



## 27th Annual Report and Accounts 2004

#### Arabian Oryx

Four decades ago the Arabian Oryx became extinct from its natural habitat in the Arabian Peninsula; the few left in the different regions of the world were relocated to the Saudi Arabian habitat.



Best Bank in Saudi Arabia



Best Bank in Saudi Arabia

## ENDANGERED SPECIES

All creations reflect God's infinite knowledge and wisdom, as well as his grand design to promote coexistence in a balanced and harmonious fashion. Today, we have specified the roles that each and every form of life plays in this well and neatly ordered life.

We, at The Saudi British Bank, have always been supportive of effort to protect the environment around us. With this end in view, we are focusing on the endangered species in 2004 annual report to remind every body of our nature and animals, living in harmony with it.

We would like to thank ...



The National Commission for Wildlife  
Conservation and Development

For Providing The Details of The Endangered Species in Saudi Arabia

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This report is issued by The Saudi British Bank.

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Custodian of the Two Holy Mosques  
**King Fahd Bin Abdulaziz Al Saud**



**His Royal Higness**  
**Prince Abdullah Bin AbdulAziz Al Saud**

The Crown Prince, Deputy Premier  
and Commander of the National Guard

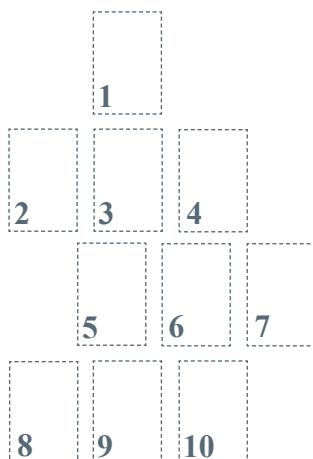


**His Royal Higness**  
**Prince Sultan Bin AbdulAziz Al Saud**

The Second Deputy Prime Minister,  
Minister of Defence and Aviation and Inspector General



# BOARD OF DIRECTORS



1. Abdullah Mohamed Al Hugail (Chairman)
2. Geoff Calvert, OBE (Managing Director)
3. Khalid Sulaiman Olayan
4. Fouad Abdulwahab Bahrawi
5. Sir David Gore-Booth
6. Khalid Abdullah Al Molhem
7. David Hodgkinson
8. John L. Richards, OBE
9. Sulaiman Abdulkader Al Muhaidib
10. Ahmed Sulaiman Banaja



#### Arabian Leopard

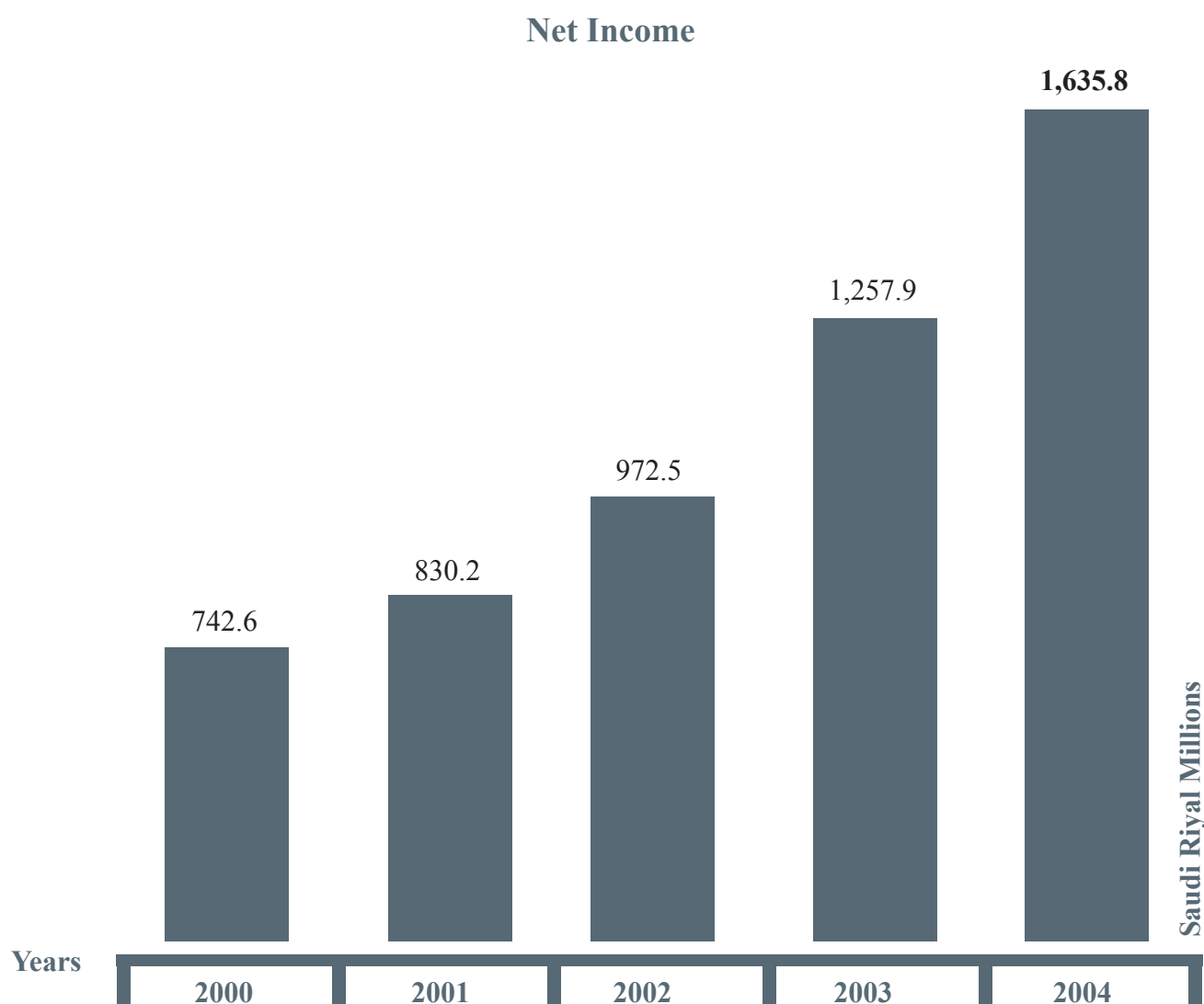
This Leopard can be found in very small numbers in the Sarawat Mountains, it has also been sighted in a reserve in Al-Baha. Tremendous efforts are being exerted to increase its number in Saudi Arabia.



## FINANCIAL HIGHLIGHTS

	Years				2004
	2000	2001	2002	2003	
<b>Customer Deposit</b>	28,361.7	31,538.8	34,980.1	36,089.9	<b>44,665.8</b>
<b>Shareholders' Equity</b>	3,604.5	3,956.1	4,283.0	4,746.2	<b>5,385.3</b>
<b>Investments, Net</b>	18,444.5	21,768.4	20,399.7	15,971.2	<b>14,663.4</b>
<b>Loans &amp; Advances, Net</b>	15,863.4	16,020.4	20,359.2	26,116.6	<b>31,627.1</b>
<b>Total Assets</b>	43,338.9	41,920.7	46,226.5	46,061.6	<b>57,925.2</b>
<b>Net Income</b>	742.6	830.2	972.5	1,257.9	<b>1,635.8</b>
<b>Gross Dividend</b>	434.9	581.6	664.8	832.0	<b>990.0</b>

Saudi Riyal Millions





# CHAIRMAN'S STATEMENT

**On behalf of the Board of Directors, I am pleased to present the Annual Report of The Saudi British Bank for the financial year ending 31st December 2004.**

2004 has been another most successful year for your Bank, with profits again attaining their highest ever level at SAR1,636 million, an increase of 30% over 2003 representing a Return on Average Equity of 32.3%.

Much of this success is due to your Bank being customer-focussed, the result of which has been enhanced levels of business across all sectors. Of particular note are our Amanah Islamic Banking services, which have been very well received by both existing and new customers wishing to fulfil their obligations in a Sharia-compliant manner. This has been especially true since the introduction of the Sharia-compliant deposit, home financing and investment products and services. As the demand for such an Islamically-acceptable portfolio increases, so your Bank will continue to be innovative.

Of importance in the corporate sector this year has been the marked rise in loans and advances to SAR19,623 million, an increase of 17.32% over the end of 2003. Additionally there has been increased activity on behalf of major local companies in arranging or managing term loans and project finance facilities; in providing financial advisory services; and in managing rights issues. SABB has also figured highly in providing Payment and Cash Management services to governmental and corporate entities both domestically and globally.

Investment Banking has also had another good year, especially in asset management and brokerage services. Private Banking too has produced encouraging results, arising predominantly from first class relationship management and delivery and the provision of a wide range of specialised banking and investment products and services.

None of this would be possible without a strong cadre of well-trained and professional staff, 82% of whom are now Saudis. To ensure their continued high level of competence training is provided throughout their careers and regular assessments are made of their potential for promotion. Together these engender a high level of loyalty to SABB, so ensuring the continued provision of high quality services.

Over the years your Bank has always sought to support the local community through charitable donations, the funding of higher education or sponsorship of events beneficial to development of the national economy. Such activities continued in 2004.

In the light of the results declared your Board of Directors recommends payment of a final net dividend of SAR10 per share. The total net dividend for 2004 will amount to SAR19 per share as an interim net dividend of SAR9 per share was paid in July 2004. Payment of the final dividend will be made once approved by shareholders at the Annual General Meeting.

In conclusion, I take the opportunity to express, on behalf of the Board, my appreciation and gratitude to all the Bank's staff, whose commitment and contribution to SABB's continuing success is highly appreciated, and to all customers and shareholders for their continued confidence and support. I would also like to thank the Saudi government, in particular the Ministry of Finance, the Ministry of Commerce and Industry and the Saudi Arabian Monetary Agency as well as the Capital Market Authority, for their cooperation, encouragement and continuous support to the banking sector in Saudi Arabia, whose role has contributed so substantially to the growth of the Saudi economy under the direction of the Custodian of the Two Holy Mosques and the Crown Prince.



Abdullah Mohamed Al Hugail



#### Houbara Bustard

Over the past few years the Houbara Bustard has become endangered in Saudi Arabia due to destruction of its habitat and to illegal hunting. Recently it has been reintroduced into some reserves in an effort to increase its numbers.



# DIRECTORS' REPORT

**The Board of Directors is pleased to submit to shareholders the Annual Report of The Saudi British Bank for the financial year ending 31st December 2004.**

## BUSINESS ENVIRONMENT

2004 has been an excellent year for the Saudi economy with oil revenues reaching unprecedented heights. This greater than anticipated level of income has enabled increased levels of government spending during the year, which has in turn spilled over into the private sector, where vigorous economic activity has been seen. The banking sector has been integral to this growth whilst the implementation of the new capital market regulations will support the government's desire for diversification of the economy away from dependence on oil.

The strong growth in the national economy has also shown through in your Bank's very good results for the year, which again evidence rises in profits, deposits, loans and total assets as well as continued strength in the Bank's capital and liquidity positions. Over the twelve months an increasing number of new conventional and Islamic banking products and services have been introduced under the Amanah banner, resulting in a marked increase in your Bank's share of the Islamic banking market across all business sectors.

In providing a comprehensive range of banking and financial services SABB seeks always to ensure these are of the highest quality and comparable with the best available worldwide. Looking to the future, your Bank anticipates an increasing level of competition as the Saudi market opens up to international competition but

nevertheless remains confident of being able to meet such a challenge whilst maintaining both profitability and shareholder value.

## A GOOD YEAR

The twelve months to 31st December 2004 have proven yet again to have been successful for SABB and therefore for you, our shareholders. Profits have risen to an unprecedented level at SAR1,636 million, an increase of SAR378 million over the year before, when they amounted to SAR1,258 million. Earnings per share also rose from SAR25.16 (restated to reflect the 1-for-4 bonus share issue) in 2003 to SAR32.72 this year, an increase of 30%. Such results are especially satisfying as they have been attained at a time when liquidity within the local banking sector has been high and the local banking environment has become increasingly competitive. Attainment of these results has ensured that the Return on Average Equity has increased again this year for the 10th year in a row to reach 32.3%, a rise over 2003 of 4.4%.

Total deposits amounted to SAR44,666 million as at 31st December 2004 as compared to SAR36,090 million at the end of 2003, an increase of 23.8%. The liquidity these deposits provide, allied to increased economic activity in the Kingdom, has enabled SABB to grow its loan and advances portfolio yet further to SAR31,627 million at the end of the year, compared to SAR26,117 million twelve months earlier, a rise of 21.1%. Nevertheless, the loan portfolio remains



sound, which is reflected in the low provision for credit losses. Furthermore, the total assets of your bank as at 31st December 2004 had reached SAR57,925 million, an increase of 25.8% or SAR11,864 million over the figure a year earlier.

