KPMG Al Fozan & Partners
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Riyad 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, and the consolidated income statement, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 39. We have not audited note 40, nor the information related to "Basel III Pillar 3 Disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA") and International Financial Reporting Standards and to comply with the relevant 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 controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, its consolidated financial performance and consolidated 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 relevant provisions 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.

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5 Jumada Al-Awwal 1437H
14 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015 and 2014

	Notes	2015 SAR'000	2014 SAR'000
ASSETS			
Cash and balances with SAMA	4	**20,569,929**	25,315,736
Due from banks and other financial institutions	5	**9,269,380**	3,914,504
Investments, net	6	**44,552,383**	46,963,269
Loans and advances, net	7	**144,673,830**	133,490,274
Investment in associates	8	**525,131**	468,535
Other real estate		**258,411**	390,802
Property and equipment, net	9	**1,894,701**	1,706,731
Other assets	10	**1,572,110**	2,339,442
Total assets		**223,315,875**	214,589,293
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	**4,496,211**	3,789,796
Customer deposits	13	**167,089,802**	164,079,433
Debt securities in issue	14	**8,000,000**	4,000,000
Other liabilities	15	**7,184,750**	7,182,959
Total liabilities		**186,770,763**	179,052,188
Shareholders' equity			
Share capital	16	**30,000,000**	30,000,000
Statutory reserve	17	**2,100,471**	1,088,102
Other reserves	18	**297,467**	1,038,937
Retained earnings		**2,847,174**	2,160,066
Proposed dividends	25	**1,300,000**	1,250,000
Total shareholders' equity		**36,545,112**	35,537,105
Total liabilities and shareholders' equity		**223,315,875**	214,589,293

The accompanying notes 1 to 40 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	**5,883,035**	5,945,240
Special commission expense	20	**700,080**	815,001
Net special commission income		**5,182,955**	5,130,239
Fee and commission income, net	21	**1,786,252**	2,020,485
Exchange income, net		**348,385**	280,394
Trading gains (losses), net		**33,700**	(929)
Dividend income		**60,970**	58,473
Gains on non-trading investments, net		**222,389**	376,732
Other operating income	22	**354,488**	146,372
Total operating income, net		**7,989,139**	8,011,766
Salaries and employee-related expenses	23	**1,613,354**	1,471,552
Rent and premises-related expenses		**299,585**	281,752
Depreciation of property and equipment	9	**275,774**	257,665
Other general and administrative expenses		**650,999**	763,815
Impairment charge for credit losses, net		**1,030,735**	900,063
Impairment charge for investments, net		**21,609**	-
Other operating expenses		**87,525**	31,232
Total operating expenses, net		**3,979,581**	3,706,079
Net operating income		**4,009,558**	4,305,687
Share in earnings of associates, net		**39,919**	46,721
Net income for the year		**4,049,477**	4,352,408
Basic and diluted earnings per share (in SAR)	24	**1.35**	1.45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2015 and 2014

	2015 SAR'000	2014 SAR'000
Net income for the year	**4,049,477**	4,352,408
Other comprehensive income:		
Items that may be recycled back to consolidated income statement in subsequent periods		
- Available for sale investments		
Net change in fair value (note 18)	**(582,781)**	222,538
Net amounts transferred to consolidated income statement (note 18)	**(158,689)**	(368,165)
Other comprehensive income for the year	**(741,470)**	(145,627)
Total comprehensive income for the year	**3,308,007**	4,206,781

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2015 and 2014

		SAR'000					
	Notes	Share capital	Statutory reserve	Other reserves Available for sale investments	Retained earnings	Proposed dividends	Total
2015							
Balance at the beginning of the year		**30,000,000**	**1,088,102**	**1,038,937**	**2,160,066**	**1,250,000**	**35,537,105**
Total comprehensive income		**-**	**-**	**(741,470)**	**4,049,477**	**-**	**3,308,007**
Final dividend paid - 2014	**25**	**-**	**-**	**-**	**-**	**(1,250,000)**	**(1,250,000)**
Interim dividend paid - 2015	**25**	**-**	**-**	**-**	**(1,050,000)**	**-**	**(1,050,000)**
Transfer to statutory reserve	**17**	**-**	**1,012,369**	**-**	**(1,012,369)**	**-**	**-**
2015 final proposed dividend	**25**	**-**	**-**	**-**	**(1,300,000)**	**1,300,000**	**-**
Balance at the end of the year		**30,000,000**	**2,100,471**	**297,467**	**2,847,174**	**1,300,000**	**36,545,112**
2014							
Balance at the beginning of the year		15,000,000	14,328,376	1,184,564	1,957,384	1,400,000	33,870,324
Final dividend paid - 2013	25	-	-	-	-	(1,400,000)	(1,400,000)
Transfer from retained earnings		-	671,624	-	(671,624)	-	-
Issue of bonus shares		15,000,000	(15,000,000)	-	-	-	-
Total comprehensive income		-	-	(145,627)	4,352,408	-	4,206,781
Interim dividend paid - 2014	25	-	-	-	(1,140,000)	-	(1,140,000)
Transfer to statutory reserve	17	-	1,088,102	-	(1,088,102)	-	-
2014 final proposed dividend	25	-	-	-	(1,250,000)	1,250,000	-
Balance at the end of the year		30,000,000	1,088,102	1,038,937	2,160,066	1,250,000	35,537,105

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	Notes	2015 SAR'000	2014 SAR'000
OPERATING ACTIVITIES			
Net income for the year		**4,049,477**	4,352,408
Adjustments to reconcile net income for the year to net cash from (used in) operating activities:			
Accretion of discounts and amortisation of premium, net on non-trading investments, net		**(80,938)**	(125,701)
Gains on non-trading investments, net		**(222,389)**	(376,732)
Depreciation of property and equipment		**275,774**	257,665
Share in earnings of associates, net		**(39,919)**	(46,721)
Impairment charge for investments, net		**21,609**	-
Impairment charge for credit losses, net		**1,030,735**	900,063
		5,034,349	4,960,982
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA	4	**(527,825)**	(695,954)
Due from banks and other financial institutions maturing after three months from date of acquisition		**187,577**	1,596,857
Loans and advances		**(12,214,291)**	(3,199,780)
Other real estate		**132,391**	46,566
Other assets		**767,332**	268,869
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		**706,415**	(3,788,184)
Customer deposits		**3,010,369**	10,879,553
Other liabilities		**(156,965)**	480,484
Net cash (used in) from operating activities		**(3,060,648)**	10,549,393
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non-trading investments		**28,340,798**	26,178,000
Purchase of non-trading investments		**(26,406,341)**	(29,225,889)
Purchase of property and equipment, net		**(463,744)**	(301,746)
Net cash from (used in) investing activities		**1,470,713**	(3,349,635)
FINANCING ACTIVITIES			
Proceeds from issuance of debt securities in issue	14	**4,000,000**	-
Dividend and Zakat paid		**(2,141,244)**	(2,435,820)
Net cash from (used in) from financing activities		**1,858,756**	(2,435,820)
Net increase in cash and cash equivalents		**268,821**	4,763,938
Cash and cash equivalents at beginning of the year		**20,772,910**	16,008,972
Cash and cash equivalents at end of the year	26	**21,041,731**	20,772,910
Special commission received during the year		**5,781,935**	5,960,742
Special commission paid during the year		**726,753**	888,580
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated income statement		(741,470)	(145,627)

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

1. GENERAL

Riyad Bank (The "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 334 branches (2014: 318 branches) in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The Bank's Head Office is located at the following address:

Riyad Bank
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking and investment services. The Bank also provides to its customers Islamic (non-special commission based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries, incorporated in the Kingdom of Saudi Arabia; a) Riyad Capital (engaged in investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the Capital Market Authority), b) Ithra Al-Riyad Real Estate Company (with the objective to hold, manage, sell and purchase real estate assets for owners or third parties for financing activities); and c) Riyad Company for Insurance Agency (which acts as an agent for selling insurance products owned and managed by another principal insurance company), and are collectively referred to as "the Group".

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Bank also prepares its consolidated financial statements to comply with the Banking Control Law, the provisions of Regulations for Companies in the Kingdom of Saudi Arabia and the Bank's Articles of Association.

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 derivatives and Available for Sale financial assets. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of the risk being hedged.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousand Saudi Arabian Riyals.

d) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires the management to use 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 judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Impairment for credit losses on loans and advances

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

2. BASIS OF PREPARATION (continued)

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

ii) Fair value measurement

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

iii) Impairment of available-for-sale investments

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

The Bank 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 investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

v) Determination of control over investees

Investment funds

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

Special Purpose Entities (SPEs)

The Bank is party to certain SPEs, primarily to facilitate Shariah compliant financing arrangements. The exposures to these entities are included in the Bank's loans and advances portfolio.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

a) Changes in accounting policies

The accounting policies used in the preparation of these annual 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 amendments to existing standards and improvements mentioned below which has had an insignificant financial impact on the annual consolidated financial statements of the Group.

a) 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, 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 adjust service cost in the period in which the related service is rendered.

b) 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:

i) IFRS 1 – “First time adoption of IFRS” :The amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

ii) IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.

iii) IFRS 3 – “Business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

iv) IFRS 8 – “Operating segments” has been amended to explicitly require disclosure of judgements made by management in applying aggregation criteria.

v) IFRS 13 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.

vi) IAS 16 – “Property, plant and equipment” and IAS 38 – “Intangible assets” : The amendments clarify the requirements of revaluation model recognising that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

vii) 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.

viii) IAS 40 – “Investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn up to 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has 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.

