Arab National Bank
Annual Report 2015

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Independent Auditors' Report

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KPMG Al Fozan & Partners
Certified Public Accountants

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, 2015, the consolidated income statement, consolidated statements of 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 42. We have not audited note 40, nor the information related to "Disclosures under Basel III framework" 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 Articles of Association. In addition, management is responsible for such internal control 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 these 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 entity'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 entity'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.

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Independent auditors' report to the shareholders of
Arab National Bank (A Saudi Joint Stock Company) (continued)

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, 2015, 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 Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young

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8 Jumad Awal 1437 H
(17 February 2016)

Consolidated Statement of Financial Position

As at December 31, 2015 and 2014

Assets	NOTES	2015 SAR '000	2014 SAR '000
Cash and balances with SAMA	4	**10,428,291**	21,252,327
Due from banks and other financial institutions	5	**5,575,020**	1,935,625
Derivative financial instruments	12	**290,158**	156,669
Investments, net	6	**33,239,175**	33,876,206
Loans and advances, net	7	**115,144,322**	103,724,016
Investments in associates	8	**531,617**	494,117
Other real estate		**159,893**	136,634
Investment property, net	9	**1,675,866**	-
Property and equipment, net	10	**1,945,420**	1,745,936
Other assets	11	**1,431,511**	1,346,825
Total assets		**170,421,273**	164,668,355
Liabilities and equity			
Liabilities			
Due to banks and other financial institutions	13	**5,672,883**	9,015,640
Derivative financial instruments	12	**338,949**	240,314
Customers" deposits	14	**135,686,539**	129,631,178
Other liabilities	15	**4,091,049**	3,453,964
Debt securities and sukuk	16	**2,000,000**	1,687,500
Total liabilities		**147,789,420**	144,028,596
Equity attributable to equity holders of the Bank			
Share capital	17	**10,000,000**	10,000,000
Statutory reserve	18	**8,732,000**	7,990,000
Other reserves		**102,051**	278,832
Retained earnings		**2,509,946**	1,782,481
Proposed dividends	28	**550,000**	550,000
Total equity attributable to equity holders of the Bank		**21,893,997**	20,601,313
Non-controlling interest		**737,856**	38,446
Total equity		**22,631,853**	20,639,759
Total liabilities and equity		**170,421,273**	164,668,355

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Income Statement

For the years ended December 31, 2015 and 2014

	NOTES	2015 SAR '000	2014 SAR '000
Special commission income	20	**4,438,779**	4,091,289
Special commission expense	20	**593,942**	468,673
Net special commission income		**3,844,837**	3,622,616
Fees and commission income, net	21	**1,285,924**	1,316,567
Exchange income, net	22	**513,272**	423,444
Unrealized (loss)/gain on investments held as FVIS, net	23	**(4,679)**	3,291
Trading (loss)/gain, net	24	**(4,363)**	4,401
Dividend income	25	**46,277**	42,536
Gains from non-trading investments, net	26	**24,278**	333
Other operating income, net		**156,983**	94,387
Total operating income		**5,862,529**	5,507,575
Salaries and employee related expenses	30	**1,375,471**	1,234,684
Rent and premises related expenses		**165,963**	152,537
Depreciation and amortization	10	**199,323**	189,652
Other general and administrative expenses		**502,434**	529,835
Impairment charges for credit losses, net	7	**656,907**	550,883
Impairment charges for investments, net	6	**43,455**	413
Total operating expenses		**2,943,553**	2,658,004
Net operating income		**2,918,976**	2,849,571
Share in earnings of associates, net	8	**37,500**	27,584
Net income for the year		**2,956,476**	2,877,155
Attributable to:			
Equity holders of the Bank		**2,964,417**	2,875,050
Non-controlling interest		**(7,941)**	2,105
Net income for the year		**2,956,476**	2,877,155
Basic and diluted earnings (in SAR per share)	27	**2,96**	2,88

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2015 and 2014

	2015 SAR '000	2014 SAR '000
Net income for the year	**2,956,476**	2,877,155
Other comprehensive income:		
Items that are or may be reclassified to the consolidated income statement in subsequent periods		
Available for sale financial assets:		
- Net changes in fair value	**(197,389)**	(2,256)
- Net amounts transferred to consolidated income statement	**19,589**	(333)
Cash flows hedges:		
- Net changes in fair value	**-**	14"931
- Net amounts transferred to consolidated income statement	**1,019**	3,160
	(176,781)	15,502
Total comprehensive income for the year	**2,779,695**	2,892,657
Attributable to:		
Equity holders of the Bank	**2,787,636**	2,890,552
Non-controlling interest	**(7,941)**	2,105
Total comprehensive income for the year	**2,779,695**	2,892,657

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2015 and 2014

Attributable to equity holders of the Bank

2015	Notes	Share capital SAR ,000	Statutory reserve SAR ,000	Available for sale financial assets reserves SAR ,000	Cash flow hedges reserves SAR ,000	Retained earnings SAR ,000	Proposed dividends SAR ,000	Total SAR ,000	Non-controlling interest SAR ,000	Total equity SAR ,000
Balance at beginning of the year		10,000,000	7,990,000	279,851	(1.019)	1,782,481	550,000	20,601,313	38,446	20,639,759
Changes in equity for the year										
Net changes in fair value of cash flow hedges				-	-	-	-	-	-	-
Net changes in fair value of available for sale investments				(197,389)	-	-	-	(197,389)	-	(197,389)
Transfers to consolidated income statement				19,589	1,019	-	-	20,608		20,608
Net income for the year				-	-	2,964,417	-	2,964,417	(7,941)	2,956,476
Total comprehensive income for the year				(177,800)	1,019	2,964,417	-	2,787,636	(7,941)	2,779,695
Transfer to statutory reserve	18	-	742,000	-	-	(742,000)	-	-	-	-
2014 final dividends paid	28	-	-	-	-	-	(550,000)	(550,000)	-	(550,000)
Gross dividends – Interim and proposed	28	-	-	-	-	(1,494,952)	550,000	(944,952)	-	(944,952)
Non-controlling interest arising on consolidation	1	-	-	-	-	-	-	-	707,351	707,351
Balance at end of the year		10,000,000	8,732,000	102,051	-	2,509,946	550,000	21,893,997	737,856	22,631,853

Attributable to equity holders of the Bank

2014	Notes	Share capital SAR ,000	Statutory reserve SAR ,000	Available for sale financial assets reserves SAR ,000	Cash flow hedges reserves SAR ,000	Retained earnings SAR ,000	Proposed dividends SAR ,000	Total SAR ,000	Non-controlling interest SAR ,000	Total equity SAR ,000
Balance at beginning of the year		8,500,000	7,270,000	282,440	(19,110)	2,622,124	425,000	19,080,454	107,960	19,188,414
Changes in equity for the year										
Net changes in fair value of cash flow hedges				-	14,931	-	-	14,931	-	14,931
Net changes in fair value of available for sale investments				(2,256)	-	-	-	(2,256)	-	(2,256)
Transfers to consolidated income statement				(333)	3,160	-	-	2,827	-	2,827
Net income for the year				-	-	2,875,050	-	2,875,050	2,105	2,877,155
Total comprehensive income for the year				(2.589)	18,091	2,875.050	-	2,890,552	2,105	2,892,657
Bonus share issue	17	1,500,000	-	-	-	(1,500,000)	-	-	-	-
Acquisition of non-controlling interest		-	-	-	-	-	-	-	(71,619)	(71,619)
Transfer to statutory reserve	18	-	720,000	-	-	(720,000)	-	-	-	-
2013 final dividends paid		-	-	-	-		(425,000)	(425,000)	-	(425,000)
Gross dividends – Interim and proposed	28	-	-	-	-	(1,494,693)	550,000	(944,693)	-	(944,693)
Balance at end of the year		10,000,000	7,990,000	279,851	(1,019)	1,782,481	550,000	20,601,313	38,446	20,639,759

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the years ended December 31, 2015 and 2014

	NOTES	2015 SAR '000	2014 SAR '000
Operating Activities			
Net income for the year		**2,956,476**	2,877,155
Adjustments to reconcile net income for the year to net cash (used in)/from operating activities:			
Accretion of discounts of non-trading investments, net		**(84,501)**	(111,493)
Gains on non-trading investments, net	25	**(24,278)**	(333)
Unrealized losses/(gains) on revaluation of investmentas held as FVIS		**4,679**	(3,291)
Dividend income	24	**(46,277)**	(42,536)
Depreciation of investment property	9	**24,807**	-
Depreciation and amortization of property and equipment	10	**199,323**	189,652
Losses/(gains) on disposal/sale of property and equipment , net	26	**1,695**	(6,170)
Share in earnings of associates, net	8	**(37,500)**	(27,584)
Impairment charges for investments, net	6	**43,455**	413
Impairment charges for credit losses, net	7	**656,907**	550,883
		3,694,786	3,426,696
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA	4	**(883,706)**	(507,300)
Investments held for trading and designated as FVIS	6	**(1,310,701)**	6,199
Derivative financial instruments		**(133,489)**	20,232
Loans and advances		**(12,127,820)**	(15,832,043)
Other assets		**49,823**	(284,333)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		**(3,342,757)**	1,374,582
Derivative financial instruments		**98,635**	2,884
Customers'" deposits		**6,055,361**	23,258,446
Other liabilities		**21,402**	144,443
Net cash (used in)/from operating activities		**(7,878,466)**	11,609,806
Investing Activities			
Proceeds from sale of and matured non-trading investments		**19,060,668**	15,146,509
Purchase of non-trading investments		**(17,221,434)**	(20,634,144)
Acquisition of investment property	9	**(1,700,673)**	-
Purchase of property and equipment	10	**(401,382)**	(306,716)
Proceeds from sale of property and equipment		**880**	24,616
Dividend received		**46,277**	42,536
Net cash used in investing activities		**(215,664)**	(5,727,199)
Financing Activities			
Redemption of debt securities		**(1,687,500)**	-
Proceeds from issuance of sukuk		**2,000,000**	-
Dividends paid, net of zakat		**(994,068)**	(869,266)
Acquisition of non-controlling interest		**-**	(71,619)
Non-controlling interest arising on consolidation		**707,351**	-
Net cash from/(used in) financing activities		**25,783**	(940,885)
Decrease)/increase in cash and cash equivalents		**(8,068,347)**	4,941,722
Cash and cash equivalents at the beginning of the year		**16,748,786**	11,807,064
Cash and cash equivalents at the end of the year	29	**8,680,439**	16,748,786
Special commission received during the year		**4,394,801**	4,000,698
Special commission paid during the year		**(550,272)**	(392,175)
Supplemental non-cash information			
Net changes in fair value of available for sale investments		**(197,389)**	(2,256)
Net changes in fair value of cash flow hedges		**-**	14,931

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, 2015 and 2014 (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 Awla 1, 1400H (corresponding to January 19, 1980) through its 153 branches (2014: 156 branches) in the Kingdom of Saudi Arabia (The Kingdom) 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 Shari'ah Board established by the Bank.

The consolidated financial statements comprise the financial statements of the Bank and the following subsidiaries (collectively referred to as "the Group"):

Arab National Investment Company (ANB Invest)
In accordance with the Capital Market Authority (CMA) directives, the Bank established ANB Invest, a wholly owned subsidiary (directly and indirectly) a Saudi closed joint stock company, registered in the Kingdom under Commercial Registration No.1010239908 issued on Shawwal 26, 1428H (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 CMA. The subsidiary commenced its operations effective 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. On Muharram 19, 1436H (corresponding to November 12, 2014) the subsidiary changed its legal structure from a limited liability company to a closed joint stock company.

Arabian Heavy Equipment Leasing Company (AHEL)
A 87.5% owned subsidiary incorporated in the Kingdom, as a Saudi closed joint stock company, under Commercial Registration No. 1010267489 issued in Riyadh dated Jumada I 15, 1430H (corresponding to May 10, 2009). The company is engaged in the leasing of heavy equipment and operates in compliance with Shari'ah principles. The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, the date the subsidiary started its operations. On May 6, 2014 the Bank increased its ownership percentage in this subsidiary from 62.5% to 87.5%.

Arab Insurance Agency
A Saudi limited liability company established during 2013 as a wholly owned subsidiary, registered in the Kingdom under Commercial Registration No. 1010396423 issued in Riyadh dated Muharram 28, 1435H (corresponding to December 1, 2013). The subsidiary obtained its license from the Saudi Arabian Monetary Agency (SAMA) to start its activities on Jumada Al-Awla 5, 1435H (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.
A wholly owned Saudi limited liability company, registered in the Kingdom under Commercial Registration No. 1010199647 issued in Riyadh dated Jumada Al-Awla 18, 1425H (corresponding to July 6, 2004). The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purposes.

ANBI Business Gate Fund (the Fund)
The Bank indirectly owns 25.47% of the Fund, which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14/411 dated Shawwal 9, 1435 H (corresponding to August 5, 2014). The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term. The Group has significant aggregate economic interest in the Fund and manages the Fund through an agreement between Arab National Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). As a result, management has concluded that the Group has effective control of the Fund and started consolidating the Fund"s financial statements effective December 31, 2015, the date of effective control.

2- Basis of preparation

a) Statement of compliance

The consolidated financial statements are prepared in accordance with Accounting Standards for Financial Institutions promulgated by SAMA and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Bank also 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 and the Bank"s by-laws.

b) Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of trading securities, financial instruments held at Fair Value through Income Statement (FVIS), including derivatives and available for sale investments. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship and that are otherwise carried at cost are adjusted to record changes in fair value attributable to the risks that are 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 otherwise indicated, the financial information presented in SAR has been rounded off to the nearest thousand.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgements, 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

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

2- Basis of preparation (continued)

d) Critical accounting judgements, estimates and assumptions (continued)

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 current circumstances. Significant areas where management has used estimates, assumptions or exercised judgement 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 loss should be recorded, management applies judgement 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 that, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example industry sector, loan grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- Management"s judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the consolidated statement of financial position date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification is estimated by management for each identified portfolio based on economic and market conditions, customer behavior, portfolio management information, credit management techniques and collection and recovery experience in the market. As it is assessed empirically on a periodic basis, the estimated period may vary over time as these factors change.

(ii) Fair value Measurement

The Group measures financial instruments, such as derivatives, at fair value at each statement of financial position date. 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 by the Group.

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

The fair value measurement of a non-financial asset takes into account a market participant,s ability to generate economic benefits by using the asset to its fullest or by selling it to another market participant that would use the asset to its fullest.

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 and calibrated before they are used to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. Areas such as credit risk (both own and counterparty), volatilities and correlations, however, require management to make estimates. The judgements include considerations of liquidity and model inputs such as volatility of longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions about these factors could affect the fair value of financial instruments.

(iii) Impairment of available for sale (AFS) equity and debt investments

Management exercises judgement when considering impairment of AFS equity and debt investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgement, management evaluates among other factors, the normal volatility in share/debt price. In addition, they consider impairment to be appropriate when there is evidence of a deterioration in the financial health of the investee, industry or sector performance, changes in technology and operational and financing cash flows.