These good results could only have been attained through close attention to detail in every aspect of the Bank's business. Over the last twelve months the factors which have ensured success have included:

- The introduction of new and up-graded products and services, both conventional and Islamic, appropriate to the needs of both personal and business customers;
- An on-going rise in the standard of service delivery, a direct result of high quality training;
- Enhancement of the Bank's premises Kingdom-wide so as to ensure ready customer accessibility and an improved working environment for all employees;
- Continual up-grading of the bank's internal infrastructure to provide improved communications, better product support and superior electronic and telephone banking services;
- Close cooperation with the regulatory authorities to ensure full compliance with applicable laws and regulations;
- Prudent management of the Bank's well-diversified asset portfolio and comprehensive oversight of all significant lending and new financial products.

Such activities have enabled your Bank to maintain its status as the bank of preference in Saudi Arabia for both individuals and corporate entities. This in turn has ensured continued improvement in SABB's financial position to the ultimate benefit of you, our most supportive shareholders.

In the light of the results declared your Board of Directors recommends payment of a final net dividend of SAR10 per share. The total net dividend for 2004 will amount to SAR19 per share as an interim net dividend of SAR9 per share was paid in July 2004. Payment of the final dividend will be made once approved by shareholders at the Annual General Meeting.

As part of your Bank's future plans we are increasing the availability of Sharia-compliant banking, finance, investment and insurance products across all business

sectors. Furthermore an application has been made to the Capital Market Authority to obtain a licence in association with HSBC for a joint-venture investment bank. Implementation of such plans will further strengthen SABB's position in the Saudi market place.

## PROPERTY AND BRANCHES

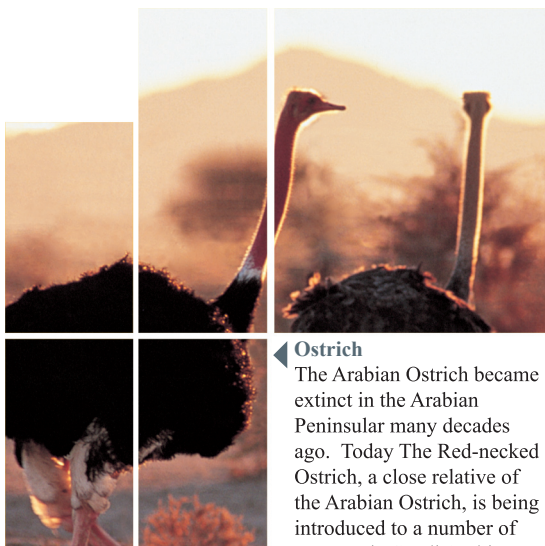
2004 has been another very active year for SABB's Property and Support Services. Positive steps have been taken to ensure ready accessibility of branches and a welcoming environment for customers as well as improved working conditions for staff.

The past year has seen completion of the new Riyadh Superbranch, which is now fully operational following the relocation of a number of departments to the building. Meanwhile, work commenced on the Bank's new Head Office building in Riyadh which, when completed at the end of 2005, will be inter-linked with the adjacent existing Head Office building. Comprising 20,800 square metres of space the building will provide an improved working environment for an anticipated 1,200 staff, including those from many of SABB's Riyadh-based operations which are presently sited in a number of locations around the city.

The 12 months also saw comprehensive restructuring of the Western Province Main Branch, the building of a state-of-the art IT back-up centre in Jeddah and the setting-up of a Treasury and Investment back-up centre in Riyadh. As a result of the works undertaken the Western Province Main Branch now complies fully with the bank's space planning policy which ensures better working conditions and space utilisation within an open-space working environment utilising standard workstation.

By the year end the Bank had a network of 73 branches, including 13 exclusive ladies' sections and branches. The London branch was closed and the premises sold during the year. Furthermore, 19 new ATMs have been installed during the year bringing the total to 245. Point of sale machines now total 3428 following the installation of a further 400 units and the number of deposit machines has now reached 11.

Lastly, but by no means least, considerable attention has been paid to security during the year to enhance protection of the Bank's customers, staff and property. As a result the level of professional, manned security has been increased and centrally-monitored CCTV, security and fire alarm systems have been installed at all branches and at off-branch ATMs.



**Ostrich**

The Arabian Ostrich became extinct in the Arabian Peninsular many decades ago. Today The Red-necked Ostrich, a close relative of the Arabian Ostrich, is being introduced to a number of reserves in Saudi Arabia.

## PUTTING THE CUSTOMER FIRST

SABB's success in recent years has been due largely to its policy of focussing on customers and their needs. This approach again proved highly rewarding in 2004 as evidenced by the Bank's continuing success in growing its customer base across all corporate, commercial and personal sectors and the broadening and expanding of the products and services offered, be they conventional or Islamic. The net results of this are higher levels of business transacted and a marked increase in productivity.

### Corporate Sector

Corporate and Commercial Banking has had another active and successful year with the loans and advances portfolio rising markedly to reach SAR 19,623 million as at 31st December 2004, an increase of SAR 2,897 million over a year earlier. This figure evidences a buoyant business climate enabling the Bank to increase its market share and includes higher levels of lending to the private sector, especially to small and medium enterprises, as well as to infrastructure and development projects. Integral to these activities has been increased fund-raising under the Amanah banner.

Particularly important has been the support provided to utilities and companies, including lead arrangement roles in raising a ground-breaking 15-year term loan for Saudi Electricity Company, a loan which was oversubscribed in the regional market; a term loan for Saudi Arabian Fertilizer Company; and a project finance facility for Tihama Power Generation.

Additionally, financial advisory services were provided to the Water and Electricity Company in relation to its Shoaiba project and to the National Company for Cooperative Insurance in connection with its proposed Initial Public Offering (IPO). The Bank also managed rights issues for National Industrialisation Company, Saudi Cable Co. and Saudi Industrial Services Co (SISCO).

The overall success experienced in 2004 has in part resulted from increased efficiency arising from the automated processing of over-the-counter transactions and the centralisation of all credit administration and operations introduced a year earlier.

Trade Services has also enjoyed a busy and rewarding year following implementation of the improvement initiatives and best practice recommendations, which have contributed to increased operational efficiency and containment of costs Kingdom-wide. Close attention to the needs of small and medium enterprises, which the Bank perceives as having significant potential for growth, has also proved gratifying.

The year also saw the first full twelve months of SABB's well-received Amanah trade products, whilst the HEXAGON Electronic Banking System has been enhanced to allow issuance of Amanah Letters of Credit.

2004 has seen Payment and Cash Management being highly active in generating new, cost-effective business for the Bank. During the year regional cash management mandates were received jointly with the HSBC Group from three major international companies; Saudi Aramco awarded SABB the handling of part of its domestic and overseas bulk payroll requirements; and an exclusive mandate was received for the processing of all Umrah Travel Packages worldwide, a major undertaking given 3 million visas were issued during the year. This latter mandate will be handled through Sejel ePayments, a new service devised for this purpose.

Further business generated by the Bank during the year included the provision of a global cash management solution for the Ministry of Foreign Affairs, which operates through HEXAGON, whereby various currency accounts have been opened in association with the HSBC Group to meet the needs of all Saudi embassies and consulates worldwide.

An important initiative taken during the year has been

pursuit of a solution to the cost-effective handling of the payroll requirements of corporate customers. This has resulted in the successful introduction of the SABBPAY salary card.

In an independent market survey carried out during the year 84% of customers regarded SABB as their main cash management bank and 98% rated the Bank's payment services as either 'Good' or 'Excellent'.

## Personal Sector

Despite increasing levels of competition over the past twelve months, Personal Banking can report marked increases in the levels of both deposits and lending and in the volumes of transactions and income derived from SABB's equity trading services. Major elements in this success have been the expanded range of Sharia-compliant Amanah retail products and services, including deposit, home financing and investment products, and the launch of unique tailored packages to meet customer demand, which continues unabated. Integral to the successful development of customer-focussed services has been the newly launched Financial Planning Services, with purpose-trained staff providing first class, personalised advice. Provision of such a wide range of products and services ensures Amanah is well-placed for yet further growth in the years to come.

Personal Loans have increased during the year with customers now being able to schedule their loan repayment installments according to the Hijra rather than the Gregorian calendar. Further lending innovations are anticipated in the year to come following the establishment of a 'Saudi Credit Bureau' under the guidance of the Saudi Arabian Monetary Agency with the aim of enhancing transparency when assessing customers' creditworthiness.

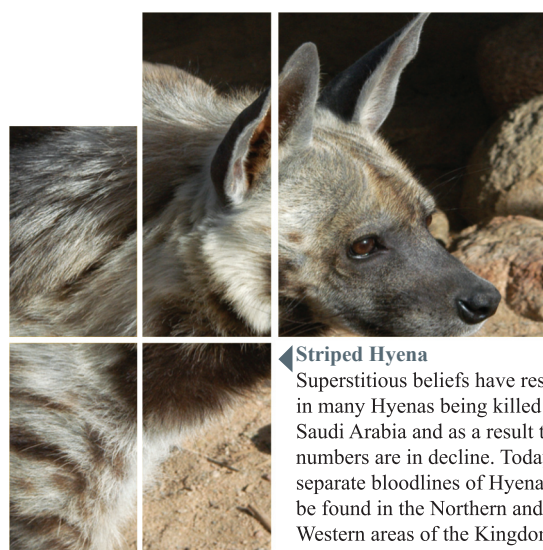
A major feature of the year has been the continuously growing demand by customers for direct banking services, such as telephone banking and Internet services. These channels alone have seen 50% growth during the year and as a result further new direct services have been launched, including SMS alerts and Internet share trading.

SABB has had another successful year in asset management and the provision of brokerage services. In asset management the bank's product range has again been expanded, with the net result that assets under management in non-money market funds tripled during the year. Brokerage services have seen

expansion, in part as a result of the streamlining of Tadawul (Stock Exchange) branch operations, and clients are now also able to trade stocks listed on the Dubai Financial Market through Tadawul. During the summer months trading in Saudi shares through HSBC Lebanon was enabled, a move which proved successful. Further expansion is planned to facilitate trading in stocks on other GCC exchanges and on those in Egypt.

Private Banking has enjoyed encouraging results during 2004. Growth in the client base has resulted from first class relationship management and delivery and the provision of increasingly specialised banking services and investment products, tailored wherever possible to an individual customer's needs.

SABB's position amongst the leading card issuers was consolidated further during the year following the launch of its new marketing slogan 'With you everyday, everywhere'. In the light of this aggressive growth in both card numbers and their usage has been seen, a situation enhanced by the up-grading of the ICSABB Rewards programme to include more redemption partners amongst the major merchants and the appointment, for the first time, of a Direct Sales Agency to boost card sales. The returns generated by the Bank's card activities have also risen during the year as a result of a substantial improvement in past-due collections.



### Striped Hyena

Superstitious beliefs have resulted in many Hyenas being killed in Saudi Arabia and as a result their numbers are in decline. Today two separate bloodlines of Hyena are to be found in the Northern and South Western areas of the Kingdom.



## Direct and Electronic Delivery Channels

2004 has seen the Bank undertake a comprehensive upgrading of all e-channels and internal communications, including the website. Such enhancement should prove most beneficial to customers who will find the links and tools now available more user-friendly.

The Bank also conducted two business recovery plan simulations during the year to ensure readiness in the unlikely case of need.

## INTERNATIONAL RECOGNITION

During 2004, SABB has been most pleased to have received recognition as the "Best Bank in Saudi Arabia" from Euromoney magazine for the second consecutive year. Such an award reflects clearly the efforts exerted by every member of the Bank's staff in fulfilling their obligations to our highly respected customers.

## COMMUNITY SUPPORT

Over the twelve months under review SABB has sponsored three major events, namely the "2nd Administrative Science Conference" at the King Fahd University of Petroleum and Minerals in Dhahran; the Project Management Institute (PMI) seminar on "Financing Projects in the Middle East" in Jeddah; and the Middle East Association's "Opportunity Arabia" seminar in London. Furthermore SABB, together with HSBC (Middle East) Limited, was a co-sponsor of the "Eurofinance 2004" conference held in Dubai. The participation of the Bank in such a high profile

event highlight's SABB's capabilities across the wider Middle East.

The Bank also seeks to encourage Saudis to pursue higher education, to which end the SABB Scholarship Scheme enables a number of Saudi graduates to attend United Kingdom universities. The Bank also continues to fund the Chair of Finance at the King Fahd University of Petroleum and Minerals in Dhahran.

