BANK ALJAZIRA

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 AND AUDITORS' REPORT

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and the other explanatory notes from 1 to 40. We have not audited note 41, nor the information related to "Basel III Pillar 3 Disclosures" cross-referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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INDEPENDENT AUDITORS' REPORT (continued)

Opinion

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

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

Other matter paragraph

The comparative information shown in these consolidated financial statements was audited by Ernst & Young and another auditor, whose audit report contained an unqualified opinion.

For Ernst & Young

Husam Faisal Bawared
Certified Public Accountant
Licence Number 393

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence Number 382

ERNST & YOUNG

KPMG Al Fozan & Al Sadhan
Certified Public Accountants

19 February 2014
19 Rabi Thani 1435H

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013 AND 2012

	Notes	2013 SR'000	2012 SR'000 (Restated)	As at January 1, 2012 SR'000 (Restated)
ASSETS				
Cash and balances with SAMA	3	**7,306,158**	7,082,421	4,365,341
Due from banks and other financial institutions	4	**3,073,795**	3,138,622	4,331,024
Investments	5	**12,597,125**	8,994,394	5,194,054
Loans and advances, net	6	**34,994,759**	29,896,782	23,307,451
Investment in an associate	7	**121,489**	-	-
Other real estate, net	6e	**672,485**	660,446	680,778
Property and equipment, net	8	**507,766**	466,103	446,829
Other assets	9	**702,831**	542,634	360,703
Total assets		**59,976,408**	50,781,402	38,686,180
LIABILITIES AND SHARE HOLDERS' EQUITY				
LIABILITIES				
Due to banks and other financial institutions	11	**4,358,738**	3,286,044	1,305,778
Customers' deposits	12	**48,082,525**	40,675,290	31,158,531
Other liabilities	13	**806,600**	808,215	489,334
Subordinated Sukuk	14	**1,000,000**	1,000,000	1,000,000
Total liabilities		**54,247,863**	45,769,549	33,953,643
SHAREHOLDERS' EQUITY				
Share capital	15	**3,000,000**	3,000,000	3,000,000
Statutory reserve	16	**1,762,500**	1,599,500	1,474,000
General reserve	16	**68,000**	68,000	68,000
Other reserves	17	**1,649**	(37,644)	24,250
Retained earnings		**896,396**	381,997	6,287
Proposed dividend		-	-	160,000
Total shareholders' equity		**5,728,545**	5,011,853	4,732,537
Total liabilities and shareholders' equity		**59,976,408**	50,781,402	38,686,180

Taha A. Al-Kuwaiz
Chairman

Nabil Al-Hoshan
CEO and Managing Director

Shahid Amin
Chief Financial Officer

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Notes	2013 SR'000	2012 SR'000 (Restated)
Special commission income	19	1,645,129	1,262,507
Special commission expense	19	(422,182)	(311,624)
Net special commission income		1,222,947	950,883
Fees and commission income, net	20	468,090	566,517
Foreign exchange income, net		34,784	23,740
Trading income, net	21	55,738	31,101
Dividend income	22	6,407	10,800
Gain on non-trading investments	23	23,432	-
Other operating income	24	27,909	14,535
Total operating income		1,839,307	1,597,576
Salaries and employee-related expenses	35	629,982	574,831
Rent and premises-related expenses		86,537	68,589
Depreciation	8	71,417	65,508
Other general and administrative expenses		256,296	203,595
Impairment charge for credit losses, net	6c	136,343	172,479
Other operating expenses		7,085	12,094
Total operating expenses		1,187,660	1,097,096
Income from operating activities		651,647	500,480
Share of loss of an associate	7	(1,011)	-
Net income for the year		650,636	500,480
Earnings per share (expressed in SR per share)			
Basic and diluted earnings per share	25	2.17	1.67

Taha A. Al-Kuwaiz	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

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Bank AlJazira
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Notes	2013 SR'000	2012 SR'000 (Restated)
Net income for the year		**650,636**	500,480
Other comprehensive income to be reclassified to statement of income in subsequent periods:			
Cash flow hedges:			
Fair value gain/ (loss) on cash flow hedges	17	**29,111**	(49,999)
Net amount transferred to/ (from) consolidated statement of income	17	**13,302**	(686)
Other comprehensive income not being reclassified to statement of income in subsequent periods:			
Net changes in fair value of investments classified as at Fair Value through Other Comprehensive Income (FVTOCI)		**23,643**	(10,479)
Other comprehensive income/ (loss) for the year		**66,056**	(61,164)
Total comprehensive income for the year		**716,692**	439,316

Taha A. Al-Kuwaiz	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

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Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

2013	Notes	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Proposed dividend SR'000	Total SR'000
Balance at January 1, 2013 (Restated)		3,000,000	1,599,500	68,000	(37,644)	381,997	-	5,011,853
Net income for the year		-	-	-	-	650,636	-	650,636
Other comprehensive income		-	-	-	66,056	-	-	66,056
Gain on sale of investments classified as at FVTOCI		-	-	-	(26,763)	26,763	-	-
Total comprehensive income		-	-	-	39,293	677,399	-	716,692
Transfer to statutory reserve	16	-	163,000	-	-	(163,000)	-	-
Balance at December 31, 2013		3,000,000	1,762,500	68,000	1,649	896,396	-	5,728,545
2012								
Balance at January 1, 2012 (Restated)		3,000,000	1,474,000	68,000	24,250	6,287	160,000	4,732,537
Net income for the year		-	-	-	-	500,480	-	500,480
Other comprehensive loss		-	-	-	(61,164)	-	-	(61,164)
Gain on sale of investments classified as at FVTOCI		-	-	-	(730)	730	-	-
Total comprehensive (loss)/ income		-	-	-	(61,894)	501,210	-	439,316
Transfer to statutory reserve	16	-	125,500	-	-	(125,500)	-	-
Gross dividend paid for 2011		-	-	-	-	-	(160,000)	(160,000)
Balance at December 31, 2012		3,000,000	1,599,500	68,000	(37,644)	381,997	-	5,011,853