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 impairment charges for investments. 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 impairment charge for investments.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

Management reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired. This requires similar judgement as applied to individual assessment of loans and advances.

(iv) Classification of held to maturity (HTM) investments

The Bank follows the guidance of International Accounting Standard (IAS) 39 when classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM. In making this judgement, management 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 AFS.

(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 interest 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, except for ANBI Business Gate Fund, 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

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

f) Provisions for liabilities and charges

The Bank receives legal claims against it in the normal course of business. Management has used judgement when providing for the likelihood of any claim succeeding. The time needed to conclude legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on due process being followed as required by law.

3- Significant accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of the following new standards mentioned below which have had no significant financial impact on the consolidated financial statements of the Group:

- Amendments to IAS 19 applicable for annual periods beginning on or after July 1, 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria,s from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in periods in which the related service is rendered.

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycles applicable for annual periods beginning on or after July 1, 2014. A summary of the amendments is contained as under:

  IFRS 8 – "Operating Segments" – has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

  IFRS 13 – "Fair Value Measurement" – has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

  IAS 24 –"Related Party Disclosures" – the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

  IFRS 1 "First Time Adoption of IFRS";
  IFRS 2 "Share-based Payment";
  IFRS 3 "Business Combinations";
  IAS 16 "Property, Plant and Equipment;
  IAS 38 Intangible Assets"; and
  IAS 40 "Investment Property";

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

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 where necessary to align them with the Bank"s financial statements.

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

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

3- Significant accounting policies (continued)

a) Basis of consolidation (continued)

Specifically, the Group controls an investee if and only if it 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group 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; and
- The Group"s voting rights and potential voting rights granted by equity instruments such as shares.

The Group 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 Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent"s share of components previously recognised in other comprehensive income to the profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and separately from equity holders of the Bank within equity in the consolidated statement of financial position. Any losses related to the non-controlling interest in a subsidiary are allocated to non-controlling interest even if doing so causes non-controlling interest to have a deficit balance.

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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest is subsequently adjusted for the Group"s share of changes in the equity of the consolidated subsidiary after the date of acquisition.

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

b) Investments 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.

When the Bank"s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables (if applicable), the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

c) Settlement date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on 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 market convention. For financial instruments held at fair value, the Bank accounts for any change in fair values between the trade date and the settlement date.

A contract that requires or permits net settlement of the change in the value of the contract is not a regular way contract. Instead, such a contract is accounted for as a derivative in the period between the trade date and the settlement 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 and 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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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 fair values depends on classifying derivatives into the following categories:

i) Derivatives held for trading

Changes in the fair value of derivatives held for trading are taken directly to the consolidated income statement and disclosed under trading income, net. Derivatives held for trading also include derivatives which do not qualify for hedge accounting and 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 FVIS. 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.

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 are 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 that meet the criteria for hedge accounting, any gain or loss from fair valuing the hedging instruments to fair value is recognized immediately in the consolidated income statement. An equal and opposite adjustment is made 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 its 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 through the consolidated statement of other comprehensive income. 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. However, if the Bank expects that all or a portion of a loss recognized in other reserve will not be recovered in one or more future periods, it reclassifies the amount that is not to be recovered into the consolidated income statement.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or liability, the associated gains or losses that had previously been recognized in other reserves are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability at the time such asset or liability is recognized.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, the forecasted transaction is no longer expected to occur or the Bank revokes the designation. At that time, any cumulative gain or loss on the hedging instrument that was previously recognized in other reserves is retained in equity until the forecasted transaction occurs. Where it is not expected that the forecasted transaction will occur and that it will affect the consolidated income statement, the net cumulative gain or loss recognized in other reserves is transferred to the consolidated income statement.

e) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the parent company"s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the 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. The exchange component of gains or losses on non-monetary items is 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 at historical cost in a foreign currency are translated using the exchange rates prevailing on transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing on the date when the fair value was determined.

The monetary assets and liabilities of overseas branches are translated at the rate of exchange prevailing on 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.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

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 an accountin g standard or interpretation and as specifically disclosed in these accounting policies.

g) Revenue and expense recognition

Special commission income and expense

Special commission income and expense for all commission bearing financial instruments, except for those classified as held for trading or designated at FVIS, and the fees that 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 and 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. Future credit losses are, however, not included. 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 Group 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)

Exchange income/loss is recognized when earned/incurred.

Fee and commission income

Fee and commission income 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. Fees 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 that the service is being provided.

Dividend income

Dividend income is recognized when the right to receive income is established.

Net trading income / (loss)

Revenue arising from trading activities includes all realized and unrealized gains and losses from changes in fair value and related special commission income or expense, foreign exchange differences and dividends from financial assets and financial liabilities held for trading. This also includes the ineffectiveness recorded in hedging transactions.

Rental income

Rental income is recognized in the consolidated income statement on a straight-line basis over the term of the lease. Rent received for future periods are recognised as unearned revenue.

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 relevant accounting policies for trading securities, 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 the 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 the 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 fair value plus, in the case of financial assets other than those carried at FVIS, any directly attributable incremental costs of acquisition. Premiums are amortized and discounts accreted on effective yield basis and recognised in special commission income.

The fair value of securities traded in organized financial markets 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 of transaction costs. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values, which approximate fair value.

For securities where there is no quoted market price, a reasonable

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

estimate of 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 fair value cannot be derived from an active market, it is 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. Where this is not feasible, a degree of judgement is required in establishing fair values.

Following initial recognition, subsequent transfers between the various classes of investments are not ordinarily permissible. The subsequent measurement of period-end reporting values of each class of investment are determined on the basis 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, net. An investment may be designated as FVIS if it satisfies the criteria laid down by IAS 39 except for 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 in the consolidated income statement as either Trading income or Income from FVIS financial instruments in line with the underlying assets.

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

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

Investments which are classified as AFS are subsequently measured at fair value. Where the fair value has not been hedged, gains or losses arising from a change in fair value is recognized through the statement of comprehensive income in Other reserves in Equity. On derecognition, any cumulative gain or loss previously recognized in shareholders" equity is transferred to the consolidated income statement.

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 losses on AFS debt security investments are recognized in the consolidated income statement.

(iii) Held to maturity (HTM)
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 HTM. These investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for any impairment. Amortized cost is calculated using the effective yield method taking into account any discount or premium on acquisition and any fees that are an integral part thereof. Gains or losses on such investments are 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 (OI)
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 AFS are classified as "other investments held at amortized cost". Such investments where fair values have not been hedged are stated at amortized cost using the effective yield basis, less provision for any impairment. Gains or losses are 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 borrowers repay their obligations, 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, except for loans held as FVIS.

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.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

k) Impairment of financial assets

A financial asset is classified as impaired when there is objective evidence of impairment as a result of one or more events that occurred after initial recognition 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 is impaired at the statement of financial position date. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future anticipated cash flows and an impairment loss is recognized for changes in the asset‟s 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 special commission rate existing on the measurement date.

When a financial asset is uncollectible, it is written off either directly by a charge to the consolidated income statement or against the related allowance for impairment account. Financial assets are written off only in circumstances where effectivel y 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 impairment charges for credit losses in the consolidated income statement.

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 that indicate that payment will most likely continue.

These 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 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, current economic conditions, the experience the Bank had in dealing with a borrower or group of borrowers and available historical default information.

(i) Impairment of financial assets held at amortized cost

Specific impairment charges for credit losses due to impairment of a loan or any other financial asset held at amortized cost is recognized 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.

The carrying amount of financial assets at amortized cost 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 AFS, 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 consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For equity investments held as AFS, 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 released to the consolidated income statement.

l) Other real estate

The Bank, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate is 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, write downs to fair value, less costs to sell, is charged to the consolidated income statement. Similarly, subsequent gains in fair value less costs to sell are recognized as income to the extent that it does not exceed the cumulative write down. Gains or losses on disposal are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

m) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of property and equipment is depreciated on a straight-line method over the estimated useful lives of 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. An asset"s carrying amount is written down to its recoverable amount if the asset"s carrying amount is greater than its estimated recoverable amount.

n) Investment property

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives. The estimated useful live of buildings is (30-33) years.

No depreciation is charged on land and capital work-in-progress.

The useful live and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected inflow of economic benefits from these assets.

The Group determines at each reporting date whether there is objective evidence that investment properties are impaired. Whenever the carrying amount of an investment property exceeds its recoverable amount, an impairment loss is recognized in the consolidated income statement.

o) Financial liabilities

Money market deposits, customers" deposits, term loans and subordinated debt 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 to maturity on an effective yield basis and recognised as special commission expense.

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

p) Provisions

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

q) Accounting for leases

(i) Where the Bank is a lessee

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.

Penalties paid to a lessor when an operating lease is terminated before the lease period has expired, is recognized as an expense in the period in which termination takes place.

(ii) Where the Bank is a lessor

When assets are sold under a finance lease, including Shari"ah compliant leases, 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 effective yield basis, which reflects a constant periodic rate of return.

r) 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.

s) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt arrangement. 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".

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

3. Summary of significant accounting policies (continued)

t) Derecognition of financial instruments

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

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 part thereof can only be derecognized when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

u) Zakat and income tax

Zakat and income tax are the liabilities of Saudi and foreign shareholders, respectively. Zakat is calculated on the Saudi shareholders" share of equity or net income using the basis defined under the Zakat regulations. Income tax is calculated on the foreign shareholders" share of net income for the year.

Zakat and income tax are not charged to the Bank"s consolidated income statement as they are payable by the shareholders. Accordingly, Zakat and income tax are deducted from the shareholders equity and deposited on their behalf with Department of
Zakat and Income Tax (DZIT). Income tax is the liability of the foreign shareholders and is settled by them accordingly.

v) Shari'ah compliant banking products

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

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

w) Investment management services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds. The Bank"s share of these funds is included in the available-for-sale investments and fees earned are disclosed under related party transactions.

x) Standards issued but not yet effective

In July 2014, the IASB issued the final version of IFRS 9 - ''Financial Instruments'' which reflects all phases of the financial instruments project and replaces IAS 39 - ''Financial Instruments: Recognition and Measurement'' and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting and is effective for financial years beginning on or after January 1, 2018. Early application is permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group"s financial assets, but no impact on the classification and measurement of the Group''s financial liabilities.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

4- Cash and balances with SAMA

	2015	2014
Cash in hand	**3,105,277**	2,681,376
Statutory deposit	**7,322,872**	6,439,166
Placements with SAMA	**-**	12,089,917
Other balances	**142**	41,868
Total	**10,428,291**	21,252,327

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Bank"s day-to-day operations and is therefore not part of cash and cash equivalents (note 29). The Bank holds balances with SAMA which has investment grade credit rating.

5. Due from banks and other financial institutions

	2015	2014
Current accounts	**1,866,317**	1,517,850
Money market placements	**3,708,703**	417,775
Total	**5,575,020**	1,935,625

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

6- Investments, net

a) Investments are classified as follows:

i) Trading securities

	DOMESTIC		INTERNATIONAL		TOTAL	
	2015	2014	2015	2014	2015	2014
Fixed rate securities	-	-	1,312,480	-	1,312,480	-

ii) Designated as fair value through income statement

	DOMESTIC		INTERNATIONAL		TOTAL	
	2015	2014	2015	2014	2015	2014
Mutual funds and others	-	-	8,077	14,535	8,077	14,535

iii) Available for sale

	DOMESTIC		INTERNATIONAL		TOTAL	
	2015	2014	2015	2014	2015	2014
Fixed rate securities	313,198	327,339	8,390,602	7,958,631	8,703,800	8,285,970
Floating rate securities	998,881	841,437	-	93,750	998,881	935,187
Equities	1,074,728	1,088,934	389	324	1,075,117	1,089,258
Other	224,338	367,609	197,784	215,681	422,122	583,290
Available for sale	**2,611,145**	2,625,319	**8,588,775**	8,268,386	**11,199,920**	10,893,705

iv) Other investments held at amortized cost

	DOMESTIC		INTERNATIONAL		TOTAL	
	2015	2014	2015	2014	2015	2014
Fixed rate securities	17,152,264	17,900,837	470,537	1,473,628	17,622,801	19,374,465
Floating rate securities	3,095,897	3,593,501	-	-	3,095,897	3,593,501
Other investments held at amortized cost	**20,248,161**	21,494,338	**470,537**	1,473,628	**20,718,698**	22,967,966
Total investments, net	**22,859,306**	24,119,657	**10,379,869**	9,756,549	**33,239,175**	33,876,206

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

b) The analysis of the investment products is as follows:

	2015			2014		
	QUOTED	UNQUOTED	TOTAL	QUOTED	UNQUOTED	TOTAL
Fixed rate securities	10,173,619	17,465,462	27,639,081	9,432,259	18,228,176	27,660,435
Floating rate securities	1,168,367	2,926,411	4,094,778	1,262,202	3,266,486	4,528,688
Equities	1,073,728	1,389	1,075,117	1,087,934	1,324	1,089,258
Others	260,186	170,013	430,199	447,391	150,434	597,825
Investments, net	12,675,900	20,563,275	33,239,175	12,229,786	21,646,420	33,876,206

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

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

	2015				2014			
	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed rate securities	17,622,801	45,648	(17,975)	17,650,474	19,374,465	41,036	(3,809)	19,411,692
Floating rate securities	3,095,897	3,050	(119,101)	2,979,846	3,593,501	89,682	(32,220)	3,650,963
Total	20,718,698	48,698	(137,076)	20,630,320	22,967,966	130,718	(36,029)	23,062,655

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

	2015	2014
Government and quasi government	28,108,687	28,890,259
Banks and other financial institutions	2,181,008	3,311,189
Corporate	1,206,262	1,123,142
Other	1,743,218	551,616
Total	33,239,175	33,876,206

Investments include SAR 2,424 million (2014: SAR 3,996 million) (note 19d) that have been pledged under repurchase agreements with other banks and customers. The market value of these investments is SAR 2,423 million (2014: SAR 3,998 million).

Accrued special commission receivable on Investments amounted to SAR 55.1 million as of December 31, 2015 (2014: SAR 64.7 million) and is disclosed under "Other Assets" (Note 11).