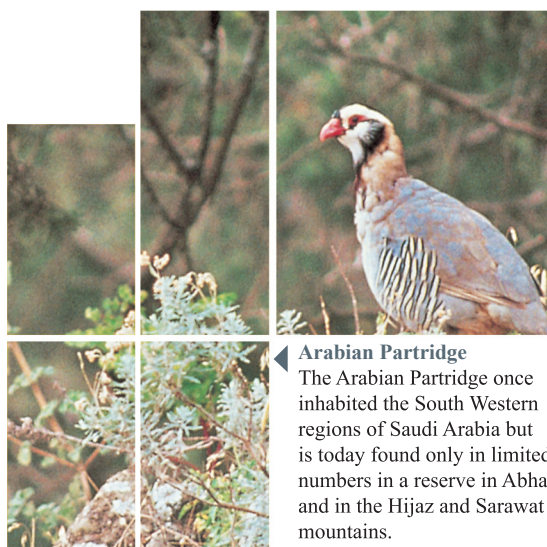
SABB has also always been to the fore in providing support to worthy causes in Saudi Arabia, a role it continued to fulfill in 2004.

## HUMAN RESOURCES

The continued success of any service provider is directly related to the quality of its staff. This is well-recognised by SABB, which seeks constantly to ensure the attainment of the highest level of professionalism amongst its entire staff by providing extensive training programmes throughout the year. In 2004 staff attended a combined total of 21,551 man days of internal and external training, including programmes on Islamic banking and finance. Furthermore, the Bank encourages all network staff to obtain accreditation in Islamic banking and finance and all employees to attain professional accreditation in their chosen area of interest, be it banking, finance or investment.

To ensure all staff attain their full potential, SABB has implemented over the years a number of staff development programmes including the Employee Development Forum; talent management, career development and succession plans; and the Superperformance Incentive Scheme, which encourages enhanced staff performance. Furthermore, and in order to align departmental objectives, the bank continues to utilise a balanced scorecard system, whilst job profiling takes place on an on-going basis and a compensation and benefits survey is undertaken annually to ensure all staff are properly rewarded.

As at 31st December 2004 SABB employed a total of 2,020 staff, of which figure Saudi nationals numbered 1,659 or 82%. The number of ladies employed was 242 or 12% of the total, all of whom are Saudi nationals. These figures clearly indicate SABB's commitment to Saudisation. To ensure a growing number of nationals in the workforce a series of schemes have been put in place to seek out potential employees from differing educational backgrounds. These have included two recruitment programmes during the year, a non-executive training programme

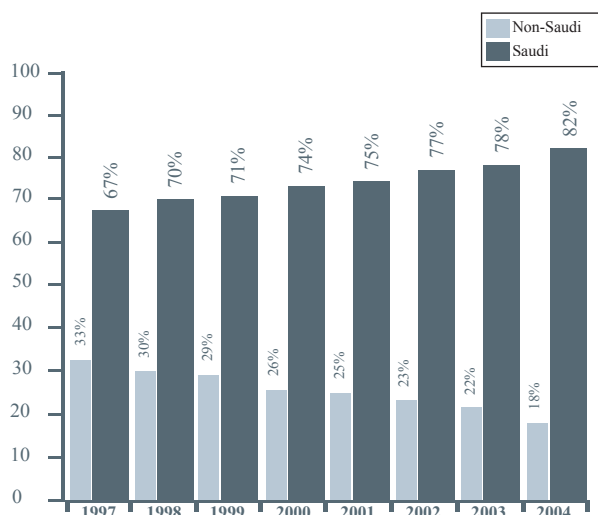


◀ **Arabian Partridge**

The Arabian Partridge once inhabited the South Western regions of Saudi Arabia but is today found only in limited numbers in a reserve in Abha and in the Hijaz and Sarawat mountains.

and a junior officer development programme. Mid-career executives have also been sought who can bring non-banking knowledge and expertise to the Bank. Over the years these schemes have been well-received as SABB's Saudisation indicates.

**Saudisation Percentage and Growth**



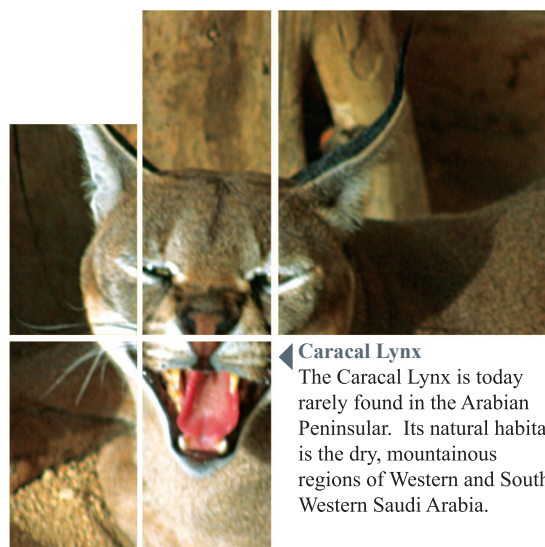
## DIRECTORS

At the Ordinary General Meeting held on 13th December 2004 all the existing Saudi members of the Board of Directors were re-elected as representatives of Saudi shareholders for a further three-year period from 1st January 2005 to 31st December 2007 .

On 30th October 2004, Mr. John Richards OBE was appointed a Director of the Bank succeeding Mr. David Dew. In November, Sir David Gore-Booth, who had been a director of the Bank since 25th July 2000, sadly passed away.

In the light of these events the Board of Directors as at 31st December 2004 comprised:

Mr. Abdullah Mohamed Al Hugail (Chairman)  
 Mr. Geoffrey Peter Stewart Calvert, OBE (Managing Director)  
 Mr. Fouad Abdulwahab Bahrawi  
 Mr. Khalid Abdullah Al Molhem  
 Mr. Khalid Sulaiman Olayan  
 Mr. Sulaiman Abdulkader Al Muhaidib  
 Mr. Ahmed Sulaiman Banaja  
 Mr. John Richards, OBE  
 Mr. David Howard Hodgkinson  
 Vacant



**Caracal Lynx**  
 The Caracal Lynx is today rarely found in the Arabian Peninsula. Its natural habitat is the dry, mountainous regions of Western and South Western Saudi Arabia.

During the year, Sulaiman Al Hamdan became an Observer on the Board of Directors following his appointment as Deputy Managing Director.

## AUDIT COMMITTEE

The SABB Audit Committee was formed in 1992 to monitor the Bank's internal and external audit functions and to review control weaknesses and system deficiencies. It is responsible also for ensuring all financial information is of the highest quality, concentrating on critical business issues which enable the Bank's external auditors and management to focus on those areas of greatest risk to the business.

## DIRECTORS' REMUNERATION

Directors' fees during 2004 totalled SAR1,601,000, including SAR301,000 in attendance fees at Board of Directors and Executive Committee meetings.

Remuneration of Directors in their capacity as employees of the Bank during the year amounted to SAR3,454,837.

## DONATIONS

During the year the Bank made a number of donations to charitable societies and organisations and recommends a further amount of SAR 5,000,000 be allocated for this purpose for the coming year.

## AUDITORS

The Ordinary General Meeting held in March 2004 reaffirmed the appointment of Messrs KPMG AlFozan & Banaga and Ernst & Young as the Bank's auditors.

## EXPRESSIONS OF GRATITUDE

2004 proved to be a very good year economically for Saudi Arabia and also for your Bank, which has continued to introduce new products and services to the ultimate benefit of customers and to enhance productivity and profitability to the advantage of shareholders. Such achievements would not be possible without the full support of numerous people and organisations within Saudi Arabia, especially the Bank's staff, whose commitment and contribution to SABB's continuing success is highly appreciated.

In presenting this report, the Board of Directors takes this opportunity to express its appreciation and gratitude to all the Bank's customers and shareholders for their continued confidence and support and to government departments, in particular the Ministry of Finance, the Ministry of Commerce and Industry and the Saudi Arabian Monetary Agency, as well as the Capital Market Authority, for their continued cooperation and encouragement of the banking sector in the Kingdom, enabling it to make an ever growing contribution to the Saudi economy under the direction of the Custodian of the Two Holy Mosques and the Crown Prince.

### ▼ Nubian Ibex

The Nubian Ibex is an endangered species in Saudi Arabia. In the past it inhabited the Hijaz, Asir and the Tuwaiq Mountains but today is to be found only in the Central and North Western regions of the Kingdom.



### ▼ Sand Cat

OA rare kind of wild cat, this animal lives in desert areas. In Saudi Arabia small numbers exist in the Empty Quarter and the Nafud Desert.



### ▲ Reem (Sand Gazelle)

In the past Reem were indigenous to the desert areas of Saudi Arabia but today is endangered, being found only in a couple of reserves and in parts of the Empty Quarter.



**AUDITORS' REPORT**

**TO: THE SHAREHOLDERS OF THE SAUDI BRITISH BANK  
(SAUDI JOINT STOCK COMPANY)**

We have audited the balance sheet of The Saudi British Bank (the Bank) as at 31 December 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, including the related notes. These financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and the Banking Control Law and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

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

- present fairly, in all material respects, the financial position of the Bank as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards, and
- comply with the requirements of the Regulations for Companies, the Banking Control Law and the Bank's Articles of Association in so far as they affect the preparation and presentation of the financial statements.

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Licence No. 22



Riyadh: 5 Dhul Hijjah 1425H  
(16 January 2005)

# BALANCE SHEET

As at 31 December	Notes	2004 SAR'000	2003 SAR'000
<b>ASSETS</b>			
Cash and balances with SAMA	3	2,242,651	2,356,034
Due from banks and other financial institutions	4	8,186,207	338,483
Investments, net	5	14,663,421	15,971,248
Loans and advances, net	6	31,627,058	26,116,622
Fixed assets, net	7	565,074	547,920
Other assets	8	640,780	731,301
<b>Total assets</b>		<b>57,925,191</b>	46,061,608
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	10	5,663,335	3,420,209
Customer deposits	11	44,665,767	36,089,898
Other liabilities	12	2,210,805	1,805,288
<b>Total liabilities</b>		<b>52,539,907</b>	41,315,395
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	2,500,000	2,000,000
Statutory reserve	14	2,408,965	2,000,000
Other reserves	15	166,308	176,826
Retained earnings		310,011	569,387
<b>Total shareholders' equity</b>		<b>5,385,284</b>	4,746,213
<b>Total liabilities and shareholders' equity</b>		<b>57,925,191</b>	46,061,608

The accompanying notes 1 to 38 form an integral part of these financial statements.



# STATEMENT OF INCOME

<b>For the years ended 31 December</b>	<b>Notes</b>	<b>2004 SAR'000</b>	<b>2003 SAR'000</b>
Special commission income	17	2,200,252	2,066,833
Special commission expense	17	496,364	462,436
<b>NET SPECIAL COMMISSION INCOME</b>		<b>1,703,888</b>	<b>1,604,397</b>
Fees from banking services, net	18	674,316	377,017
Exchange income, net		101,171	86,080
Trading income, net	19	241	249
Dividend income	20	2,497	2,247
Gains on investments, net	21	63,975	70,564
Other operating income	22	9,017	1,783
<b>TOTAL OPERATING INCOME</b>		<b>2,555,105</b>	<b>2,142,337</b>
Salaries and employee related expenses		542,299	514,462
Rent and premises related expenses		45,717	46,269
Depreciation and amortisation	7	65,480	64,506
Other general and administrative expenses		202,717	152,069
Provision for possible credit losses	6	60,623	99,275
Impairment of other financial assets, net		-	3,610
Other operating expenses	23	2,424	4,262
<b>TOTAL OPERATING EXPENSES</b>		<b>919,260</b>	<b>884,453</b>
<b>NET INCOME</b>		<b>1,635,845</b>	<b>1,257,884</b>
<b>EARNINGS PER SHARE (IN SAR)</b>	24	<b>32.72</b>	<b>25.16</b>

The accompanying notes 1 to 38 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended 31 December	Notes	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Total SAR'000
<b>2004</b>						
Balance at the beginning of the year		2,000,000	2,000,000	176,826	569,387	4,746,213
Bonus share issue		500,000	-	-	(500,000)	-
Net income		-	-	-	1,635,845	1,635,845
Transfer to statutory reserve	14	-	408,965	-	(408,965)	-
Gross dividend	25	-	-	-	(990,000)	(990,000)
Net changes in fair value and cash flow hedges	15	-	-	(10,518)	3,744	(6,774)
<b>Balance at the end of the year</b>		<b>2,500,000</b>	<b>2,408,965</b>	<b>166,308</b>	<b>310,011</b>	<b>5,385,284</b>
<b>2003</b>						
Balance at the beginning of the year		2,000,000	2,000,000	126,380	156,666	4,283,046
Net income		-	-	-	1,257,884	1,257,884
Gross dividend	25	-	-	-	(832,000)	(832,000)
Net changes in fair value and cash flow hedges	15	-	-	50,446	(13,163)	37,283
<b>Balance at the end of the year</b>		<b>2,000,000</b>	<b>2,000,000</b>	<b>176,826</b>	<b>569,387</b>	<b>4,746,213</b>