Taha A. Al-Kuwaiz Chairman	Nabil Al-Hoshan CEO and Managing Director	Shahid Amin Chief Financial Officer

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Notes	2013 SR'000	2012 SR'000 (Restated)
OPERATING ACTIVITIES			
Net income for the year		650,636	500,480
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Trading income, net		(55,738)	(31,101)
Gain on non-trading investments	23	(23,432)	-
Depreciation	8	71,417	65,508
Dividend income	22	(6,407)	(10,800)
Gain on disposal of property and equipment		(7,723)	(84)
Loss on sale/ write-off of property and equipment, net		331	3,685
Impairment charge for credit losses, net	6c	136,343	172,479
Share of loss of an associate	7	1,011	-
		766,438	700,167
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(531,685)	(537,882)
Due from banks and other financial institutions maturing after three months from the date of acquisition		374,500	144,250
Investments held as at FVTIS		685,438	(278,771)
Loans and advances		(5,234,320)	(6,761,810)
Other real estate, net		(12,039)	20,332
Other assets		(43,042)	1,634,485
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,072,694	1,980,266
Customers' deposits		7,407,235	9,516,759
Other liabilities		(113,428)	(1,548,096)
Net cash from operating activities		4,371,791	4,869,700
INVESTING ACTIVITIES			
Proceeds from sales and maturities of FVTOCI and amortised cost investments		4,733,497	4,568,318
Acquisition of amortised cost investments		(8,881,782)	(8,069,265)
Investment in an associate	7	(122,500)	-
Acquisition of property and equipment	8	(129,249)	(88,467)
Proceeds from disposal of property and equipment		23,561	84
Dividends received	22	6,407	10,800
Net cash used in investing activities		(4,370,066)	(3,578,530)
FINANCING ACTIVITY			
Dividends paid		-	(160,124)
Net cash used in financing activity		-	(160,124)
Net increase in cash and cash equivalents		1,725	1,131,046
Cash and cash equivalents at the beginning of the year		7,088,775	5,957,729
Cash and cash equivalents at the end of the year	27	7,090,500	7,088,775
Special commission income received during the year		1,573,072	1,193,137
Special commission expense paid during the year		400,579	238,633

Taha A. Al-Kuwaiz	Nabil Al-Hoshan	Shahid Amin
Chairman	**CEO and Managing Director**	**Chief Financial Officer**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

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1. GENERAL

Bank AlJazira (the Bank) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated Jumad Al-Thani 12, 1395H (June 21, 1975). The Bank commenced its business on Shawwal 16, 1396H (October 9, 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia and operates under commercial registration number 4030010523 dated Rajab 29, 1396H (July 27, 1976) issued in Jeddah, through its 62 branches (2012: 54 branches) in the Kingdom of Saudi Arabia and employed 1,779 staff (2012: 1,620 staff). The Bank's Head Office is located at the following address:

Bank AlJazira
Nahda Center, Malik Street, P.O. Box 6277
Jeddah 21442, Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-commission based) banking products and services comprising of Murabaha, Istisna'a, Ijarah and Tawaraq, which are approved and supervised by an independent Shari'ah Board established by the Bank.

The Bank's subsidiaries are as follows:

	Country of incorporation	**Nature of business**	**Ownership (direct and indirect) December 31, 2013**	Ownership (direct and indirect) December 31, 2012
AlJazira Capital Company	Saudi Arabia	Brokerage and asset management	100%	100%
Aman Development and Real Estate Investment Company	Saudi Arabia	Holding and managing collaterals on behalf of the Bank	100%	100%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

i. Statement of compliance

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

ii. Basis of measurement

The consolidated financial statements are prepared on the historical cost convention except for the measurement at fair value of derivatives, financial instruments held as at Fair Value through Income Statement (FVTIS) and Fair Value through Other Comprehensive Income Statement (FVTOCI). In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of risk being hedged.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries namely, AlJazira Capital Company and Aman Real Estate (collectively the "Group") drawn up to December 31 each year. The financial statements of subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances.

i. Subsidiaries

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation (continued)

ii. Non-controlling interests

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

iii. Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iv. Investment in associates

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

Except for the impact of the adoption of the following new standards IFRS 10: Consolidated Financial Statements (refer note 2(d)(iii)), IFRS 13: Fair Value Measurements (refer note 33) and amendments and revisions to existing standards mentioned below, the accounting policies adopted by the Group are consistent with those followed in the preparation of the Group's consolidated financial statement for the year ended December 31, 2012. The changes mentioned below do not have any material impact on the financial statements of the Group other than additional disclosures requirements.

i. New standards

- IFRS 12: Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair Value Measurement: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

ii. Amendments and improvements to existing standards

- Amendments to IAS 1 Presentation of Financial Statements: Amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosures: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 27 Separate Financial Statements (2011): Now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.

The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standard with consequential amendments to other standards:

- IAS 1 – Presentation of Financial Statements: Comparative information beyond the minimum requirements and presentation of the opening statement of financial position and related notes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies (continued)

iii. IFRS 10: Consolidated financial statements

IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

As a result of the application of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities.

The control indicators set out note 2 (b) are subject to management's judgements that can have a significant effect in the case of the Group's interests in investments funds. The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. For all funds managed by the Group, the investors have no power to remove fund manager without cause and the Group's aggregate economic interest in each case is either below the minimum threshold or insignificant to the Group as a whole. As a result the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated any of the funds managed by the Group.