Balances between the Bank and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The Bank is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements. Bank concluded that these entities cannot be consolidated to its financial statements as it could not establish control over these SPEs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date the asset is delivered to the counter party. The Bank accounts for any change in fair value between the trade and the settlement date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

d) Investment in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee. Distribution received from the investee reduces the carrying amount of the investment.

e) Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, special commission rate swaps and currency options (both written and purchased), are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognised in the income statement. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Derivatives held for trading

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

(ii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships.

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 recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised 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 the 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 Bank 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.

a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect income statement, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated income statement. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect income statement, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated income statement. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated income statement in the same period in which the hedged transaction affects the consolidated income statement. Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Derivative financial instruments and hedge accounting (continued)

(ii) Hedge accounting

b) Cash flow hedges

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

f) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the parent company's functional currency. Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated income statement or in equity, depending on the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated income statement at the time of disposal of foreign operations.

g) Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the entity has a legal currently enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

h) Revenue recognition

i) Special commission income and expense

Special commission income and expense for all special commission bearing financial instruments, except for those classified as held for trading or designated at fair value through income statement (FVIS), are recognised in the consolidated income statement using the effective yield basis. The effective yield is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective special commission rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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 special commission rate and the change in carrying amount is recorded as special commission income or expense.

If 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 recognised using the original effective yield applied to the new carrying amount.

The calculation of the effective yield includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

ii) Fee and commission income

Fee and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with the related direct cost, and are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

iii) Others

Dividend income is recognised when the right to receive payment is established. Exchange income/ loss are recognised when earned/ incurred. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for investments held as FVIS, Available for sale, Held to maturity and Other investments held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customer deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised 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" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

j) Investments

All investment securities are initially recognised at fair value, including incremental direct transaction cost except for investments held as Fair Value through Income Statement (FVIS) and are subsequently accounted for depending on their classification as either held to maturity, FVIS, Available for sale or other investments held at amortised cost. Premiums are amortised and discounts accreted using the effective yield basis and are taken to special commission income.

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

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

Following recognition, subsequent transfers between the various classes of investments are not ordinarily permissible except in accordance with amendments in IAS 39 (refer note 6). The subsequent period-end reporting values for each class of investment are determined on the basis as set out in the following paragraphs:

i) Held as FVIS

Investments in this category are classified at initial recognition as either investment held for trading or those upon initial recognition designated as FVIS. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term.

After initial recognition, investments at FVIS are measured at fair value and any change in the fair value is recognised in the consolidated income statement for the period in which it arises.Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments. Special commission income and dividend income on investment securities held as FVIS are reflected as trading income.

ii) Available for sale

Available for sale investments are non-derivative financial instruments and include equity and debt securities that are either designated as Available for sale or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available for sale investments are those equity and debt securities intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices. Investments, which are classified as “Available for sale”, are subsequently measured at fair value. For an Available for sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognised directly in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Investments (continued)

iii) Other investments held at amortised cost

Investment securities with fixed or determinable payments that are not quoted in an active market are classified as "Other investments held at amortised cost". Such investments whose fair values have not been hedged are stated at amortised cost using effective yield basis, less provision for impairment. Any gain or loss is recognised in the consolidated income statement when the investment is derecognised or impaired.

iv) Held to maturity

Investments having fixed or determinable payments and fixed maturity and that the Bank has the positive intention and ability to hold to maturity, are classified as held to maturity. Held to maturity investments are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised or 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 commission rate or prepayment risk, reflecting the longer-term nature of these investments.

k) 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 recognised when cash is advanced to borrowers. They are derecognised when either borrower repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.

All loans and advances are initially measured at fair value, including directly attributable transaction costs associated with the loans and advances. Loans and advances originated or acquired by the Bank that are not quoted in an active market, are stated at amortised cost. For presentation purposes, allowance for credit losses is deducted from loans and advances.

l) Impairment of financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the group on the terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers.

It may also include instances where Bank considers that the obligor is unlikely to pay its credit obligations to the Bank, in full, without recourse by the Bank to actions such as realizing the security, if held.

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

Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognised based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement in impairment charge for credit losses.

Loans whose terms have been renegotiated are no longer considered to be past due. Restructuring policies and practices are based on indicators or criteria, which indicate that payments, will most likely continue. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective yield rate. Consumer loans are charged off when they become 180 days past due except in the case of secured consumer loans. With effect from April 1, 2015, the Bank individually assesses consumer mortgage loans for impairment when they become 180 days past due and provision is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of financial assets (continued)

i) Impairment of financial assets held at amortised cost

In case of financial instruments held at amortised cost or held to maturity, the Bank assesses individually whether there is objective evidence of impairment based on same criteria as explained above.

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

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

ii) Impairment of Available for sale financial assets

In the case of debt instruments classified as Available for sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as explained above. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised 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 credit event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

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

m) Other real estate

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Property and equipment

Property and equipment is stated at cost and presented net of accumulated depreciation. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixtures and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated income statement.

o) Financial liabilities

All money market deposits, customer deposits and debt securities in issue are initially recognised at fair value less transaction costs. Subsequently, all special commission-bearing financial liabilities other than those held at FVIS or where fair values have been hedged are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to special commission expense.

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

p) Guarantee contracts

In ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to the initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated income statement in 'impairment charge for credit losses'. The premium received is recognised in the consolidated income statement in 'Fee and commission income, net' on a straight line basis over the life of the guarantee.

q) Provisions

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

r) Accounting for leases

Leases entered into by the Group as a lessee, are operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

s) 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 deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to receive the cash flows from the financial asset expires or the asset is transferred and the transfer qualifies for de-recognition.

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

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

u) End of service benefits

Benefits payable to the employees of the Bank at the end of their services are accrued in accordance with the guidelines set by the Saudi Arabian Labor Regulations and are included in other liabilities in the consolidated statement of financial position.

v) Zakat

Under Saudi Arabian Zakat and Income Tax Laws, Zakat is the liability of shareholders. Zakat is computed on the shareholders' equity or net income using the basis defined under the Zakat regulations. Zakat is not charged to the Group's consolidated income statement as they are deducted from the dividends paid to the shareholders.

w) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. 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.

x) Non-special commission based banking products

In addition to the conventional banking, the Bank offers its customers certain non-special commission based banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaraq and Ijara. These banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Non-special commission based banking products (continued)

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

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

y) Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

4. CASH AND BALANCES WITH SAMA

	2015	2014
	SAR'000	SAR'000
Cash in hand and other balances	**4,117,564**	3,550,983
Statutory deposit	**8,797,578**	8,269,753
Reverse repos with SAMA	**7,654,787**	13,495,000
Total	**20,569,929**	25,315,736

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 therefore is not part of cash and cash equivalents (note 26).

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015	2014
	SAR'000	SAR'000
Current accounts	**1,057,450**	519,925
Money market placements	**8,211,930**	3,394,579
Total	**9,269,380**	3,914,504

6. INVESTMENTS, NET

a) Investment securities are classified as follows:

i) Held as FVIS

On September 1, 2008, the Group reclassified investments held in trading portfolio reported under its investments at fair value through income statement ("FVIS") category to the available for sale category.

The carrying and fair value of these reclassified investments as at December 31, 2015 was SAR 3,169 million (December 31, 2014: SAR 3,560 million).

Had the reclassification not occurred, the consolidated income statement for the year ended December 31, 2015, would have included fair value gain on such reclassified investments amounting to SAR 3.1 million (December 31, 2014: unrealised fair value gain SAR 133.9 million).

ii) Available for sale

SAR'000	Domestic		International		Total	
	2015	2014	**2015**	2014	**2015**	2014
Fixed rate securities	**-**	-	**11,126,714**	11,894,298	**11,126,714**	11,894,298
Floating rate securities	**-**	-	**1,722,234**	1,886,466	**1,722,234**	1,886,466
Mutual funds	**184,347**	143,307	**1,251,877**	1,631,785	**1,436,224**	1,775,092
Equities	**1,166,443**	1,244,289	**150,208**	127,985	**1,316,651**	1,372,274
Available for sale, net	**1,350,790**	1,387,596	**14,251,033**	15,540,534	**15,601,823**	16,928,130

International investments above includes investment portfolios of SAR 11.2 billion (2014: SAR 11.6 billion) which are externally managed.

iii) Other investments held at amortised cost

SAR'000	Domestic		International		Total	
	2015	2014	**2015**	2014	**2015**	2014
Fixed rate securities	**22,924,175**	23,416,933	**1,038,553**	1,987,994	**23,962,728**	25,404,927
Floating rate securities	**4,722,988**	4,155,274	**220,000**	248,856	**4,942,988**	4,404,130
Other investments held at amortised cost	**27,647,163**	27,572,207	**1,258,553**	2,236,850	**28,905,716**	29,809,057

iv) Held to maturity

SAR'000	Domestic		International		Total	
	2015	2014	**2015**	2014	**2015**	2014
Fixed rate securities	**44,844**	94,743	**-**	131,339	**44,844**	226,082
Floating rate securities	**-**	-	**-**	-	**-**	-
Held to maturity	**44,844**	94,743	**-**	131,339	**44,844**	226,082
Investments, net	**29,042,797**	29,054,546	**15,509,586**	17,908,723	**44,552,383**	46,963,269

