		-	
Accruals and deferred income	-		-	

Basel III Pillar 3 Quantitative Disclosures

	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (D)	Under regulatory scope of consolidation (E)	Reference
Borrowings	-	-	-	
Other liabilities	3,045,720		3,045,720	
Subtotal	**118,747,010**	**-**	**118,747,010**	
Paid up share capital	8,500,000		8,500,000	
of which amount eligible for CET1	8,500,000		8,500,000	H
of which amount eligible for AT1	-		-	
Statutory reserves	7,270,000		7,270,000	G
Other reserves	263,330		263,330	C
Retained earnings	2,622,124		2,622,124	J
SAMA supervisory provision adjustment				
Minority Interest	107,960		107,960	
Proposed dividends	425,000		425,000	
Total liabilities and equity	**137,935,424**	**-**	**137,935,424**	

Table 2: Capital Structure

Common template (transition) - Step 3 (Table 2 (d)) i
(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment
All figures are in SAR›000

	Components[1] of regulatory capital reported by the bank	Amounts[1] subject to Pre - Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
(2)			
Common Equity Tier 1 capital: Instruments and reserves			
1 Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	8,500,000		H
2 Retained earnings	9,892,124		G + J
3 Accumulated other comprehensive income (and other reserves)	263,330		C
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5 Common share capital isued by subsidiaries and held by third parties (amount allowed in group CET1)			
6 **Common Equity Tier 1 capital before regulatory adjustments**			
Common Equity Tier 1 capital: Regulatory adjustments	**18,655,454**		
7 Prudential valuation adjustments			
8 Goodwill (net of related tax liability)			

Basel III Pillar 3 Quantitative Disclosures

		Components1 of regulatory capital reported by the bank	Amounts1 subject to Pre - Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which: significant investments in the common stock of financials			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments			
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH:...			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	**Total regulatory adjustments to Common equity Tier 1**			
29	**Common Equity Tier 1 capital (CET1)**	**18,655,454**		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus			

Basel III Pillar 3 Quantitative Disclosures

		Components1 of regulatory capital reported by the bank	Amounts1 subject to Pre – Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which: instruments issued by subsidiaries subject to phase out			
36	**Additional Tier 1 capital before regulatory adjustments**			
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments			
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH: ...			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	Total regulatory adjustments to Additional Tier 1 capital			
44	Additional Tier 1 capital (AT1)			
45	Tier 1 capital (T1 = CET1 + AT1)	**18,655,454**		

Note: Items which are not applicable are to be left blank.

Basel III Pillar 3 Quantitative Disclosures

Table 2: Capital Structure
Common template (transition) - Step 3 (Table 2(d)) ii
(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment
All figures are in SAR'000

		Components1 of regulatory capital reported by the bank	Amounts1 subject to Pre - Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	675,000		B
47	Directly issued capital instruments subject to phase out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which: instruments issued by subsidiaries subject to phase out			
50	Provisions	471,135		A
51	**Tier 2 capital before regulatory adjustments**	1,146,135		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments			
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH: ...			
57	Total regulatory adjustments to Tier 2 capital			
58	Tier 2 capital (T2)	1,146,135		
59	Total capital (TC = T1 + T2)	19,801,589		
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO P RE-BASEL III TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH: ...			
60	Total risk weighted assets	123,778,201		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.07%		
62	Tier 1 (as a percentage of risk weighted assets)	15.07%		

Basel III Pillar 3 Quantitative Disclosures

		Components1 of regulatory capital reported by the bank	Amounts1 subject to Pre – Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
63	Total capital (as a percentage of risk weighted assets)	16.00%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)			
65	of which: capital conservation buffer requirement			
66	of which: bank specific countercyclical buffer requirement			
67	of which: G-SIB buffer requirement			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.07%		
National minima (if different from Basel 3)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)			
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)			
71	National total capital minimum ratio (if different from Basel 3 minimum)			
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financials			
73	Significant investments in the common stock of financials			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	471,135		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,412,430		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

Note: Items which are not applicable are to be left blank.

Basel III Pillar 3 Quantitative Disclosures

Table 2: Capital Structure
Main features template of regulatory capital instruments - (Table 2(e))

1	Issuer	Arab National Bank
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	XS0269970116
3	Governing law(s) of the instrument	English
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/lgroup/group & solo	Solo
7	Instrument type	Unsecured Subordinated
8	Amount recognied in regulatory capital (Currency in mil, as of most recent reporting date)	USD 243MM
9	Par value of instrument	USD 450MM
10	Accounting classification	Liability- Held at Amortised Cost
11	Original date of issuance	7-Oct-06
12	Perpetual or dated	Dated
13	Original maturity date	31-Oct-16
14	Issuer call subject to prior supervisory approval	Call
15	Option call date, contingent call dates and redemption amount	First Call date 10/31/2011, and callable on each subsequent quarter at PAR in whole, with a notice period not less than 30 days nor more than 60 days.
16	Subsequent call dates if applicable	Quarterly
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Float
18	Coupon rate and any related index	3m Libor + 133bps (current) - initially 3m Libor +83bps (5-years from issuance date)
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Step-up on 10-Oct-11 from 3mL + 83bps to 3mL + 133bps
22	Non cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary writedown, description of the write-up mechansim	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	Step-up clause, Non-convertible and no write-down features