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

6- Investments, net (continued)

e) Movement in the allowance for impairment of investments

	2015	2014
Balance at beginning of the year	413	-
Impairment charge for the year	43,868	413
Recoveries of amounts previously provided	(413)	-
Balance at end of the year	43,868	413

2015	FIXED RATE	FLOATING RATE	EQUITIES	OTHER	TOTAL
Balance at beginning of the year	413	-	-	-	413
Provided during the year	-	-	41,934	1,934	43,868
Amounts recovered during the year	(413)	-	-	-	(413)
Balance at end of the year	-	-	41,934	1,934	43,868

2014	FIXED RATE	FLOATING RATE	EQUITIES	OTHER	TOTAL
Balance at beginning of the year	-	-	-	-	-
Provided during the year	413	-	-	-	413
Amounts recovered during the year	-	-	-	-	-
Balance at end of the year	413	-	-	-	413

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

7- Loans and advances, net

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

2015	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Performing loans and advances, gross	**415,931**	**26,898,086**	**89,362,896**	**116,676,913**
Non-performing loans and advances, net	**6,220**	**89,343**	**1,134,020**	**1,229,583**
TOTAL LOANS AND ADVANCES	422,151	26,987,429	90,496,916	117,906,496
Impairment charges for credit losses, net	**(2,222)**	**(89,904)**	**(2,670,048)**	**(2,762,174)**
LOANS AND ADVANCES, NET	419,929	26,897,525	87,826,868	115,144,322

2014	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Performing loans and advances, gross	324,725	24,734,820	79,955,241	105,014,786
Non-performing loans and advances, net	4,919	65,550	1,024,715	1,095,184
TOTAL LOANS AND ADVANCES	329,644	24,800,370	80,979,956	106,109,970
Impairment charges for credit losses, net	(2,676)	(95,724)	(2,287,554)	(2,385,954)
LOANS AND ADVANCES, NET	326,968	24,704,646	78,692,402	103,724,016

For details of impaired loans and advances, refer to note 32 (f).

Loan and advances include Shari'ah compliant banking products: Murabaha and Tawarruq agreements and Ijarah, which are stated at amortized cost, of SAR 73.5 billion (2014: SAR 66.1 billion).

Accrued special commission receivable on Loans and Advances amounted to SAR 511.5 million as of December 31, 2015 (2014: SAR 456.3 million) and is disclosed under "Other Assets" (Note 11).

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

7- Loans and advances, net (continued)

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

2015	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Performing loans and advances, gross	**2,676**	**95,724**	**2,287,554**	**2,385,954**
Non-performing loans and advances, net	**11,343**	**253,975**	**385,872**	**651,190**
Impairment charges for credit losses, net	**(11,797)**	**(259,795)**	**(3,378)**	**(274,970)**
LOANS AND ADVANCES, NET	2,222	89,904	2,670,048	2,762,174

2014	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Performing loans and advances, gross	1,951	83,551	1,968,538	2,054,040
Non-performing loans and advances, net	8,152	216,630	319,649	544,431
Impairment charges for credit losses, net	(7,427)	(204,457)	(633)	(212,517)
LOANS AND ADVANCES, NET	2,676	95,724	2,287,554	2,385,954

Impairment charge for credit losses, net for the year ended December 31, 2015 amounted to SAR 656,907 thousands (2014: SAR 550,883 thousand), including bad debts directly written-off to consolidated income statement amounting to SAR 5,717 thousands (2014: SAR 6,452 thousand).

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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

2015	Performing gross	Non performing, net	Impairment charges for credit losses	Loans and advances, net
1. Government and quasi government	-	-	-	-
2. Banks and other financial institutions	1,612,539	-	-	1,612,539
3. Agriculture and fishing	1,182,794	-	-	1,182,794
4. Manufacturing	14,006,152	4,928	(166,432)	13,844,648
5. Mining and quarrying	648,687	-	-	648,687
6. Electricity, water, gas and health services	4,287,272	-	-	4,287,272
7. Building and construction	9,216,395	419,827	(671,681)	8,964,541
8. Commerce	18,030,756	580,241	(601,148)	18,009,849
9. Transportation and communication	5,400,492	98,781	(100,155)	5,399,118
10. Services	2,779,023	18,705	(44,182)	2,753,546
11. Consumer loans and credit cards	27,314,017	95,563	(62,466)	27,347,114
12. Other	32,198,786	11,538	(275,872)	31,934,452
	116,676,913	1,229,583	(1,921,936)	115,984,560
Allowance for collective impairment	-	-	(840,238)	(840,238)
Total	116,676,913	1,229,583	(2,762,174)	115,144,322

2014	Performing gross	Non performing, net	Impairment charges for credit losses	Loans and advances, net
1. Government and quasi government	-	-	-	-
2. Banks and other financial institutions	1,262,238	-	-	1,262,238
3. Agriculture and fishing	573,204	-	(1,345)	571,859
4. Manufacturing	12,940,117	5,415	(124,451)	12,821,081
5. Mining and quarrying	1,090,492	-	-	1,090,492
6. Electricity, water, gas and health services	3,556,666	-	-	3,556,666
7. Building and construction	7,941,559	346,603	(538,200)	7,749,962
8. Commerce	15,055,152	567,628	(587,195)	15,035,585
9. Transportation and communication	4,596,260	88,864	(88,008)	4,597,116
10. Services	2,693,908	15,177	(9,806)	2,699,279
11. Consumer loans and credit cards	25,059,545	70,469	(68,741)	25,061,273
12. Other	30,245,645	1,028	(283,231)	29,963,442
	105,014,786	1,095,184	(1,700,977)	104,408,993
Allowance for collective impairment	-	-	(684,977)	(684,977)
Total	105,014,786	1,095,184	(2,385,954)	103,724,016

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

8- Investments in associates

	2015	2014
Balance at beginning of the year	**494,117**	466,533
Share in earnings, net	**37,500**	27,584
Balance at end of the year	**531,617**	494,117

Saudi Home Loans Company

The Bank participated in the setting up of Saudi Home Loans Company (the associate). The associate"s authorized capital is SAR 2 billion and its issued capital is SAR 800 million. The bank initially paid an amount of SAR 320 million, representing 40% of the issued share capital of the associate. The associate is a specialized Islamic home and real estate finance company with all its products and services being fully Shari'ah compliant. The associate was launched at the end of the fourth quarter of 2007 and is accounted for under the equity method.

Metlife – AIG – ANB Cooperative Insurance Company

The Bank participated in the setting up of Metlife – AIG – ANB Cooperative Insurance Company in the Kingdom. The Bank"s share is 30% of the associate"s total equity capital of SAR 175 million. The associate was launched during the fourth quarter of 2013 and is accounted for under the equity method. SAMA has provided the associate with final approval to conduct insurance business in the Kingdom on February 25, 2014. The Bank initially paid SAR 52.5 million representing 30% of the issued share capital of the associate. The associate"s shares are listed on the Saudi Arabian Stock Exchange and, the quoted value of the Bank's investment in its associate is SAR 294.7 million (2014: SAR 282.2 million).

On April 27, 2015, the associate"s board of directors recommended increasing the company"s capital from SAR 175 million to SAR 350 million through a rights issue. In this connection, the Company submitted its business plan along with related documents to SAMA on June 7, 2015 for approval and SAMA has approved the capital increase on August 31, 2015. The associate has submitted the required documents to the Capital Market Authority on November 15, 2015 and has obtained its approval on January 19, 2016.

The Bank's share of associates، financial statements:

	Saudi Home Loans Company		Metlife – AIG – ANB Cooperative Insurance Company	
	2015	2014	2015	2014
Total assets	**1,502,852**	1,473,735	**159,011**	42,864
Total liabilities	**1,003,224**	1,017,590	**132,438**	6,657
Total equity	**499,628**	456,145	**26,573**	36,207
Total income	**74,155**	68,665	**1,498**	332
Total expenses	**(26,653)**	(24,937)	**(11,132)**	(8,376)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

9- Investment Property, net

Investment properties consist of land, commercial offices being rented out and a hotel under construction. It is located in the Kingdom and was acquired by the Group"s subsidiary, the ANBI Business Gate Fund. The following is the movement in investment property:

Cost	Land	Building commercial	Hotel under construction	Total
Acquired during the year	550,000	744,133	406,540	1,700,673
As at December 31,2015	550,000	744,133	406,540	1,700,673
Accumulated depreciation				
Depreciation charge for the period	-	24,807	-	24,807
As at December 31,2015	-	24,807	-	24,807
Net book value as at December 31,2015	550,000	719,326	406,540	1,675,866
As at December 31,2014	-	-	-	-

The fair value of investment properties was determined by management based on a valuation performed by two independent and professionally qualified valuers registered with the Royal Institute of Chartered Surveyors using the Income Capitalisation Method and discounted cash flows (DCF). Management assessed this valuation as Level 3 in the hierarchy for determining and disclosing fair value as defined in note 36. The fair value of investment properties is SAR 1,813 million (which is the lower of the two independent valuations), compared with a carrying value of SAR 1,676 million.

10- Property and equipment, net

Cost	Land and buildings	Leasehold improvements	Equipment, furniture and vehicles	Computer and Software	Projects under execution	Total 2015	Total 2014
Balance at beginning of the year	1,107,613	491,566	641,527	1,089,222	290,212	3,620,140	3,362,784
Additions	77,981	53,262	92,541	90,341	87,257	401,382	306,716
Disposals	-	(27,757)	(7,004)	(1,630)	(840)	(37,231)	(49,360)
Transfers	243,435	12,024	13,523	-	(268,982)	-	-
Balance at end of the year	1,429,029	529,095	740,587	1,177,933	107,647	3,984,291	3,620,140
Accumulated depreciation							
Balance at beginning of the year	319,546	357,241	270,508	926,909	-	1,874,204	1,715,466
Charge for the year	39,891	34,329	61,309	63,794	-	199,323	189,652
Disposals	-	(25,880)	(7,094)	(1,682)	-	(34,656)	(30,914)
Balance at end of the year	359,437	365,690	324,723	989,021	-	2,038,871	1,874,204
Net book value as at December 31, 2015	1,069,592	163,405	415,864	188,912	107,647	1,945,420	
As at December 3, 2014	788,067	134,325	371,019	162,313	290,212		1,745,936

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

11- Other assets

Accrued special commission receivable	2015	2014
- banks and other financial institutions	**79**	85
- investments	**55,124**	64,720
- loans and advances	**511,503**	456,255
- derivatives	**21,883**	16,427
Total accrued special commission receivable	**588,589**	537,487
Prepaid expenses	**270,186**	287,991
Other	**572,736**	521,347
Total	**1,431,511**	1,346,825

12- Derivative financial instruments

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 on a 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 with changes in fair values settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for the cash settlement, on a specified future date or series of dates, of the difference between the contracted commission rate and the market rate calculated on a notional principal.

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, on a 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 to, inter alia, enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitr age involves identifying, with the expectation of profiting, 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 (the Board) within the guidelines issued by SAMA.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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 set limits. The Board 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 to within the set 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 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 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 either fair value or cash flow hedges.

The tables below show the notional amounts and the positive and negative fair values of derivative financial instruments analyzed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transact ions 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.

				Notional amounts by term to maturity				
2015 **Held for trading:**	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Commission rate swaps	**29,825**	**18,952**	**7,483,969**	**-**	**23,826**	**6,785,143**	**675,000**	**9,734,475**
Commission rate futures and options	**8,169**	**6,879**	**2,261,124**	**-**	**11,124**	**2,250,000**	**-**	**1,039,777**
Forward foreign exchange and commodity contracts	**96,476**	**67,783**	**6,484,658**	**3,558,391**	**1,649,838**	**1,276,429**	**-**	**8,735,692**
Currency and commodity options	**145,528**	**136,047**	**16,643,582**	**2,562,516**	**7,955,998**	**6,125,068**	**-**	**19,765,746**
Held as fair value hedges:								
Commission rate swaps	**10,160**	**109,288**	**13,132,446**	**937,500**	**1,918,826**	**9,713,620**	**562,500**	**13,776,445**
Total	**290,158**	**338,949**	**46,005,779**	**7,058,407**	**11,559,612**	**26,150,260**	**1,237,500**	**53,052,135**

				Notional amounts by term to maturity				
2014 Held for trading:	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Commission rate swaps	35,763	30,053	7,564,282	200,000	2,397,800	4,920,929	45,553	10,196,568
Commission rate futures and options	15,975	14,129	2,273,382	11,691	-	2,261,691	-	2,446,682
Forward foreign exchange and commodity contracts	57,687	30,108	5,872,809	3,009,835	2,851,656	11,318	-	7,096,029
Currency and commodity options	44,204	43,979	20,970,262	6,751,645	10,511,150	3,707,467	-	16,108,100
Held as fair value hedges:								
Commission rate swaps	3,040	122,045	16,297,254	-	6,000,000	9,711,977	585,277	12,128,343
Total	156,669	240,314	52,977,989	9,973,171	21,760,606	20,613,382	630,830	47,975,722

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

12- Derivative financial instruments (continued)

Held for hedging purposes (continued)

Derivatives have been disclosed at gross amounts as at the consolidated statement of financial position date and have not been netted off by cash margins placed against derivatives, which are detailed as follows:

Held for trading:	2015	2014
Commission rate swaps	**6,258**	1,372
Forward foreign exchange contracts	**227**	432
Currency options	**20,211**	7,191
Held as **fair value hedges:**		
Commission rate swaps	**43,273**	68,459
Total	**69,969**	77,454

The table below shows 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 2015	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Fixed commission rate investments	**6,179,210**	**6,114,168**	**Fair value**	**Commission rate swap**	**8,169**	**70,814**
Fixed commission rate loans	**5,172,144**	**5,143,278**	**Fair value**	**Commission rate swap**	**10,160**	**39,026**
Fixed commission rate deposits	**1,881,326**	**1,875,000**	**Fair value**	**Commission rate swap**	**-**	**6,326**
2014						
Fixed commission rate investments	6,130,189	6,079,027	Fair value	Commission rate swap	16,381	66,680
Fixed commission rate loans	4,273,313	4,218,227	Fair value	Commission rate swap	1,223	56,309
Fixed commission rate deposits	6,010,281	6,000,000	Fair value	Commission rate swap	-	10,281

Cash flow hedges

The Bank is exposed to variability in future commission rate 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. For the years ended December 31, 2015 and 2014 the Bank had no outstanding cash flow hedges.

No discontinuation of hedge accounting took place in 2015 that resulted in reclassification of cumulative losses from equity to the consolidated income statement (2014: SAR 1.9 million).

Approximately 39% (2014: 13%) of the positive fair value of the Bank"s derivatives are entered into with financial institutions and less than 13% (2014: 12%) 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 by the Bank"s treasury segment.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

13- Due to banks and other financial institutions

	2015	2014
Current accounts	**185,339**	144,519
Money market deposits	**5,487,544**	8,871,121
Total	**5,672,883**	9,015,640

14- Customers' deposits

	2015	2014
Demand	**66,264,114**	69,263,668
Time	**63,827,844**	54,616,700
Saving	**107,820**	98,923
Other	**5,486,761**	5,651,887
Total	**135,686,539**	129,631,178

Time deposits include deposits against sale of securities of SAR 1,012 million (2014: SAR 2,216 million) (note 19d) with agreements to repurchase the same at fixed future dates. Other customers" deposits include SAR 4,016 million (2014: SAR 3,963 million) of margins held against irrevocable commitments.

Accrued special commission payable on Customers Deposits amounting to SAR 74.7 million as of December 31, 2015 (2014: SAR 108.4 million) is disclosed under "Other Liabilities" (Note 15).