The accompanying notes 1 to 38 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the years ended 31 December	Notes	2004 SAR'000	2003 SAR'000
<b>OPERATING ACTIVITIES</b>			
Net income		1,635,845	1,257,884
Adjustments to reconcile net income to net cash from (used in) operating activities			
Amortisation of premiums and (accretion of discounts) on investments, net		6,595	10,859
Gains on investments, net		(63,975)	(70,564)
Depreciation and amortisation		65,480	64,506
(Gains) losses on disposal of fixed and other assets, net		(6,195)	3,966
Provision for possible credit losses		60,623	99,275
Impairment of other financial assets, net		-	3,610
		1,698,373	1,369,536
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA	3	(371,163)	(32,459)
Loans and advances		(5,555,603)	(5,856,713)
Other assets		86,720	(16,484)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		2,243,126	(1,260,409)
Customer deposits		8,576,802	1,109,764
Other liabilities		289,093	(606,003)
<b>Net cash from (used in) operating activities</b>		6,967,348	(5,292,768)
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of investments		4,893,789	7,556,641
Purchase of investments		(3,521,808)	(3,034,840)
Purchase of fixed assets		(91,599)	(72,417)
Proceeds from disposal of fixed assets		15,400	729
<b>Net cash from investing activities</b>		1,295,782	4,450,113
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(899,952)	(703,420)
<b>Net cash used in financing activities</b>		(899,952)	(703,420)
<b>Increase (decrease) in cash and cash equivalents</b>		7,363,178	(1,546,075)
Cash and cash equivalents at the beginning of the year		1,407,798	2,953,873
<b>Cash and cash equivalents at the end of the year</b>	26	8,770,976	1,407,798
<b>Supplemental non cash information</b>			
Net changes in fair value and cash flow hedges		(6,774)	37,283

The accompanying notes 1 to 38 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENT

## 1. General

The Saudi British Bank (the Bank) is a Saudi Joint Stock Company and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). The Bank formally commenced business on 26 Rajab 1398H (1 July 1978) with the taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 61 branches (2003: 63 branches) and 12 exclusive ladies' sections (2003: 12) in the Kingdom of Saudi Arabia. The branch in London, U.K., was closed during the year. The Bank employed 2,020 staff as at 31 December 2004 (2003: 2,038). The Bank's Head Office is located at the following address:

The Saudi British Bank  
P.O. Box 9084  
Riyadh 11413  
Kingdom of Saudi Arabia

The objectives of the Bank are to provide a range of banking services.

## 2. Significant Accounting Policies

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

### a) Basis of presentation

The financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), International Financial Reporting Standards issued by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee. The Bank also prepares its financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and trading and available for sale investments. In addition, as explained fully in the related notes, assets and liabilities that are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

The accounting policies are consistent with those used in the previous year.

### b) Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Bank commits to purchase or sell the assets. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### c) Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, special commission rate futures, forward rate agreements, currency and special commission rate swaps, currency and special commission rate options (both written and purchased), are initially measured at cost and are subsequently remeasured at fair value. All derivatives are carried at their fair value in assets where the fair value is positive, and in liabilities where the fair value is negative.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models, as is appropriate.

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

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; 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 a forecasted transaction or firm commitment that will affect the reported net gain or loss.

In order to qualify for hedge accounting, it is required that 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.

In relation to fair value hedges which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value, is recognised immediately in the statement of income. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and is recognised in the statement of income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortised to the statement of income over the remaining life of the instrument.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other reserves under shareholders' equity. The ineffective portion, if any, is recognised in the statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the statement of income in the same period in which the hedged transaction affects the statement of income. Where the hedged forecasted transaction or firm commitment results in the recognition of an asset or a liability, then at the time that the asset or liability is recognised, the associated gains or losses that had previously been recognised in other reserves are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, gains or losses recognised initially in other reserves are transferred to the statement of income in the period in which the hedged transaction impacts the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other reserves, is retained in shareholders' equity 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 reserves is transferred to the statement of income for the period.

#### **d) Foreign currencies**

The financial statements are denominated in Saudi Riyals. Transactions in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on transaction dates. Monetary assets and liabilities at the year end, denominated in foreign currencies, are translated into Saudi Riyals at the exchange rates prevailing on the balance sheet date.

Realised and unrealised gains or losses on exchange are credited or charged to operating income.

#### **e) Offsetting**

Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Bank intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **f) Revenue recognition**

Special commission income and expense are recognised in the statement of income on an accrual basis and include the amortisation of premiums and accretion of discounts. Fees from banking services and exchange income are recognised when contractually earned. Dividend income is recognised when declared.

**g) Sale and repurchase agreements**

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos), continue to be recognised in the balance sheet and are measured in accordance with related accounting policies for trading securities, originated debt securities, available for sale and held to maturity investments. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customer deposits, as is appropriate. The difference between the sale and repurchase price is treated as special commission expense and is accrued over the life of the repo agreement. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the balance sheet, as the Bank does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with SAMA, due from banks and other financial institutions, or loans and advances, as is appropriate. The difference between the purchase and resale price is treated as special commission income and is accrued over the life of the reverse repo agreement.

**h) Investments**

All investment securities are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investments. Premiums are amortised and discounts accreted on an effective yield basis to their maturity and are taken to special commission income.

For securities that are traded in organised financial markets, fair value is determined by reference to exchange quoted market prices at the close of business on the balance sheet date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the security.

Following the initial recognition of the various classes of investment securities, the subsequent period end reporting values are determined as follows:

**i) Trading securities**

Securities, which are held for trading, are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the statement of income in the period in which it arises.

**ii) Available for sale**

Investments, which are classified as available for sale, are subsequently measured at fair value. For available for sale investments where fair value has not been hedged, any gain or loss arising from a change in their fair value is recognised directly in other reserves under shareholders' equity until the investments are derecognised or impaired, at which time, the cumulative gain or loss previously recognised in shareholders' equity is included in the statement of income for the period.

Available for sale investments where fair value cannot be reliably measured are carried at amortised cost.

**iii) Originated debt securities**

Securities, which are purchased directly from the issuer, other than those purchased with the intent to be sold immediately or in the short term, are classified as originated debt securities. Originated debt securities where fair value has not been hedged are stated at amortised cost, less provision for impairment in their value. Any gain or loss is recognised in the statement of income when the investment is derecognised or impaired.

**iv) Held to maturity**

Investments which have fixed or determinable payment dates and which are intended to be held to maturity, are subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

**i) Loans and advances**

All loans and advances are initially measured at cost.

Loans and advances, which are held for trading, are subsequently measured at fair value, and gains or losses arising from changes in fair value are included in the statement of income in the period in which they arise.

Loans and advances originated by the Bank for which fair value has not been hedged and acquired loans that are to be held to maturity, are stated at cost less any amount written off and provisions for impairment.

Loans and advances, which are not part of a hedging relationship and are available for sale, are subsequently measured at fair value, and gains or losses arising from changes in fair value, are recognised directly in other reserves under shareholders' equity until the loans or advances are derecognised or impaired, at which time, the cumulative gain or loss previously recognised in shareholders' equity is included in the statement of income for the period.

A loan is classified as impaired when, in the management's opinion, there has been a deterioration in the credit quality to the extent that there is no longer reasonable assurance of the timely collection of the full amount of the principal and special commission.

Provisions for possible credit losses, including those arising from sovereign exposures, are based upon the management's assessment of the adequacy of the provisions on a periodic basis. The assessment takes into account the composition and volume of the loans and advances, the general economic conditions and the collectibility of the outstanding loans and advances.

For presentation purposes, provisions for possible credit losses are deducted from loans and advances.

#### **j) Impairment of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets 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 amount as follows:

- i) For financial assets at amortised cost - the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income; and
- ii) For financial assets at fair value - where a loss has been recognised directly under shareholders' equity as a result of the write down of the asset to recoverable amount, the cumulative net loss recognised in shareholders' equity is transferred to the statement of income.

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.

Specific provisions are evaluated individually for all the different types of loans and advances. An additional provision, evaluated on a portfolio basis, is created for probable losses where there is objective evidence that potential losses are present at the balance sheet date. These are estimated based upon credit ratings allocated to the borrower or group of borrowers, the current economic climate in which the borrowers operate and the experience and the historical default patterns that are embedded in the components of the credit portfolio.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

#### **k) 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 is stated at the lower of the net realisable value of due loans and advances or the current fair value of the related properties.

Properties are revalued on a periodic basis and unrealised losses on revaluation, and losses or gains on disposal, are charged or credited to the statement of income.



**l) Fixed assets**

Fixed assets are stated at cost net of accumulated depreciation and amortisation. Freehold land is not depreciated. The cost of other fixed assets is depreciated and amortised using the straight line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	Over the period of the lease contracts
Equipment, furniture and vehicles	4 to 10 years

**m) Deposits and money market placements**

All money market deposits and placements, and customer deposits, are initially recognised at cost, being the fair value of the consideration received. Subsequently all special commission bearing deposits, and money market placements other than those held for trading or where fair values have been hedged, are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Premiums are amortised and discounts accreted on a systematic basis to maturity and are taken to special commission income or expense.

Deposits and money market placements, which are held for trading, are subsequently measured at fair value and any gain or loss from a change in fair value, is included in the statement of income in the period in which it arises. Deposits and money market placements for which there is an associated fair value relationship are adjusted for fair value to the extent hedged, and the resultant gain or loss is recognised in the statement of income. For deposits and money market placements carried at amortised cost, any gain or loss is recognised in the statement of income when derecognised or impaired.

**n) Accounting for leases****i) Where the Bank is the lessee**

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

**ii) Where the Bank is the lessor**

When assets are sold under a finance lease, the present value of the lease payments is recognised as receivables and is disclosed under loans and advances. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

**o) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash, balances with SAMA excluding the statutory deposit, and due from banks and other financial institutions maturing within ninety days.

**p) End of service benefits**

A provision for end of service benefits is made in the manner prescribed by the Saudi Arabian Labour and Workmen's Law, and is adjusted for any shortfall calculated upon periodic actuarial valuation using the projected unit credit method.



### 3. Cash and balances with SAMA

	2004 SAR'000	2003 SAR'000
Cash in hand	370,373	315,823
Statutory deposit	1,657,882	1,286,719
Reverse repo	-	516,982
Other balances	214,396	236,510
<b>Total</b>	<b>2,242,651</b>	<b>2,356,034</b>

In accordance with the Banking Control Law and regulations issued by SAMA, the Bank maintains a statutory deposit with the Saudi Arabian Monetary Agency (SAMA) at stipulated percentages of its demand, time, savings and other deposits, calculated at the end of each month.

### 4. Due from banks and other financial institutions

	2004 SAR'000	2003 SAR'000
Current accounts	679,311	307,616
Money market placements	7,506,896	30,867
<b>Total</b>	<b>8,186,207</b>	<b>338,483</b>

### 5. Investments, net

a) Investment securities are classified as follows:

	Domestic		International		Total	
	2004 SAR'000	2003 SAR'000	2004 SAR'000	2003 SAR'000	2004 SAR'000	2003 SAR'000
<b>(i) Available for sale</b>						
Fixed rate securities	987,357	1,276,171	930,742	480,545	1,918,099	1,756,716
Floating rate notes	3,303,067	3,722,926	1,119,500	1,322,794	4,422,567	5,045,720
Equities	84,732	75,846	11,727	4,192	96,459	80,038
Other	123,168	94,675	-	-	123,168	94,675
Available for sale investments, gross	4,498,324	5,169,618	2,061,969	1,807,531	6,560,293	6,977,149
Accumulated provision for impairment	-	-	(74,910)	(74,910)	(74,910)	(74,910)
<b>Available for sale investments, net</b>	<b>4,498,324</b>	<b>5,169,618</b>	<b>1,987,059</b>	<b>1,732,621</b>	<b>6,485,383</b>	<b>6,902,239</b>
<b>(ii) Originated debt securities</b>						
Fixed rate securities	5,581,460	6,484,356	93,681	93,662	5,675,141	6,578,018
Floating rate notes	-	-	1,781,227	1,762,468	1,781,227	1,762,468
<b>Originated debt securities</b>	<b>5,581,460</b>	<b>6,484,356</b>	<b>1,874,908</b>	<b>1,856,130</b>	<b>7,456,368</b>	<b>8,340,486</b>
<b>(iii) Held to maturity</b>						
Fixed rate securities	721,670	728,523	-	-	721,670	728,523
<b>Held to maturity investments</b>	<b>721,670</b>	<b>728,523</b>	<b>-</b>	<b>-</b>	<b>721,670</b>	<b>728,523</b>
<b>Investments, net</b>	<b>10,801,454</b>	<b>12,382,497</b>	<b>3,861,967</b>	<b>3,588,751</b>	<b>14,663,421</b>	<b>15,971,248</b>

**b) The analysis of the composition of investment securities is as follows:**

	Quoted SAR'000	2004 Unquoted SAR'000	Total SAR'000	Quoted SAR'000	2003 Unquoted SAR'000	Total SAR'000
Fixed rate securities	1,005,318	7,309,592	8,314,910	574,207	8,489,050	9,063,257
Floating rate notes	1,250,727	4,953,067	6,203,794	1,416,165	5,392,023	6,808,188
Equities	75,868	20,591	96,459	66,982	13,056	80,038
Other	117,382	5,786	123,168	94,675	-	94,675
Accumulated provision for impairment	(74,910)	-	(74,910)	(74,910)	-	(74,910)
<b>Investments, net</b>	<b>2,374,385</b>	<b>12,289,036</b>	<b>14,663,421</b>	<b>2,077,119</b>	<b>13,894,129</b>	<b>15,971,248</b>

Unquoted investments include securities of SAR 10,593.6 million (2003: SAR 12,212.0 million) issued by the Saudi Arabian Government and its agencies.