6. INVESTMENTS, NET (continued)

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

SAR 000'	2015 Quoted	2015 Unquoted*	2015 Total	2014 Quoted	2014 Unquoted*	2014 Total
Fixed rate securities	**14,281,835**	**20,852,451**	**35,134,286**	15,895,411	21,629,896	37,525,307
Floating rate securities	**4,392,420**	**2,272,802**	**6,665,222**	5,436,359	854,237	6,290,596
Equities	**1,071,939**	**284,630**	**1,356,569**	1,234,513	178,017	1,412,530
Mutual funds	**1,436,225**	**-**	**1,436,225**	1,775,092	-	1,775,092
	21,182,419	**23,409,883**	**44,592,302**	24,341,375	22,662,150	47,003,525
Allowance for impairment	**-**	**(39,919)**	**(39,919)**	-	(40,256)	(40,256)
Investments, net	**21,182,419**	**23,369,964**	**44,552,383**	24,341,375	22,621,894	46,963,269

*Unquoted fixed rate securities include Treasury Bills of SAR 15.1 billion (2014: SAR 19.9 billion)

c) The analysis of unrealised gains and losses and the fair values of other investments held at amortised cost, and held to maturity investments, is as follows:

i) Other investments held at amortised cost

SAR 000'	2015 Carrying value	2015 Gross unrealised gain	2015 Gross unrealised loss	2015 Fair value	2014 Carrying value	2014 Gross unrealised gain	2014 Gross unrealised loss	2014 Fair value
Fixed rate securities	**23,962,728**	**117,739**	**(240,886)**	**23,839,581**	25,404,927	262,671	(10,622)	25,656,976
Floating rate securities	**4,942,988**	**333,159**	**-**	**5,276,147**	4,404,130	309,841	-	4,713,971
Total	**28,905,716**	**450,898**	**(240,886)**	**29,115,728**	29,809,057	572,512	(10,622)	30,370,947

ii) Held to maturity

SAR 000's	2015 Carrying value	2015 Gross unrealised gain	2015 Gross unrealised loss	2015 Fair value	2014 Carrying value	2014 Gross unrealised gain	2014 Gross unrealised loss	2014 Fair value
Fixed rate securities	**44,844**	**428**	**-**	**45,272**	226,082	3,337	-	229,419
Floating rate securities	**-**	**-**	**-**	**-**	-	-	-	-
Total	**44,844**	**428**	**-**	**45,272**	226,082	3,337	-	229,419

d) Credit quality of investments

SAR 000'	2015 Fixed rate securities	2015 Floating rate securities	2015 Others	2015 Total	2014 Fixed rate securities	2014 Floating rate securities	2014 Others	2014 Total
Grade A- and above	**29,247,478**	**1,876,744**	**-**	**31,124,222**	31,259,439	2,503,509	-	33,762,948
Lower than A-	**5,546,819**	**215,489**	**-**	**5,762,308**	4,944,176	275,976	-	5,220,152
Unrated	**339,989**	**4,572,989**	**2,752,875**	**7,665,853**	1,321,692	3,511,111	3,147,366	7,980,169
Total	**35,134,286**	**6,665,222**	**2,752,875**	**44,552,383**	37,525,307	6,290,596	3,147,366	46,963,269

The above classification is based on Standard & Poor's/ equivalent credit ratings. Lower than A- comprises mainly of bonds rated BBB and BB. The Others in the unrated investments category comprise of mutual funds and equities.

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

	2015 SAR '000	2014 SAR '000
Government and quasi Government	**25,753,838**	27,425,170
Corporate	**9,458,871**	9,960,169
Banks and other financial institutions	**9,339,674**	9,577,930
Total	**44,552,383**	46,963,269

Investments include SAR 700.3 million (2014: SAR 659.4 million), which have been pledged under repurchase agreements with customers (note 19 d). The market value of such investments is SAR 700.3 million (2014: SAR 659.6 million).

6. INVESTMENTS, NET (continued)

f) Movements of allowance for impairment on available for sale equity investments:

	2015 SAR '000	2014 SAR '000
Balance at beginning of the year	40,256	40,681
Other movements	(337)	(425)
Balance at end of the year	39,919	40,256

7. LOANS AND ADVANCES, NET

a) Loans and advances held at amortised cost

These comprise the following:

2015 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans **	Others	Total
Performing loans and advances, gross	10,008,311	816,905	37,858,884	95,351,580	1,215,294	145,250,974
Non-performing loans and advances, net	186,692	-	76,212	1,048,943	9,756	1,321,603
Total Loans and advances	10,195,003	816,905	37,935,096	96,400,523	1,225,050	146,572,577
Allowance for impairment	(109,212)	-	(14,836)	(697,433)	(4,917)	(826,398)
Total	10,085,791	816,905	37,920,260	95,703,090	1,220,133	145,746,179
Portfolio provision	-	-	-	-	-	(1,072,349)
Loans and advances held at amortised cost, net						144,673,830

2014 SAR'000	Overdrafts	Credit cards	Consumer loans*	Commercial loans**	Others	Total
Performing loans and advances, gross	8,309,591	979,453	38,430,973	86,417,579	289,345	134,426,941
Non-performing loans and advances, net	141,462	-	-	898,087	10,378	1,049,927
Total Loans and advances	8,451,053	979,453	38,430,973	87,315,666	299,723	135,476,868
Allowance for impairment	(51,093)	-	-	(853,447)	(9,705)	(914,245)
Total	8,399,960	979,453	38,430,973	86,462,219	290,018	134,562,623
Portfolio provision	-	-	-	-	-	(1,072,349)
Loans and advances held at amortised cost, net						133,490,274

Loans and advances, net, include Islamic products of SAR 71,181 million (2014: SAR 68,205 million).

b) Movements in allowance for impairment are as follows:

2015 SAR'000	Allowance for impairment: Credit cards	Consumer loans*	Commercial loans **	Total	Portfolio provision	Total
Balance at beginning of the year	-	-	914,245	914,245	1,072,349	1,986,594
Provided during the year	193,827	1,327,698	8,415	1,529,940	-	1,529,940
Bad debts written off	(193,827)	(1,312,862)	(33,199)	(1,539,888)	-	(1,539,888)
Recoveries of previously provided amounts	-	-	(46,306)	(46,306)	-	(46,306)
*****Other movements**	-	-	(31,593)	(31,593)	-	(31,593)
Balance at end of the year	-	14,836	811,562	826,398	1,072,349	1,898,747

2014 SAR'000	Allowance for impairment: Credit cards	Consumer loans*	Commercial loans **	Total	Portfolio provision	Total
Balance at beginning of the year	-	-	859,346	859,346	1,072,349	1,931,695
Provided during the year	76,978	439,133	719,413	1,235,524	-	1,235,524
Bad debts written off	(76,978)	(439,133)	(600,006)	(1,116,117)	-	(1,116,117)
Recoveries of previously provided amounts	-	-	(43,054)	(43,054)	-	(43,054)
***Other movements	-	-	(21,454)	(21,454)	-	(21,454)
Balance at end of the year	-	-	914,245	914,245	1,072,349	1,986,594

During the year, the net charge to the consolidated statement of income on account of impairment charge for credit losses, net is SAR 1,031 million (2014: SAR 900 million) representing amounts provided during the year, net of recoveries of SAR 1,484 million (2014: SAR 1,192 million) and recoveries from amounts previously written off of SAR 453 million (2014: SAR 292 million).

* Includes consumer mortgage loans

** Includes overdrafts and other loans

*** Represents unwinding of accrued special commission income on impaired financial assets

7. LOANS AND ADVANCES, NET

c) Credit quality of loans and advances

i) Neither past due nor impaired

2015 SAR'000	**Credit cards**	**Consumer loans***	**Commercial loans****	**Total**
Standard category	**635,489**	**35,397,068**	**106,124,814**	**142,157,371**
Special mention category	**-**	**-**	**384,333**	**384,333**
Total	**635,489**	**35,397,068**	**106,509,147**	**142,541,704**

2014 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Standard category	665,562	34,502,437	94,213,699	129,381,698
Special mention category	-	-	594,482	594,482
Total	665,562	34,502,437	94,808,181	129,976,180

The Group uses an internal classification system based on risk ratings for its credit customers. The risk rating system, which is managed by an independent unit, provides a rating at the obligor level. The risk rating system includes twelve grades, of which nine grades relate to the performing portfolio covering Standard and Special Mention category and the rest to non-performing loans.

Standard category: A credit with very strong to satisfactory credit quality and repayment ability, where regular monitoring is carried out.
Special mention category: A credit that requires close monitoring by management due to deterioration in the borrowers' financial condition.