In accordance with the transitional requirements of IFRS 10, the Group re-assessed the control conclusion for its investees as of January 1, 2013. As a consequence, the Group has changed its consolidation conclusions in respect of mutual funds managed by the Group i.e., Al-Thoraiya European Equities Fund and Al-Jazira Residential Projects Fund which were consolidated in the financial statements of the Group up to December 31, 2012. However, as a consequence of the re-assessment, the Group has concluded that it does not control those mutual funds. The opening balances as at January 1, 2012 and comparative information for the year ended December 31, 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is provided below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies (continued)

iii. IFRS 10: Consolidated financial statements (continued)

Consolidated statement of financial position	January 1, 2012 (SR '000) As previously reported	Adjustments	As restated
Cash and balances with SAMA	4,379,043	(13,702)	4,365,341
Investments	5,396,915	(202,861)	5,194,054
Other assets	356,210	4,493	360,703
Overall impact on total assets	10,132,168	(212,070)	9,920,098
Other liabilities	(497,078)	7,744	(489,334)
Overall impact on total liabilities	(497,078)	7,744	(489,334)
Non-controlling interests	(204,326)	204,326	-
Overall impact on total equity	(204,326)	204,326	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies (continued)

iii. IFRS 10: Consolidated financial statements (continued)

	December 31, 2012 (SR '000)		
Consolidated statement of financial position	As previously reported	Adjustments	As restated
Cash and balances with SAMA	7,109,044	(26,623)	7,082,421
Investments	9,098,734	(104,340)	8,994,394
Other assets	586,791	(44,157)	542,634
Overall impact on total assets	16,794,569	(175,120)	16,619,449
Other liabilities	(809,590)	1,375	(808,215)
Overall impact on total liabilities	(809,590)	1,375	(808,215)
Non-controlling interests	(173,745)	173,745	-
Overall impact on total equity	(173,745)	173,745	-

	For the year ended December 31, 2012 (SR '000)		
Consolidated statement of income	As previously reported	Adjustments	As restated
Fees and commission income, net	564,184	2,333	566,517
Trading income, net	35,915	(4,814)	31,101
Other operating income	15,433	(898)	14,535
Other general and administrative expenses	(206,817)	3,222	(203,595)
Non-controlling interests	(157)	157	-

	For the year ended December 31, 2012 (SR '000)		
Consolidated statement of comprehensive income	As previously reported	Adjustments	As restated
Net income for the year	500,637	(157)	500,480
Non-controlling interests	(157)	157	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies (continued)

iii. IFRS 10: Consolidated financial statements (continued)

	For the year ended December 31, 2012 (SR '000)		
Consolidated statement of cash flows	As previously reported	Adjustments	As restated
Net cash from operating activities	4,877,265	(7,565)	4,869,700
Net cash used in financing activities	(154,768)	(5,356)	(160,124)

d) Critical accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i. Business model for managing financial assets

In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities, such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way the business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual special commission income;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii. Contractual cash flows of financial assets

The Group exercises judgement in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and commission income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

iii. Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

The Group considers evidence of impairment for loans and advances and investment securities measured at amortised cost at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective yield rate. Impairment losses are recognised in the consolidated statement of income and reflected in impairment for credit losses. Commission on impaired assets continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated statement of income.

The Group writes off loans and advances and investment securities when they are determined to be uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

iv. Fair value of financial instruments

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

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

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

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

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

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

Financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (refer note 33)

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

v. Going concern

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

e) Settlement date accounting

All regular way purchases and sales of financial assets are recognised and derecognised on the settlement date, i.e. the date on which the asset is delivered to the counterparty. Changes in fair value between the trade date and the settlement date are accounted for in the same way as acquired assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the market place.

f) Derivative financial instruments and hedge accounting

Derivative financial instruments including forward rate agreements, special commission rate swaps and commission rate options (both written and purchased) are initially measured at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the consolidated statement of financial position. The transaction costs associated with these agreements are recognised in the consolidated statement of income.

All derivatives are carried at their fair value as assets, where the fair value is positive, and as liabilities, where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

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

i. Derivatives held for trading

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

ii. Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an on-going basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Derivative financial instruments and hedge accounting (continued)

ii. Hedge accounting (continued)

In addition, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods.

Fair value hedges

Fair value hedges are used to hedge the exposure to changes in fair value of a recognized asset or liability, or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, changes in fair value of the derivative are recognised immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

Cash flow hedge

Cash flow hedges are used to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or highly probable forecast transaction and could affected the reported gain or loss.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in trading income, net.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Derivative financial instruments and hedge accounting (continued)

ii. Hedge accounting (continued)

Cash flow hedge (continued)

For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves are transferred to the consolidated statement of income in the same period in which the hedge transactions affects the consolidated statement of income.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income.

g) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of AlJazira Capital Company and Aman Development and Real Estate Investment Company is Saudi Arabian Riyals (SR).

Transactions denominated in foreign currencies are translated into Saudi Arabian Riyals (SR) at exchange rates prevailing at transaction dates. Monetary assets and liabilities at the year end, denominated in foreign currencies, are translated into SR at the spot exchange rates prevailing at the year end.

Foreign exchange gains or losses from settlement of transactions and translation of year end monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated statement of income or in other comprehensive income depending on the underlying financial asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Offsetting financial instruments

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

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

i) Revenue /expense recognition

Special commission income and expenses arising on financial assets and financial liabilities, except for those classified as FVTIS and FVTOCI, including the fees which are considered an integral part of the effective yield of a financial instrument, are recognised in the consolidated statement of income using the effective yield basis and include premiums amortised and discounts accreted during the year.