**c) The analysis of unrealised gains and losses and the fair values of originated debt securities net of hedging, and held to maturity investments, is as follows:**

	2004 SAR'000				2003 SAR'000			
	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value	Carrying value	Gross Unrealised gain	Gross unrealised loss	Fair value
<b>(i) Originated debt securities</b>								
Fixed rate securities	5,675,141	330,937	(6,689)	5,999,389	6,578,018	357,786	(16,644)	6,919,160
Floating rate notes	1,781,227	996	(875)	1,781,348	1,762,468	5,017	(194)	1,767,291
<b>Total</b>	<b>7,456,368</b>	<b>331,933</b>	<b>(7,564)</b>	<b>7,780,737</b>	<b>8,340,486</b>	<b>362,803</b>	<b>(16,838)</b>	<b>8,686,451</b>
<b>(ii) Held to maturity</b>								
Fixed rate securities	721,670	45,768	-	767,438	728,523	44,055	(1,386)	771,192
<b>Total</b>	<b>721,670</b>	<b>45,768</b>	<b>-</b>	<b>767,438</b>	<b>728,523</b>	<b>44,055</b>	<b>(1,386)</b>	<b>771,192</b>

**d) The analysis of investments by counterparty is as follows:**

	2004 SAR'000	2003 SAR'000
Government and quasi Government	11,847,629	12,892,284
Corporate	2,129,717	1,964,856
Banks and other financial institutions	562,907	1,019,433
Other	123,168	94,675
<b>Total</b>	<b>14,663,421</b>	<b>15,971,248</b>

Equities reported under available for sale investments include unquoted shares of SAR 20.6 million (2003: SAR 13.1 million) that are carried at cost, as their fair value cannot be reliably measured.

Investments include SAR 3,178.1 million (2003: SAR 2,526.8 million) which have been pledged under repurchase agreements with other banks and customers. The market value of such investments is SAR 3,229.3 million (2003: SAR 2,597.7 million).

Retained earnings include SAR 18.8 million (2003: SAR 15.0 million) relating to available for sale investments due to the effect of the implementation of IAS 39, which will be transferred to the statement of income upon realisation.

## 6. Loans and advances, net

### a) Loans and advances are classified as follows:

	2004 SAR'000	2003 SAR'000
<b>i) Originated loans and advances</b>		
Performing:		
Overdrafts	6,519,785	3,765,156
Credit cards	526,749	453,260
Commercial loans	16,461,179	15,043,346
Consumer loans	7,266,610	5,828,608
Other	669,053	625,024
Performing loans and advances, gross	31,443,376	25,715,394
Non performing loans and advances, net	365,572	441,703
	31,808,948	26,157,097
Provision for possible credit losses	(496,269)	(609,311)
<b>Originated loans and advances, net</b>	<b>31,312,679</b>	<b>25,547,786</b>
<b>ii) Held to maturity loans and advances</b>		
Performing:		
Commercial loans	314,379	568,836
<b>Held to maturity loans and advances</b>	<b>314,379</b>	<b>568,836</b>
<b>Loans and advances, net</b>	<b>31,627,058</b>	<b>26,116,622</b>

Non performing loans and advances are disclosed net of accumulated special commission in suspense of SAR 133.2 million (2003: SAR 218.3 million).

<b>b) Movements in provision for possible credit losses are as follows:</b>	2004 SAR'000	2003 SAR'000
Balance at the beginning of the year	609,311	564,816
Provided during the year	124,974	141,566
Bad debts written off	(216,700)	(78,547)
Recoveries of amounts previously provided	(21,061)	(14,448)
Special commission income on impaired loans	(255)	(4,076)
<b>Balance at the end of the year</b>	<b>496,269</b>	<b>609,311</b>

The net charge to income on account of provision for possible credit losses is SAR 60.6 million (2003: SAR 99.3 million), which is net of recoveries of amounts previously provided as shown above and recoveries of debts previously written off of SAR 43.3 million (2003: SAR 27.8 million).

c) Economic sector risk concentrations for the loans and advances and provision for possible credit losses are as follows:

2004 SAR'000	Performing	Non performing, net	Credit loss provision	Loans and advances, net
Government and quasi Government	893,039	-	-	893,039
Banks and other financial institutions	136,875	-	-	136,875
Agriculture and fishing	572,587	-	-	572,587
Manufacturing	4,255,676	242,305	(227,002)	4,270,979
Mining and quarrying	48,804	-	-	48,804
Electricity, water, gas and health services	55,705	-	-	55,705
Building and construction	1,234,596	30,788	(35,137)	1,230,247
Commerce	5,510,722	45,643	(45,547)	5,510,818
Transportation and communication	420,579	6,586	(8,840)	418,325
Services	2,623,651	1,279	(1,285)	2,623,645
Consumer loans and credit cards	7,793,359	16,316	(55,800)	7,753,875
Other	8,212,162	22,655	(19,134)	8,215,683
Portfolio provision	-	-	(103,524)	(103,524)
<b>Loans and advances</b>	<b>31,757,755</b>	<b>365,572</b>	<b>(496,269)</b>	<b>31,627,058</b>

2003 SAR'000	Performing	Non performing, net	Credit loss provision	Loans and advances, net
Government and quasi Government	886,370	-	-	886,370
Banks and other financial institutions	376,160	-	-	376,160
Agriculture and fishing	457,135	2,631	(5,503)	454,263
Manufacturing	3,855,407	308,727	(360,370)	3,803,764
Mining and quarrying	60,470	-	-	60,470
Electricity, water, gas and health services	33,937	-	-	33,937
Building and construction	1,167,454	36,911	(26,855)	1,177,510
Commerce	5,529,944	44,921	(42,244)	5,532,621
Transportation and communication	452,017	10,819	(3,909)	458,927
Services	2,008,117	1,300	(1,341)	2,008,076
Consumer loans and credit cards	6,281,868	12,444	(56,855)	6,237,457
Other	5,175,351	23,950	(18,791)	5,180,510
Portfolio provision	-	-	(93,443)	(93,443)
<b>Loans and advances</b>	<b>26,284,230</b>	<b>441,703</b>	<b>(609,311)</b>	<b>26,116,622</b>

The credit loss provisions include provisions made against off balance sheet facilities. The credit loss provision on the consumer loans and advances is calculated on a portfolio basis. The portfolio provision is based on an asset quality matrix which includes the grading structure in respect of the credit risk of the customers and the general economic outlook.

## 7. Fixed assets, net

	Land and buildings SAR'000	Leasehold improvements SAR'000	Equipment, furniture and vehicles SAR'000	Total SAR'000
<b>Cost</b>				
As at 1 January 2004	588,280	180,143	329,536	1,097,959
Additions	19,570	16,893	55,136	91,599
Disposals	(4,481)	(3,797)	(14,773)	(23,051)
<b>As at 31 December 2004</b>	<b>603,369</b>	<b>193,239</b>	<b>369,899</b>	<b>1,166,507</b>
<b>Accumulated depreciation</b>				
As at 1 January 2004	218,437	117,491	214,111	550,039
Charge for the year	14,908	16,332	34,240	65,480
Impairment charge	(3,000)	-	-	(3,000)
Disposals	-	(3,577)	(7,509)	(11,086)
<b>As at 31 December 2004</b>	<b>230,345</b>	<b>130,246</b>	<b>240,842</b>	<b>601,433</b>
<b>Net book value</b>				
<b>As at 31 December 2004</b>	<b>373,024</b>	<b>62,993</b>	<b>129,057</b>	<b>565,074</b>
As at 31 December 2003	369,843	62,652	115,425	547,920

Land and buildings and leasehold improvements include work in progress amounting to SAR 15.5 million (2003: SAR 26.6 million) and SAR 9.9 million (2003: SAR 11.7 million), respectively. Equipment, furniture and vehicles include information technology related assets.

## 8. Other assets

	2004 SAR'000	2003 SAR'000
Accrued special commission income – banks and other financial institutions	<b>6,047</b>	221
– investments	<b>168,350</b>	170,536
– loans and advances	<b>210,875</b>	149,308
<b>Total accrued special commission income</b>	<b>385,272</b>	320,065
Accounts receivable	<b>42,289</b>	37,841
Other real estate	<b>21,630</b>	133,768
Positive fair value of derivatives (note 9)	<b>125,935</b>	122,884
Other	<b>65,654</b>	116,743
<b>Total</b>	<b>640,780</b>	731,301

## 9. Derivatives

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

### a) 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.

### b) Options

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

### c) Swaps

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

### d) Forward rate agreements

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

### Derivatives held for trading

Most of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers 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 profiting from price differentials between markets or products.

### Derivatives held for hedging

The Bank has adopted a comprehensive system for the measurement and the management of risk. Part of the risk management process involves managing the Bank's exposure to fluctuations in foreign exchange 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 the levels of currency risk by setting limits on currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board of Directors has also established the levels 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 gaps 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 by strategic hedging against overall balance sheet exposures. Strategic hedging does not qualify for hedge accounting and the related derivatives are accounted for as held for trading.

The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures. The Bank also uses special commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including the details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

The tables below show the positive and negative fair values of derivative financial instruments held, together with their notional amounts as at 31 December, analysed by the term to maturity and the monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

#### Notional amounts by term to maturity

2004 SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
<b>Derivatives held for trading:</b>								
Spot and forward foreign exchange contracts	110,766	(59,823)	17,037,941	8,866,407	8,024,396	147,138	-	14,279,897
Currency options	2,941	(2,941)	510,102	510,102	-	-	-	-
Special commission rate swaps	11,978	(11,608)	1,900,687	-	-	1,900,687	-	705,626
Special commission rate options	-	-	-	-	-	-	-	1,679,729
<b>Derivatives held as fair value hedges:</b>								
Special commission rate swaps	-	(40,296)	2,773,330	-	471,000	2,144,256	158,074	1,608,905
<b>Derivatives held as cash flow hedges:</b>								
Currency swaps	-	(1,248)	18,069	-	-	18,069	-	17,427
Special commission rate swaps	250	(1,334)	200,000	-	-	200,000	-	171,354
<b>Total</b>	<b>125,935</b>	<b>(117,250)</b>	<b>22,440,129</b>	<b>9,376,509</b>	<b>8,495,396</b>	<b>4,410,150</b>	<b>158,074</b>	<b>18,462,938</b>

#### Notional amounts by term to maturity

2003 SAR'000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
<b>Derivatives held for trading:</b>								
Spot and forward foreign exchange contracts	90,086	(101,874)	9,144,696	6,777,046	2,367,650	-	-	14,098,496
Currency options	10,544	(10,544)	1,155,354	532,981	622,373	-	-	785,435
Special commission rate swaps	18,444	(18,382)	1,617,188	75,000	112,500	1,429,688	-	1,734,271
Special commission rate options	-	-	-	-	-	-	-	1,375,000
<b>Derivatives held as fair value hedges:</b>								
Special commission rate swaps	-	(27,891)	166,481	-	-	-	166,481	270,192
<b>Derivatives held as cash flow hedges:</b>								
Currency swaps	-	(1,941)	17,539	-	-	17,539	-	16,267
Special commission rate swaps	3,810	-	287,500	-	-	287,500	-	178,125
<b>Total</b>	<b>122,884</b>	<b>(160,632)</b>	<b>12,388,758</b>	<b>7,385,027</b>	<b>3,102,523</b>	<b>1,734,727</b>	<b>166,481</b>	<b>18,457,786</b>

The tables below show a summary of the hedged items, the nature of the risk being hedged, the hedging instruments and their fair values.