Standard category as at December 31, 2015 includes commercial loans** of very strong quality amounting to SAR 23,472 million (2014: SAR 23,471 million), good quality amounting to SAR 72,345 million (2014: SAR 59,278 million) and satisfactory quality amounting to SAR 10,308 million (2014: SAR 11,465 million).

ii) Ageing of loans and advances (Past due but not impaired)

2015 SAR'000	**Credit cards**	**Consumer loans***	**Commercial loans****	**Total**
Upto 30 days	**93,996**	**1,603,700**	**11,762**	**1,709,458**
From 31 - 90 days	**40,820**	**528,883**	**48,494**	**618,197**
From 91 - 180 days	**46,600**	**329,233**	**5,782**	**381,615**
More than 180 days	**-**	**-**	**-**	**-**
Total	**181,416**	**2,461,816**	**66,038**	**2,709,270**

2014 SAR'000	Credit cards	Consumer loans*	Commercial loans**	Total
Upto 30 days	94,888	1,917,809	204,892	2,217,589
From 31 - 90 days	105,223	944,440	3,442	1,053,105
From 91 - 180 days	113,780	1,066,287	-	1,180,067
More than 180 days	-	-	-	-
Total	313,891	3,928,536	208,334	4,450,761

* Includes consumer mortgage loans
** Includes overdrafts and other loans

7. LOANS AND ADVANCES, NET (continued)

d) Economic sector risk concentration for the loans and advances and allowance for impairment are as follows

SAR' 000	2015 Performing	2015 Non performing, net	2015 Allowance for impairment	2015 Loans and advances, net	2014 Performing	2014 Non performing, net	2014 Allowance for impairment	2014 Loans and advances, net
Government and quasi Government	-	-	-	-	8,001	-	-	8,001
Banks and other financial institutions	5,902,182	-	-	5,902,182	4,905,740	-	-	4,905,740
Agriculture and fishing	1,642,973	-	-	1,642,973	1,176,122	-	-	1,176,122
Manufacturing	24,541,927	112,337	(77,149)	24,577,115	21,218,208	129,864	(108,372)	21,239,700
Mining and quarrying	8,568,949	-	-	8,568,949	7,282,877	-	-	7,282,877
Electricity, water, gas and health services	2,393,024	-	-	2,393,024	2,385,184	-	-	2,385,184
Building and construction	15,463,892	514,198	(291,884)	15,686,206	12,869,148	277,470	(222,433)	12,924,185
Commerce	36,597,073	608,646	(435,020)	36,770,699	32,432,248	631,908	(573,486)	32,490,670
Transportation and communication	4,660,778	8,998	(6,953)	4,662,823	5,326,199	10,326	(9,641)	5,326,884
Services	6,696,891	1,212	(556)	6,697,547	6,612,961	359	(313)	6,613,007
Consumer loans and credit cards	38,675,789	76,212	(14,836)	38,737,165	39,410,426	-	-	39,410,426
Other	107,496	-	-	107,496	799,827	-	-	799,827
Total	145,250,974	1,321,603	(826,398)	145,746,179	134,426,941	1,049,927	(914,245)	134,562,623
Portfolio provision				(1,072,349)				(1,072,349)
Loans and advances, net				144,673,830				133,490,274

e) Collateral

The Bank in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realisable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary. Fair value of collateral held by Group against financing and advances by each category are as follows:

	2015 SAR'000	2014 SAR'000
Neither past due nor impaired	42,437,701	41,076,041
Past due but not impaired	1,466,867	1,927,439
Impaired	693,376	484,437
Total	44,597,944	43,487,917

8. INVESTMENT IN ASSOCIATES

Investment in associates represents the Bank's share of investment in entities where the Bank has significant influence. These investments are accounted for using the equity method of accounting. Investment in associates represents 35% (2014: 35%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia, 21.4 % (2014: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain and 19.9% (2014: 19.9%) share ownership and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia.

9. PROPERTY AND EQUIPMENT, NET

SAR' 000	Land and buildings	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs and automation projects	Motor vehicles	Total 2015	Total 2014
Cost							
Balance at beginning of the year	1,413,529	770,742	421,981	2,294,221	913	4,901,386	4,607,867
Additions	47,281	50,991	19,999	345,526	284	464,081	301,814
Disposals	(310)	(6)	(291)	(222)	(145)	(974)	(8,295)
Balance at end of the year	1,460,500	821,727	441,689	2,639,525	1,052	5,364,493	4,901,386
Accumulated depreciation and amortisation							
Balance at beginning of the year	486,226	672,007	338,641	1,696,868	913	3,194,655	2,945,217
Charge for the year	20,699	38,382	25,799	190,846	48	275,774	257,665
Disposals	-	(6)	(291)	(195)	(145)	(637)	(8,227)
Balance at end of the year	506,925	710,383	364,149	1,887,519	816	3,469,792	3,194,655
Net book value							
As at December 31, 2015	953,575	111,344	77,540	752,006	236	1,894,701	
As at December 31, 2014	927,303	98,735	83,340	597,353	-		1,706,731

Land and buildings and improvements and decoration of premises include work in progress as at December 31, 2015 amounting to SAR 2.4 million (2014: SAR 62.7 million) and SAR 0.5 million (2014: SAR 2.1 million), respectively.

10. OTHER ASSETS

	2015 SAR'000	2014 SAR'000
Accrued special commission receivable		
- banks and other financial institutions	**121**	872
- investments	**213,021**	184,300
- loans and advances	**392,361**	329,437
- other	**13,312**	3,106
Total accrued special commission receivable	**618,815**	517,715
Accounts receivable	**254,250**	223,712
Positive fair value of derivatives (note 11)	**197,539**	419,112
Other	**501,506**	1,178,903
Total	**1,572,110**	2,339,442

11. DERIVATIVES

In the ordinary course of business, the Bank utilises 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 special commission rate swaps, counterparties generally exchange fixed and floating special commission rate payments in a single currency without exchanging principal. For currency swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b) Forwards and futures

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

c) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at 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, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying pricing anomalies in different markets and products, with the expectation of profiting from price differentials between markets or products.

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange rates and special commission rates to reduce its exposure to currency and special commission rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA. The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors have also established the level of special commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability special commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce special commission rate gap within the established limits.

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

11. DERIVATIVES (continued)

Held for hedging purposes (continued)

Fair value hedges

The Bank uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

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

The table below shows the positive and negative fair values of derivative financial instruments held, together with their notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not 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 SAR'000	**Positive fair value**	**Negative fair value**	**Notional amount total**	**Within 3 months**	**3-12 months**	**1-5 years**	**Monthly average**
Held for trading:							
Special commission rate swaps	45,071	(15,052)	5,283,833	769,473	1,289,965	3,224,395	3,232,054
Forward foreign exchange contracts	78,572	(96,544)	38,044,211	34,029,932	4,014,279	-	55,569,243
Currency options	73,399	(73,399)	8,483,383	3,177,030	3,976,204	1,330,149	6,209,352
Commodity options	497	(497)	1,696	1,696	-	-	11,212
Held as fair value hedges:							
Special commission rate swaps	-	(1,637)	230,474	68,110	137,501	24,863	230,474
Held as cash flow hedges:							
Special commission rate swaps	-	-	-	-	-	-	-
Total	197,539	(187,129)	52,043,597	38,046,241	9,417,949	4,579,407	65,252,335

11. DERIVATIVES (continued)

2014 SAR'000	Positive fair value	Negative fair value	Notional amount total	Notional amounts by term to maturity: Within 3 months	3-12 months	1-5 years	Monthly average
Held for trading:							
Special commission rate swaps	1,992	(1,996)	1,351,794	413,994	-	937,800	988,383
Forward foreign exchange contracts	401,348	(353,073)	60,955,155	39,327,529	21,439,705	187,921	65,726,344
Currency options	14,794	(14,794)	3,103,235	526,604	1,449,365	1,127,266	2,912,380
Commodity options	978	(978)	18,499	6,937	11,562	-	13,399
Held as fair value hedges:							
Special commission rate swaps	-	-	-	-	-	-	-
Held as cash flow hedges:							
Special commission rate swaps	-	-	-	-	-	-	-
Total	419,112	(370,841)	65,428,683	40,275,064	22,900,632	2,252,987	69,640,506

The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at December 31, 2015. There were no fair value hedges as at December 31, 2014.

2015 SAR '000	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Fixed special commission rate deposit	**230,854**	**229,118**	**Fair value**	**Special commission rate swaps**	**-**	**(1,637)**

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015 SAR'000	2014 SAR'000
Current accounts	**606,385**	1,081,019
Money market deposits	**3,889,826**	2,708,777
Total	**4,496,211**	3,789,796

Deposits against sales of fixed rate bonds with agreement to repurchase the same at fixed future dates were nil as at December 31, 2015 and 2014.

13. CUSTOMER DEPOSITS

	2015 SAR'000	2014 SAR'000
Demand	**72,125,704**	71,589,238
Saving	**291,263**	289,033
Time	**85,505,918**	82,186,503
Other	**9,166,917**	10,014,659
Total	**167,089,802**	164,079,433

Time deposits include deposits against sales of bonds of SAR 701 million (2014: SAR 660 million) with agreement to repurchase the same at fixed future dates. Other customers' deposits include SAR 2,963 million (2014: SAR 3,294 million) of margins held for irrevocable commitments.

Time deposits include non-special commission based deposits of SAR 36,412 million (2014: SAR 18,958 million).

The above include foreign currency deposits as follows:

	2015 SAR'000	2014 SAR'000
Demand	**2,525,169**	3,523,832
Saving	**352**	538
Time	**27,550,326**	20,937,977
Other	**301,307**	694,486
Total	**30,377,154**	25,156,833

14. DEBT SECURITIES IN ISSUE

During June 2015, the Bank issued SAR 4,000 million Subordinated debt (Sukuk). These are SAR denominated and have maturity date of June 24, 2025 and are callable after 5 years, subject to the terms and conditions of the agreement. The notes carry a special commission rate of SAIBOR plus 115 basis points.

During November 2013, the Bank issued SAR 4,000 million Senior debt (Sukuk). These SAR denominated sukuks carry a 3 month SAIBOR plus 68 basis points, have maturity date of November 11, 2020 and are callable after 5 years, subject to the terms and conditions of the agreement.