The above include foreign currency deposits as follows:

	2015	2014
Time	**21,213,494**	10,956,960
Demand	**2,055,750**	1,740,818
Saving	**2,458**	1,955
Other	**149,296**	179,742
Total	**23,420,998**	12,879,475

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

15- Other liabilities

	2015	2014
Accrued special commission payable:		
- banks and other financial institutions	**230**	1,099
- customers" deposits	**74,655**	108,389
- derivatives	**127,259**	73,785
- debt securities and sukuk	**11,270**	4,541
Total accrued special commission payable	**213,414**	187,814
Provision for end of service benefits	**503,166**	465,587
Trustee for sale of real estate – current deposit	**351,860**	240,234
Accrued expenses	**556,523**	449,669
Zakat allowances	**959,595**	711,256
Others	**1,506,491**	1,399,404
Total	**4,091,049**	3,453,964

16- Debt securities and Sukuk

	2015	2014
Euro Medium Term floating rate Notes (A)	**-**	1,687,500
Unsecured Tier II Capital - Sukuk (B)	**2,000,000**	-
Total	2,000,000	1,687,500

(A) 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 EMTN 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. On October 31, 2015 the Bank exercised its call option to early redeem 100% of the principal amount of outstanding notes, together with the accrued interest till the option redemption date.

(B) On October 7, 2015 the Bank issued SAR 2 billion, 10 year subordinated and unsecured Tier II Capital (Sukuk), callable in 5 years. These Sukuk carry a special commission rate of SIBOR plus 140 bps.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

17- Share capital

During the year ended December 31, 2014, 150 million bonus share of SAR 10 each were issued after approval of the shareholders at their extraordinary general assembly meeting held on March 17, 2014. As at December 31, 2015, the Bank has 1,000 million shares (2014: 1,000 million shares) of SAR 10 each issued and outstanding. The ownership of the Bank"s share capital is as follows:

	2015	2014
Saudi shareholders	**60 %**	60 %
Arab Bank PLC – Jordan	**40 %**	40 %

18- 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 742 million has been transferred from the net income for the year ended December 31, 2015 (2014: SAR 720 million). The statutory reserve is not available for distribution.

19- Commitments and contingencies

a) Legal proceedings

As at December 31, 2015 and 2014 there were legal proceedings of a routine nature outstanding against the Bank. No material provision has been made as professional legal advice indicates that it is unlikely that a significant loss will arise.

b) Capital commitments

As at December 31, 2015 the Bank had capital commitments of SAR 55 million (2014: SAR 108 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.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

19- Commitments and contingencies (continued)

c) Credit related commitments and contingencies (continued)

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

2015	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	**2,619,215**	**1,457,401**	**705,059**	**-**	**4,781,675**
Letters of guarantee	**7,251,635**	**9,490,259**	**8,643,530**	**1,270,998**	**26,656,422**
Acceptances	**1,169,589**	**997,569**	**1,756**	**-**	**2,168,914**
Irrevocable commitments to extend credit	**-**	**121,237**	**729,079**	**942,852**	**1,793,168**
Other	**-**	**634,500**	**-**	**111,731**	**746,231**
Total	**11,040,439**	**12,700,966**	**10,079,424**	**2,325,581**	**36,146,410**

2014	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	3,451,503	2,629,330	247,397	-	6,328,230
Letters of guarantee	7,135,387	10,440,193	7,964,031	203,877	25,743,488
Acceptances	1,211,197	861,616	24,871	-	2,097,684
Irrevocable commitments to extend credit	40,880	634,758	69,659	178,618	923,915
Other	-	500,000	-	131,681	631,681
Total	11,838,967	15,065,897	8,305,958	514,176	35,724,998

The unutilized portion of non-firm commitments as at December 31, 2015, which can be revoked unilaterally at any time by the Bank, amounts to SAR 21,517 million (2014: SAR 23,422 million).

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

	2015	2014
Corporate	**30,150,276**	29,746,765
Banks and other financial institutionsUnsecured	**5,417,295**	5,151,643
Government and quasi government	**-**	-
Other	**578,839**	826,590
Total	**36,146,410**	35,724,998

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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:

	2015		2014	
	Assets	Related liabilities	Assets	Related liabilities
Other investments held at amortized cost (notes 6d and 14)	**2,424,417**	**1,011,973**	3,996,217	2,215,789

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

	2015	2014
Less than 1 year	**105,909**	102,843
1 to 5 years	**279,598**	282,185
Over 5 years	**120,241**	120,499
Total	505,748	505,527

20- Net special commission income

Special commission income		
Investments:	2015	2014
Available for sale	**62,356**	62,667
Other investments held at amortized cost	**203,567**	282,388
Total invesments	**265,923**	345,055
Due from banks and other financial institutions	**12,862**	20,869
Loans and advances	**4,159,994**	3,725,365
Total	4,438,779	4,091,289

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

20- Net special commission income (continued)

Special commission expense	2015	2014
Due to banks and other financial institutions	**25,812**	18,430
Customers" deposits	**544,144**	422,095
Debt securities and sukuk	**23,986**	28,148
Total	**593,942**	468,673
Net special commission income	**3,844,837**	3,622,616

21- Fees and commission income, net

Fee and commission income	2015	2014
Share trading and fund management	**100,776**	122,771
Trade finance	**304,081**	320,585
Credit cards	**211,564**	113,971
Credit facilities	**951,651**	913,805
Other banking services	**369,334**	332,234
Total	**1,937,406**	1,803,366

Fee and commission expense	2015	2014
Credit cards	**122,301**	108,672
Custody and brokerage fees	**1,098**	1,423
Credit facilities	**346,245**	258,764
Other banking services	**181,838**	117,940
Total	**651,482**	486,799
Fees and commission income, net	**1,285,924**	1,316,567

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

22- Unrealized (loss)/gain on investments held as FVIS, net

	2015	2014
Fair value change of FVIS investments	**(4,679)**	3,291

23- Trading(loss)/gain, net

	2015	2014
Fixed rate securities	**(13,796)**	(14,984)
Derivatives	**9,433**	19,385
Total	**(4,363)**	4,401

24- Dividend income

	2015	2014
AFS investments	**46,277**	42,536

25- Gains from non-trading investments, net

	2015	2014
Realized gains on AFS investments	**24,278**	333

26- Other operating income, net

	2015	2014
Recoveries of loans and advances previously written off	**81,403**	66,540
(Losses)/gains on disposal of property and equipment, net	**(1,695)**	6,170
Others	**77,275**	21,677
Total	**156,983**	94,387

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

27- Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2015 and 2014 are calculated by dividing the net income for the year attributable to equity holders of the Bank by 1,000 million shares. The diluted earnings per share are the same as the basic earnings per share.

28- Gross dividends, Zakat and Income Tax

Gross dividends are comprised of the following:

	2015	2014
Interim dividends paid (a)	**450,000**	450,000
Proposed dividends (b)	**550,000**	550,000
Zakat and others (c)	**494,952**	494,693
Total	**1,494,952**	1,494,693

(a) The Board has approved an interim dividend of SAR 450 million for distribution to the shareholders from the net income for the year ended December 31, 2015 (2014: 450 million). This interim dividend resulted in a payment to the shareholders of SAR 0.45 per share, net of Zakat and income tax (2014: 0.45 per share, net).

(b) On December 8, 2015 the Board recommended to pay cash dividends of SAR 550 million (2014: SAR 550 million). These dividends are subject to final approval by the general assembly.

(c) Zakat and Others

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

Zakat

Zakat for the year attributable to Saudi Shareholders amounted to approximately SAR 296 million (2014: SAR 297 million).

Income Tax

Income tax payable by the non-Saudi Shareholders on the current year's share of net income is SAR 246 million (2014: SAR 232 million).

The Bank has filed its Zakat returns with DZIT for the financial years up to and including 2014.The Zakat assessments for the years up to 2005 have been finalized with DZIT. The Bank has received Zakat assessments for the years from 2006 to 2008 raising demands for an additional Zakat liability of SAR 168 million (2014: 168 million). This additional Zakat liability is mainly on account of the disallowance of certain long-term investments by the DZIT. The basis for this additional aggregate Zakat liability is being contested by the Bank in conjunction with all the Banks in the Kingdom. The Bank has also formally contested these assessments and is awaiting a response from DZIT.

The Zakat assessment for the years 2009 to 2014 have not been finalized by DZIT, and the Bank is not able to reliably determine the impact of such assessments.

Management believes that the ultimate outcome of the appeals filed and actions taken by the Bank in conjunction with other banks in the Kingdom cannot be determined reliably at this stage.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

29- Cash and cash equivalents

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

	2015	2014
Cash and balances with SAMA excluding statutory deposit (note 4)	**3,105,419**	14,813,161
Due from banks and other financial institutions maturing within ninety days of acquisition	**5,575,020**	1,935,625
Total	8,680,439	16,748,786

30. Compensation practices

The Bank has implemented a "Risk-Based Compensation Policy" in compliance with the rules issued by SAMA, which are consistent with the principles and standards of the Financial Stability Board (FSB).The policy was approved by 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 the Bank's 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 and appropriate managerial judgement, etc.

The Board, while determining and approving the bonus pool of the Bank, considers performance in absolute and relative terms, consistency of earnings, long term performance, historical bonus pool, market conditions, etc. Similarly, while allocating the Bank-wide bonus 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 it in overseeing the Compensation policies design and its operation, the Board has appointed a Nomination and Compensation Committee. The Nomination and Compensation Committee comprises 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 and 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 a risk-adjusted bonus pool to the Board, for approval.

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

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

30- Compensation practices (continued)

2015

Categories of employees	Number of employees	Fixed compensation	Variable cost paid cash in 2015
1. Senior executive requiring SAMA no objections	19	38,831	28,182
2. Employees engaged in risk taking activities	186	91,166	32,034
3. Employees engaged in control functions	438	115,100	18,629
4. Other employees	4,203	685,634	122,073
Total	**4,846**	**930,731**	**200,918**
Variable compensation accrued in 2015		122,000	
Other employment related costs*		322,740	
Total salaries and employment related expenses		**1,375,471**	

2014

Categories of employees	Number of employees	Fixed compensation	Variable cost paid cash in 2014
1. Senior executive requiring SAMA no objections	20	41,251	25,195
2. Employees engaged in risk taking activities	173	85,269	27,131
3. Employees engaged in control functions	403	103,605	10,175
4. Other employees	3,958	636,187	58,279
Total	**4,554**	**866,312**	**120,780**
Variable compensation accrued in 2014		134,000	
Other employment related costs*		234,372	
Total salaries and employment related expenses		**1,234,684**	

*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, 2015 and 2014 (Saudi Riyals in Thousands)

31- Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief executive officer 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	Manages the Bank's trading and investment portfolios and the Bank"s funding, liquidity, currency and commission rate risks.
Investment and brokerage services	Investment management services, asset management activities related to dealing, managing, arranging and advising and custody of securities.
Other	Includes income on capital and unallocated costs and assets and liabilities of Head Office and other supporting departments. Transactions between operating segments are reported as recorded in the Group"s transfer pricing system. Segment assets and liabilities comprise mainly operating assets and liabilities.

The Group"s primary business is conducted in the Kingdom 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.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

31- Operating segments (continued)

a) The Group's total assets and liabilities as at December 31, 2015 and 2014 and its total operating income, expenses and net income for the years then ended, by operating segments, are as follows:

2015	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	39,172,737	81,990,562	44,489,280	1,703,519	3,065,175	170,421,273
Investments in associates	-	-	-	-	531,617	531,617
Total liabilities	66,465,039	72,640,878	8,024,993	171,055	487,455	147,789,420
Fees and commission income, net	509,314	558,199	12,648	94,800	110,963	1,285,924
Total operating income	2,371,698	2,235,071	853,216	140,888	261,656	5,862,529
Total operating expenses	1,760,842	882,388	133,557	83,842	82,924	2,943,553
Net income attributed to equity holders of the Bank	610,856	1,352,683	719,659	57,046	224,173	2,964,417
Share in earnings of associates, net	-	-	-	-	37,500	37,500
Income attributed to non-controlling interest	-	-	-	-	7,941	7,941
Impairment charges for credit losses, net	285,495	371,412	-	-	-	656,907
Depreciation and amortization	122,313	2,151	3,508	4,002	67,349	199,323

2014	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Total assets	36,974,998	72,324,880	52,235,734	58,175	3,074,568	164,668,355
Investments in associates	-	-	-	-	494,117	494,117
Total liabilities	66,587,059	66,432,279	10,843,704	36,345	129,209	144,028,596
Fees and commission income, net	405,840	673,773	18,788	123,989	94,177	1,316,567
Total operating income	2,178,012	2,105,068	884,170	135,150	205,175	5,507,575
Total operating expenses	1,574,066	860,322	88,012	73,911	61,693	2,658,004
Net income attributed to equity holders of the Bank	603,946	1,244,746	796,158	61,239	168,961	2,875,050
Share in earnings of associates, net	-	-	-	-	27,584	27,584
Income attributed to non-controlling interest	-	-	-	-	(2,105)	(2,105)
Impairment charges for credit losses, net	213,421	337,462	-	-	-	550,883
Depreciation and amortization	130,775	2,165	3,695	4,542	48,475	189,652

*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, 2015 and 2014 (Saudi Riyals in Thousands)

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

2015	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Consolidated statement of financial position assets	35,113,739	81,497,057	43,986,751	23,814	1,191,884	161,813,245
Commitment and contingencies	2,847,412	14,501,103	-	373,116	1,528	17,723,159
Derivatives	-	187	692,953	-	-	693,140

2014	Retail banking	Corporate banking	Treasury	Investment and brokerage services	Other	Total
Consolidated statement of financial position assets	33,408,803	71,952,271	51,910,612	31,413	1,297,814	158,600,913
Commitment and contingencies	2,905,535	13,789,376	-	315,840	2,120	17,012,871
Derivatives	-	275	1,123,550	-	-	1,123,825

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 33a).

32- 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 and investment activities. There is also credit risk in off consolidated statement of financial position financial instruments, such as loan commitments.

The bank manages 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 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. Credit risk of 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.

Concentration risk arises 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.

Concentration risk indicates 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 individuals or groups of customers in specific locations or industry. It also takes security when appropriate. The Bank seeks additional collateral from a counterparty as soon as impairment indicators are noticed on the relevant individual loan.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

32- Credit risk (continued)

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 procedures to reflect changes in markets, products and emerging best practices.

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 33 and for commitments and contingencies in note 19. Information on the Banks maximum credit exposure by operating segment is given in note 31 and the maximum credit risk exposure and its relative risk weighting is provided in note 38.

The Bank classifies its exposure into thirteen risk categories. Of these, ten categories are for performing and three for non-performing loans and advances. 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 groups of similar credits that are not individually identified as impaired.