Basel III Pillar 3 Quantitative Disclosures

Table 3: Capital Adequacy
Amount of Exposures Subject To Standardized Approach of Credit Risk and related Capital Requirements (TABLE 3, (b)) (Figures in SR 000's)

Portfolios	Amount of exposures	Capital requirements
Sovereigns and central banks:	31,915,692	4,520
SAMA and Saudi Government	25,172,003	-
Others	6,743,689	4,520
Multilateral Development Banks (MDBs)	-	-
Public Sector Entities (PSEs)	-	-
Banks and securities firms	7,685,425	355,224
Corporates	71,042,098	5,295,301
Retail non-mortgages	22,029,389	1,321,763
Small Business Facilities Enterprises (SBFE's)	-	-
Mortgages	657,491	52,435
Residential	657,491	52,435
Commercial	-	-
Securitized assets	-	-
Equity	984,743	78,779
Others	6,387,241	272,543
Total	**140,702,079**	**7,380,565**

Table 3: Capital Adequacy
Capital Requirements For Market Risk* (822, Table 3, (d)) (Figures in SR 000's)

	Interest rate risk	Equity position risk	Foreign exchange risk	Commodity risk	Total
Standardised approach	27,928		47,124		75,052
Internal models approach	-	-	-	-	-

* Capital requirements are to be disclosed only for the approaches used.

Table 3: Capital Adequacy
Capital Requirements for Operational Risk* (Table 3, (e)) (Figures in SR 000's)

Particulars	Capital requirement
• Basic indicator approach;	-
• Standardized approach;	-
• Alternate standardized approach;	788,205
• Advanced measurement approach (AMA).	-
Total	-

* Capital requirement is to be disclosed only for the approach used.

Basel III Pillar 3 Quantitative Disclosures

Table 3: Capital Adequacy
Capital Adequacy Ratios (TABLE 3, (f))

Particulars	Total capital ratio	Tier 1 capital ratio
Top consolidated level	16.00%	15.07%
Bank significant stand alone subsidiary 1	-	-
Bank significant stand alone subsidiary 2	-	-
Bank significant stand alone subsidiary 3	-	-
Bank significant stand alone subsidiary n	-	-

Table 4 (STA): Credit risk: General disclosures
Credit Risk Exposure (Table 4, (b)) (Figures in SR 000's)

Portfolios	Total gross credit risk exposure*	Average gross credit risk exposure over the period**
Sovereigns and central banks:	32,415,692	32,466,491
SAMA and Saudi Government	25,672,003	26,250,716
Others	6,743,689	6,215,775
Multilateral Development Banks (MDBs)	-	-
Public Sector Entities (PSEs)	-	-
Banks and securities firms	11,545,319	11,525,534
Corporates	88,135,188	87,440,571
Retail non-mortgages	22,029,389	22,197,699
Small Business Facilities Enterprises (SBFE's)	-	-
Mortgages	655,435	683,456
Residential	655,435	683,456
Commercial	-	-
Securitized assets	-	-
Equity	984,743	944,548
Others	5,543,844	6,109,857
Total	**161,309,610**	**161,368,156**

* This also covers off-balance sheet items at credit equivalent values

**Average is calculated at the end-of-quarter balances, for the last 4 quarters.

Basel III Pillar 3 Quantitative Disclosures

Table 4 (STA): Credit Risk: General Disclosures

Geographic Breakdown (Table 4, (c)) (Figures in SR 000's)

	Geographic area						
Portfolios	Saudi Arabia	Other GCC & Middle East	Europe	North America	South East Asia	Others countries	Total
Sovereigns and central banks:	25,672,003	376,794	500,702	5,866,193	–	–	32,415,692
SAMA and Saudi Government	25,672,003	–	–	–	–	–	25,672,003
Others	–	376,794	500,702	5,866,193	–	–	6,743,689
Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–
Public Sector Entities (PSEs)	–	–	–	–	–	–	–
Banks and securities firms	5,323,857	3,957,244	1,059,013	674,745	348,429	182,031	11,545,319
Corporates	86,687,041	755,973	615,111	–	58,168	18,895	88,135,188
Retail non-mortgages	22,029,389	–	–	–	–	–	22,029,389
Small Business Facilities Enterprises (SBFE's)		–	–	–	–	–	–
Mortgages	655,435	–	–	–	–	–	655,435
Residential	655,435	–	–	–	–	–	655,435
Commercial		–	–	–	–	–	–
Securitized assets		–	–	–	–	–	–
Equity	984,743	–	–	–	–	–	984,743
Others	5,519,266	–	24,578	–	–	–	5,543,844
Total	**146,871,734**	**5,090,011**	**2,199,404**	**6,540,938**	**406,597**	**200,926**	**161,309,610**