15. OTHER LIABILITIES

	2015 SAR'000	2014 SAR'000
Accrued special commission payable		
– banks and other financial institutions	**3,482**	749
– customer deposits	**196,596**	228,369
– debt securities in issue	**11,313**	8,946
Total accrued special commission payable	**211,391**	238,064
Accounts payable	**1,693,240**	1,894,640
Negative fair value of derivatives (note 11)	**187,129**	370,841
Other*	**5,092,990**	4,679,414
Total	**7,184,750**	7,182,959

*Includes items in transit which are cleared in the normal course of business

Other in 2015, includes a deposit of SAR 20 million under an initial agreement to sell a plot of land in Jeddah at an approximate value of SAR 202.5 million. The completion of this sale is contingent upon receiving the full value of the land and finalisation of ownership transfer procedures. As such the sale has not yet been recognised by the Bank.

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 3,000 million shares of SAR 10 each (2014: 3,000 million shares of SAR 10 each).

17. STATUTORY RESERVE

In accordance with 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 the statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 1,012.4 million has been transferred from 2015 net income (2014: SAR 1,088.1 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES

2015 **SAR'000s**	**Available for sale investments**	**Total**
Balance at beginning of the year	**1,038,937**	**1,038,937**
Net change in fair value	**(582,781)**	**(582,781)**
Transfer to consolidated income statement	**(158,689)**	**(158,689)**
Net movement during the year	**(741,470)**	**(741,470)**
Balance at end of the year	**297,467**	**297,467**

2014 SAR'000s	Available for sale investments	Total
Balance at beginning of the year	1,184,564	1,184,564
Net change in fair value	222,538	222,538
Transfer to consolidated income statement	(368,165)	(368,165)
Net movement during the year	(145,627)	(145,627)
Balance at end of the year	1,038,937	1,038,937

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2015, there were legal proceedings of a routine nature outstanding against the Bank. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2015, the Bank had capital commitments of SAR 195.6 million (2014: SAR 89.0 million). This includes computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee 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 collateralised 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.

19. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

(i) The contractual maturity structure for the Bank's commitments and contingencies are as follows:

2015 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	**4,375,375**	**3,982,634**	**1,052,320**	**-**	**9,410,329**
Letters of guarantee	**17,141,596**	**33,356,350**	**30,424,408**	**638,367**	**81,560,721**
Acceptances	**2,036,455**	**1,579,063**	**18,347**	**157**	**3,634,022**
Irrevocable commitments to extend credit	**418,818**	**902,870**	**7,321,992**	**2,589,406**	**11,233,086**
Total	**23,972,244**	**39,820,917**	**38,817,067**	**3,227,930**	**105,838,158**

2014 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	5,942,803	5,828,839	655,161	-	12,426,803
Letters of guarantee	16,107,085	27,890,586	34,533,112	2,929,030	81,459,813
Acceptances	2,063,043	545,078	19,520	-	2,627,641
Irrevocable commitments to extend credit	583,425	2,352,304	2,877,447	3,817,910	9,631,086
Total	24,696,356	36,616,807	38,085,240	6,746,940	106,145,343

The outstanding unused portion of non-firm commitments as at December 31, 2015 which can be revoked unilaterally at any time by the Bank, amounts to SAR 90,881million (2014: SAR 92,681 million).

(ii) The analysis of commitments and contingencies by counterparty is as follows:

	2015 SAR'000	2014 SAR'000
Government and quasi government	**1,875,000**	900,000
Corporate	**77,399,983**	80,090,809
Banks and other financial institutions	**26,563,175**	25,154,534
Total	**105,838,158**	106,145,343

d) Assets pledged

Assets pledged as collateral with customers are as follows:

	2015		2014	
	Assets SAR'000	**Related liabilities SAR'000**	Assets SAR'000	Related liabilities SAR'000
Other investments held at amortised cost (note 6e and 13)	**700,287**	**700,510**	659,386	660,000

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

19. COMMITMENTS AND CONTINGENCIES (continued)

e) Operating lease commitments

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

	2015 SAR'000	2014 SAR'000
Less than 1 year	33,165	13,555
1 to 5 years	88,557	34,016
Over 5 years	4,623	6,110
Total	**126,345**	53,681

20. SPECIAL COMMISSION INCOME AND EXPENSE

		2015 SAR'000	2014 SAR'000
Special commission income			
Investments	- Available for sale	415,423	417,823
	- Other investments held at amortised cost	423,841	399,138
	- Held to maturity	2,856	6,111
		842,120	823,072
Due from banks and other financial institutions		32,875	30,268
Loans and advances		5,008,040	5,091,900
Total		**5,883,035**	5,945,240

	2015 SAR'000	2014 SAR'000
Special commission expense		
Due to banks and other financial institutions	18,403	54,008
Customer deposits	577,835	695,138
Debt securities in issue	103,842	65,855
Total	**700,080**	815,001

21. FEE AND COMMISSION INCOME, NET

	2015 SAR'000	2014 SAR'000
Fee and commission income:		
- Share brokerage and fund management	341,444	416,505
- Trade finance and corporate finance and advisory	1,243,063	1,517,109
- Other banking services	697,368	577,422
Total fee and commission income	**2,281,875**	2,511,036
Fee and commission expense:		
- Banking cards and share brokerage	384,226	361,111
- Other banking services	111,397	129,440
Total fee and commission expense	**495,623**	490,551
Fee and commission income, net	**1,786,252**	2,020,485

22. OTHER OPERATING INCOME

During the second quarter of the current year, the Bank sold land with a book value of approximately SAR 80.9 million. The sold properties were initially acquired in settlement of certain loans and advances. The gain on sale of land amounting to SAR 266.6 million is included in Other operating income.

23. SALARIES AND EMPLOYEE-RELATED EXPENSES

The following table summarises the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the years ended December 31, 2015 and 2014, and the forms of such payments.

Categories (SAR 000's)	Number of employees		Fixed compensation		Variable compensation		Total compensation	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Senior executives requiring SAMA no objection	**36**	30	**38,890**	34,020	**9,739**	10,802	**48,629**	44,822
Employees engaged in risk taking activities	**328**	343	**96,474**	102,388	**21,711**	27,714	**118,185**	130,102
Employees engaged in control functions	**447**	427	**92,489**	84,590	**11,749**	9,387	**104,238**	93,977
Outsourced employees	**292**	289	**25,051**	28,337	**-**	-	**25,051**	28,337
Others	**5,064**	4,700	**702,644**	633,717	**76,537**	54,868	**779,181**	688,585
Total	**6,167**	5,789	**955,548**	883,052	**119,736**	102,771	**1,075,284**	985,823
Variable compensation accrued in 2015 (2014) and other employee related benefits*			**657,806**	588,500				
Total salaries and employee-related expenses as per consolidated income statement			**1,613,354**	1,471,552				

*Other employee benefits include; insurance, pension, relocation expenses, recruitment expenses, training and development and other employee benefits.

Compensation policy is based on the job profile requirements, market practices, nature and level of involvement in risk taking process. It applies to the Bank's senior management and all employees and aims to link individual performance to the Bank's overall achievements and soundness. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance linked incentives are decided based on the performance evaluation process outcome as well as the Bank's financial performance and strategic goals.

The Board of Directors has the responsibility to approve and oversee the Bank's compensation policy. The Nomination and Compensation Committee, made up of six non-executive Directors, is in charge of overseeing the compensation system design and effectiveness on behalf of the Board of Directors as well as preparing the Bank's compensation policy and undertaking its periodic assessment and update to ensure achievement of the system objectives and reinforce the Bank's risk management framework. Fixed compensation comprises salaries and wages and other benefits and allowances. The variable compensation includes sales incentives, product related rewards and performance related payments.

24. 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 by 3,000 million shares.

25. PROPOSED GROSS DIVIDENDS AND ZAKAT

The net cash dividend after deduction of zakat amounted to SAR 2,100 million (2014: SAR 2,190 million), resulting in a net dividend to the shareholders of SAR 0.70 per share (2014: SAR 0.73 per share). The gross dividends for 2015 include interim dividends of SAR 1,050 million paid for the first half of 2015 (2014: SAR 1,140 million). Final dividends, net of zakat of SAR 1,050 million have been proposed for 2015 (2014: SAR 1,050 million).

Zakat appropriation for the year amounted to approximately SAR 250 million (2014: SAR 200 million).

The Bank has filed its Zakat returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT"). The Bank has received Zakat assessments for the year(s) up to 2009 raising additional demands aggregating to SAR 896 million. The above additional exposure is mainly on account of 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 Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from DZIT.

The zakat assessment for the years 2010 to 2014 have not been finalized by the DZIT and the Bank may not be able to determine reliably the impact of such assessments.

26. CASH AND CASH EQUIVALENTS

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

	2015	2014
	SAR'000	SAR'000
Cash and balances with SAMA excluding statutory deposit (note 4)	**11,772,351**	17,045,983
Due from banks and other financial institutions maturing within three months from the date of acquisition	**9,269,380**	3,726,927
Total	**21,041,731**	20,772,910

27. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The transactions between the Group's operating segments are recorded as per the Group's transfer pricing system. The Group's primary business is conducted in Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. There are no other material items of income or expense between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail

Deposit, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

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

Corporate

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

Treasury and investments

Principally providing money market trading and treasury services as well as the management of the Bank's investment portfolios.

Other

Includes income on capital and unallocated costs pertaining to head office, finance division, human resources, technology services and other support departments and unallocated assets and liabilities.