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

Subsequent to the recognition of an impairment loss on a financial asset or a group of financial assets, commission income continues to be recognised on the effective yield basis, on the asset's carrying value net of impairment provisions. The calculation of the effective special commission rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective special commission rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

When the Group enters into a special commission rate swap to change special commission from fixed to floating (or vice versa), the amount of special commission income or expense adjusted by the net special commission on the swap to the extent the hedge is considered to be effective.

Foreign exchange income / loss is recognised when earned / incurred.

Fees and commissions are recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred and, together with the related direct cost, are recognised if material, as an adjustment to the effective yield on the loan. Portfolio and other management advisory and service fees, including fees for managing investment funds, are recognised based on the applicable service contracts, usually on a time-proportionate basis i.e. as and when the services are rendered. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Dividend income is recognised when the right to receive income is established.

Other fee expenses mainly relate to transactions and service fees, which are expensed as the related services are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Net trading income / (loss)

Results arising from trading activities include all realised and unrealised gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets and financial liabilities designated as at FVTIS and foreign exchange differences. This includes any ineffectiveness recorded in hedging transactions.

k) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risk and rewards of the ownership and are measured in accordance with related accounting policies for investments designated as at FVTIS, FVTOCI and amortised cost, whichever is applicable. The transactions are treated as collateralised borrowings and counterparty liabilities and amounts received under these agreements are included in "due to SAMA" or "due to banks and other financial institutions" or "customers' deposits", as appropriate. The difference between the sale and repurchase price is treated as special commission expense and is accrued over the life of the repo agreement using the effective special commission rate. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and balances with SAMA", "due from banks and other financial institutions" or "loans and advances", as appropriate. The difference between the purchase and resale price is treated as special commission income and is accrued over the life of the reverse repo agreement using the effective special commission rate.

l) Investments

A financial asset is measured initially at fair value plus, for an item not through statement of income, transaction costs that are directly attributable to acquisition or issue. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. At inception, the financial asset is classified at amortized cost or fair value.

i. Investments in debt instruments classified as at amortised cost:

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through income statement on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and commission on the principal amount outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments (continued)

i. Investments in debt instruments classified as at amortised cost (continued):

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
  whether the management's strategy focuses on earning contractual special commission income;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Commission income is recognised in the consolidated statement of income.

Debt instruments that are measured at amortised cost are subject to impairment.

ii. Financial assets classified as at Fair Value Through Income Statement (FVTIS)

Investments in equity instruments are classified as at FVTIS, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

A financial asset or financial liability is held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments (continued)

ii. Financial assets classified as at Fair Value Through Income Statement (FVTIS) (continued)

Debt instruments that do not meet the amortised cost criteria are measured at FVTIS. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTIS are measured at fair value through income statement.

A debt instrument may be designated as at FVTIS upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTIS when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTIS on initial recognition is irrevocable.

Financial assets at FVTIS are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of income.

Commission income on debt instruments as at FVTIS is included in the consolidated statement of income.

Dividend income on investments in equity instruments at FVTIS is recognised in the consolidated statement of income when the Group's right to receive the dividend is established and is included in the consolidated statement of income.

iii. Investment in equity instruments designated as at Fair Value Through Other Comprehensive Income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments (continued)

iii. Investment in equity instruments designated as at Fair Value Through Other Comprehensive Income (FVTOCI) (continued)

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. Gains and losses on such equity instruments are never reclassified to the consolidated statement of income and no impairment is recognised in the consolidated statement of income. Investments in unquoted equity instruments are measured at fair value. The cumulative gains or losses will not be reclassified to the consolidated statement of income on disposal of the investments.

On initial recognition the Group designates all investments in equity instruments that are not FVTIS as at FVTOCI.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividend clearly represent a recovery of part of the cost of the investment.

Fair value reserve includes the cumulative net change in fair value of equity investment measured at FVTOCI. When such equity instruments are derecognised, the related cumulative amount in the fair value reserve is transferred to retained earnings.

m) Loans and advances

Loans and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Loans and advances are recognised when cash is advanced to borrowers. They are derecognized when either the borrower repays its obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. Loans and advances are initially measured at fair value of the consideration given.

Following initial recognition, loans and advances for which fair value has not been hedged are stated at cost less any amount written off and specific and portfolio (collective) provisions for impairment.

All loans and advances are carried at amortised cost calculated using the effective special commission rate.

For presentation purposes, provision for credit losses is deducted from loans and advances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial liabilities

All money market deposits, customers' deposits and debt securities issued are initially recognized at cost, net of transaction charges, being the fair value of the consideration received. Subsequently, all commission bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised and discounts are accreted on an effective yield basis to maturity and taken to special commission expense.

o) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to the cash flows from the financial asset expires.

In instances where the Group is assessed to have transferred a financial asset, the asset is derecognised if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Group has not retained control of the financial asset. The Group recognises separately as assets or liabilities any rights and obligations created or retained in the process.

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

On derecognition of a financial asset, measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in other comprehensive income is not reclassified to consolidated statement of income, but is transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Other real estate

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

Subsequent to the initial recognition, such real estate is revalued on a periodic basis. Any unrealised losses on revaluation, realized losses or gains on disposal and rental income are recognised in the consolidated statement of income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the consolidated statement of income. Gains or losses on disposal are recognised the in consolidated statement of income.

q) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Changes in the expected useful life are accounted by changing the period or method, as appropriate, and treated as changes in accounting estimates. Freehold land is not depreciated. The cost of other property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Leasehold improvements	Over the lease period or 10 years, whichever is shorter
Furniture, equipment and vehicles	4 to10 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Financial guarantees and loan commitments

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligations arising as a result of guarantees net of any cash margin.

Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in impairment charge for credit losses. The premium received is recognised in the consolidated statement of income on a straight line basis over the life of the guarantee.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

s) Provisions

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

t) Accounting for leases

i. Where the Bank is the lessee

Leases entered into by the Bank as a lessee are all operating leases. Payments made under operating leases are charged to the consolidated 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, net of anticipated rental income (if any), is recognised as an expense in the period in which the termination takes place.

ii. Where the Bank is the lessor

When assets are transferred under a finance lease, including assets under Islamic lease arrangement (Ijarah) the present value of the lease payments is recognised as a receivable and 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.

Assets subject to operating leases are included in the consolidated financial statements as property and equipment. Income from operating lease is recognised on a straight-line (or appropriate) basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes notes and coins on hand, balances with SAMA, excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair values.

v) Due from banks and other financial institutions

Due from banks and other financial institutions are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks and other financial institutions are initially measured at cost, being the fair value of the consideration given.

Following initial recognition, due from banks and other financial institutions are stated at cost less any amount written-off and specific provisions for impairment, if any, and a portfolio (collective) provision for counterparty risk.

w) Zakat and income tax

Under Saudi Arabian Zakat and Income Tax laws, Zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income tax is computed on the foreign shareholder's share of net income for the year.

Zakat and income taxes, relating to the shareholders of the Bank, are not charged to the Group's consolidated statement of income as they are deducted from the dividends paid to the shareholders. If no dividend is distributed, the amount is accounted for as a receivable from the shareholders and will be deducted from future dividends and a corresponding liability is accounted for as payable to the Department of Zakat and Income Tax (DZIT).

x) Fiduciary assets

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

y) End of service benefits

The provision of end of service benefits is based on the rules stated under The Saudi Arabian Labor and Workmen Law and in accordance with the local statutory requirements.

z) Shari'ah compliant (non-interest based) banking products

The Bank offers its customers Shari'ah compliant (non-interest based) banking products, which are approved by its Shari'ah Board, as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Shari'ah compliant (non-interest based) banking products (continued)

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

Musharaka is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property resulting in the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

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

Wa'ad Fx is an agreement whereby a client in consideration for the payment of a fee agrees to enter into one or series of trades. One party (promisor) gives a commitment as unilateral undertaking to a second party (promisee).

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

Sukuk are Islamic instruments which represents an individual proportionate ownership interest in an asset and corresponding right to the income streams generated by the asset.

All Shari'ah compliant (non-interest based) products are accounted for using International Financial Reporting Standards and in conformity with the accounting policies described in these financial statements.

3. CASH AND BALANCES WITH SAMA

	2013 **SR'000**	2012 SR'000 (Restated)
Cash in hand	**844,205**	736,512
Balances with SAMA:		
Statutory deposit	**2,416,953**	1,885,268
Cash lending	**4,045,000**	4,460,641
Total	**7,306,158**	7,082,421

In accordance with article 7 of the Banking Control Law and regulations issued by the Saudi Arabian Monetary Agency (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, time and other deposits, calculated at the end of each Gregorian month (see note 32). The statutory deposit with SAMA is not available to finance the Bank's day-to-day operations and therefore is not part of cash and cash equivalents.

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 SR'000	2012 SR'000
Current accounts	**536,295**	201,622
Money market placements	**2,537,500**	2,937,000
Total	**3,073,795**	3,138,622

The money market placements represent funds placed on a Shari'ah compliant (non-interest based) Murabaha basis.

5. INVESTMENTS

a) As of December 31, 2013, investments are classified as follows:

i) Designated as at FVTIS

	2013 SR'000		
	Domestic	**International**	**Total**
Mutual funds	**160,514**	**152,736**	**313,250**
Equities	**23,326**	**-**	**23,326**
	183,840	**152,736**	**336,576**

ii) FVTOCI

	2013 SR'000		
	Domestic	**International**	**Total**
Equities	**3,250**	**6,028**	**9,278**

iii) Amortised cost

	2013 SR'000		
	Domestic	**International**	**Total**
Murabaha investments	**913,533**	**-**	**913,533**
Sukuk investments	**9,899,868**	**1,437,870**	**11,337,738**
Total	**10,813,401**	**1,437,870**	**12,251,271**
Grand Total	**11,000,491**	**1,596,634**	**12,597,125**

5. INVESTMENTS (continued)

b) As of December 31, 2012, investments were classified as follows:

i) Mandatory measured at FVTIS

	2012 SR'000		
	Domestic	International	Total
Mutual funds	800,710	-	800,710

ii) Designated as at FVTIS

	2012 SR'000		
	Domestic	International (Restated)	Total
Mutual funds	54,213	101,295	155,508
Equities	10,058	-	10,058
	64,271	101,295	165,566

iii) FVTOCI

	2012 SR'000		
	Domestic	International	Total
Equities	256,324	4,117	260,441

iv) Amortised cost

	2012 SR'000		
	Domestic	International	Total
Murabaha investments	1,745,808	-	1,745,808
Sukuk investments	4,882,125	1,139,744	6,021,869
Total investments	6,627,933	1,139,744	7,767,677
Grand Total	7,749,238	1,245,156	8,994,394