Table 4 (STA): Credit Risk: General Disclosures

Industry Sector Breakdown (Table 4, (d)) (Figures in SR 000's)

	Industry sector												
Portfolios	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commerce	Transportation and communication	Services	Consumer loans and credit cards	Others	Total
Sovereigns and central banks:	32,415,692	–	–	–	–	–	–	–	–	–	–	–	32,415,692
SAMA and Saudi Government	25,672,003	–	–	–	–	–	–	–	–	–	–	–	25,672,003
Others	6,743,689	–	–	–	–	–	–	–	–	–	–	–	6,743,689
Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–	–	–	–	–	–	–
Public Sector Entities (PSEs)	–	–	–	–	–	–	–	–	–	–	–	–	–
Banks and securities firms	–	11,545,319	–	–	–	–	–	–	–	–	–	–	11,545,319
Corporates	33,398	1,519,348	1,040,798	14,416,588	1,179,462	8,222,271	12,222,767	18,440,073	5,338,095	4,103,988	–	21,618,400	88,135,188
Retail non-mortgages	–	–	–	–	–	–	–	–	–	–	22,029,389	–	22,029,389
Small Business Facilities Enterprises (SBFE's)	–	–	–	–	–	–	–	–	–	–	–	–	–
Mortgages	–	–	–	–	–	–	–	–	–	–	–	655,435	655,435
Residential	–	–	–	–	–	–	–	–	–	–	–	655,435	655,435
Commercial	–	–	–	–	–	–	–	–	–	–	–	–	–
Securitized assets	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity	–	548,010	13,738	89,091	–	7,650	135,634	–	158,988	31,632	–	–	984,743
Others	–	–	–	3,432	–	–	2,049	135,813	–	3,503	6,885	5,392,162	5,543,844
Total	**32,449,090**	**13,612,677**	**1,054,536**	**14,509,111**	**1,179,462**	**8,229,921**	**12,360,450**	**18,575,886**	**5,497,083**	**4,139,123**	**22,036,274**	**27,665,997**	**161,309,610**

Basel III Pillar 3 Quantitative Disclosures

Table 4 (STA): Credit Risk: General Disclosures

Residual Contractual Maturity Breakdown (Table 4, (e)) (Figures in SR 000's)

	Maturity breakdown									
Portfolios	**Less than 8 days**	**8-30 days**	**30-90 days**	**90-180 days**	**180-360 days**	**1-3 years**	**3-5 years**	**Over 5 years**	**No Fixed Maturity**	**Total**
Sovereigns and central banks:	7,021,951	3,199,329	3,619,446	3,236,048	1,640,394	518,404	6,227,170	1,003,376	5,949,574	32,415,692
SAMA and Saudi Government	7,021,951	3,199,329	3,369,742	3,103,162	1,608,402	55,452	361,015	1,003,376	5,949,574	25,672,003
Others	–	–	249,704	132,886	31,992	462,952	5,866,155	–	–	6,743,689
Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Public Sector Entities (PSEs)	–	–	–	–	–	–	–	–	–	–
Banks and securities firms	1,015,776	799,566	515,217	897,508	996,966	2,043,225	2,957,654	501,692	1,817,715	11,545,319
Corporates	1,032,296	6,046,394	15,080,927	15,117,908	18,225,084	15,960,096	10,719,062	5,329,408	624,013	88,135,188
Retail non-mortgages	290	2,977	20,177	145,776	317,331	5,317,630	15,665,358	559,850	–	22,029,389
Small Business Facilities Enterprises (SBFE's)	–						–	–	–	–
Mortgages	–	10	9	85	567	13,257	40,924	600,583	–	655,435
Residential	–	10	9	85	567	13,257	40,924	600,583	–	655,435
Commercial	–	–	–	–	–	–	–	–	–	–
Securitized assets	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	984,743	984,743
Others	–	4,918	9,713	16,928	28,391	60,784	24,621	43,448	5,355,041	5,543,844
Total	**9,070,313**	**10,053,194**	**19,245,489**	**19,414,253**	**21,208,733**	**23,913,396**	**35,634,789**	**8,038,357**	**14,731,086**	**161,309,610**

Table 4 (STA): Credit Risk: General Disclosures

mpaired Loans, Past Due Loans and Allowances (Table 4, (f)) (Figures in SR 000's)