27. OPERATING SEGMENTS (continued)

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

2015 SAR'000	**Retail**	**Investment banking and brokerage**	**Corporate**	**Treasury and investment**	**Other**	**Total**
Total assets	**42,342,043**	**97,897**	**103,708,781**	**73,909,249**	**3,257,905**	**223,315,875**
Total liabilities	**57,913,288**	**60,270**	**109,210,922**	**16,498,322**	**3,087,961**	**186,770,763**
Total operating income, net	**2,663,961**	**363,126**	**3,443,375**	**1,129,829**	**388,848**	**7,989,139**
Net special commission income	**2,228,963**	**49,765**	**2,363,825**	**506,673**	**33,729**	**5,182,955**
Fee and commission income, net	**406,326**	**313,922**	**1,074,367**	**(8,363)**	**-**	**1,786,252**
Total operating expenses, net	**2,239,445**	**167,630**	**116,574**	**65,685**	**1,390,247**	**3,979,581**
Depreciation of property and equipment	**101,755**	**-**	**4,658**	**8,606**	**160,755**	**275,774**
Impairment charge for credit losses, net	**1,231,623**	**-**	**(200,888)**	**-**	**-**	**1,030,735**
Impairment charge for investments, net	**-**	**-**	**-**	**21,609**	**-**	**21,609**
Share in earnings of associates, net	**-**	**-**	**-**	**-**	**39,919**	**39,919**
Net income (loss)	**424,516**	**195,496**	**3,326,801**	**1,064,144**	**(961,480)**	**4,049,477**

2014 SAR'000	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	41,995,034	94,544	92,530,193	76,006,444	3,963,078	214,589,293
Total liabilities	56,764,324	81,435	106,457,015	12,584,470	3,164,944	179,052,188
Total operating income, net	2,502,060	408,636	3,621,563	1,196,691	282,816	8,011,766
Net special commission income	2,050,334	41,538	2,369,212	522,545	146,610	5,130,239
Fee and commission income, net	438,477	366,364	1,221,575	(5,931)	-	2,020,485
Total operating expenses, net	1,238,578	154,034	825,172	57,589	1,430,706	3,706,079
Depreciation of property and equipment	88,297	-	4,072	2,240	163,056	257,665
Impairment charge for credit losses, net	325,199	-	574,864	-	-	900,063
Impairment charge for investments, net	-	-	-	-	-	-
Share in earnings of associates, net	-	-	-	-	46,721	46,721
Net income (loss)	1,263,482	254,602	2,796,391	1,139,102	(1,101,169)	4,352,408

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

2015 SAR'000	**Retail**	**Corporate**	**Treasury and investment**	**Total**
Consolidated statement of financial position assets	**41,612,332**	**104,827,263**	**51,811,696**	**198,251,291**
Commitments and contingencies	**-**	**58,077,683**	**-**	**58,077,683**
Derivatives	**-**	**-**	**1,197,985**	**1,197,985**

2014 SAR'000	Retail	Corporate	Treasury and investment	Total
Consolidated statement of financial position assets	41,536,611	93,706,329	48,825,182	184,068,122
Commitments and contingencies	-	50,658,451	-	50,658,451
Derivatives	-	-	1,351,074	1,351,074

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding, cash, equity investments, investment in associates, property and equipment, other real estate and other assets. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

28. CREDIT RISK

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Bank uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Bank uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation, etc.

The Bank attempts to control credit risk by appropriate credit structuring, credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. 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 counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Bank's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to (a) individual borrower (name concentration) (b) industry /service sector (sector concentration) and (c) geographical regions (regional concentration). Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting any particular category of concentration.

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

Management monitors the market value of collateral recurrently, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Bank regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The Group's due from banks and other financial institutions balance of SAR 9,269 million (2014: SAR 3,915 million - refer note 5) are held by banks and other financial institutions which have credit ratings above Investment Grade as per S&P rating equivalent. The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counterparty is provided in note 6. For details of the composition of loans and advances refer to note 7. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 19. The Bank's maximum credit exposure, which best represents its maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements, is not materially different than the credit exposure by business segment given in note 27. The information on maximum credit risk exposure and their relative risk weights is also provided in note 34.

29. CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE AND FINANCIAL LIABILITIES

a) The distribution by geographical region for major categories of assets, liabilities, commitments and contingencies and credit exposure are as follows:

2015 SAR'000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**North America**	**Latin America**	**South East Asia**	**Other countries**	**Total**
Assets								
Cash and balances with SAMA	**20,569,924**	**-**	**4**	**-**	**-**	**1**	**-**	**20,569,929**
Due from banks and other financial institutions	**1,373,699**	**96,277**	**2,940,765**	**4,716,915**	**-**	**138,872**	**2,852**	**9,269,380**
Investments, net and investment in associates	**29,430,850**	**1,136,363**	**3,723,162**	**9,261,675**	**7,041**	**703,110**	**815,313**	**45,077,514**
Loans and advances, net	**142,521,842**	**1,384,869**	**176,036**	**382,740**	**157**	**206,672**	**1,514**	**144,673,830**
Total	**193,896,315**	**2,617,509**	**6,839,967**	**14,361,330**	**7,198.00**	**1,048,655**	**819,679**	**219,590,653**
Liabilities								
Due to banks and other financial institutions	**662,669**	**1,782,362**	**657,074**	**277,370**	**-**	**10,619**	**1,106,117**	**4,496,211**
Customer deposits	**165,644,975**	**147,754**	**1,193,669**	**96,784**	**100**	**599**	**5,921**	**167,089,802**
Debt securities in issue	**8,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**8,000,000**
Total	**174,307,644**	**1,930,116**	**1,850,743**	**374,154**	**100**	**11,218**	**1,112,038**	**179,586,013**
Commitments and contingencies	**80,855,256**	**974,233**	**10,813,068**	**12,964,503**	**-**	**231,098**	**-**	**105,838,158**
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
- Derivatives	**588,699**	**324,978**	**266,786**	**12,819**	**-**	**-**	**4,703**	**1,197,985**
- Commitments and contingencies	**44,638,461**	**426,169**	**5,915,448**	**6,970,531**	**-**	**127,074**	**-**	**58,077,683**

2014 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	25,315,724	-	11	-	-	1	-	25,315,736
Due from banks and other financial institutions	619,085	266,366	2,489,410	402,565	-	124,728	12,350	3,914,504
Investments, net and investment in associates	29,395,657	2,335,140	4,561,495	10,574,006	-	214,915	350,591	47,431,804
Loans and advances, net	131,530,792	1,156,052	171,781	366,345	-	264,941	363	133,490,274
Total	186,861,258	3,757,558	7,222,697	11,342,916	-	604,585	363,304	210,152,318
Liabilities								
Due to banks and other financial institutions	119,824	1,950,013	1,177,665	283,008	-	148,227	111,059	3,789,796
Customer deposits	162,560,408	204,890	1,209,805	98,060	-	5,108	1,162	164,079,433
Debt securities in issue	4,000,000	-	-	-	-	-	-	4,000,000
Total	166,680,232	2,154,903	2,387,470	381,068	-	153,335	112,221	171,869,229
Commitments and contingencies	80,406,350	1,074,059	12,161,903	11,438,889	-	93,814	970,328	106,145,343
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
- Derivatives	608,641	271,555	384,680	13,488	-	-	72,710	1,351,074
- Commitments and contingencies	38,310,624	253,662	5,877,830	5,719,444	-	18,763	478,128	50,658,451

b) The distributions by geographical concentration of non-performing loans and advances and specific allowance for credit losses, which is entirely attributable to Saudi Arabia is as follows:

	Non-performing loans and advances, net		**Allowance for credit losses**	
	2015	2014	**2015**	2014
	SAR'000	SAR'000	**SAR'000**	SAR'000
Kingdom of Saudi Arabia	**1,321,603**	1,049,927	**(826,398)**	(914,245)
Total	**1,321,603**	1,049,927	**(826,398)**	(914,245)

30. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Bank classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

a) Market Risk - Trading Book

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

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation (under IMA approach of Basel II Accord that the Bank plans to adopt in the future)
2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that 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 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

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

To overcome the VaR limitations mentioned above, the Bank also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Bank. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

The Bank's VaR related information for the year ended December 31, 2015 and 2014 using a 1 day holding period at 99% confidence interval is as under. All the figures are in million SAR:

	2015			
	Foreign exchange rate risk	**Special commission rate risk**	**Equity price risk**	**Overall risk**
VaR as at December 31, 2015	**33.19**	**4.00**	**-**	**33.58**
Average VaR for 2015	**5.72**	**3.12**	**-**	**6.66**
Maximum VaR for 2015	**42.30**	**4.48**	**-**	**41.38**
Minimum VaR for 2015	**0.66**	**1.50**	**-**	**2.12**

	2014			
	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2014	2.91	2.36	-	2.98
Average VaR for 2014	7.57	1.60	-	8.04
Maximum VaR for 2014	32.71	2.86	-	31.79
Minimum VaR for 2014	1.45	0.28	-	2.32

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30. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Bank has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for all currencies. The Bank monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Bank's consolidated income statement or equity.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2015 and 2014, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate Available for sale financial assets, including the effect of any associated hedges as at December 31, 2015 and 2014 for the effect of assumed changes in special commission rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2015

Currency	Increase in basis	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	58.4					
USD	+ 100	(94.1)	(1.37)	(1.21)	(50.60)	(294.58)	(347.76)
EUR	+ 100	(3.2)	(0.67)	(0.80)	(10.02)	(7.87)	(19.35)
GBP	+ 100	(9.4)	(0.09)	(0.07)	(3.66)	(0.45)	(4.27)
JPY	+ 100	3.1	-	(0.15)	(0.42)	(0.01)	(0.59)
Others	+ 100	(0.6)	-	(0.02)	(0.53)	(0.02)	(0.57)