<b>2004 (SAR'000)</b> <b>Description of the hedged items:</b>	<b>Fair value</b>	<b>Cost</b>	<b>Risk</b>	<b>Hedging instrument</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
Fixed special commission rate investments	238,035	208,074	Fair value	Special commission rate swap	-	(24,060)
Fixed special commission rate loans	2,145,382	2,129,925	Fair value	Special commission rate swap	-	(15,303)
Fixed special commission rate deposits	470,067	471,000	Fair value	Special commission rate swap	-	(933)
Fixed special commission rate investments	19,777	18,069	Cash flow	Currency swap	-	(1,248)
Floating special commission rate investments	201,984	200,900	Cash flow	Special commission rate swap	250	(1,334)
<b>2003 (SAR'000)</b> <b>Description of the hedged items:</b>	<b>Fair value</b>	<b>Cost</b>	<b>Risk</b>	<b>Hedging instrument</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
Fixed special commission rate investments	200,810	166,481	Fair value	Special commission rate swap	-	(27,891)
Fixed special commission rate investments	19,949	17,539	Cash flow	Currency swap	-	(1,941)
Floating special commission rate investments	288,263	287,500	Cash flow	Special commission rate swap	3,810	-

Approximately 92% (2003: 88%) of the positive fair value of the Bank's derivatives are entered into with financial institutions and less than 62% (2003: 57%) of the total of the positive fair value contracts are with any single counterparty at the balance sheet date.

## 10. Due to banks and other financial institutions

	<b>2004 SAR'000</b>	2003 SAR'000
Current accounts	239,364	224,590
Money market deposits	5,423,971	3,195,619
<b>Total</b>	<b>5,663,335</b>	<b>3,420,209</b>

Money market deposits include deposits against sales of securities of SAR 471.5 million (2003: SAR 750.7 million) with agreements to repurchase the same at fixed future dates.

## 11. Customer deposits

	<b>2004 SAR'000</b>	2003 SAR'000
Demand	16,538,992	13,809,874
Savings	1,572,033	1,400,961
Time	26,067,491	20,445,104
Other	487,251	433,959
<b>Total</b>	<b>44,665,767</b>	<b>36,089,898</b>

Time deposits include deposits against sales of securities of SAR 2,706.6 million (2003: SAR 1,776.1 million) with agreements to repurchase the same at fixed future dates. Other customer deposits include SAR 484.2 million (2003: SAR 393.2 million) of margins held for irrevocable commitments.



The above deposits include the following foreign currency deposits:

	<b>2004</b>	2003
	<b>SAR'000</b>	SAR'000
Demand	<b>1,296,060</b>	1,289,984
Savings	<b>120,225</b>	136,796
Time	<b>6,699,250</b>	6,254,506
Other	<b>176,917</b>	178,925
<b>Total</b>	<b>8,292,452</b>	7,860,211

## 12. Other liabilities

	<b>2004</b>	2003
	<b>SAR'000</b>	SAR'000
Accrued special commission expense – banks and other financial institutions	<b>27,567</b>	17,012
– customer deposits	<b>147,800</b>	103,217
Total accrued special commission expense	<b>175,367</b>	120,229
Accounts payable	<b>387,362</b>	341,090
Negative fair value of derivatives (note 9)	<b>117,250</b>	160,632
Proposed gross final dividend (note 25)	<b>519,500</b>	458,000
Subscriptions received for initial public offerings	<b>148,017</b>	-
Other	<b>863,309</b>	725,337
<b>Total</b>	<b>2,210,805</b>	1,805,288

## 13. Share capital

The authorised, issued and fully paid share capital of the Bank consists of 50 million shares of SAR 50 each (2003: 40 million shares of SAR 50 each). The ownership of the Bank's share capital is as follows:

	<b>2004</b>	2003
Saudi shareholders	<b>60%</b>	60%
HSBC Holdings BV (a wholly owned subsidiary of HSBC Holdings plc)	<b>40%</b>	40%

A bonus issue of one share for every four shares held was approved at the Bank's extraordinary general meeting held on 15 March 2004.

## 14. Statutory reserve

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia, a minimum of 25% of the net income for the year is required to be transferred to a statutory reserve until this reserve is equal to the paid up capital of the Bank. Accordingly, a sum of SAR 409.0 million (2003: nil) was transferred to statutory reserve. The statutory reserve is not currently available for distribution.

## 15. Other reserves

2004 SAR'000	Cash flow hedges	Available for sale investments	Total
Balance as at 1 January	1,869	174,957	176,826
Net change in fair value	(3,174)	57,636	54,462
Transfer to statement of income	336	(65,316)	(64,980)
Net movement during the year	(2,838)	(7,680)	(10,518)
Balance as at 31 December	(969)	167,277	166,308

2003 SAR'000	Cash flow hedges	Available for sale investments	Total
Balance as at 1 January	1,937	124,443	126,380
Net change in fair value	(68)	102,204	102,136
Transfer to statement of income	-	(51,690)	(51,690)
Net movement during the year	(68)	50,514	50,446
Balance as at 31 December	1,869	174,957	176,826

## 16. Commitments and contingencies

### a) Legal proceedings

As at 31 December 2004 there are legal proceedings outstanding against the Bank. No material provision has been made as professional advice indicates that it is unlikely that any significant loss will occur.

### b) Capital commitments

The Bank has capital commitments of SAR 51.7 million (2003: SAR 70.1 million) in respect of buildings and equipment purchases. In addition, the Bank has made a commitment up to SAR 50.0 million (2003: nil) for capital contribution to its proposed investment in a joint venture.

### c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise guarantees, letters of credit, acceptances and commitments to extend credit. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorising 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 cash requirement under these instruments is considerably less than the amount of the related commitment because the Bank generally expects the customers to fulfil their primary obligation.

Commitments to extend credit represent the unutilised portion of authorisations 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 unutilised commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unutilised 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 the commitments could expire or be terminated without being funded.

i) The maturity structure for the Bank's credit related commitments and contingencies is as follows:

<b>2004</b> <b>SAR'000</b>	<b>Within 3</b> <b>months</b>	<b>3-12</b> <b>months</b>	<b>1-5</b> <b>years</b>	<b>Over 5</b> <b>years</b>	<b>Total</b>
Letters of credit	2,452,070	1,277,781	218,242	-	3,948,093
Guarantees	1,603,517	1,720,245	971,086	33,442	4,328,290
Acceptances	1,527,535	384,981	4,593	-	1,917,109
Irrevocable commitments to extend credit	80,641	78,646	1,350,021	-	1,509,308
<b>Total</b>	<b>5,663,763</b>	<b>3,461,653</b>	<b>2,543,942</b>	<b>33,442</b>	<b>11,702,800</b>

<b>2003</b> <b>SAR'000</b>	<b>Within 3</b> <b>months</b>	<b>3-12</b> <b>months</b>	<b>1-5</b> <b>years</b>	<b>Over 5</b> <b>years</b>	<b>Total</b>
Letters of credit	1,843,866	676,479	262,009	-	2,782,354
Guarantees	1,473,303	1,649,786	742,490	53,710	3,919,289
Acceptances	1,171,808	473,656	106,293	1,728	1,753,485
Irrevocable commitments to extend credit	-	35,878	1,104,978	-	1,140,856
<b>Total</b>	<b>4,488,977</b>	<b>2,835,799</b>	<b>2,215,770</b>	<b>55,438</b>	<b>9,595,984</b>

The unutilised portion of non firm commitments, which can be revoked at any time, is SAR 19,328.7 million (2003: SAR 15,877.1 million).

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

	<b>2004</b> <b>SAR'000</b>	<b>2003</b> <b>SAR'000</b>
Government and quasi Government	401,901	54,955
Corporate	10,247,411	8,383,138
Banks and other financial institutions	704,025	920,755
Other	349,463	237,136
<b>Total</b>	<b>11,702,800</b>	<b>9,595,984</b>

#### d) Operating lease commitments

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

	<b>2004</b> <b>SAR'000</b>	<b>2003</b> <b>SAR'000</b>
Less than 1 year	22,573	23,535
1 to 5 years	56,749	57,673
Over 5 years	25,633	24,186
<b>Total</b>	<b>104,955</b>	<b>105,394</b>

## 17. Net special commission income

	2004 SAR'000	2003 SAR'000
<b>Special commission income</b>		
Investments – available for sale investments	188,366	316,219
– originated debt securities	393,187	402,466
– held to maturity investments	41,741	42,322
	623,294	761,007
Due from banks and other financial institutions	65,077	43,189
Loans and advances	1,511,881	1,262,637
<b>Total</b>	<b>2,200,252</b>	<b>2,066,833</b>
<b>Special commission expense</b>		
Due to banks and other financial institutions	69,206	100,879
Customer deposits	427,158	361,557
<b>Total</b>	<b>496,364</b>	<b>462,436</b>
<b>Net special commission income</b>	<b>1,703,888</b>	<b>1,604,397</b>

## 18. Fees from banking services, net

	2004 SAR'000	2003 SAR'000
Fee income	740,400	440,165
Fee expenses	(66,084)	(63,148)
<b>Fees from banking services, net</b>	<b>674,316</b>	<b>377,017</b>

## 19. Trading income, net

	2004 SAR'000	2003 SAR'000
Debt instruments	(8)	-
Derivatives	249	249
<b>Total</b>	<b>241</b>	<b>249</b>

## 20. Dividend income

	2004 SAR'000	2003 SAR'000
Available for sale investments	2,497	2,247

## 21. Gains on investments, net

	2004 SAR'000	2003 SAR'000
Available for sale investments	61,571	64,853
Originated debt securities	2,404	5,711
<b>Total</b>	<b>63,975</b>	<b>70,564</b>

## 22. Other operating income

	2004 SAR'000	2003 SAR'000
Gains on disposal of fixed assets	8,619	296
Other	398	1,487
<b>Total</b>	<b>9,017</b>	<b>1,783</b>

## 23. Other operating expenses

	2004 SAR'000	2003 SAR'000
Loss on disposal of fixed assets	2,184	4,262
Other	240	-
<b>Total</b>	<b>2,424</b>	<b>4,262</b>

## 24. Earnings per share

Earnings per share are calculated by dividing the net income for the year by the number of ordinary shares outstanding during the year. The calculation of earnings per share for the previous year has been restated to reflect the issue of bonus shares in the current year.

## 25. Gross dividend, zakat and income tax

### Gross dividend

	2004 SAR'000	2003 SAR'000
Interim paid	470,500	374,000
Final proposed	519,500	458,000
<b>Total</b>	<b>990,000</b>	<b>832,000</b>

### Zakat

Zakat attributable to the Saudi shareholders for the year amounted to approximately SAR 24.1 million (2003: SAR 19.1 million), which is deducted from their share of the dividend. The net total dividend for the year to the Saudi shareholders is SAR 570.0 million (2003: SAR 480.0 million) representing SAR 19.00 per share (2003: SAR 16.00 per share) of which SAR 9.00 (2003: SAR 7.20) was paid on an interim basis.

**Income tax**

Income tax attributable to the foreign shareholder on its current year's share of income is approximately SAR 197.0 million (2003: SAR 152.1 million), which is deducted from its share of the dividend. The net total dividend for the year to the foreign shareholder is SAR 199.0 million (2003: SAR 180.7 million) representing SAR 9.95 per share (2003: SAR 9.04 per share) of which SAR 4.41 (2003: SAR 4.07) was paid on an interim basis.

The net dividends for the previous year have been restated to reflect the issue of bonus shares in the current year.

**26. Cash and cash equivalents**

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

	2004 SAR'000	2003 SAR'000
Cash and balances with SAMA excluding the statutory deposit (note 3)	584,769	1,069,315
Due from banks and other financial institutions within ninety days (note 32)	8,186,207	338,483
<b>Total</b>	<b>8,770,976</b>	<b>1,407,798</b>

**27. Business segments****a) The Bank is organised into the following main business segments:**

**Retail Banking** – which caters mainly to the banking requirements of personal and private banking customers.

**Corporate Banking** – which caters mainly to the banking requirements of commercial and corporate banking customers.

**Treasury** – which manages the Bank's liquidity, currency and special commission rate risks. It is also responsible for funding the Bank's operations and managing the Bank's investment portfolio and balance sheet.