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

Loans and advances, net: Consumer loans	2015	2014
Credit cards	**419,929**	326,968
Term loans	**26,897,525**	24,704,646
Total	**27,317,454**	25,031,614
Corporate loans		
Syndicated loans	**16,768,067**	15,139,221
Overdrafts	**4,943,528**	6,034,752
Term loans	**65,988,166**	57,430,932
Other	**127,107**	87,497
Total	**87,826,868**	78,692,402
Investments, net:		
Fixed-rate securities	**27,639,081**	27,660,435
Floating-rate notes	**4,094,778**	4,528,688
Other	**1,505,316**	1,687,083
Total	**33,239,175**	33,876,206
	148,383,497	137,600,222

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

b) Credit risk exposures of credit related commitments and contingencies:

	2015	2014
Loan commitments and other credit related contingencies	**1,793,168**	923,915
Financial guarantees	**34,353,242**	34,801,083
Total	**36,146,410**	35,724,998

c) Credit quality of loans and advances

Description	2015	2014
Neither past due nor impaired	**113,136,697**	102,252,621
Past due but not impaired	**1,543,987**	1,188,091
Impaired (any loan with specific provision)	**3,225,812**	2,669,258
Total loans and advances	**117,906,496**	106,109,970
Impairment charges for credit losses, net	**(2,762,174)**	(2,385,954)
Loans and advances, net	**115,144,322**	103,724,016

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

Grades:	2015	2014
Low risk (1-4)	**48,123,626**	49,139,708
Acceptable risk (5-8)	**63,736,580**	52,706,551
Watch list (9-10)	**1,276,491**	406,362
Total	**113,136,697**	102,252,621

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 collateral.

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.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

32- Credit risk (continued)

e) Loans and advances past due but not impaired

2015	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Past due up to 30 days	**34,469**	**1,215,329**	**231,546**	**1,481,344**
Past due 30-60 days	**-**	**-**	**21,330**	**21,330**
Past due 60-90 days	**-**	**-**	**15,582**	**15,582**
Past due more than 90 days	**-**	**-**	**25,731**	**25,731**
Total	**34,469**	**1,215,329**	**294,189**	**1,543,987**

2014	Credit cards	Consumer loans	Commercial loans and overdrafts	Total
Past due up to 30 days	20,883	1,052,880	94,263	1,168,026
Past due 30-60 days	-	-	5,512	5,512
Past due 60-90 days	-	-	8,862	8,862
Past due more than 90 days	-	-	5,691	5,691
Total	20,883	1,052,880	114,328	1,188,091

f) Impaired loans and advances

	2015	2014
Commercial loans and overdrafts	**2,845,817**	2,435,191
Consumer loans and credit cards	**379,995**	234,067
Total	**3,225,812**	2,669,258

Special commission income on impaired loans and advances amounted to SAR 58,551 thousand for the year ended December 31, 2015.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

Impaired loans and advances are categorized as follows:

	2015	2014
Performing loans and advances	**1,996,229**	1,574,074
Non-performing loans and advances, net	**1,229,583**	1,095,184
Total	**3,225,812**	2,669,258

g) Credit quality of financial assets (investments)
The credit quality of investments is managed using external credit ratings. The table below shows the credit quality by class of asset:

	2015	2014
Saudi Government Bonds	**16,321,236**	16,900,837
Investment grade	**14,939,060**	14,273,506
Non-Investment grade	**108,138**	244,910
Unrated	**1,870,741**	2,456,953
Total investment, net	**33,239,175**	33,876,206

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:

	2015	2014
Nature of collateral held as security	**19,372,008**	22,405,709
Listed securities	**19,499,177**	17,212,247
Properties	**11,160,672**	5,382,029
Others		
Total	**50,031,857**	44,999,985

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

33- Concentration risk 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:

2015 Assets	Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total
Cash and balances with SAMA	10,426,181	-	2,110	-	-	-	-	10,428,291
Due from banks and other financial institutions	937,692	2,698,148	349,597	1,394,041	-	195,216	326	5,575,020
Derivative financial instruments	195,533	13,753	71,181	9,657	-	-	34	290,158
Investments, net	23,251,656	1,397,144	728,780	7,755,218	-	106,377	-	33,239,175
Investments in associates	531,617	-	-	-	-	-	-	531,617
Loans and advances, net	114,492,565	35,237	497,025	-	-	-	119,495	115,144,322
Other assets	1,404,916	3,511	8,785	13,589	-	176	534	1,431,511
Total	151,240,160	4,147,793	1,657,478	9,172,505	-	301,769	120,389	166,640,094
Liabilities								
Due to banks and other financial institutions	3,243,659	1,408,627	1,015,572	514	-	4,469	42	5,672,883
Derivative financial instruments	84,638	14,608	163,246	76,454	-	-	3	338,949
Customers' deposits	135,045,287	93,680	536,080	511	-	342	10,639	135,686,539
Debt securities and sukuk	2,000,000	-	-	-	-	-	-	2,000,000
Other liabilities	3,995,215	5,536	61,586	28,705	-	-	7	4,091,049
Total	144,368,799	1,522,451	1,776,484	106,184	-	4,811	10,691	147,789,420
Commitments and contingencies	24,455,641	1,379,982	3,683,595	900,483	12.491	3,912,957	1,801,261	36,146,410
Maximum credit exposure (stated at credit equivalent amounts)								
Commitments and contingencies	11,992,907	644,361	1,705,898	431,266	7,293	2,040,805	900,629	17,723,159
Derivatives	462,400	13,744	144,077	71,985	-	-	934	693,140

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

2014 Assets	Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other Countries	Total
Cash and balances with SAMA	21,249,845	-	2,482	-	-	-	-	21,252,327
from banks and other financial institutions	-	443,171	759,912	541,874	-	190,184	484	1,935,625
Derivative financial instruments	134,596	957	21,031	-	-	-	85	156,669
Investments, net	25,216,726	1,560,254	832,107	6,157,918	-	109,201	-	33,876,206
Investments in associates	494,117	-	-	-	-	-	-	494,117
Loans and advances, net	103,176,813	44,208	370,191	-	-	-	132,804	103,724,016
Other assets	1,325,560	3,276	5,423	11,765	-	209	592	1,346,825
					-			
Total	151,597,657	2,051,866	1,991,146	6,711,557	-	299,594	133,965	162,785,785
Liabilities								
Due to banks and other financial institutions	-	5,939,104	2,121,649	926,658	-	1,294	26,935	9,015,640
Derivative financial instruments	23,434	37,954	178,915	-	-	8	3	240,314
Customers' deposits	129,108,921	134,346	372,429	528	-	278	14,676	129,631,178
Debt securities and sukuk	-	840,000	623,250	-	-	224,250	-	1,687,500
Other liabilities	3,382,397	14,026	56,922	-	-	606	13	3,453,964
Total	132,514,752	6,965,430	3,353,165	927,186	-	226,436	41,627	144,028,596
Commitments and contingencies	23,254,922	2"692"769	4,504,895	501,809	8,271	4,739,616	22,716	35,724,998
Maximum credit exposure (stated at credit equivalent amounts)								
Commitments and contingencies	11,146,309	1,274,784	2,116,221	239,073	4,381	2,226,533	5,570	17,012,871
Derivatives	584,657	7,787	427,660	103,451	-	-	270	1,123,825

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 commitments being exercised.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

33- Concentration risk of financial assets with credit risk exposure and financial liabilities (continued)

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

	Non-performing loans and advances, net		Impairment charges for credit losses	
	2015	2014	**2015**	2014
Saudi Arabia	**1,229,583**	1,095,184	**2,762,174**	2,385,954

34- Market risk

Market Risk is the risk that the fair value or future cash flows of 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 risk in managing the trading book. In order to manage market risk in the trading book, the Bank periodically applies a VaR (value at risk) methodology to assess the market risk positions held and to estimate the potential economic loss based on a set of parameters and assumptions regarding 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 thereof has limitations due to it being 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 should occur, on average, not more than once every hundred days.

The VaR represents the market risk in a portfolio at the close of a business day. It does not account for any losses that may occur beyond the defined confidence interval. Actual trading results can, however, differ from the VaR calculations. VaR 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 a one day horizon. This is considered to be a realistic assumption in most cases but may not be true in situations where 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 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. VaR 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 VaR are recognized by supplementing the VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Bank carries out stress testing on its trading book to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset and Liabilities Committee (ALCO) for review.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

The Bank's calculated VaR for the years ended December 31, 2015 and 2014 is as follows. All the figures are in SAR million:

	2015				2014			
	Yearend	**Average**	**High**	**Low**	Yearend	Average	High	Low
Special commission rate risk	**0.2559**	**0.9537**	**11.2663**	**0.1725**	0.2431	2.2788	12.9741	0.1678
Foreign exchange risk	**1.5496**	**0.9713**	**3.0902**	**0.4035**	0.8534	0.6031	3.1790	0.1735
Diversification effect *	**(0.2437)**	**(0.4356)**	**n/m**	**n/m**	(0.2034)	(0.3939)	n/m	n/m
Total VaR (one day measure)	**1.5618**	**1.4894**	**11.2509**	**0.4508**	0.8931	2.4880	12.8199	0.2939

* Total VaR is less than the sum of the VaR of the different market risk types due to risk offsets resulting from a portfolio diversification effect. n/m – It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

b) Market risk: non-trading or banking book

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

i) Commission rate risk

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

The following table shows the sensitivity of the Group's consolidated income statement and equity to a reasonable possible change in commission rates, with other variables held constant. Income sensitivity arises from the impact of assumed changes in commission rates on special commission income for one year, based on floating rate non-trading financial assets and liabilities held as at December 31, 2015, after taking into account the effect of hedging. Equity sensitivity is calculated by revaluing fixed rate available for sale financial assets, including the effect of any associated hedges as at December 31, 2015, for the effect of assumed changes in commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap. Banking book exposures are monitored and analyzed in their respective currencies and relevant sensitivities are disclosed in SAR million.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

34- Market risk (continued)

b) Market risk: non-trading or banking book (continued)

i) Commission rate risk (continued)

2015

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SAR	+10	38.82	-	(0.02)	(0.51)	(0.16)	(0.69)
USD	+10	(7.05)	(0.05)	(0.68)	(6.00)	-	(6.73)
Others	+10	0.15	-	(0.04)	(0.04)	-	(0.08)

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SAR	- 10	(38.82)	-	0.02	0.51	0.16	0.69
USD	- 10	7.05	0.05	0.68	6.00	-	6.73
Others	- 10	(0.15)	-	0.04	0.04	-	0.08

2014

Currency	Increase in basis points	Sensitivity of special commission income	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SAR	+10	35.05	-	-	(0.84)	(0.11)	(0.95)
USD	+10	(7.16)	(0.03)	(0.09)	(7.33)	-	(7.45)
Others	+10	(0.08)	(0.01)	(0.10)	-	(0.02)	(0.13)

Currency	Decrease in basis points	Sensitivity of special commission income	Sensitivity of equity				
			6 months or less	1 year or less	1-5 years or less	Over 5 years	Total
SAR	- 10	(35.05)	-	-	0.84	0.11	0.95
USD	- 10	7.16	0.03	0.09	7.33	-	7.45
Others	- 10	0.08	0.01	0.10	-	0.02	0.13

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

Commission rate 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 risk. 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 Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2015

Assets	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Cash and balances with SAMA	-	-	-	-	10,428,291	10,428,291
Due from banks and other financial institutions	3,708,706	-	-	-	1,866,314	5,575,020
Derivative financial instruments	-	-	-	-	290,158	290,158
Investments, net	18,078,127	2,976,921	8,740,607	1,900,000	1,543,520	33,239,175
Loans and advances, net	58,748,903	30,536,071	24,494,383	1,364,965	-	115,144,322
Investments in associates	-	-	-	-	531,617	531,617
Other real estate	-	-	-	-	159,893	159,893
Investment property, net	-	-	-	-	1,675,866	1,675,866
Property and equipment, net	-	-	-	-	1,945,420	1,945,420
Other assets	-	-	-	-	1,431,511	1,431,511
Total assets	**80,535,736**	**33,512,992**	**33,234,990**	**3,264,965**	**19,872,590**	**170,421,273**
Liabilities and equity						
Due to banks and other financial institutions	5,487,544	-	-	-	185,339	5,672,883
Derivative financial instruments	-	-	-	-	338,949	338,949
Customers' deposits	51,623,457	14,776,447	48,300	-	69,238,335	135,686,539
Other liabilities	-	-	-	-	4,091,049	4,091,049
Debt securities and sukuk	-	2,000,000	-	-	-	2,000,000
Equity	-	-	-	-	22,631,853	22,631,853
Total liabilities and equity	**57,111,001**	**16,776,447**	**48,300**	**-**	**96,485,525**	**170,421,273**
On consolidated statement of financial position gap	23,424,735	16,736,545	33,186,690	3,264,965	(76,612,935)	
Off consolidated statement of financial position gap	3,042,324	7,200,401	(9,680,261)	(562,464)	-	
Total commission rate sensitivity gap	26,467,059	23,936,946	23,506,429	2,702,501	(76,612,935)	
Cumulative commission rate sensitivity gap	26,467,059	50,404,005	73,910,434	76,612,935	-	

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

34- Market risk (continued)

b) Market risk: non-trading or banking book (continued)

i) Commission rate risk (continued)

Commission rate sensitivity of assets, liabilities and off consolidated statement of financial position items (continued)

2014 Assets	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total
Cash and balances with SAMA	12,089,917	-	-	-	9,162,410	21,252,327
Due from banks and other financial institutions	417,775	-	-	-	1,517,850	1,935,625
Derivative financial instruments	-	-	-	-	156,669	156,669
Investments, net	16,746,067	6,089,921	8,175,661	1,160,665	1,703,892	33,876,206
Loans and advances, net	52,109,854	27,560,093	22,984,467	1,069,602	-	103,724,016
Investments in associates	-	-	-	-	494,117	494,117
Other real estate	-	-	-	-	136,634	136,634
Investment property, net	-	-	-	-	-	-
Property and equipment, net	-	-	-	-	1,745,936	1,745,936
Other assets	-	-	-	-	1,346,825	1,346,825
Total assets	81,363,613	33,650,014	31,160,128	2,230,267	16,264,333	164,668,355
Liabilities and equity						
Due to banks and other financial institutions	8,183,237	687,884	-	-	144,519	9,015,640
Derivative financial instruments	-	-	-	-	240,314	240,314
Customers, deposits	33,228,199	24,201,973	6,157	-	72,194,849	129,631,178
Other liabilities	-	-	-	-	3,453,964	3,453,964
Debt securities and sukuk	1,687,500	-	-	-	-	1,687,500
Equity	-	-	-	-	20,639,759	20,639,759
Total liabilities and equity	43,098,936	24,889,857	6,157	-	96,673,405	164,668,355
On consolidated statement of financial position gap	38,264,677	8,760,157	31,153,971	2,230,267	(80,409,072)	
Off consolidated statement of financial position gap	(1,105,020)	11,335,275	(9,645,479)	(584,776)	-	
Total commission rate sensitivity gap	37,159,657	20,095,432	21,508,492	1,645,491	(80,409,072)	
Cumulative commission rate sensitivity gap	37,159,657	57,255,089	78,763,581	80,409,072	-	

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

Notes to the Consolidated Financial Statements

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ii) Currency risk

Currency risk represents the risk of changes in the value of financial instruments due to changes in foreign exchange rates. Foreign currency risk exposures that arise in the banking book are transferred to the trading book and are managed as part of the trading portfolio. The Board sets various types of currency risk limits that are monitored daily, including position, stop-loss and VaR limits.