Currency	Decrease in basis	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(59.6)					
USD	- 100	85.5	1.37	1.21	50.60	294.58	347.76
EUR	- 100	0.1	0.67	0.80	10.02	7.87	19.35
GBP	- 100	8.9	0.09	0.07	3.66	0.45	4.27
JPY	- 100	(3.1)	-	0.15	0.42	0.01	0.59
Others	- 100	0.5	-	0.02	0.53	0.02	0.57

30. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book

i) Special commission rate risk

2014

Currency	Increase in basis	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	+ 100	127.9	-	-	-	-	-
USD	+ 100	(30.2)	(1.85)	(2.12)	(44.24)	(279.92)	(328.14)
EUR	+ 100	0.5	(0.79)	(0.57)	(18.59)	(14.14)	(34.09)
GBP	+ 100	(6.1)	(0.03)	(0.09)	(3.07)	(0.78)	(3.97)
JPY	+ 100	4.2	(0.02)	-	(0.41)	(0.50)	(0.93)
Others	+ 100	(1.6)	(0.01)	(0.06)	(0.25)	(0.24)	(0.56)

Currency	Decrease in basis	Sensitivity of special commission income	Sensitivity of equity				Total
			6 months or less	1 year or less	1-5 years	Over 5 years	
SAR	- 100	(128.6)	-	-	-	-	-
USD	- 100	(4.5)	1.85	2.12	44.24	279.92	328.14
EUR	- 100	1.6	0.79	0.57	18.59	14.14	34.09
GBP	- 100	5.8	0.03	0.09	3.07	0.78	3.97
JPY	- 100	(1.4)	0.02	-	0.41	0.50	0.93
Others	- 100	0.6	0.01	0.06	0.25	0.24	0.56

Special commission sensitivity of assets, liabilities and off statement of financial position items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Bank is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

30. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or the maturity dates.

2015 SAR'000	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non special commission bearing**	**Total**
Assets						
Cash and balances with SAMA	**7,654,784**	**-**	**-**	**-**	**12,915,145**	**20,569,929**
Due from banks and other financial institutions	**8,551,128**	**-**	**-**	**-**	**718,252**	**9,269,380**
Investments, net and investment in associates	**14,511,376**	**8,424,610**	**9,523,477**	**9,340,045**	**3,278,006**	**45,077,514**
Loans and advances, net	**53,800,954**	**42,414,262**	**32,014,251**	**16,444,363**	**-**	**144,673,830**
Other real estate	**-**	**-**	**-**	**-**	**258,411**	**258,411**
Property and equipment, net	**-**	**-**	**-**	**-**	**1,894,701**	**1,894,701**
Other assets	**-**	**-**	**-**	**-**	**1,572,110**	**1,572,110**
Total assets	**84,518,242**	**50,838,872**	**41,537,728**	**25,784,408**	**20,636,625**	**223,315,875**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	**3,889,826**	**-**	**-**	**-**	**606,385**	**4,496,211**
Customer deposits	**71,131,575**	**13,160,599**	**150,335**	**-**	**82,647,293**	**167,089,802**
Debt securities in issue	**4,000,000**	**4,000,000**	**-**	**-**	**-**	**8,000,000**
Other liabilities	**-**	**-**	**-**	**-**	**7,184,750**	**7,184,750**
Shareholders' equity	**-**	**-**	**-**	**-**	**36,545,112**	**36,545,112**
Total liabilities and shareholders' equity	**79,021,401**	**17,160,599**	**150,335**	**-**	**126,983,540**	**223,315,875**
Special commission rate sensitivity -On statement of financial position gap	**5,496,841**	**33,678,273**	**41,387,393**	**25,784,408**	**(106,346,915)**	
Special commission rate sensitivity -Off statement of financial position gap	**-**	**-**	**-**	**-**	**-**	
Total special commission rate sensitivity gap	**5,496,841**	**33,678,273**	**41,387,393**	**25,784,408**	**(106,346,915)**	
Cumulative special commission rate sensitivity gap	**5,496,841**	**39,175,114**	**80,562,507**	**106,346,915**	**-**	

2014 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	13,495,000	-	-	-	11,820,736	25,315,736
Due from banks and other financial institutions	3,409,516	112,576	-	-	392,412	3,914,504
Investments, net and investment in associates	12,318,600	15,987,510	7,768,532	7,741,261	3,615,901	47,431,804
Loans and advances, net	54,264,851	29,586,022	34,487,935	15,151,466	-	133,490,274
Other real estate	-	-	-	-	390,802	390,802
Property and equipment, net	-	-	-	-	1,706,731	1,706,731
Other assets	-	-	-	-	2,339,442	2,339,442
Total assets	83,487,967	45,686,108	42,256,467	22,892,727	20,266,024	214,589,293
Liabilities and shareholders' equity						
Due to banks and other financial institutions	2,477,209	231,568	-	-	1,081,019	3,789,796
Customer deposits	48,018,396	35,516,381	-	-	80,544,656	164,079,433
Debt securities in issue	4,000,000	-	-	-	-	4,000,000
Other liabilities	-	-	-	-	7,182,959	7,182,959
Shareholders' equity	-	-	-	-	35,537,105	35,537,105
Total liabilities and shareholders' equity	54,495,605	35,747,949	-	-	124,345,739	214,589,293
Special commission rate sensitivity -On statement of financial position gap	28,992,362	9,938,159	42,256,467	22,892,727	(104,079,715)	
Special commission rate sensitivity -Off statement of financial position gap	-	-	-	-	-	
Total special commission rate sensitivity gap	28,992,362	9,938,159	42,256,467	22,892,727	(104,079,715)	
Cumulative special commission rate sensitivity gap	28,992,362	38,930,521	81,186,988	104,079,715	-	

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

30. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book

ii) Currency risk

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

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 2015 and 2014 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated income statement (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated income statement or equity; whereas a negative effect shows a potential net reduction in consolidated income statement or equity.

Currency Exposures As at December 31, 2015 (SAR million)	**Change in currency rate in %**	**Effect on net income**
USD	**± 1**	**± 5.40**
EUR	**± 1**	**± 0.46**
GBP	**± 1**	**± 0.1**
JPY	**± 1**	**± 0.17**
Others	**± 1**	**± 0.007**

Currency Exposures As at December 31, 2014	Change in currency rate in %	Effect on net income
USD	± 1	± 6.68
EUR	± 1	± 0.62
GBP	± 1	± (0.05)
JPY	± 1	± 0.07
Others	± 1	± 0.00

iii) Foreign currency risk

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

	2015 Long (short) SAR'000	2014 Long (short) SAR'000
USD	**970,636**	(487,928)
JPY	**329**	(786)
EUR	**(68)**	3,413
GBP	**3,872**	(313)
Others	**18,833**	24,541

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

iv) Banking Book - Equity Price risk

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

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

Market Index	**December 31, 2015**		December 31, 2014	
	Change in equity index %	**Effect in SAR millions**	Change in equity index %	Effect in SAR millions
Tadawul	**+5**	49.35	+5	48.59
	+10	98.69	+10	97.18
	-5	(49.35)	-5	(48.59)
	-10	(98.69)	-10	(97.18)

31. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

31. LIQUIDITY RISK (continued)

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (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 not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Development Bonds or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA up to 75 % of the nominal value of bonds held by the Bank.

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2015 and 2014 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 statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting 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. The undiscounted maturity profile of the financial liabilities is as follows:

2015 **SAR'000**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial liabilities					
Due to banks and other financial institutions	**4,501,213**	**-**	**-**	**-**	**4,501,213**
Customer deposits	**154,122,683**	**13,206,444**	**153,380**	**-**	**167,482,507**
Debt securities in issue	**36,775**	**110,325**	**4,619,335**	**4,344,476**	**9,110,911**
Derivative financial instruments (gross contractual amounts payable)	**23,863**	**72,315**	**237,757**	**-**	**333,935**
Total undiscounted financial liabilities	**158,684,534**	**13,389,084**	**5,010,472**	**4,344,476**	**181,428,566**

2014 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities					
Due to banks and other financial institutions	3,559,900	232,446	-	-	3,792,346
Customer deposits	128,903,007	34,548,016	1,025,748	27,198	164,503,969
Debt securities in issue	26,372	52,279	278,819	4,066,219	4,423,689
Derivative financial instruments (gross contractual amounts payable)	3,438	10,505	40,260	-	54,202
Total undiscounted financial liabilities	132,492,717	34,843,246	1,344,827	4,093,417	172,774,206

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

2015 **SAR'000**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and balances with SAMA	**11,772,351**	**-**	**-**	**-**	**8,797,578**	**20,569,929**
Due from banks and other financial institutions	**9,269,380**	**-**	**-**	**-**	**-**	**9,269,380**
Investments, net and investment in associates	**8,339,506**	**8,929,525**	**11,921,131**	**12,609,346**	**3,278,006**	**45,077,514**
Loans and advances, net	**39,206,416**	**25,760,728**	**44,557,059**	**35,149,627**	**-**	**144,673,830**
Other real estate	**-**	**-**	**-**	**-**	**258,411**	**258,411**
Property and equipment, net	**-**	**-**	**-**	**-**	**1,894,701**	**1,894,701**
Other assets	**1,099,606**	**-**	**-**	**-**	**472,504**	**1,572,110**
Total assets	**69,687,259**	**34,690,253**	**56,478,190**	**47,758,973**	**14,701,200**	**223,315,875**
Liabilities and shareholders' equity						
Due to banks and other financial institutions	**4,496,211**	**-**	**-**	**-**	**-**	**4,496,211**
Customer deposits	**153,778,868**	**13,160,599**	**150,335**	**-**	**-**	**167,089,802**
Debt securities in issue	**-**	**-**	**4,000,000**	**4,000,000**	**-**	**8,000,000**
Other liabilities	**398,525**	**-**	**-**	**-**	**6,786,225**	**7,184,750**
Shareholders' equity	**-**	**-**	**-**	**-**	**36,545,112**	**36,545,112**
Total liabilities and shareholders' equity	**158,673,604**	**13,160,599**	**4,150,335**	**4,000,000**	**43,331,337**	**223,315,875**