Transactions between the business segments are reported as recorded by the Bank's transfer pricing system. The Bank's total assets and liabilities as at 31 December 2004 and 2003, its total operating income and expenses, and the net income for the years then ended, by business segment, are as follows:

2004 SAR'000	Retail Banking	Corporate Banking	Treasury	Total
Total assets	12,979,422	19,873,726	25,072,043	57,925,191
Total liabilities	20,433,163	13,856,175	18,250,569	52,539,907
Total operating income	1,538,524	501,066	515,515	2,555,105
Total operating expenses	703,142	172,180	43,938	919,260
Net income	835,382	328,886	471,577	1,635,845

2003 SAR'000	Retail Banking	Corporate Banking	Treasury	Total
Total assets	10,428,742	17,109,535	18,523,331	46,061,608
Total liabilities	17,626,092	10,139,788	13,549,515	41,315,395
Total operating income	1,118,710	481,447	542,180	2,142,337
Total operating expenses	666,338	168,550	49,565	884,453
Net income	452,372	312,897	492,615	1,257,884

**b) The Bank's credit exposure by business segment is as follows:**

<b>2004 SAR'000</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Total</b>
Balance sheet assets	<b>12,003,753</b>	<b>19,623,305</b>	<b>24,721,906</b>	<b>56,348,964</b>
Commitments and contingencies	<b>158,489</b>	<b>3,853,707</b>	<b>-</b>	<b>4,012,196</b>
Derivatives	<b>-</b>	<b>-</b>	<b>752,690</b>	<b>752,690</b>
<b>Total</b>	<b>12,162,242</b>	<b>23,477,012</b>	<b>25,474,596</b>	<b>61,113,850</b>

<b>2003 SAR'000</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Total</b>
Balance sheet assets	9,570,233	16,782,899	18,113,432	44,466,564
Commitments and contingencies	97,409	3,321,894	-	3,419,303
Derivatives	-	-	330,664	330,664
<b>Total</b>	<b>9,667,642</b>	<b>20,104,793</b>	<b>18,444,096</b>	<b>48,216,531</b>

Credit exposure comprises the carrying value of balance sheet assets excluding cash, fixed assets and other assets, and the credit equivalent value for commitments, contingencies and derivatives.

## 28. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation causing financial loss. The Bank controls credit risk by monitoring credit exposures, limiting the transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. In addition, the Bank manages the credit exposure relating to its derivative activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate risk.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Bank manages its concentration of credit risk exposure through the diversification of its lending portfolio in terms of country, industry sector, and single borrower exposures. The Bank also takes security when appropriate.

The Credit and Risk function is mandated to provide centralised management of credit risk. Credit and Risk is headed by a General Manager, and its responsibilities include the following:

- Establishment of credit policies and procedures which are embodied within standards, the compliance of which is monitored by Credit and Risk.
- Establishment and maintenance of a large credit exposures policy, which sets controls on the level of exposure to customers, customer groups, and other risk concentrations.
- An independent review and objective assessment of all credit facilities over designated limits.
- Maintenance of the grading process. The Bank's grading structure in respect of the credit risk of customers contains seven grades, of which the first three are applied to different levels of satisfactory risk, and the last two relate to non performing loans and advances. In respect of bank counterparties, the grading structure has ten tiers, of which the first six cover satisfactory risk. Facility grades are subject to frequent review and, where considered necessary, amendments are required to be undertaken promptly.
- Reporting on aspects of the loan portfolio. Reports are produced for senior management, including the Executive Committee, the Audit Committee, and the Board of Directors.

The debt instruments included in the investment portfolio are mainly sovereign risk. An analysis of investments by counterparty is provided in note 5.

The composition of loans and advances is provided in note 6. Information on credit risk relating to derivative instruments is set out in note 9 and for commitments and contingencies is included in note 16.



## 29. Geographical concentration of assets, liabilities, commitments and contingencies, and credit exposure

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

<b>2004 SAR'000</b>	<b>Kingdom of Saudi Arabia</b>	<b>GCC and Middle East</b>	<b>Europe</b>	<b>North America</b>	<b>Other countries</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with SAMA	2,223,281	-	6,888	12,482	-	2,242,651
Due from banks and other financial institutions	5,798,500	805,620	1,062,547	484,654	34,886	8,186,207
Investments, net	10,801,330	282,063	2,178,143	1,166,293	235,592	14,663,421
Loans and advances, net	31,292,346	206,515	128,197	-	-	31,627,058
<b>Total assets</b>	<b>50,115,457</b>	<b>1,294,198</b>	<b>3,375,775</b>	<b>1,663,429</b>	<b>270,478</b>	<b>56,719,337</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	3,842,913	716,232	1,064,935	24,101	15,154	5,663,335
Customer deposits	43,449,259	49,219	1,151,020	-	16,269	44,665,767
<b>Total liabilities</b>	<b>47,292,172</b>	<b>765,451</b>	<b>2,215,955</b>	<b>24,101</b>	<b>31,423</b>	<b>50,329,102</b>
<b>Commitments and contingencies</b>	<b>10,669,008</b>	<b>344,361</b>	<b>257,464</b>	<b>103,450</b>	<b>328,517</b>	<b>11,702,800</b>
<b>Credit exposure</b>						
Balance sheet assets	49,764,454	1,294,198	3,368,887	1,650,947	270,478	56,348,964
Commitments and contingencies	3,639,526	115,058	117,272	51,468	88,872	4,012,196
Derivatives	323,039	13,271	268,031	138,974	9,375	752,690
<b>Total credit exposure</b>	<b>53,727,019</b>	<b>1,422,527</b>	<b>3,754,190</b>	<b>1,841,389</b>	<b>368,725</b>	<b>61,113,850</b>

2003 SAR'000	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	Other countries	Total
Assets						
Cash and balances with SAMA	2,333,442	-	12,624	9,968	-	2,356,034
Due from banks and other financial institutions	-	319	333,163	4,670	331	338,483
Investments, net	12,382,722	276,149	2,372,279	816,749	123,349	15,971,248
Loans and advances, net	25,131,207	385,049	560,254	-	40,112	26,116,622
Total assets	39,847,371	661,517	3,278,320	831,387	163,792	44,782,387
Liabilities						
Due to banks and other financial institutions	1,787,689	320,750	1,291,063	2,882	17,825	3,420,209
Customer deposits	35,863,108	35,825	164,964	-	26,001	36,089,898
Total liabilities	37,650,797	356,575	1,456,027	2,882	43,826	39,510,107
Commitments and contingencies	8,630,173	250,123	276,150	75,867	363,671	9,595,984
Credit exposure						
Balance sheet assets	39,554,140	661,517	3,265,696	821,419	163,792	44,466,564
Commitments and contingencies	3,050,829	102,922	129,822	35,556	100,174	3,419,303
Derivatives	86,988	40	174,882	20,992	47,762	330,664
Total credit exposure	42,691,957	764,479	3,570,400	877,967	311,728	48,216,531

Balances shown in due to banks and other financial institutions under the Kingdom of Saudi Arabia include money market deposits of SAR nil (2003: SAR 100 million) on account of the foreign branches of local banks. All non performing loans and advances relate to customers in the Kingdom of Saudi Arabia.

### 30. Currency risk

The Bank is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra day positions, which are monitored daily. The Bank had the following significant net exposures denominated in foreign currencies:

	2004 SAR'000 Long (short)	2003 SAR'000 Long (short)
US Dollar	(490,879)	(178,290)
Euro	(709)	(510)
Pounds Sterling	341	(375)
Other	2,476	4,747

### 31. Special commission rate risk

#### Special commission sensitivity of assets, liabilities and off balance sheet items

The Bank is exposed to risks associated with fluctuations in the levels of market special commission rates. The table below summarises the Bank's exposure to special commission rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or the maturity dates. The Bank is exposed to special commission rate risks as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that reprice or mature in a given period. The Bank manages this risk by matching the repricing of assets and liabilities through risk management strategies.

2004 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total	Effective rate %
<b>Assets</b>							
Cash and balances with SAMA	-	-	-	-	2,242,651	2,242,651	-
Due from banks and other financial institutions	7,506,896	-	-	-	679,311	8,186,207	2.4
Investments, net	4,300,214	2,753,203	3,844,142	3,546,235	219,627	14,663,421	3.3
Loans and advances, net	16,907,946	3,518,718	11,200,394	-	-	31,627,058	5.4
Fixed assets, net	-	-	-	-	565,074	565,074	-
Other assets	-	-	-	-	640,780	640,780	-
<b>Total assets</b>	<b>28,715,056</b>	<b>6,271,921</b>	<b>15,044,536</b>	<b>3,546,235</b>	<b>4,347,443</b>	<b>57,925,191</b>	<b>-</b>
<b>Liabilities and shareholders' equity</b>							
Due to banks and other financial institutions	4,730,971	693,000	-	-	239,364	5,663,335	2.6
Customer deposits	21,860,509	5,165,967	328,104	-	17,311,187	44,665,767	0.8
Other liabilities	-	-	-	-	2,210,805	2,210,805	-
Shareholders' equity	-	-	-	-	5,385,284	5,385,284	-
<b>Total liabilities and shareholders' equity</b>	<b>26,591,480</b>	<b>5,858,967</b>	<b>328,104</b>	<b>-</b>	<b>25,146,640</b>	<b>57,925,191</b>	<b>-</b>
<b>On balance sheet gap</b>	<b>2,123,576</b>	<b>412,954</b>	<b>14,716,432</b>	<b>3,546,235</b>	<b>(20,799,197)</b>	<b>-</b>	<b>-</b>
<b>Off balance sheet gap</b>	<b>1,994,256</b>	<b>108,074</b>	<b>(1,944,256)</b>	<b>(158,074)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total special commission rate sensitivity gap</b>	<b>4,117,832</b>	<b>521,028</b>	<b>12,772,176</b>	<b>3,388,161</b>	<b>(20,799,197)</b>	<b>-</b>	<b>-</b>
<b>Cumulative special commission rate sensitivity gap</b>	<b>4,117,832</b>	<b>4,638,860</b>	<b>17,411,036</b>	<b>20,799,197</b>	<b>-</b>	<b>-</b>	<b>-</b>

2003 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 Years	Non special commission bearing	Total	Effective rate %
Assets							
Cash and balances with SAMA	516,982	-	-	-	1,839,052	2,356,034	0.3
Due from banks and other financial institutions	30,867	-	-	-	307,616	338,483	0.9
Investments, net	7,071,509	2,313,912	3,382,595	3,028,518	174,714	15,971,248	4.2
Loans and advances, net	14,063,405	4,405,316	7,647,901	-	-	26,116,622	5.2
Fixed assets, net	-	-	-	-	547,920	547,920	-
Other assets	-	-	-	-	731,301	731,301	-
Total assets	21,682,763	6,719,228	11,030,496	3,028,518	3,600,603	46,061,608	-
Liabilities and shareholders' equity							
Due to banks and other financial institutions	2,508,249	687,370	-	-	224,590	3,420,209	1.5
Customer deposits	14,841,540	6,528,694	205,428	-	14,514,236	36,089,898	0.7
Other liabilities	-	-	-	-	1,805,288	1,805,288	-
Shareholders' equity	-	-	-	-	4,746,213	4,746,213	-
Total liabilities and shareholders' equity	17,349,789	7,216,064	205,428	-	21,290,327	46,061,608	-
On balance sheet gap	4,332,974	(496,836)	10,825,068	3,028,518	(17,689,724)	-	-
Off balance sheet gap	66,481	(187,500)	287,500	(166,481)	-	-	-
Total special commission rate sensitivity gap	4,399,455	(684,336)	11,112,568	2,862,037	(17,689,724)	-	-
Cumulative special commission rate sensitivity gap	4,399,455	3,715,119	14,827,687	17,689,724	-	-	-

The off balance sheet gap represents the net notional amounts of off balance sheet financial instruments, which are used to manage the special commission rate risk.

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

## 32. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. The Bank monitors and manages the liquidity structure of its assets and liabilities so as to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 2% of savings 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 thirty days.

The Bank may also raise additional funds through repo facilities available with SAMA against its holdings of Saudi Government Development Bonds up to 75% of the nominal value of bonds held.