5. INVESTMENTS (continued)

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

	2013			2012 (Restated)		
	Quoted SR'000	**Unquoted SR'000**	**Total SR'000**	Quoted SR'000	Unquoted SR'000	Total SR'000
Murabaha investments	**-**	**913,533**	**913,533**	-	1,745,808	1,745,808
Sukuk investments	**2,446,150**	**8,891,588**	**11,337,738**	2,574,869	3,447,000	6,021,869
Equities	**29,166**	**3,438**	**32,604**	267,061	3,438	270,499
Mutual funds	**313,250**	**-**	**313,250**	956,218	-	956,218
Total Investments	**2,788,566**	**9,808,559**	**12,597,125**	3,798,148	5,196,246	8,994,394

d) The analysis of unrealized gains and losses and the fair values of investments at amortised cost are as follows:

	2013				2012			
	Carrying value SR'000	**Gross unrealized gains SR'000**	**Gross unrealized losses SR'000**	**Fair value SR'000**	Carrying value SR'000	Gross unrealized gains SR'000	Gross unrealized losses SR'000	Fair value SR'000
Murabaha investments	**913,533**	**-**	**-**	**913,533**	1,745,808	-	-	1,745,808
Sukuk investments	**11,337,738**	**17,338**	**(4,792)**	**11,350,284**	6,021,869	8,968	(4,849)	6,025,988
Total	**12,251,271**	**17,338**	**(4,792)**	**12,263,817**	7,767,677	8,968	(4,849)	7,771,796

e) The analysis of investments by counterparty is as follows:

	2013 SR'000	2012 SR'000 (Restated)
Government and quasi Government	**6,362,433**	2,760,183
Corporate	**2,906,817**	5,176,990
Banks and other financial institutions	**3,327,875**	1,057,221
Total	**12,597,125**	8,994,394

The fair values of investments carried at amortised cost are not significantly different from their carrying values. The Sukuk investments (disclosed in 5d) are quoted in a market but not actively traded.

Equities reported under FVTOCI includes unquoted shares of SR 3.4 million (2012: SR 3.4 million) that are carried at cost, as their fair value cannot be reliably measured.

Mutual funds domiciled in the Kingdom of Saudi Arabia with underlying investments outside the Kingdom of Saudi Arabia are classified under the International category.

6. LOANS AND ADVANCES, NET

Consumer includes loans and advances related to individuals for personal needs and credit card balances.

Commercial include loans and advances to corporate, medium and small sized business and institutional customers.

Others include loans and advances to staff

a) Loans and advances, net comprise the following:

	SR'000			
2013	**Consumer**	**Commercial**	**Others**	**Total**
Performing loans and advances	**12,184,052**	**22,822,891**	**219,871**	**35,226,814**
Non-performing loans and advances	**220,486**	**208,886**	**-**	**429,372**
Total loans and advances	**12,404,538**	**23,031,777**	**219,871**	**35,656,186**
Provision for credit losses				
Specific provision	**(90,333)**	**(88,934)**	**-**	**(179,267)**
Portfolio provision	**(126,628)**	**(355,532)**	**-**	**(482,160)**
Total provision for credit losses	**(216,961)**	**(444,466)**	**-**	**(661,427)**
Loans and advances, net	**12,187,577**	**22,587,311**	**219,871**	**34,994,759**

	SR'000			
2012	Consumer	Commercial	Others	Total
Performing loans and advances	10,498,093	19,593,526	142,714	30,234,333
Non-performing loans and advances	107,205	933,014	-	1,040,219
Total loans and advances	10,605,298	20,526,540	142,714	31,274,552
Provision for credit losses				
Specific provision	(49,778)	(860,319)	-	(910,097)
Portfolio provision	(178,211)	(289,462)	-	(467,673)
Total provision for credit losses	(227,989)	(1,149,781)	-	(1,377,770)
Loans and advances, net	10,377,309	19,376,759	142,714	29,896,782

Loans and advances, net represents Shari'ah Compliant (non-interest based) products in respect of Murabaha agreements, Ijarah, Istisna'a, Musharaka and Tawaraq.

Loans and advances include net receivables from Ijarah finance amounting to SR 7.75 billion (2012: SR 5.51 billion)

6. LOANS AND ADVANCES, NET (continued)

b) Movements in provision for credit losses are as follows:

	SR'000		
2013	**Consumer**	**Commercial**	**Total**
Balance at the beginning of the year	**227,989**	**1,149,781**	**1,377,770**
Provided during the year, net	**98,831**	**87,541**	**186,372**
Bad debts written off	**(83,023)**	**(769,925)**	**(852,948)**
Recoveries of amounts previously provided	**(26,836)**	**(22,931)**	**(49,767)**
Balance at the end of the year	**216,961**	**444,466**	**661,427**

	SR'000		
2012	Consumer	Commercial	Total
Balance at the beginning of the year	129,612	1,080,832	1,210,444
Provided during the year, net	106,432	86,021	192,453
Bad debts written off	(852)	(4,461)	(5,313)
Recoveries of amounts previously provided	(7,203)	(12,611)	(19,814)
Balance at the end of the year	227,989	1,149,781	1,377,770

c) Net impairment charge for credit losses for the year in the consolidated statement of income is as follows:

	2013 **SR'000**	2012 SR'000
Additions during the year, net	**186,372**	192,453
Recoveries of amounts previously provided	**(49,767)**	(19,814)
Recoveries of debts previously written off	**(262)**	(160)
Impairment charge for credit losses, net	**136,343**	172,479