31. LIQUIDITY RISK (continued)

The maturity profile of the Group's assets and liabilities is as follows (continued):

2014 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	17,045,983	-	-	-	8,269,753	25,315,736
Due from banks and other financial institutions	3,801,928	112,576	-	-	-	3,914,504
Investments, net and investment in associates	6,694,727	16,556,531	10,169,503	10,395,142	3,615,901	47,431,804
Loans and advances, net	36,811,704	20,720,474	45,001,283	30,956,813	-	133,490,274
Other real estate	-	-	-	-	390,802	390,802
Property and equipment, net	-	-	-	-	1,706,731	1,706,731
Other assets	1,163,259	-	-	-	1,176,183	2,339,442
Total assets	65,517,601	37,389,581	55,170,786	41,351,955	15,159,370	214,589,293
Liabilities and shareholders' equity						
Due to banks and other financial institutions	3,558,228	231,568	-	-	-	3,789,796
Customer deposits	128,563,052	34,468,297	1,020,886	27,198	-	164,079,433
Debt securities in issue	-	-	-	4,000,000	-	4,000,000
Other liabilities	608,907	-	-	-	6,574,052	7,182,959
Shareholders' equity	-	-	-	-	35,537,105	35,537,105
Total liabilities and shareholders' equity	132,730,187	34,699,865	1,020,886	4,027,198	42,111,157	214,589,293

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies is given in note 19 c) (i).

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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

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

Fair value and fair value hierarchy

2015 SAR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	**-**	**197,539**	**-**	**197,539**
- Commission rate swaps	**-**	**45,071**	**-**	**45,071**
- Forward foreign exchange contracts	**-**	**78,572**	**-**	**78,572**
- Currency and Commodity options	**-**	**73,896**	**-**	**73,896**
Financial investments available for sale	**14,589,396**	**880,062**	**253,006**	**15,722,464**
- Fixed rate securities	**11,247,256**	**-**	**-**	**11,247,256**
- Floating rate securities	**1,722,333**	**-**	**-**	**1,722,333**
- Mutual funds	**556,163**	**880,062**	**-**	**1,436,225**
- Equities	**1,063,644**	**-**	**253,006**	**1,316,650**
Financial liabilities				
Derivative financial instruments	**-**	**187,129**	**-**	**187,129**
- Commission rate swaps	**-**	**16,689**	**-**	**16,689**
- Forward foreign exchange contracts	**-**	**96,544**	**-**	**96,544**
- Currency and Commodity options	**-**	**73,896**	**-**	**73,896**

2014 SAR' 000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	419,112	-	419,112
- Commission rate swaps	-	1,992	-	1,992
- Forward foreign exchange contracts	-	401,348	-	401,348
- Currency and Commodity options	-	15,772	-	15,772
Financial investments available for sale	15,558,937	1,343,429	147,714	17,050,080
Fixed rate securities	11,931,122	85,026	-	12,016,148
Floating rate securities	1,886,566	-	-	1,886,566
Mutual funds	514,468	1,258,403	2,221	1,775,092
Equities	1,226,781	-	145,493	1,372,274
Financial liabilities				
Derivative financial instruments	-	370,841	-	370,841
- Commission rate swaps	-	1,996	-	1,996
- Forward foreign exchange contracts	-	353,073	-	353,073
- Currency and Commodity options	-	15,772	-	15,772

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

There were no transfers between the fair value hierarchy levels.

Although the Bank believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. Bank uses net assets valuation method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

Reconciliation of movement in Level 3	2015 SAR' 000	2014 SAR' 000
Opening balance	**147,714**	142,931
Total gains or losses		
- recognised in consolidated income statement	**(1,955)**	(2,940)
- recognised in other comprehensive income	**6,881**	8,627
Redemptions	**(934)**	(904)
Purchases	**101,300**	-
Closing balance	**253,006**	147,714

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:

a) In the principal market for the asset or liability, or

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

The fair values of on-statement of financial position financial instruments, except for other investments held at amortised costs and held-to-maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements. The fair values of, special commission bearing customers' deposits, debt securities in issue, due from and due to banks which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks. The management uses discounted cash flow method using the current yield curve to arrive at the fair value of loans and advances and such fair value is higher than the carrying value included in the financial statements.

The estimated fair values of held-to-maturity investments and other investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds (respectively). The fair values of these investments are disclosed in note 6.

33. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Law and regulations issued by SAMA. The balances at December 31 resulting from such transactions are as follows:

	2015 SAR'000	2014 SAR'000
a) Directors, key management personnel, other major shareholders' and their affiliates:		
Loans and advances	**4,476,342**	3,564,951
Customer deposits	**51,299,804**	47,468,205
Derivatives asset (at fair value)	**1,876**	736
Commitments and contingencies (irrevocable)	**2,458,247**	3,890,775
Executive end of service	**47,447**	44,863

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

Other major shareholders represent shareholdings of 5% or more of the Bank's issued share capital.

b) Bank's mutual funds:		
Customer deposits	**169,864**	585,721

33. RELATED PARTY TRANSACTIONS (continued)

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

	2015	2014
	SAR'000	SAR'000
Special commission income	**91,302**	138,743
Special commission expense	**323,886**	315,199
Fees from banking services, net	**156,580**	162,264
Directors and committees remuneration and expenses	**4,705**	4,740
Executive remuneration and bonus	**38,871**	33,146
Executive end of service	**2,584**	12,470
Other expenses	**15,112**	9,978

34. CAPITAL ADEQUACY

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

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers Group's business plans along with economic conditions which directly and indirectly affects business environment.

SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum of 8%. SAMA issued the framework and guidance regarding implementation of the capital reforms under Basel III - which was effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, calculated under the Basel III framework, are as follows:

	2015		2014	
	Capital	**Ratio**	Capital	Ratio
	SAR'000	**%**	SAR'000	%
Top consolidated level				
Tier 1 capital	**36,545,112**	**16.2%**	35,537,105	16.8%
Tier 2 capital	**5,072,349**		1,072,349	
Total regulatory capital (Tier 1 + Tier 2)	**41,617,461**	**18.4%**	36,609,454	17.3%

	2015	2014
Risk weighted assets	**SAR '000s**	SAR '000s
Credit risk weighted assets	**211,467,649**	197,422,773
Operational risk weighted assets	**13,509,713**	12,816,125
Market risk weighted assets	**1,034,413**	977,788
Total Pillar 1 Risk Weighted Assets	**226,011,775**	211,216,686

35. STAFF INVESTMENT SAVINGS PLANS

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Bank make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Bank also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Bank's existing range of mutual funds for the benefit of the employees.

The cost of the above plan is charged to the consolidated income statement over the term of the plan.

36. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totaling SAR 26.1 billion (2014: SAR 29.2 billion).

The Group's assets under management include non-special commission based funds amounting to SAR 6.8 billion (2014: SAR 7.7 billion).

37. ISSUED IFRS BUT NOT YET EFFECTIVE

Following is a brief overview on the new IFRS and amendments to IFRS effective for annual periods beginning on or after January 1, 2016, and the Bank is currently assessing their impact.

IFRS and Description	Effective date
IFRS 9 - Financial instruments: 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.	January 1, 2018
IFRS 15 - Revenue from contracts with customers: Issued in May 2014, establishes a new five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue or industry. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. This new revenue standard, is applicable to all entities and will supersede the current revenue recognition requirements under IFRS.	January 1, 2017
IFRS 14 - Regulatory Deferral Accounts: The aim of this interim Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. Many countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue.	January 1, 2016
Amendments of IFRS 11 - Accounting for acquisitions of interests in joint operations: The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant principles for business combinations accounting in IFRS 3 and other standards. The amendment also clarifies that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained.	January 1, 2016
Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	January 1, 2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements: The objective of this narrow-scope project is to restore the option to use the equity method of accounting in separate financial statements.	January 1, 2016

37. ISSUED IFRS BUT NOT YET EFFECTIVE (continued)

IFRS and Description	Effective date
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	January 1, 2016
Amendments to IFRSs - Annual improvements to IFRSs 2012- 2014 cycle.	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities : Applying the Consolidation Exception: The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.	January 1, 2016
Amendments to IAS 1 - Disclosure Initiative: The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.	January 1, 2016

38. COMPARATIVE FIGURES

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

39. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on 22 Rabi II 1437H (corresponding to February 1, 2016).

40. BASEL III PILLAR 3 DISCLOSURES

Under Basel III Pillar 3, certain quantitative and qualitative disclosures (including capital structure related) are required, and these disclosures will be made available on the Bank's website www.riyadbank.com and the annual report, respectively, as required by the SAMA. Such disclosures are not subject to review or audit by the external auditors.