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 2015 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 changes in fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to changes in fair values of currency swaps used as cash flow hedges). A positive effect shows a potential increase in the consolidated income statement or equity whereas, a negative effect shows a potential net reduction in the consolidated income statement or equity.

	2015		2014	
Currency risk exposures	Changes in currency rate in%	Effect on net income	Changes in currency rate in %	Effect on net income
US Dollar	**+5**	**(66.995)**	+5	6.509
Euro	**-3**	**0.006**	-3	0.115
Pound Sterling	**-3**	**(0.002)**	-3	0.003

iii) Currency position

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

	2015 Long (short)	2014 Long (short)
US Dollar	**(1,339,910)**	130,185
Euro	**(200)**	(3,837)
Pound Sterling	**76**	(101)

iv) Equity price risk

Equity price risk refers to the risk of a decrease in the fair values of equities in the 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 available for sale equity investments due to reasonable possible change in equity indices, with all other variables held constant is as follows:

	2015		2014	
Market indices	Change in index %	Effect in SAR'000	Change in index %	Effect in SAR'000
Tadawul	**+ 5**	**58,816**	+ 5	63,865
	- 5	**(58,816)**	- 5	(63,865)

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

35- 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 suddenly. To mitigate this risk, management has diversified funding sources, manages assets with liquidity in mind and maintains 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% (2014: 7%) of total demand deposits and 4% (2014: 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 that can be converted into cash within 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 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 consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Bank,s deposit retention history.

2015

Financial liabilities	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Due to banks and other financial institutions	**5,238,348**	**250,561**	**-**	**-**	**185,339**	**5,674,248**
Customers' deposits	**51,173,284**	**15,885,271**	**104,756**	**-**	**69,257,035**	**136,420,346**
Derivative financial instruments						
Contractual amounts payable	**48,762**	**286,942**	**667,241**	**45,419**	**-**	**1,048,364**
Contractual amounts receivable	**(23,850)**	**(225,792)**	**(635,378)**	**(44,821)**	**-**	**(929,841)**
Debt securities and Sukuk	**11,270**	**36,561**	**191,194**	**2,239,287**	**-**	**2,478,312**
Total financial liabilities	**56,447,814**	**16,233,543**	**327,813**	**2,239,885**	**69,442,374**	**144,691,429**

2014

Financial liabilities	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Due to banks and other financial institutions	8,184,727	689,250	-	-	144,519	9,018,496
Customers' deposits	33,342,290	24,662,931	243,410	-	72,277,506	130,526,137
Derivative financial instruments						
Contractual amounts payable	50,085	208,125	676,594	40,828	-	975,632
Contractual amounts receivable	(27,551)	(102,228)	(661,601)	(42,173)	-	(833,553)
Debt securities and Sukuk	11,188	19,890	1,714,337	-	-	1,745,415
Total financial liabilities	41,560,739	25,477,968	1,972,740	(1,345)	72,422,025	141,432,127

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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 the Bank, operating subsidiaries and the foreign branch. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

2015

Assets	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Cash and balances with SAMA	-	-	-	-	10,428,291	10,428,291
Due from banks and other financial institutions	3,709,703	-	-	-	1,865,317	5,575,020
Derivative financial instruments	-	-	-	-	290,158	290,158
Investments, net	15,045,107	2,129,272	10,796,007	3,725,269	1,543,520	33,239,175
Loans and advances, net	34,014,034	24,375,239	37,361,443	7,543,247	11,850,359	115,144,322
Investments in associates	-	-	-	-	531,617	531,617
Other real estate	-	-	-	-	159,893	159,893
Investment property, net	-	-	-	-	1,675,866	1,675,866
Property and equipment, net	-	-	-	-	1,945,420	1,945,420
Other assets	-	-	-	-	1,431,511	1,431,511
Total assets	**52,768,844**	**26,504,511**	**48,157,450**	**11,268,516**	**31,721,952**	**170,421,273**
Liabilities and equity						
Due to banks and other financial institutions	5,487,544	-	-	-	185,339	5,672,883
Derivative financial instruments	-	-	-	-	338,949	338,949
Customers' deposits	51,623,457	14,629,708	195,039	-	69,238,335	135,686,539
Other liabilities	-	-	-	-	4,091,049	4,091,049
Debt securities and sukuk	-	-	-	2,000,000	-	2,000,000
Equity	-	-	-	-	22,631,853	22,631,853
Total liabilities and equity	**57,111,001**	**14,629,708**	**195,039**	**2,000,000**	**96,485,525**	**170,421,273**

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

35- Liquidity risk (continued)

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

2014						
Assets	WITHIN 3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NO FIXED MATURITY	TOTAL
Cash and balances with SAMA	12,089,917	-	-	-	9,162,410	21,252,327
Due from banks and other financial institutions	417,775	-	-	-	1,517,850	1,935,625
Derivative financial instruments	-	-	-	-	156,669	156,669
Investments, net	13,231,632	5,653,162	10,343,047	2,944,473	1,703,892	33,876,206
Loans and advances, net	28,797,418	22,544,543	35,224,591	8,084,539	9,072,925	103,724,016
Investments in associates	-	-	-	-	494,117	494,117
Other real estate	-	-	-	-	136,634	136,634
Investment property, net	-	-	-	-	-	-
Property and equipment, net	-	-	-	-	1,745,936	1,745,936
Other assets	-	-	-	-	1,346,825	1,346,825
Total assets	54,536,742	28,197,705	45,567,638	11,029,012	25,337,258	164,668,355
Liabilities and equity						
Due to banks and other financial institutions	8,183,237	687,884	-	-	144,519	9,015,640
Derivative financial instruments	-	-	-	-	240,314	240,314
Customers' deposits	33,036,898	24,111,121	205,653	-	72,277,506	129,631,178
Other liabilities	-	-	-	-	3,453,964	3,453,964
Debt securities and sukuk	-	-	1,687,500	-	-	1,687,500
Equity	-	-	-	-	20,639,759	20,639,759
Total liabilities and equity	41,220,135	24,799,005	1,893,153	-	96,756,062	164,668,355

36- 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 where significant inputs are not based on observable market data.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

2015 Financial assets	Level 1	Level 2	Level 3	Total
Financial assets held for trading	1,312,480	–	–	1,312,480
Financial assets designated at FVIS	–	8,077	–	8,077
Financial investments available for sale	9,464,246	1,649,880	85,794	11,199,920
Derivative financial instruments	–	290,158	–	290,158
Total	**10,776,726**	**1,948,115**	**85,794**	**12,810,635**
Financial Liabilities				
Derivative financial instruments	–	338,949	–	338,949
Total	–	**338,949**	–	**338,949**

2014 Financial assets	Level 1	Level 2	Level 3	Total
Financial assets held for trading	–	–	–	–
Financial assets designated at FVIS	–	14,535	–	14,535
Financial investments available for sale	9,140,302	1,663,810	89,593	10,893,705
Derivative financial instruments	–	156,669	–	156,669
Total	9,140,302	1,835,014	89,593	11,064,909
Financial Liabilities				
Derivative financial instruments	–	240,314	–	240,314
Total	–	240,314	–	240,314

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 an asset or transfer a liability takes place either:
i) In the principal market for the asset or liability; or
ii) In the absence of a principal market, in the most advantageous accessible market.

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.
Available for sale investments classified as Level 2 include plain vanilla bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads.

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

36- Fair values of financial assets and liabilities (continued)

During the year, there has been no transfers within levels of the fair value hierarchy. Available for sale investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund"s latest reported net asset value (NAV) as at the consolidated statement of financial position date. The following table shows a reconciliation from the beginning balances to the ending balances of the fair value measurements in Level 3:

Financial investments designated as available for sale.

	2015	2014
Balance at the beginning of the year	**89,593**	95,601
Total gains in other comprehensive income	**10,850**	3,570
Settlements	**(14,649)**	(12,221)
Purchases	**-**	2,643
Balance at the end of the year	**85,794**	89,593

The fair values of financial instruments on consolidated statement of financial position date, except for other investments held 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 and sukuk, due from and due to banks which are held 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. 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 appropriate valuation technique. The total amount of the changes in fair value recognized in the consolidated income statement, which was estimated using valuation techniques, is SAR 49 million (2014: SAR 84 million).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

37- Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. In the opinion of management and the Board, the related party transactions are performed on an arm's length basis. 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:

	2015	2014
Non-Saudi Major Shareholder:		
Due from banks and other financial institutions	**220,977**	294,754
Due to banks and other financial institutions	**364,500**	2,763,338
Commitments, contingencies and others	**3,180,000**	3,391,500
Directors, key management personnel, other major shareholders and their affiliates:		
Loans and advances	**5,913,726**	4,198,522
Customers" deposits	**12,183,229**	8,823,453
Commitments, contingencies and others	**1,744,463**	1,833,216
Purchase of equipment	**689**	926
Bank's mutual funds:		
Investments,	**296,721**	447,391
Loans and advances	**34,661**	32,455
Customers' deposits	**474,581**	394,216
Associates:		
Loans and advances	**2,383,867**	2,478,578
Customers' deposits	**49,770**	6,038
Commitments and contingencies	**47,032**	-
Local sukuk	**10,000**	-

Notes to the Consolidated Financial Statements (continued)

For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

37- Related party transactions (continued)

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

	2015	2014
Special commission income	**190,229**	130,652
Special commission expense	**(102,559)**	(47,841)
Fees and commission income	**87,332**	121,417
Equipment rental income	**10,120**	5,411
Directors' remuneration	**(4,949)**	(4,877)
Insurance contracts	**(56,524)**	-
Miscellaneous expenses	**(9,866)**	(6,583)

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

	2015	2014
Short-term employee benefits (Salaries and allowances)	**57,052**	56,533
Post-employment benefits (End of service indemnity and social security)	**6,713**	6,531

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

38- 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. During the year, the Group has fully complied with regulatory capital requirements.

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

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014 (Saudi Riyals in Thousands)

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 are as follows:

	2015	2014
Credit Risk RWA	**142,486,825**	129,945,722
Operational Risk RWA	**12,021,912**	11,016,455
Market Risk RWA	**1,971,389**	899,462
Total Pillar I RWA	**156,480,126**	141,861,639
Tier I Capital	**21,343,997**	20,051,313
Tier II Capital	**2,840,238**	1,022,477
Total Tier I and II Capital	**24,184,235**	21,073,790
Capital Adequacy Ratio %		
Tier I ratio	**13.64%**	14.13%
Tier I + Tier II ratio	**15.46%**	14.86%

The increase in regulatory capital for the year is mainly due to the contribution of current-year profit.
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 as adopted by SAMA in supervising the Bank.

39- Investment management services
The Group offers investment services to its customers, which include management of investment funds with assets totaling SAR 3,570 million (2014: SAR 4,367 million).

The financial statements of these funds are not consolidated with these consolidated financial statements, except for consolidating the financial statements of ANBI Business Gate Fund, effective December 31, 2015. However, the Group's share of these non-consolidated 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.

40- Disclosures under Basel III framework
Certain qualitative and quantitative disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website www.anb.com.sa within the prescribed time as required by SAMA. Such disclosures are not subject to audit by the external auditors of the Bank.

41- Comparative figures
Certain comparative figures were reclassified to conform to the current year classification.

42- Board of directors' approval
The consolidated financial statements were approved by the Board on Jumada Al-Awla 7, 1437H (corresponding to February 16, 2016).

Basel III Pillar 3 Qualitative Disclosures

December 31, 2015

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 January 1, 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 AND SIGNIFICANT INVESTMENTS

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

Arab National Investment Company (ANBI):

A wholly owned Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010239908 issued on Shawal 26, 1428 H (corresponding to November 7, 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 Muharram 3, 1429 H (corresponding to January 12, 2008). Accordingly, ANB started consolidating the financial statements of ANBI, effective January 12, 2008. It is to be noted that on Muharram 19, 1436 H (corresponding to November 12, 2014), the subsidiary changed its legal structure from a limited liability company to a closed joint stock company. The Objective of the Company has been amended and approved by CMA Board of Commissioners on Muharram 28, 1437 H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as principal activity.

Arabian Heavy Equipment Leasing Company (AHEL):

A 87.5 % owned subsidiary incorporated in the Kingdom of Saudi Arabia, as a Saudi closed joint stock company, under commercial registration no. 1010267489 issued in Riyadh on Jumada AL-Awla 15, 1430 H (corresponding to May 10, 2009).

The company is engaged in leasing of heavy equipment and operates in compliance with Shari'ah principles.

The Bank started consolidating the subsidiary's financial statements effective May 10, 2009, when the subsidiary started its operation. On May 6, 2014, the Bank increased its ownership percentage in this subsidiary from 62.5% to 87.5%. AHEL's other shareholders are Olayan Finance Limited and Al Wadad Limited.

Arab 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 Muharram 28, 1435 H (corresponding to December 1, 2013).

The agency obtained its license from the Saudi Arabian Monetary Agency to start its insurance agent activities on Jumada AL-Awla 5, 1435 H (corresponding to March 6, 2014).

Al-Manzil Al-Mubarak Real Estate Financing Ltd.

A wholly owned subsidiary, registered in the Kingdom of Saudi Arabia as a limited liability company under the commercial registration no. 1010199647 issued in Riyadh dated Jumada AL-Awla 18, 1425 H. The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purposes.

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

ANBI Business Gate Fund

The Bank owns indirectly 25.47% of the Fund, which is a closed-ended private placement real estate investment fund launched on August 25, 2014 for a period of 5 years starting from date of closure of first offering on January 11, 2015. CMA has been informed of the offering of the Fund through letter number 8/14/411 dated Shawal 9, 1435 H (corresponding to August 5, 2014). The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term.

Saudi Home Loan Company (SHL):

SHL is a Saudi closed joint stock company registered under commercial registration No. 1010241934, and 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 and real estate 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 31 December 2015

Metlife- AIG-ANB Cooperative Insurance Co. (JV):

ANB has established a Joint Venture (JV) with AIG -(10% share) and MetLife (30% share) to form a cooperative insurance company in Saudi Arabia, which is owned 30% by ANB and its nominees, and the balance of 30% has been offered to the public. The JV was established as a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010391438.The company's Initial Public Offering (IPO) was completed during second quarter of 2013 and it commenced operations during 2014. It offers general as well as life insurance policies.

On April 27, 2015, the associate's board of directors has recommended increasing the Company's capital from SAR 175 million to SAR 350 million through a rights issue. In this connection, the Company submitted its business plan along with related documents to SAMA on June 7, 2015 for approval and SAMA has approved the capital increase on August 31, 2015. The associate has submitted the required documents to the Capital Market Authority on November 15, 2015 and has obtained its approval on January 19, 2016.

i) 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 subsidiaries, apart from obtaining SAMA approval, when required.

Basel III Pillar 3 Qualitative Disclosures

December 31, 2015

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 year from issuance. Effective October 31st, 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 and retired. On October 31, 2015 the Bank exercised its call option to early redeem 100% of the principal amount of outstanding notes, together with the accrued interest till the option redemption date.

On October 7, 2015 the Bank issued SAR 2 billion, 10 year subordinated and unsecured Sukuk, callable in 5 years. The Sukuk carry a special commission rate of SIBOR plus 140 bps. The Sukuk is an eligible Tier II Capital instrument.