6. LOANS AND ADVANCES, NET (continued)

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

2013	**Performing SR'000**	**Non performing, net SR'000**	**Provision for credit losses SR'000**	**Loans and advances, net SR'000**
Government and quasi Government	515,777	-	-	515,777
Banks and other financial institutions	1,036,051	-	-	1,036,051
Agriculture and fishing	27,104	-	-	27,104
Manufacturing	5,930,793	90,343	(22,586)	5,998,550
Mining and quarrying	640,691	-	-	640,691
Electricity, water, gas and health services	1	-	-	1
Building and construction	716,424	-	-	716,424
Commerce	8,367,742	51,319	(34,379)	8,384,682
Transportation and communication	280,425	-	-	280,425
Services	393,670	55,118	(30,575)	418,213
Consumer loans and credit cards	12,184,052	220,486	(90,333)	12,314,205
Share trading	2,806,397	3,269	-	2,809,666
Others	2,327,687	8,837	(1,394)	2,335,130
	35,226,814	429,372	(179,267)	35,476,919
Portfolio provision	-	-	(482,160)	(482,160)
Total	**35,226,814**	**429,372**	**(661,427)**	**34,994,759**

2012	Performing SR'000	Non performing, net SR'000	Provision for credit losses SR'000	Loans and advances, net SR'000
Government and quasi Government	562,059	-	-	562,059
Banks and other financial institutions	684,353	-	-	684,353
Agriculture and fishing	58,411	-	-	58,411
Manufacturing	5,308,205	56,974	(56,974)	5,308,205
Mining and quarrying	663,028	-	-	663,028
Electricity, water, gas and health services	-	16,744	(16,744)	-
Building and construction	952,184	82,802	(87,546)	947,440
Commerce	7,256,777	693,415	(655,932)	7,294,260
Transportation and communication	301,534	-	-	301,534
Services	387,226	62,617	(32,617)	417,226
Consumer loans and credit cards	10,498,093	107,205	(49,778)	10,555,520
Share trading	1,906,954	-	-	1,906,954
Others	1,655,509	20,462	(10,506)	1,665,465
	30,234,333	1,040,219	(910,097)	30,364,455
Portfolio provision	-	-	(467,673)	(467,673)
Total	30,234,333	1,040,219	(1,377,770)	29,896,782

6. LOANS AND ADVANCES, NET (continued)

d) Economic sector risk concentrations for the loans and advances and provision for credit losses are as follows (continued):

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

Fair value of collateral held by Group against loans and advances by each category are as follows:

	2013 **SR'000**	2012 SR'000
Collateral against performing loans	**13,931,573**	12,324,433
Collaterals against non-performing loans	**86,740**	138,274
Total	**14,018,313**	12,462,707

Those collaterals, which are not readily convertible into cash (i.e. real estate), are accepted by the Group with intent to dispose off in case of default by the customer.

e) Other real estate, net

	2013 **SR'000**	2012 SR'000
Balance at the beginning of the year	**660,446**	694,778
Additions	**-**	326
Disposals	**(1,961)**	(20,658)
	658,485	674,446
Reversal / (provision) for unrealised revaluation losses	**14,000**	(14,000)
Balance at the end of the year	**672,485**	660,446

During the year, the provision for unrealised revaluation losses has been reversed (2012: nil).

7. INVESTMENT IN AN ASSOCIATE

The Group holds 35% shareholding in AlJazira Takaful Ta'wuni Company ("ATT"). During the year, ATT has obtained its commercial registration certificate. The details related to ATT are more fully explained in note 28 and note 38 to these consolidated financial statements.

The following table summarises the latest available financial information of ATT as at December 31, 2013 and for the year then ended :

	2013 SR'000
Total assets	**350,965**
Total liabilities	**(3,852)**
Total net assets	**347,113**
Proportion of Group's ownership	**35%**
Carrying amount of the investment	**121,489**

	2013 SR'000
Total loss for the year	**(2,889)**
Group's share of loss for the year (35%)	**(1,011)**

The following table summarises the movement of the investment in associate during the year:

	2013 SR'000
Cost acquired during the year	**122,500**
Share in losses for the year	**(1,011)**
Balance at the end of the year	**121,489**

8. PROPERTY AND EQUIPMENT, NET

	Land and buildings SR'000	**Leasehold improvements SR'000**	**Furniture, equipment and vehicles SR'000**	**Capital work in progress SR'000**	**Total 2013 SR'000**	Total 2012 SR'000
Cost						
Balance at the beginning of the year	175,759	294,245	493,852	49,476	**1,013,332**	929,637
Additions	1,440	9,266	29,640	88,903	**129,249**	88,467
Transfers	-	35,064	43,229	(78,293)	-	-
Disposals	(15,774)	-	(1,623)	(59)	**(17,456)**	(1,773)
Write off	-	-	-	-	**-**	(2,999)
Balance at the end of the year	**161,425**	**338,575**	**565,098**	**60,027**	**1,125,125**	1,013,332
Accumulated depreciation						
Balance at the beginning of the year	4,736	164,667	377,826	-	**547,229**	482,808
Charge for the year	152	26,937	44,328	-	**71,417**	65,508
Disposals	-	-	(1,287)	-	**(1,287)**	(118)
Write off	-	-	-	-	**-**	(969)
Balance at the end of the year	**4,888**	**191,604**	**420,867**	**-**	**617,359**	547,229
Net book value						
At December 31, 2013	**156,537**	**146,971**	**144,231**	**60,027**	**507,766**	
At December 31, 2012	171,023	129,578	116,026	49,476		466,103

9. OTHER ASSETS

	2013 SR'000	2012 SR'000 (Restated)
Accrued special commission receivable:		
Banks and other financial institutions	**3,611**	10,081
Investments	**70,009**	35,605
Loans and advances	**246,471**	201,450
Derivatives	**11,470**	12,368
Total accrued special commission receivable	**331,561**	259,504
Advances and prepayments	**138,825**	124,639
Positive fair value of derivatives	**122,456**	151,257
Margin deposit against derivatives	**84,300**	-
Others	**25,689**	7,234
Total	**702,831**	542,634