			Aging of Past Due Loans (days)				Specific allowances			
Industry sector	**Impaired loans ***	**Defaulted****	**Less than 90**	**90-180**	**180-360**	**Over 360**	**Charges during the Year To Date**	**Charge-offs during the Year To Date**	**Balance at the endof the Year To Date**	**General allowances**
Government and quasi government	–	–	–	–	–	–	–	–	–	–
Banks and Other Financial Institutions	–	–	11,588	–	–	–	–	666,730	–	–
Agriculture and fishing	2,596	–	137	–	–	–	2,684	–	2,684	–
Manufacturing	767,747	5,301	13,119	–	–	5,301	(31,356)	3,509	137,912	–
Mining and quarrying	–	–	–	–	–	–	–	–	–	–
Electricity, water, gas and health services	–	–	–	–	–	–	–	–	–	–
Building and construction	371,792	344,353	62,827	305,718	–	38,635	59,598	–	474,075	–
Commerce	580,855	585,794	8,267	585,127	–	667	436,846	4,322	569,111	–
Transportation and communication	9,125	–	2,151	–	–	–	(16,177)	–	10,387	–
Services	10,125	10,125	44,162	138	–	9,987	(3,789)	383,480	10,297	–
Consumer loans and credit cards	147,933	45,128	791,659	45,128	–	–	205,694	211,834	55,844	–
Others	722,201	12,869	4,091	4,835	247	7,787	(28,314)	–	322,595	–
Total	**2,612,374**	**1,003,570**	**938,001**	**940,946**	**247**	**62,377**	**625,186**	**1,269,875**	**1,582,905**	**471,135**

* Impaired loans defined as any loan with specific provision

** Defaulted loans defined as non-performing loans.

Basel III Pillar 3 Quantitative Disclosures

Table 4 (STA): Credit Risk: General Disclosures
Impaired Loans, Past Due Loans And Allowances (Table 4, (g)) (Figures in SR 000's)

		Aging of Past Due Loans (days)					
Geographic area	**Impaired loans**	**Less than 90**	**90–180**	**180–360**	**Over 360**	**Specific allowances**	**General allowances**
Saudi Arabia	1,956,124	938,001	940,946	247	62,377	1,322,905	471,135
Other GCC & Middle East	656,250	–	–	–	–	260,000	–
Europe	–	–	–	–	–	–	–
North America	–	–	–	–	–	–	–
South East Asia	–	–	–	–	–	–	–
Others countries	–	–	–	–	–	–	–
Total	**2,612,374**	**938,001**	**940,946**	**247**	**62,377**	**1,582,905**	**471,135**

Table 4 (STA): Credit Risk: General Disclosures
Reconciliation Of Changes In The Allowances For Loan Impairment (Table 4, (h))

Particulars	**Specific allowances**	**General allowances**
Balance, beginning of the year	2,227,593	471,135
Charge-offs taken against the allowances during the period	1,269,874	–
Amounts set aside (or reversed) during the period	625,186	–
Other adjustments:		
– exchange rate differences	–	–
– business combinations	–	–
– acquisitions and disposals of subsidiaries	–	–
– etc.	–	–
Transfers between allowances	–	–
Balance, end of the year	**1,582,905**	**471,135**

* Charge-offs and recoveries that have been recorded directly to the income statement are SAR 1,802 and SAR 70,305 respectively.

Basel III Pillar 3 Quantitative Disclosures

Table 5 (STA): Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Allocation Of Exposures To Risk Buckets (Table 5, (b)) (Figures in SR 000's)

	Risk buckets									
Particulars	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other risk weights**	**Unrated**	**Deducted**
Sovereigns and central banks:	32,359,196	–	–	–	–	56,496	–	–	–	–
SAMA and Saudi Government	25,672,003	–	–	–	–	–	–	–	–	–
Others	6,687,193	–	–	–	–	56,496	–	–	–	–
Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Public Sector Entities (PSEs)	–	–	–	–	–	–	–	–	–	–
Banks and securities firms	431,230	2,748,166	–	4,970,056	–	2,892,643	36,692	466,532	–	–
Corporates	–	2,528,479	–	378,186	–	84,577,727	590,993	59,803	–	–
Retail non-mortgages	–	–	–	–	22,029,389	–	–	–	–	–
Small Business Facilities Enterprises (SBFE's)	–	–	–	–	–	–	–	–	–	–
Mortgages	–	–	–	–	–	655,435	–	–	–	–
Residential	–	–	–	–	–	655,435	–	–	–	–
Commercial	–	–	–	–	–	–	–	–	–	–
Securitized assets	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	984,743	–	–	–	–
Others	2,148,687	–	–	–	–	3,371,741	23,416	–	–	–
TOTAL	**34,939,113**	**5,276,645**	**–**	**5,348,242**	**22,029,389**	**92,538,785**	**651,101**	**526,335**		
GRAND TOTAL				**161,309,610**						