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 Approach, as per the guidelines issued by SAMA, 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 and 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:

i. Credit Risk
ii. Market Risk
iii. Operational Risk
iv. Business Continuity Management (BCM)
v. Credit Administration and 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, ranging from defining the minimum required information for assessing obligor credit worthiness and developing the clear risk-based approval authority mechanism.

5.1.2 Structure and 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.

Basel III Pillar 3 Qualitative Disclosures

December 31, 2015

5.1.3 Risk Measurement and 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 and 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 and 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;
- 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 and 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, which 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 collateral 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 recognizes the importance of managing liquidity under stress condition and has adopted a comprehensive stress testing framework and liquidity contingency funding plan.

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ANB considers Stress testing and contingency funding plan as an important tool in developing a complete picture of the Bank's liquidity risk profile. Stress testing exploits quantitative methods, but it is also subjective by depending on the input of the risk management of the Bank. The purpose of stress testing is to ascertain incremental funding that may be required under the defined scenarios and whether the Bank will be able to withstand the stress. The liquidity stress testing methodology and scenarios are developed in line with the regulatory guidelines incorporating conservative liquidity assumptions. Liquidity Stress Testing is carried out under multiple scenarios encompassing Bank specific and systemic shocks, which are considered relevant to the business environment and balance sheet structure. In order to withstand the stress the Bank has a comprehensive contingency funding plan (CFP), which addresses vulnerabilities identified in stress tests. CFP establishes clear lines of responsibility, includes clear invocation and escalation procedures. CFP details the preemptive measures to deal with stress scenarios. CFP identifies funding sources depending on severity of stress. Moreover, CFP details the responsibility of each of the CFP team member in the event of a liquidity crisis. The CFP team has been selected based on the key roles required in such an event.

The Bank at all times maintains a sizable inventory of High Quality Liquid Assets (HQLA) that can be used during the time of stress, and maintains clear segregation of HQLAs based on geographical location in order to comply with regulatory restrictions on the transfer of liquid assets.

5.2.2 Structure and 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 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.

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
The 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.

The Bank has established a 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 Risk and Control Self-Assessment (RCSA) framework to identify operational risks arising from products, procedures and 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 RCSA. An independent review and challenge process also assists in ensuring completeness, accuracy and consistency across the Bank.

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5.3.3 Measurement and Management (continued)

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 and Control

Credit Admin and Control (CAC) is responsible for ongoing administration of the credit portfolio, which inter-alia includes limit monitoring, disbursement authorization, collateral coverage and 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 it 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, the 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.

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.

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 and General Provisions:

As per the Bank's provisioning policy, provisions are estimated depending on risk rating, type of collateral held and expected future recovery.

I. Provisions for Corporate and 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 and 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 raised against these accounts.

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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 ASSESSMENT INSTITUTIONS (ECAIs) USED

As per the guidelines provided by SAMA, the Bank is using i) Moody's, ii) Standard and Poor's, and iii) Fitch for assigning Risk Weight and calculating Risk Weighted Assets (RWAs) under the Standardized Approach. Obligors that 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 the Bank uses standardized approach to calculate a capital charge for credit risk, and has adopted a simple approach for calculating Credit Risk Mitigation. The calculation methodologies are based on the guidelines specified by SAMA. ANB has been using the 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 a limit structure in place for managing exposure to each bank, which mitigates 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 Processes

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 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.

Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank considers its exposure to such risk limited, which is mitigated through common collateral management practice.

10- MARKET RISK CAPITAL CALCULATION

The Bank 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, the Bank is also in compliance with the required qualitative and quantitative standards of SAMA for the adoption of Internal Model Approach.

10.1 Strategies and Processes

Board approves the trading limits keeping in view the overall business strategy of Treasury. 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; and
- Sensitivity limit.

10.2 Structure and Organization

The Head of Treasury 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 the Bank's activities into 8 business lines' (as defined by the Basel framework) and multiplying the business lines' 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.

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12- EQUITIES (BANKING BOOK POSITIONS) (CONTINUED)

12.2 Structure and Organization

A senior management committee manages the Bank's local equity portfolio. Treasury 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. The Board has also approved limits for international equity investments to be managed by Treasury, 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

The effect of interest rate exposure on reported net income is imperative as interest rate risk represents one of the Bank's significant market risks.

Interest rate risk arises not only from trading activities but also from the Bank's traditional banking activities, which include extension of loans and credit facilities, taking deposits and issuing debt. Structural interest rate risk can occur due to a variety of factors, including:

- Differences in the timing among the maturity or re-pricing of assets, liabilities and off-balance sheet instruments;
- Differences in the amounts of assets, liabilities and off-balance sheet instruments that are re-pricing at the same time;
- Differences in the amounts by which short-term and long-term market interest rates change (for example, changes in the slope of the yield curve);
- The impact of changes in the maturity of various assets, liabilities or off-balance sheet instruments as interest rates change.

The Bank manages interest rate exposure related to its assets and liabilities on a consolidated basis through investment securities and related derivatives. The interest sensitive elements include asset and liability balances and contractual rates of interest, contractual principal payment schedules, interest rate reset dates and maturities and rate indices used for re-pricing.

The Bank evaluates its structural interest rate risk exposure through earnings-at-risk, which measures the extent to which changes in interest rates will affect the Bank's core net interest income over the following 12 months, utilizing multiple scenarios and assumptions. These scenarios and assumptions highlight exposures to changes in interest rates, pricing sensitivities on assets and liabilities and other factors which are updated periodically.

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 is responsible for day-to-day management of interest rate risk under the guidance provided by ALCO.

Treasury 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 – DECEMBER 2015

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 – DECEMBER 2015

Balance sheet – Step 1 (Table 2(b))

All figures are in SAR'000

Assets	Balance sheet in Published financial statements (c)	Adjustment of banking associates / other entities (d)	Under regulatory scope of consolidation (e)
Cash and balances at central banks	10,428,291		10,428,291
Due from banks and other financial institutions	5,575,020		5,575,020
Investments, net	33,239,175		33,239,175
Loans and advances, net	115,144,322		115,144,322
Debt securities	0		0
Trading assets	0		0
Investment in associates	531,617		531,617
Derivatives	290,158		290,158
Investment property	1,675,866		1,675,866
Other real estate	159,893		159,893
Property and equipment, net	1,945,420		1,945,420
Other assets	1,431,511		1,431,511
Total assets	**170,421,273**	**0**	**170,421,273**
Liabilities			
Due to Banks and other financial institutions	5,672,883		5,672,883
Items in the course of collection due to other banks	0		0
Customer deposits	135,686,539		135,686,539
Trading liabilities	0		0
Local sukuk issued	2,000,000		2,000,000
Derivatives	338,949		338,949
Retirement benefit liabilities	0		0
Taxation liabilities	0		0
Accruals and deferred income	0		0
Other liabilities	4,091,049		4,091,049
Subtotal	**147,789,420**	**0**	**147,789,420**

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TABLE 2: CAPITAL STRUCTURE – DECEMBER 2015
Balance sheet – Step 1 (Table 2(b)) (continued)
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 Reference (e)
Paid up share capital	10,000,000		10,000,000
Statutory reserves	8,732,000		8,732,000
Other reserves	102,051		102,051
Retained earnings	2,509,946	0	2,509,946
Minority Interest	737,856		737,856
Proposed dividends	550,000		550,000
Total liabilities and equity	**170,421,273**	**0**	**170,421,273**

TABLE 2: CAPITAL STRUCTURE – DECEMBER 2015
Balance sheet – Step 2 (Table 2(c))
All figures are in SAR '000

Assets	Balance sheet in Published financial statements (c)	Adjustment of banking associates / other entities (d)	Under regulatory scope of consolidation Reference (e)	Reference
Cash and balances at central banks	10,428,291		10,428,291	
Due from banks and other financial institutions	5,575,020		5,575,020	
Investments, net	33,239,175		33,239,175	
Loans and advances, net	115,144,322		115,144,322	
of which Collective provisions	840,238		840,238	A
Debt securities	0		0	
Equity shares	0		0	
Investment in associates	531,617		531,617	
Derivatives	290,158		290,158	
Investment property	1,675,866		1,675,866	
Other real estate	159,893		159,893	
Property and equipment, net	1,945,420		1,945,420	
Other assets	1,431,511		1,431,511	
Total assets	**170,421,273**	**0**	**170,421,273**	

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Liabilities	Balance sheet in Published financial statements (c)	Adjustment of banking associates / other entities (d)	Under regulatory scope of consolidation Reference (e)	Reference
Due to Banks and other financial institutions	5,672,883		5,672,883	
Items in the course of collection due to other banks	0		0	
Customers' deposits	135,686,539		135,686,539	
Trading liabilities	0		0	
Local sukuk issued	2,000,000		2,000,000	
of which Tier 2 capital instruments	2,000,000		2,000,000	b
Derivatives	338,949		338,949	
Retirement benefit liabilities	0		0	
Taxation liabilities	0		0	
Accruals and deferred income	0		0	
Borrowings	0		0	
Other liabilities	4,091,049		4,091,049	
Total assets	**147,789,420**	**0**	**147,789,420**	

Paid up share capital	10,000,000		10,000,000	
of which amount eligible for CET1	10,000,000		10,000,000	h
of which amount eligible for AT1	0		0	
Statutory reserves	8,732,000		8,732,000	G
Other reserves	102,051		102,051	C
Retained earnings	2,509,946		2,509,946	J
SAMA supervisory provision adjustment	0		0	
Minority Interest	737,856		737,856	
Proposed dividends	550,000		550,000	
Total liabilities and equity	**170,421,273**	**0**	**170,421,273**	

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TABLE 2: CAPITAL STRUCTURE - DECEMBER 2015

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
	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	10,000,000		H
2	Retained earnings	11,241,946		G+J
3	Accumulated other comprehensive income (and other reserves)	102,051		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	21,343,997		
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
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 OF TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH:...			

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		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
	Common Equity Tier 1 capital: Instruments and reserves (continued)			
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)**	**21,343,997**		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus			
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)	**21,343,997**		

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

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TABLE 2: CAPITAL STRUCTURE - DECEMBER 2015

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

		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
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,000,000		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	840,238		A
51	**Tier 2 capital before regulatory adjustments**	2,840,238		
	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)	2,840,238		
59	Total capital (TC = T1 + T2)	24,184,235		
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT			
	OF WHICH: [INSERT NAME OF ADJUSTMENT]			
	OF WHICH: ...			
60	Total risk weighted assets	156,480,126		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.64%		
62	Tier 1 (as a percentage of risk weighted assets)	13.64%		
63	Total capital (as a percentage of risk weighted assets)	15.46%		
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)			

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TABLE 2: CAPITAL STRUCTURE - DECEMBER 2015

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

		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
	Tier 2 capital: instruments and provisions (continued)			
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)	13.64%		
	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)	840,238		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,781,085		
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 Jan 1, 2018 and Jan 1, 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.

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TABLE 2: CAPITAL STRUCTURE - DECEMBER 2015

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)	SA13TFK0GSJ4
3 Governing law(s) of the instrument	Law of Kingdom of Saudi Arabia
Regulatory treatment	
4 Transitional Basel III rules	N/A
5 Post-transitional Basel III rules	Tier 2
6 Eligible at solo/lgroup/groupandsolo	Solo and Group
7 Instrument type	Unsecured Subordinated Sukuk
8 Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	SAR 2 billion
9 Par value of instrument	SAR 2 billion
10 Accounting classification	Liability- Held at Amortised Cost
11 Original date of issuance	7-Oct-15
12 Perpetual or dated	Dated
13 Original maturity date	7-Oct-15
14 Issuer call subject to prior supervisory approval	Yes
15 Option call date, contingent call dates and redemption amount	First Call date 7 Oct 2020, and callable on each subsequent periodic distribution date at PAR in whole (but not in part), with a notice period not less than 15 days nor more than 30 days
16 Subsequent call dates if applicable	Semi-annually
Coupons / dividends	
17 Fixed or Floating dividend/coupon	Floating
18 Coupon rate and any related index	6m SIBOR + 140bps
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	No
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	At the point of Non-viability
31 If write-down, write-down trigger (s)	Determined by the Banking Regulator
32 If write-down, full or partial	Determined by the Banking Regulator
33 If write-down, permanent or temporary	Determined by the Banking Regulator
34 If temporary writedown, description of the write-up mechanism	Determined by the Banking Regulator
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated in right and priority of payment, to the prior payment in full of all deposit liabilities and all other unsubordinated liabilities of the Issuer except all other present and future unsecured and subordinated obligations of the Issuer which by their terms rank equally in right and priority of payment with the Instrument
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A

Basel- III Pillar 3 Qualitative Disclosures
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TABLE 3 : CAPITAL ADEQUACY - DECEMBER 2015
Amount of Exposures Subject To Standardized Approach of Credit Risk and related Capital Requirements (TABLE 3, (b)) (Figures in SAR '000)

Portfoliost	Amount of exposures	Amount of exposures
Sovereigns and central banks:	32,660,682	-
SAMA and Saudi Government	24,644,704	-
Others	8,015,978	-
Multilateral Development Banks (MDBs)	-	-
Public Sector Entities (PSEs)	-	-
Banks and securities firms	9,504,854	411,231
Corporates	94,779,338	7,216,114
Retail non-mortgages	25,698,228	1,541,733
Small Business Facilities Enterprises (SBFE,s)	-	-
Mortgages	1,421,586	113,564
Residential	1,421,586	113,564
Commercial	-	-
Securitized assets	-	-
Equity	1,075,131	86,010
Others	8,765,229	353,280
Total	**173,905,048**	**9,721,932**

TABLE 3: CAPITAL ADEQUACY - DECEMBER 2015
Capital Requirements For Market Risk* (822, Table 3, (d)) (Figures in SAR '000)

	Interest rate risk	Equity position risk	Foreign exchange risk	Commodity risk	Options	Total
Standardised approach	17,319		107,524	30,519	2,348	157,710
Internal models approach						

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

TABLE 3: CAPITAL ADEQUACY - DECEMBER 2015
Capital Requirements for Operational Risk* (Table 3, (e)) (Figures in SAR '000)

Particulars	Capital requirement
• Basic indicator approach	
• Standardized approach	
• Alternate standardized approach	961,753
• Advanced measurement approach (AMA)	
Total	**961,753**

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

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TABLE 3: CAPITAL ADEQUACY - DECEMBER 2015

Capital Adequacy Ratios (TABLE 3, (f))

Particulars	Total capital ratio	Tier 1 capital ratio
Top consolidated level	15.46%	13.64%
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 DECEMBER 2015

Credit Risk Exposure (Table 4, (b)) (Figures in SAR '000)

Portfolios	Total gross credit risk exposure*	Average gross credit risk exposure over the period**
Sovereigns and central banks:	32,660,682	34,927,870
SAMA and Saudi Government	24,644,704	28,026,268
Others	8,015,978	6,901,602
Multilateral Development Banks (MDBs)		
Public Sector Entities (PSEs)		
Banks and securities firms	12,220,870	10,559,542
Corporates	113,097,673	109,899,957
Retail non-mortgages	25,695,554	24,974,988
Small Business Facilities Enterprises (SBFE,s)		
Mortgages	1,419,550	1,346,455
Residential	1,419,550	1,346,455
Commercial		
Securitized assets		
Equity	1,075,131	1,245,207
Others	7,863,953	8,056,969
Total	**194,033,413**	**191,010,988**

* 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.