The tables below summarise the maturity profile of the Bank's assets, liabilities and shareholders' equity. The contractual maturities have been determined on the basis of the remaining period from the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

The maturity profile of the assets, liabilities and shareholders' equity is as follows:

2004 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
<b>Assets</b>						
Cash and balances with SAMA	584,769	-	-	-	1,657,882	2,242,651
Due from banks and other financial institutions	8,186,207	-	-	-	-	8,186,207
Investments, net	150,260	1,164,817	9,108,331	4,020,386	219,627	14,663,421
Loans and advances, net	15,235,835	5,101,695	10,721,803	567,725	-	31,627,058
Fixed assets, net	-	-	-	-	565,074	565,074
Other assets	-	-	-	-	640,780	640,780
<b>Total assets</b>	<b>24,157,071</b>	<b>6,266,512</b>	<b>19,830,134</b>	<b>4,588,111</b>	<b>3,083,363</b>	<b>57,925,191</b>
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	4,970,335	693,000	-	-	-	5,663,335
Customer deposits	38,852,619	5,412,748	400,400	-	-	44,665,767
Other liabilities	-	-	-	-	2,210,805	2,210,805
Shareholders' equity	-	-	-	-	5,385,284	5,385,284
<b>Total liabilities and shareholders' equity</b>	<b>43,822,954</b>	<b>6,105,748</b>	<b>400,400</b>	<b>-</b>	<b>7,596,089</b>	<b>57,925,191</b>

2003 SAR'000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
<b>Assets</b>						
Cash and balances with SAMA	1,069,315	-	-	-	1,286,719	2,356,034
Due from banks and other financial institutions	338,483	-	-	-	-	338,483
Investments, net	74,588	2,765,824	9,034,522	3,715,527	380,787	15,971,248
Loans and advances, net	11,543,202	3,926,230	10,038,272	608,918	-	26,116,622
Fixed assets, net	-	-	-	-	547,920	547,920
Other assets	-	-	-	-	731,301	731,301
<b>Total assets</b>	<b>13,025,588</b>	<b>6,692,054</b>	<b>19,072,794</b>	<b>4,324,445</b>	<b>2,946,727</b>	<b>46,061,608</b>
<b>Liabilities and shareholders' equity</b>						
Due to banks and other financial institutions	2,732,839	687,370	-	-	-	3,420,209
Customer deposits	29,069,059	6,754,042	266,797	-	-	36,089,898
Other liabilities	-	-	-	-	1,805,288	1,805,288
Shareholders' equity	-	-	-	-	4,746,213	4,746,213
<b>Total liabilities and shareholders' equity</b>	<b>31,801,898</b>	<b>7,441,412</b>	<b>266,797</b>	<b>-</b>	<b>6,551,501</b>	<b>46,061,608</b>

### 33. Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

The fair values of on balance sheet financial instruments, except for originated debt securities, held to maturity investments, loans and advances and customer deposits, are not significantly different from the carrying values included in the financial statements. The estimated fair values of the originated debt securities and held to maturity

investments are based on quoted market prices, when available, or pricing models in the case of certain fixed rate bonds. The fair value of these investments is disclosed in note 5. It is not practical to determine the fair value of loans and advances and customer deposits with sufficient reliability.

### 34. Related party transactions

Managerial and specialised expertise is provided under a technical services agreement with the parent company of one of the shareholders, HSBC Holdings BV. This agreement was renewed on 30 September 2002 for a period of five years.

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

The year end balances included in the financial statements resulting from such transactions are as follows:

	2004 SAR'000	2003 SAR'000
<b>The HSBC Group:</b>		
Due from banks and other financial institutions	738,103	247,303
Investments	153,577	354,323
Derivatives - net fair value	57,936	36,120
Due to banks and other financial institutions	134,364	152,300
Commitments and contingencies	201,892	161,398
<b>Directors, audit committee, major shareholders and their affiliates:</b>		
Loans and advances	981,632	594,628
Deposits	4,149,118	3,625,001
Derivatives - net fair value	9,643	(642)
Commitments and contingencies	188,049	137,437
Shareholders who hold more than 5% of the Bank's share capital are classified as major shareholders.		
<b>Bank's mutual funds:</b>		
Investments	123,168	94,676
Loans and advances	1,276	319
Demand and time deposits	1,730,703	2,757,865

Income and expense pertaining to transactions with related parties included in the financial statements are as follows:

	2004 SAR'000	2003 SAR'000
Special commission income	21,401	35,185
Special commission expense	(126,876)	(165,104)
Fees from banking services	25,313	30,635
Directors' remuneration	1,601	1,596



### 35. Capital adequacy

The Bank monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

	Capital		Ratio %	
	2004 SAR'000	2003 SAR'000	2004	2003
Tier 1	5,385,284	4,746,213	14.0	15.1
Tier 1 + Tier 2	5,483,132	4,833,980	14.2	15.4

	Risk weighted assets					
	2004 SAR'000			2003 SAR'000		
	Carrying value/ notional amount	Credit equivalent	Risk weighted assets	Carrying value/ notional amount	Credit equivalent	Risk weighted assets
<b>Balance sheets assets</b>						
0%	13,402,471		-	14,657,683		-
20%	12,076,655		2,415,331	3,777,065		755,413
100%	32,446,065		32,446,065	27,626,860		27,626,860
<b>Total</b>	57,925,191		34,861,396	46,061,608		28,382,273
<b>Commitments and contingencies</b>						
0%	759,343	219,125	-	552,853	170,855	-
20%	964,606	362,380	72,476	952,371	354,022	70,804
100%	9,978,851	3,430,691	3,430,691	8,090,760	2,894,424	2,894,424
<b>Total</b>	11,702,800	4,012,196	3,503,167	9,595,984	3,419,301	2,965,228
<b>Derivatives</b>						
0%	1,579,372	-	-	1,736,423	-	-
20%	18,208,334	655,488	131,098	7,788,752	244,511	48,902
50%	2,652,423	97,202	48,601	2,863,583	86,153	43,076
<b>Total</b>	22,440,129	752,690	179,699	12,388,758	330,664	91,978
<b>Total risk weighted assets</b>			38,544,262			31,439,479

### **36. Investment management services**

The Bank offers investment services to its customers, which include the management of certain investment funds, in consultation with professional investment advisors. The financial statements of these funds are not consolidated with the financial statements of the Bank. However, the Bank's share of these funds is included in available for sale investments, and fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and, accordingly, are not included in these financial statements.

### **37. Comparative figures**

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

### **38. Board of Directors' approval**

The financial statements were approved by the Board of Directors on 5 Dhul Hijjah 1425H (16 January 2005G).

# Branches List

## Head Office (Riyadh):

Prince Abdulaziz Bin Mossaad Bin Jalawi Street  
(Dabaab),

P.O. Box 9084, Riyadh 11413, Saudi Arabia.

Tel: +966 (1) 405-0677

Fax: +966 (1) 405-0660

Telegram: SABRIT RIYADH.

Treasury: Tel: +966 (1) 405-0020

Fax: +966 (1) 405-8652

SABB Direct: Toll Free Number: 800-124-8888

Website: [www.sabb.com](http://www.sabb.com)

## Area Management Offices:

**Central Province:** Riyadh: Salah Al-Din Al-Ayubi Road

(Sitteen), P.O. Box 2907, Riyadh 11461, Saudi Arabia.

Tel: +966 (1) 479-4400 Fax: +966 (1) 479-2438

**Western Province:** Jeddah: Ali Bin Abi Talib Street, Sharafiah,

P.O. Box 109, Jeddah 21411, Saudi Arabia.

Tel: +966 (2) 651-2121 Fax: +966 (2) 653-2816

**Eastern Province:** Al-Khobar: King Abdulaziz Boulevard,

P.O. Box 394, Al-Khobar 31952, Saudi Arabia.

Tel: +966 (3) 882-6000 Fax: +966 (3) 882-1669

Branch	Street	Telephone
<b>Riyadh:</b>		
Riyadh Main	Salah Al Din Ayubi Road	(01) 479-4400
King Faisal Street	King Faisal Street Batha	(01) 404-3196
Dabaab	Prince Abdul Aziz Bin Mossaad Bin Jalawi Street	(01) 405-0677
Olaya	Tahlia Street	(01) 465-7171
Sinnaiyah	Prince Salman Bin Abdulaziz Street	(01) 446-5849
Al-Hassa Street	Al-Hassa Street	(01) 472-4095
Al-Hassa Street - Ladies Branch	Al-Hassa Street	(01) 477-4007
North Olaya	Olaya Main Road	(01) 470-6515
North Olaya - Ladies Branch	Olaya Main Road	(01) 470-6511
Al-Amanah Islamic Branch – Rabwa	Omar Bin Abdul Aziz Street	(01) 493-2439
Dharat Al-Badia	Al Medina Street	(01) 431-1250
Dharat Al-Badia - Ladies Branch	Al Medina Street	(01) 431-6033
Al-Worood	King Abdulaziz Road	(01) 456-0062
Al-Takhassusi	Takhassusi Street	(01) 464-9446
Al-Rawdah	Khalid Bin Al Walid Street	(01) 230-0101
Al-Suwaidi	Al Suwaidi Main Street	(01) 425-2629
Al-Shifa	Iben Taymiyah Street	(01) 421-3178
Al-Nozha	Abubaker Al Siddiq Street	(01) 456-4441
Al-Naseem	Saad Ibn Ali Al Wakkas Street	(01) 230-2090
Shumaisi	Prince Fahad Bin Faisal Al Farhan Street	(01) 434-1115
Al-Faisalyiah	Al Faisalyia Tower, King Fahad Road	(01) 273-4470
<b>Al-Kharj:</b>		
Al-Kharj	King Fahad Street	(01) 544-4000

# Branches List (continuation)

Branch	Street	Telephone
<b>Buraidah:</b>		
Al-Amanah Islamic Branch	Al Khubaib Street	(06) 324-5494
<b>Onaizah:</b>		
Onaizah	Al Zulfi Road	(06) 362-0490
<b>Al-Rass:</b>		
Al-Rass	King Abdulaziz Road	(06) 333-7060
<b>Jeddah:</b>		
Jeddah Main	Wali Al Ahad Street	(02) 652-5111
Balad	King Abdulaziz Street	(02) 642-6950
Makkah Road	Kilo 3, Al-Nuzlah Al-Sharqeyyah	(02) 602-0933
Palestine Street	Al-Mukhmal Commercial Centre, Palestine Street	(02) 660-1712
Palestine Street - Ladies Branch	Al-Mukhmal Commercial Centre, Palestine Street	(02) 668-2259
Prince Mutaib Street	Al-Rehab Market	(02) 672-9046
Sary Street	Sary Street	(02) 683-0555
Sary Street - Ladies Section	Sary Street	(02) 698-1802
Al-Tahliah	Prince Mohd. Ibn Abdulaziz	(02) 667-9000
Al-Tahliah - Ladies Section	Prince Mohd. Ibn Abdulaziz	(02) 664-1666
Hera Street	Hera Street	(02) 622-9111
Hera Street - Ladies Section	Hera Street	(02) 622-6007
Balad	Al Dahab Street	(02) 647-1145
Al Safa District	Amir Majed Street	(02) 679-2525
Al Amir Fahd Street	Prince Fahad Street	(02) 665-0862
<b>Makkah:</b>		
Makkah	Abdullah Areef Street	(02) 545-2000
Makkah - Ladies Section	Abdullah Areef Street	(02) 547-1000
Al-Aziziah	Aziziah Main Road	(02) 559-0402
<b>Medinah Al-Munawwarah:</b>		
Medinah	Shara Abu Bakr Al Siddiq	(04) 822-8587
Medinah - Ladies Section	Shara Abu Bakr Al Siddiq	(04) 828-2005
Amanah Islamic Branch	King Abdulaziz Stree	(04) 838-0777
<b>Taif:</b>		
Taif	Shehar Street	(02) 740-0182
<b>Abha:</b>		
Abha	King Abdulaziz Street	(07) 231-0782
<b>Khamis Mushait:</b>		
Khamis Mushait	Al Khairia Commercial Centre	(07) 222-2904

# Branches List (continuation)

Branch	Street	Telephone
<b>Yanbu:</b>		
Yanbu Al-Sinaiyah	King Saud Street, Al-Nawa, Yanbu Industrial City	(07) 325-4445
<b>Dammam:</b>		
Dammam Main	Dhahran Street	(03) 833-1553
Bin Khildoun	King Fahad Road	(03) 842-5242
Al-Jalawiah	King Khalid Street	(03) 842-4105
Al-Anoud	King Abdulaziz Street	(03) 834-1087
Dammam Super Branch	Corniche Street, Al-Shati District	(03) 830-1000
Dammam Super Branch - Ladies Section	Corniche Street	(03) 830-1000
<b>Al-Khobar:</b>		
King Abdulaziz Street - EPM Building	King Abdulaziz Street	(03) 882-6000
Ladies Section - EPM Building	King Abdulaziz Street	(03) 882-6000
Al-Agrabiah	Makkah Street	(03) 893-7711
<b>Al-Qatif:</b>		
Al-Qatif	Al Imaam Al Sadiq Street	(03) 855-2313
Taroot	Main Street	(03) 823-2444
Safwa	Main Road	(03) 664-2620
Saihat	King Abdulaziz Street	(03) 856-0008
Ras Tanura	Al Malik Saud Street	(03) 667-0056
Ohud	Ohud Street	(03) 852-0266
Ohud - Ladies Section	Ohud Street	(03) 852-0526
<b>Jubail:</b>		
Jubail	Jubail International Market, Al Safah Street	(03) 362-0250
Jubail Industrial City	213 Road	(03) 341-9147
<b>Al-Hassa:</b>		
Hoffuf	Al Koot Street	(03) 586-6000
Mubarraz	Al Hazam Street, Dhahran Street	(03) 587-2269
Al-Khaldia	University Street	(03) 580-5186
Al-Khaldia - Ladies Section	University Street	(03) 580-7209
Al-Jafr	Main Street, Hoffuf	(03) 539-3156