Table 7 (STA): Credit Risk Mitigation (CRM): Disclosures for Standardized Approach

Credit Risk Exposure Covered By CRM (Table 7, (b) and (c)) (Figures in SR 000's)

	Covered by	
Portfolios	**Eligible financial collateral**	**Guarantees / credit derivatives**
Sovereigns and central banks:	–	–
SAMA and Saudi Government	–	–
Others	–	–
Multilateral Development Banks (MDBs)	–	–
Public Sector Entities (PSEs)	–	–
Banks and securities firms	–	–
Corporates	3,107,636	138,684
Retail non-mortgages	–	–
Small Business Facilities Enterprises (SBFE's)	–	–
Mortgages	–	–
Residential	–	–
Commercial	–	–
Securitized assets	–	–
Equity	–	–
Others	78	–
Total	**3,107,714**	**138,684**

Basel III Pillar 3 Quantitative Disclosures

Table 8: General Disclosures for Exposures Related to Counterparty Credit Risk (CCR)
General Disclosures (Table 8, (b) and (d)) (Figures in SR 000's)

Particulars	Amount
Gross positive fair value of contracts	176,901
Netting Benefits*	–
Netted Current Credit Exposure*	–
Collateral held:	–
– Cash	–
– Government securities	–
– Others	–
Exposure amount (under the applicable method)	–
– Internal Models Method (IMM)	–
– Current Exposure Method (CEM)	1,177,993
Notional value of credit derivative hedges	–
Current credit exposure (by type of credit exposure):	–
– Interest rate contracts	223,060
– FX contracts	954,933
– Equity contracts	–
– Credit derivatives	–
– Commodity/other contracts	–

• Bank's estimate of Alpha (if the bank has received supervisory approval) is: N/A.

* Currently, netting for credit exposure measurement purposes not permitted in KSA.

Table 9 Series : Securitization Disclosures
Disclosures related to Securitization are not applicable to ANB

Table 10: Market Risk: Disclosures for Banks Using the Standardized Approach
Level of Market Risks In Terms of Capital Requirements (Table 10, (b)) (Figures in SR 000's)

	Interest rate risk	Equity position risk	Foreign exchange risk	Commodity risk	Total
Capital requirements	27,928	–	47,124	–	75,052

Basel III Pillar 3 Quantitative Disclosures

Table 13: Equities: Disclosures for Banking book Positions
Value Of Investments (Table 13, (b)) (Figures in SR 000's)

	Un-quoted investments		Quoted investments		
	Value disclosed in Financial Statements	Fair value	Value disclosed in Financial Statements	Fair value	Publicly quoted share values (if materially different from fair value)
Investments	527,703	527,703	983,369	983,369	–

Table 13: Equities: Disclosures for Banking book Positions
Types And Nature of Investments (Table 13, (c)) (Figures in SR 000's)

Investments	Publicly traded	Privately held
Government and quasi government	–	–
Banks and other financial institutions	546,639	467,900
Agriculture and fishing	13,738	–
Manufacturing	89,091	–
Mining and quarrying	–	–
Electricity, water, gas and health services	7,650	–
Building and construction	135,633	–
Commerce	–	–
Transportation and communication	158,987	–
Services	31,631	59,803
Others	–	–
Total	**983,369**	**527,703**

Table 13: Equities: Disclosures for Banking book Positions
Gains / Losses Etc. (Table 13, (d) and (e)) (Figures in SR 000's)

Particulars	Amount
Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	–
Total unrealized gains (losses)	208,798
Total latent revaluation gains (losses)*	–
Unrealized gains (losses) included in Capital	208,798
Latent revaluation gains (losses) included in Capital*	–

*Not applicable to KSA to date

Basel III Pillar 3 Quantitative Disclosures

Table 13: Equities: Disclosures for Banking book Positions
Capital Requirements (Table 13, (f)) (Figures in SR 000's)

Equity grouping	Capital requirements
Government and quasi government	–
Banks and other financial institutions	137,147
Agriculture and fishing	1,099
Manufacturing	7,127
Mining and quarrying	–
Electricity, water, gas and health services	612
Building and construction	10,851
Commerce	–
Transportation and communication	12,719
Services	62,333
Others	–
Total	**231,888**

Table 14: Interest Rate Risk in the Banking Book (IRRBB)
200bp Interest Rate Shocks for currencies with more than 5% of Assets or Liabilities
(Table 14, (b)) (Figures in SR 000's)

Rate Shocks	Change in earnings
Upward rate shocks:	
SAR	664,977
USD	(153,203)
OTHERS	(8,026)
Downward rate shocks:	
SAR	(166,244)
USD	38,301
OTHERS	2,007

* only 50bp downward shock keeping in view the low interest rates

Branches

Central Region Branches:

Branch Name	City	Phone No.	FAX No.
• Ministry of health	Riyadh	011 2008245	011 2008246
Riyadh	Riyadh	011 4114000	011 2875306
Sitteen	Riyadh	011 2279036	011 2396079
Dhabab	Riyadh	011 4040365	011 4043959
Olaya	Riyadh	011 4659331	011 4659440
Industrial Area	Riyadh	011 4465708	011 4460781
• Hijaz Road	Riyadh	011 4585512	011 4585424
• Rawdah	Riyadh	011 2086024	011 2089562
• Shemeisi	Riyadh	011 4354074	011 4353946
• Al-Kharj	Al-Kharj	011 5441912	011 5444484
• Hawtat Bani Tamim	Hawtat Bani Tamim	011 5550780	011 5550784
• Al-Majma'a	Al-Majma'a	016 4323584	016 4323848
Akariah	Riyadh	011 4191000	011 4191803
• Rabwa	Riyadh	011 4910546	011 4910573
• Shaqra	Shaqra	011 6220909	011 6221758
• Pensions Fund Authority	Riyadh	011 4025100	011 4124559
• Shifa	Riyadh	011 4226900	011 4237631
• Swaidi	Riyadh	011 4258766	011 4259417
• Al-Malaz	Riyadh	011 4765400	011 4769294
• Dahrat Al-Badia	Riyadh	011 2678676	011 2675860
North Murabba	Riyadh	011 4050707	011 4032349
Second Industrial City	Riyadh	011 2652088	011 2652023
Khashm Al-A'an	Riyadh	011 2521102	011 2521106
Raed Quarter	Riyadh	011 4880587	011 4880901
• Naseem	Riyadh	011 2328230	011 2330291
• Quwaiyayah	Quwaiyayah	011 6521206	011 6521164
Mursalat	Riyadh	011 4555455	011 4569177
Takhassusi	Riyadh	011 4820489	011 4822090
Land Forces	Riyadh	011 4787154	–
• Eshpielya	Riyadh	011 2534298	011 2534283
• King Faisal Quarter	Riyadh	011 2387118	011 2387185
• Hafr Al-Batin	Hafr Al-Batin	013 7230566	013 7230765
• Rayan Quarter	Riyadh	011 4929371	011 4928409
• Ta'awon	Riyadh	011 4547783	011 4508959
• Aziziah Quarter	Riyadh	011 4956994	011 2134972
• Almugharzat	Riyadh	011 4940833	011 4940824
• Ghornatah	Riyadh	011 2490036	011 2493514
• Hawtat Sudair	Hawtat Sudair	016 4430117	016 4450623
• Aloraija'a	Riyadh	011 2478758	011 2478791
• Hay AlNafel, Riyadh	Riyadh	011 2756168	011 2108499
• Hay AlFalah, Riyadh	Riyadh	011 2109495	011 2109331
• Alnadwah	Riyadh	011 4536040	011 2291489
Business Gate	Riyadh	011 4009621	011 4443145

• Islamic Branches

North Region Branches:

Branch Name	City	Phone No.	FAX No.
• Buraida	Buraida	016 3834059	016 3834029
• Unaiza	Unaiza	016 3264129	016 3265612
• Al-Zelfi	Al-Zelfi	016 4222244	016 4222240
• Dawadm	Dawadmi	011 6430641	011 6430142
• Al-Rass	Al-Rass	016 3513445	016 3381693
• Hail	Hail	016 5435446	016 5315684
• Ar'ar	Ar'ar	014 6640412	014 6627004
• Al-Jouf	Al-Jouf	014 6245188	014 6247988
• Qurayat	Qurayat	014 6419471	014 6416473
• Afif	Afif	011 7223013	011 7223021
• Shraf	Hail	016 5333748	016 5351785
• Tabuk	Tabuk	014 4221218	014 4234643
• Tayma	Tayma	014 4630632	014 4630080
• King Abdulaziz	Buraida	016 3250872	016 3250588
• ALBekairia	ALBekairia	016 3352970	016 3352972
• King Fahad Road	Tabuk	014 4232172	014 4236825

Western Region Branches:

Branch Name	City	Phone No.	FAX No.
• Al Shawqiah	Makkah	012 5655330	012 5650476
King Abdul Aziz Medical City	Jeddah	012 6240000	012 6247377
Sari	Jeddah	012 6912376	012 6916587
• Alrehab	Jeddah	012 6753693	012 6756951
Makkah Road	Jeddah	012 6873509	012 6886966
• Madina Munawwarah	Madina Munawwarah	014 8237144	014 8281653
• Yanbu	Yanbu	014 3226190	014 3225940
• Taif	Taif	012 7384122	012 7381690
• Alrusaifah	Makkah	012 5307050	012 5656070
• Wajh	Wajh	014 4424648	014 4424638
• Bab Makkah	Jeddah	012 6438441	012 6438654
• Aziziyah	Makkah	012 5570838	012 5570821
• Rabigh	Rabigh	012 4220196	012 4220816
• Al-Ula	Al-Ula	014 8841265	014 8842357
Hay Al-Salamah	Jeddah	012 2751515	012 6399743
Prince Majid Street	Jeddah	012 6170473	012 6744533
Makaronah	Jeddah	012 6700600	012 6724183
• Ma'abdah	Makkah	012 5735623	012 5704466
• Mahjar	Jeddah	012 6373776	012 6373783
Hay Al-Jamia'a	Jeddah	012 6809980	012 6809889
• Otaibiah	Makkah	012 5605712	012 5605721
• Misyal	Makkah	012 5413936	012 5381161
Alandalus	Jeddah	012 6033939	012 2637040
• Shohada	Makkah	012 5450594	012 5442008
• Qurban	Madina Munawwarah	014 8279900	014 8288899
• Shohada	Taif	012 7429386	012 7431397
• Al-Safa	Jeddah	012 6798171	012 6781237
Alrawdah	Jeddah	012 2619233	012 2619240
Tahliyah Street	Jeddah	012 6644551	012 6631628
• Alrabea	Jeddah	012 6775956	012 2717735

• Islamic Branches

Branches

Western Region Branches (continued):

Branch Name	City	Phone No.	FAX No.
• Albawadi	Jeddah	012 6823010	012 6827514
• King Road	Jeddah	012 6912095	012 6910527
• Prince Sultan Street	Jeddah	012 6993051	012 6998054
• Alanpariah	Madina Munawwarah	014 8266557	014 8212881
• Hay Albsateen	Jeddah	012 6993477	012 6994309
• Shehar	Taif	012 7405905	012 7450992
Al Mithnab	Buraida	016 3432277	016 3431825
Yanbu Industrial City	Madina Munawwarah	014 3935169	014 3933679

Eastern Region Branches:

Dammam	Dammam	013 8333577	013 8347309
Khobar	Khobar	013 8948660	013 8942752
Qatif	Qatif	013 8548464	013 8547462
• Hofuf	Hofuf	013 5831556	013 5831071
• Jubail	Jubail	013 3628622	013 3628633
Khazzan Street	Dammam	013 8275281	013 8272911
• Mubarraz	Mubarraz	013 5313334	013 5313016
• Ibqaiq	Ibqaiq	013 5662612	013 5663856
Al-Omran	Ehsa'a	013 5963632	013 5960144
• Ras Tannourah	Ras Tannourah	013 6680472	013 6682843
Thuqbah	Thuqbah	013 8952304	013 8982980
Sanayah	Jubail	013 3475933	013 3475932
• Khafji	Khafji	013 7661450	013 7671627
King Abdul Aziz Street	Khobar	013 8396000	013 8396062
Old Industrial Area	Dammam	013 8471752	013 8471732
Saihat	Saihat	013 8506046	013 8503121
• First Street	Dammam	013 8309666	013 8098739
• 42 Street	Dammam	013 8487700	013 8487711
• Mazroueya	Hofuf	013 5825980	013 5823583
• Rawda	Hofuf	013 5806263	013 5803046
Qarah	Hofuf	013 5962656	013 5962276
Industrial Area	Khobar	013 8672800	013 8981365
Second Industrial City	Dammam	013 8122225	013 8121277
• Mukhattat 71	Dammam	013 8222799	013 8186116
• Al-Rashid Centre	Khobar	013 8986015	013 8652304
Al-Najah Street	Ehsa'a	013 5873177	013 5876317
• AL-Raka	Khobar	013 8598786	013 8591295
• AL-Muraikbat	Dammam	013 8412505	013 8420238
Alqatif	Alqatif	013 8551521	013 8540759
• Altaraf	Ehsa'a	013 5370955	013 5370956
Mohammadiyah	Dammam	013 8178100	013 8178090
Safwa	Safwa	013 6644773	013 6646909
Nahria	Nahria	013 3732543	013 3730917

• Islamic Branches

Branches

Southern Region Branches:

Branch Name	City	Phone No.	FAX No.
• Aldarb	Jizan	017 3466766	017 3465659
• Wadi Al-Dawaser	Wadi Al-Dawaser	017 7840312	017 7840430
• Abha	Abha	017 2317930	017 2318074
• Najran	Najran	017 5222880	017 5220868
• Khamis Mushait	Khamis Mushait	017 2214342	017 2214167
• Al-Baha	Al-Baha	017 7253938	017 7254147
• Baljurashi	Baljurashi	017 7222920	017 7222916
• Jizan	Jizan	017 3220520	017 3223751
• Bisha	Bisha	017 6221222	017 6222373
• Dhahran Al-Janoob	Dhahran Al-Janoob	017 2550320	017 2550516
• Sabya	Sabya	017 3265817	017 3262942
• Al-Qunfudah	Al-Qunfudah	017 7321045	017 7320932
• Al-Namas	Al-Namas	017 2821029	017 2810327
• Mahayl Aseer	Mahayl Aseer	017 2852036	017 2851493
• Commercial Market	Khamis Mushait	017 2231514	017 2208784
• Samtah	Samtah	017 3321666	017 3323909
• Military City	Khamis Mushait	017 2503834	017 2500592
• Almansak	Abha	017 2313088	017 2312971
• Mekhwaa	Al Baha	017 7283972	017 7283978
Abu Arish	Jizan	017 3241403	017 3242804