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TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES - DECEMBER 2015

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

	Geographic area						
Portfolios	Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Others countries	Total
Sovereigns and central banks:	24,644,704		301,177	7,714,801			32,660,682
SAMA and Saudi Government	24,644,704						24,644,704
Others			301,177	7,714,801			8,015,978
Multilateral Development Banks (MDBs)							-
Public Sector Entities (PSEs)							-
Banks and securities firms	3,313,428	4,696,817	1,709,397	2,131,354	362,772	7,102	12,220,870
Corporates	111,714,286	555,903	619,390	817		207,277	113,097,673
Retail non-mortgages	25,695,554						25,695,554
Small Business Facilities Enterprises (SBFE,s)							-
Mortgages	1,419,550						1,419,550
Residential	1,419,550						1,419,550
Commercial							-
Securitized assets							-
Equity	1,075,131						1,075,131
Others	7,863,953						7,863,953
Total	175,726,606	5,252,720	2,629,964	9,846,972	362,772	214,379	194,033,413

TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES - DECEMBER 2015

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

	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:	32,660,682												32,660,682
SAMA and Saudi Government	24,644,704												24,644,704
Others	8,015,978												8,015,978
Multilateral Development Banks (MDBs)													-
Public Sector Entities (PSEs)													-
Banks and securities firms		12,220,870											12,220,870
Corporates	8,878	9,886,099	1,406,098	17,213,778	809,932	9,098,851	18,343,707	17,550,215	5,365,112	4,475,801		28,939,202	113,097,673
Retail non-mortgages											25,695,554		25,695,554
Small Business Facilities Enterprises (SBFE's)													-
Mortgages												1,419,550	1,419,550
Residential												1,419,550	1,419,550
Commercial													-
Securitized assets													-
Equity		575,740	21,521	190,812	3,547	60,109			144,002	79,400			1,075,131
Others			736	23,613			5,744	258,303	4,602	2,052	2,220	7,566,683	7,863,953
Total	32,669,560	22,682,709	1,428,355	17,428,203	813,479	9,158,960	18,349,451	17,808,518	5,513,716	4,557,253	25,697,774	37,925,435	194,033,413

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TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES - DECEMBER 2015

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

	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:	18,750	4,161,273	10,827,799	1,043,478	461,267	6,321,372	603,704	1,900,025	7,323,014	32,660,682
SAMA and Saudi Government		2,820,977	10,640,307	1,005,992	11,810	338,875	603,704	1,900,025	7,323,014	24,644,704
Others	18,750	1,340,296	187,492	37,486	449,457	5,982,497				8,015,978
Multilateral Development Banks (MDBs)										-
Public Sector Entities (PSEs)										-
Banks and securities firms	3,727,409	17,170	86,840	92,825	1,130,558	2,826,144	1,257,547	674,644	2,407,733	12,220,870
Corporates	1,516,305	4,220,685	17,233,673	18,650,957	25,369,306	20,263,793	14,869,196	8,660,876	2,312,882	113,097,673
Retail non-mortgages	3,972	6,917	40,518	103,472	453,164	6,491,085	18,075,631	520,795		25,695,554
Small Business Facilities Enterprises (SBFE's)										-
Mortgages		9	128	228	1,439	25,331	93,346	1,299,069		1,419,550
Residential		9	128	228	1,439	25,331	93,346	1,299,069		1,419,550
Commercial										-
Securitized assets										-
Equity									1,075,131	1,075,131
Others		5,086	10,046	17,510	29,366	62,870	25,466	44,940	7,668,669	7,863,953
Total	5,266,436	8,411,140	28,199,004	19,908,470	27,445,100	35,990,595	34,924,890	13,100,349	20,787,429	194,033,413

TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES - DECEMBER 2015

Impaired Loans, Past Due Loans and Allowances (Table 4, (f)) (Figures in SAR '000)

	Impaired loans *	Defaulted **	Aging of Past Due Loans (days)				Specific allowances			General allowances
Industry sector			Less than 90	90-180 days	180-360 days	Over 360	Charges during the Year To Date	Charge-offs during the Year To Date	Balance at the end of the Year To Date	
Government and quasi government	-	-	-	-	-	-	-	-	-	-
Banks and Other Financial Institutions	-	-	-	-	-	-	-	-	-	-
Agriculture and fishing	-	-	2,020	-	-	-	(1,345)	-	-	-
Manufacturing	768,564	4,928	27,471	-	690	4,238	41,981	-	166,432	-
Mining and quarrying	-	-	4,934	-	-	-	-	-	-	-
Electricity, water, gas and health services	-	-	301	-	-	-	-	-	-	-
Building and construction	500,056	419,827	83,364	89,116	6,284	324,425	133,481	-	671,681	-
Commerce	642,586	580,241	63,937	146,906	56,547	376,787	13,971	36	601,148	-
Transportation and communication	98,841	98,781	869	14,504	169	84,108	12,147	-	100,155	-
Services	169,052	18,705	70,673	-	12,367	6,338	34,376	772	44,182	-
Consumer loans and credit cards	379,995	95,563	1,534,231	95,563	-	-	265,318	271,592	62,466	-
Others	666,718	11,538	146,974	-	9,809	1,732	(4,000)	2,570	275,872	-
Total	3,225,812	1,229,583	1,934,774	346,089	85,866	797,628	495,929	274,970	1,921,936	840,238

* Impaired loans defined as any loan with specific provision

** Defaulted loans defined as non-performing loans

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TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES - DECEMBER 2015

Impaired Loans, Past Due Loans And Allowances (Table 4, (g)) (Figures in SAR '000)

		Aging of Past Due Loans (days)					
Geographic area	Impaired loans	Less than 90	90-180 days	180-360 days	Over 360	Specific allowances	General allowances
Saudi Arabia	2,569,562	1,934,774	346,089	85,866	797,628	1,661,936	840,238
Other GCC and Middle East	656,250	0	0	0	0	260,000	0
Europe	0	0	0	0	0	0	0
North America	0	0	0	0	0	0	0
South East Asia	0	0	0	0	0	0	0
Others countries	0	0	0	0	0	0	0
Total	3,225,812	1,934,774	346,089	85,866	797,628	1,921,936	840,238

TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES DECEMBER 2015

Reconciliation Of Changes In The Allowances For Loan Impairment (Table 4, (h)) (Figures in SAR '000)

Particulars	Specific allowances	General allowances
Balance, beginning of the year	1,700,977	684,977
Charge-offs taken against allowances during the period	495,929	155,261
Amounts set aside (or reversed) during the period	(274,970)	
Other adjustments:		
- exchange rate differences		
- business combinations		
- acquisitions and disposals of subsidiaries		
- etc.		
Transfers between allowances		
Balance, end of the year	1,921,936	840,238

Charge-offs and recoveries that have been recorded directly to the income statement are SAR 5,717 and SAR 81,402 respectively

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TABLE 5 (STA): CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH - DECEMBER 2015

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

	Risk Buckets									Deducted
Particulars	0 %	20 %	35 %	50 %	75 %	100 %	150 %	Other risk weights	Unrated	
Sovereigns and central banks:	32,660,682									
SAMA and Saudi Government	24,644,704									
Others	8,015,978									
Multilateral Development Banks (MDBs)										
Public Sector Entities (PSEs)										
Banks and securities firms		3,755,331		5,311,653		2,554,241	68,029	531,616		
Corporates		76,763		2,029,721		110,542,413	448,776			
Retail non-mortgages					25,695,554					
Small Business Facilities Enterprises (SBFE,s)										
Mortgages						1,419,550				
Residential						1,419,550				
Commercial										
Securitized assets										
Equity						1,075,131				
Others	3,534,576					4,303,304	26,073			
TOTAL	36,195,258	3,832,094	0	7,341,374	25,695,554	119,894,639	542,878	531,616		
GRAND TOTAL	194,033,413									0

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TABLE 7 (STA): CREDIT RISK MITIGATION (CRM): DISCLOSURES FOR STANDARDIZED APPROACH - DECEMBER 2015

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

Portfolios	Covered by 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	3,417,482	335,700
Retail non-mortgages		
Small Business Facilities Enterprises (SBFE,s)		
Mortgages		
Residential		
Commercial		
Securitized assets		
Equity		
Others	232	
Total	**3,417,714**	**335,700**

TABLE 8: GENERAL DISCLOSURES FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK (CCR) - DECEMBER 2015

General Disclosures (Table 8, (b) and (d)) (Figures in SAR '000)

Portfolios	Amount
Gross positive fair value of contracts	290,158
Netting Benefits*	
Netted Current Credit Exposure*	
Collateral held:	
-Cash	
-Government securities	
-Others	
Exposure amount (under the applicable method)	693,140
-Internal Models Method (IMM)	
-Current Exposure Method (CEM)	693,140
Notional value of credit derivative hedges	
Current credit exposure (by type of credit exposure):	
-Interest rate contracts	153,221
-FX contracts	539,920
-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.

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TABLE 9 Series : SECURITIZATION DISCLOSURES DECEMBER 2015

Disclosures related to Securitization are not applicable to ANB

TABLE 10: MARKET RISK: DISCLOSURES FOR BANKS USING THE STANDARDIZED APPROACH - DECEMBER 2015

Level Of Market Risks In Terms Of Capital Requirements (Table 10, (b)) (Figures in SAR '000)

	Interest rate risk	Equity position risk	Foreign exchange risk	Commodity risk	Options	Total
Capital requirements	**17,319**		**107,524**	**30,519**	**2,348**	**157,710**

TABLE 13: EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS - DECEMBER 2015

Value Of Investments (Table 13, (b)) (Figures in SAR '000)

	Un-quoted Investments		Quoted Investments		
Capital requirements	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	**533,005**	**533,005**	**1,073,742**	**1,073,742**	

Note : Un-quoted Investments include Investments in Associates

TABLE 13: EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS - DECEMBER 2015

Types And Nature of Investments (Table 13, (c)) (Figures in SAR '000)

Investments	Publicly traded	Privately held
Government and quasi government		
Banks and other financial institutions	**574,351**	**533,005**
Agriculture and fishing	**21,521**	
Manufacturing	**190,812**	
Mining and quarrying	**3,547**	
Electricity, water, gas and health services	**60,109**	
Building and construction		
Commerce		
Transportation and communication	**144,002**	
Services	**79,400**	
Others		
Total	**1,073,742**	**533,005**

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TABLE 13: EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS – DECEMBER 2015

Gains / Losses Etc. (Table 13, (d) and (e)) (Figures in SAR '000)

Particulars	Amount
Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	
Total unrealized gains (losses)	83,610
Total latent revaluation gains (losses)*	
Unrealized gains (losses) included in Capital	83,610
Latent revaluation gains (losses) included in Capital*	

*Not applicable to KSA to date

TABLE 13: EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS – DECEMBER 2015

Capital Requirements (Table 13, (f)) (Figures in SAR '000)

Equity grouping	Capital requirements
Government and quasi government	
Banks and other financial institutions	152,382
Agriculture and fishing	1,722
Manufacturing	15,265
Mining and quarrying	284
Electricity, water, gas and health services	4,809
Building and construction	
Commerce	
Transportation and communication	11,520
Services	6,352
Others	
Total	**192,334**

TABLE 14: INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) – DECEMBER 2015

200bp Interest Rate Shocks for currencies with more than 5% of Assets or Liabilities (Table 14, (b)) (Figures in SAR '000)

Rate Shocks	Change in earnings
Upward rate shocks:	
SAR	776,432
USD	(141,086)
OTHERS	3,070
Downward rate shocks:	
SAR	(776,432)
USD	141,086
OTHERS	(3,070)

* 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
• Haeer Road	Riyadh	011 2137742	011 2134370
• Rawdah	Riyadh	011 2086024	011 2089562
• Shemeisi	Riyadh	011 4354074	011 4353946
• Al-Kharj	Al-Kharj	011 5478500	011 5478535
• 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	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

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 6268507	014 6268454
• 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 Khaled	Buraida	016 3693696	016 3693661
• ALBekairia	ALBekairia	016 3352970	016 3352972
• King Saud Road	Tabuk	014 4219331	014 4236298
• Rafha	Rafha	014 6769164	014 6769166
• Al Mithnab	Buraida	016 3432277	016 3431825

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
• Wajh	Wajh	014 4424648	014 4424638
• 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
• 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
• Alanpariah	Madina Munawwarah	014 8266557	014 8212881
• Hay Albsateen	Jeddah	012 6993477	012 6994309
• Shehar	Taif	012 7405905	012 7450992
• Yanbu Industrial City	Madina Munawwarah	014 3935169	014 3933679
• Al Hawia	Taif	012 7250503	012 7250536

Eastern Region Branches:

King Abdulaziz Hospital	Ehsa'a	013 5362669	013 5325334
• Dammam	Dammam	013 8333577	013 8347309
• Khobar	Khobar	013 8948660	013 8942752
• Qatif	Qatif	013 8548464	013 8547462
• Hofuf	Hofuf	013 5882445	013 5881667
• 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 7667446	013 7667559
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
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
• 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
• Al Hazm	Khobar	013 8412084	013 8418270

• 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 7223656	017 7230018
• 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
• Al Arisa	Najran	017 5292112	017 5442588
• 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
• Shrurah	Najran	017 5322800	017 5320373

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, 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
• Al Kharj	Al Kharj	011 5478500	011 5478578
• Al Suwaidi	Riyadh	011 4247189	011 4247422

North Region Branches:

• Ladies, Buraidah	Buraidah	016 3834035	016 3834059
• Ladies, Hail	Hail	016 5351894	016 5351894
• Ladies, Unaiza	Unaiza	016 3266293	016 3261637
• Tabuk	Tabuk	014 4221218	014 4230681

• Islamic Branches

Branches

Ladies Branches/Sections (continued):

Western Region Branches:

Branch Name	City	Phone No.	FAX No.
• 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, Madinah Munawarah	Madinah Munawarah	012 8222761	012 8271269
• Ladies, AL Shawqiah	Makkah Mukaramah	012 5655330	012 5650481
• Ladies, Alanbariah	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, Shara-42	Dammam	013 8416390	013 8416390
• 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
• Mokhtat 71	Dammam	013 8226570	013 8226798
• Ladies, Al-Muraikbat	Dammam	013 8413438	013 8420238
• Ladies, Safwa	Safwa	013 6646448	013 6646507
• Ladies, Saihat	Saihat	013 8506046	013 8506203
• Ladies, Al omran	Al-Omran	013 5952780	013 5952779

Southern Region Branches:

• Ladies, Baha	Baha	017 7241919	017 7241721
• Ladies, Abha	Abha	017 2311585	017 2311969

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• Islamic Branches

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