Ladies Branches/Sections:

Central Region Branches:

Branch Name	City	Phone No.	FAX No.
Ladies, Akariah	Riyadh	011 4600065	011 4600213
Ladies,Tahlia	Riyadh	011 2931989	011 4659365
• Ladies, Albadiah	Riyadh	011 2679548	011 2679560
Ladies, Mursalat	Riyadh	011 4555455	011 4555455
• Ladies, Rabwah	Riyadh	011 2832329	011 2087285
Ladies, Takhassusi	Riyadh	011 4830248	011 4831654
Ladies, Raed Quarter	Riyadh	011 4880587	011 4810314
• Ladies, Ryan	Riyadh	011 4929371	011 4928513
• Ladies, Almugharzat	Riyadh	011 4940833	011 4940823
• Ladies, Rawdah	Riyadh	011 2086024	011 4921389
• Ladies, Ta'awon	Riyadh	011 4547783	011 4539038
• Ladies, Ishbiliah	Riyadh	011 2534298	011 2537603
• Ladies, Alshaifa	Riyadh	011 4238120	011 2840657

North Region Branches:

• Ladies, Buraidah	Buraidah	016 3834035	016 3834059
• Ladies, Hail	Hail	016 5351894	016 5351894
• Ladies, Unaiza	Unaiza	016 3266293	016 3261637

• Islamic Branches

Ladies Branches/Sections (continued):

Western Region Branches:

Branch Name	City	Phone No.	FAX No.
• Ladies, Hay Al-Jamia'a	Jeddah	012 6808023	012 6809799
Ladies, Sari,	Jeddah	012 6912376	012 6916043
• Ladies, Hay Al-Salamah	Jeddah	012 2751515	012 6399618
Ladies, Al Andalus	Jeddah	012 6034046	012 6034050
• Ladies, Makkah Mukaramah	Makkah Mukaramah	012 5576292	012 5576286
• Ladies, Madinah Munawarah	Madinah Munawarah	012 8222761	012 8271269
• Ladies, AL Shawqiah	Makkah Mukaramah	012 5655330	012 5650481
• Ladies, Alanpariah	Madina Munawwarah	014 8266557	014 8663071
• Ladies, King Road	Jeddah	012 6912095	012 2575376
• Ladies, Shehar	Taif	012 7405905	012 7422592
• Ladies, Prince Sultan	Jeddah	012 6990433	012 2155890
• Ladies, Tahliya	Jeddah	012 6604236	012 6604236
• Ladies, Alrusaifah Quarter , Makkah	Makkah Mukaramah	012 5307050	012 5307346
• Ladies, Alrehab Quarter	Jeddah	012 6753693	012 2875005

Eastern Region Branches:

• Ladies, Mazroueya	Hofuf	013 5823198	013 5823641
• Ladies, Korneesh	AlDammam	013 8309666	013 8094718
• Ladies, Korneesh	AlKhobar	013 8891095	013 8892048
• Ladies, Shara-42	Dammam	013 8416390	013 8416390
• Ladies, Dammam	Dammam	013 8333577	013 8333577
• Ladies, Qatif	Qatif	013 8547198	013 8546074
• Ladies, Mubarraz	Mubarraz	013 5313334	013 5311570
• Ladies, King Abdulaziz Street	AlKhobar	013 8396082	013 8396108
• Ladies, Hofuf	Hofuf	013 5833782	013 5833782
• Ladies, Al-Qara	Al-Qara	013 5962656	013 5965266
• Ladies, Al-Muraikbat	Dammam	013 8413438	013 8420238
• Ladies, Safwa	Safwa	013 6646448	013 6646507
• Ladies, Hafr Al-Batin	Hafr Al-Batin	013 7255337	013 7244492
• Ladies, Saihat	Saihat	013 8506046	013 8506203
• Ladies, Almuraikebat	Dammam	013 8413438	013 8420238
• Ladies, Al-Omran	Al-Omran	013 5952780	013 5952779

Southern Region Branches:

• Ladies, Khamis Mushait Shopping center	Khamis Mushait	017 2207499	017 2231714
• Ladies, Abha	Abha	017 2311585	017 2311969

Overseas Branches:

25 Curzon Street, London	London	+44 0 20 72974600	+44 0 20 72974900

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