10. DERIVATIVES

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

a) Swaps

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

b) Options (Wa'ad Fx)

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

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

10.1 Held for trading purposes

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

10.2 Held for hedging purposes

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

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

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

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

10. DERIVATIVES (continued)

10.2 Held for hedging purposes (continued)

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate risk. The Group uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Below is the schedule indicating as at December 31, the periods when the hedged cash flows are expected to occur and when they are expected to affect consolidated statement of income:

2013 **SR'000**	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	19,389	33,910	28,954	67,850
Cash out flows (liabilities)	-	-	-	-
Net cash inflow	**19,389**	**33,910**	**28,954**	**67,850**

2012 SR'000	Within 1 year	1-3 years	3-5 years	Over 5 years
Cash inflows (assets)	25,049	53,298	54,531	88,065
Cash out flows (liabilities)	-	-	-	-
Net cash inflow	25,049	53,298	54,531	88,065

The gains / (loss) on cash flow hedges reclassified to the consolidated statement of income during the year is as follows:

	2013 **SR'000**	2012 SR'000
Special commission income	**977**	958
Special commission expense	**(1,185)**	(272)
Net (loss) / gain on cash flow hedges reclassified to the consolidated statement of income	**(208)**	**686**

10. DERIVATIVES (continued)

Movement in other reserves of cash flow hedges:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	**(45,474)**	5,211
Gains/ (losses) from change in fair value recognised directly in equity, net (effective portion)	**29,111**	(49,999)
Losses/ (gains) removed from equity and transferred to consolidated statement of income	**13,302**	(686)
Balance at the end of the year	**(3,061)**	(45,474)

The discontinuation of hedge accounting due to the disposal of both the hedging instruments and the hedged items, resulted in the reclassification of the associated cumulative losses of SR 13.094 million (2012: SR nil) from equity to the consolidated statement of income. This amount is included in the losses above.

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

2013
SR'000

				Notional amounts by term to maturity				
	Positive fair value	**Negative fair value**	**Notional amount**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Monthly average**
Held for trading								
Options	4,746	4,746	1,901,150	635,690	852,960	412,500	-	4,424,433
Forwards	555	564	40,726	40,726	-	-	-	40,726
FX swaps	-	71	562,500	562,500	-	-	-	562,500
Special commission rate swaps	91,789	91,789	4,154,006	-	-	2,110,236	2,043,770	3,957,102
Held as cash flow hedges:								
Special commission rate swaps	25,366	20,024	2,635,313	-	-	503,438	2,131,875	2,131,797
Total	**122,456**	**117,194**	**9,293,695**	**1,238,916**	**852,960**	**3,026,174**	**4,175,645**	**11,116,558**

10. DERIVATIVES (continued)

	2012 SR'000							
				Notional amounts by term to maturity				
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	Over 5 years	Monthly average
Held for trading								
Options	4,330	4,330	2,246,546	491,872	1,589,674	165,000	-	2,277,857
Special commission rate swaps	136,857	136,857	3,833,313	-	-	-	3,833,313	3,292,967
Held as cashflow hedges:								
Special commission rate swaps	10,070	58,805	2,550,625	-	-	718,125	1,832,500	1,501,667
Total	151,257	199,992	8,630,484	491,872	1,589,674	883,125	5,665,813	7,072,491

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

	SR'000					
Description of hedged items	**Fair value**	**Hedge inception value**	**Risk**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
2013						
Floating commission rate investments	2,630,823	2,635,313	Cash flow	Commission rate swap	25,366	20,024
2012						
Floating commission rate investments	2,208,182	2,150,625	Cash flow	Commission rate swap	1,248	58,805
Floating commission rate loans and advances	391,178	400,000	Cash flow	Commission rate swap	8,822	-

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 SR'000	2012 SR'000
Current accounts	**27,225**	32,598
Money market deposits from banks and other financial institutions	**4,331,513**	3,253,446
Total	**4,358,738**	3,286,044

12. CUSTOMERS' DEPOSITS

	2013 SR'000	2012 SR'000
Demand	**19,158,001**	16,697,067
Time	**27,432,544**	23,135,130
Other	**1,491,980**	843,093
Total	**48,082,525**	40,675,290

Time deposits comprise deposits received on Shari'ah Compliant (non-interest based) Murabaha basis.

Other customers' deposits include SR 491 million (2012: SR 340 million) of margins held for irrevocable contingencies and commitments.

The above includes foreign currency deposits as follows:

	2013 SR'000	2012 SR'000
Demand	**503,945**	249,457
Time	**4,384,545**	5,228,422
Other	**47,581**	18,745
Total	**4,936,071**	5,496,624

The foreign currency deposits are mainly in USD to which the SR is pegged; hence the sensitivity with respect to foreign currency risk is not material.

13. OTHER LIABILITIES

	2013	2012
	SR'000	SR'000
		(Restated)
Accrued special commission payable:		
Banks and other financial institutions	**28,339**	17,535
Customers' deposits	**77,984**	67,234
Subordinated Sukuk	**7,037**	6,988
Total accrued special commission payable	**113,360**	91,757
AlJazira Philanthropic Program (see note below)	**63,623**	68,701
Accounts payable	**255,807**	218,242
Dividend payable	**26,652**	25,038
Negative fair value of derivatives	**117,193**	199,992
Other	**229,965**	204,485
Total	**806,600**	808,215

During 2006, the Board of Directors approved the contribution to a philanthropic program to carry out the Bank's social responsibilities towards the Saudi society, through the charitable contributions to various benevolent efforts that promote the general welfare of the society.

For this purpose, the Bank contributed SR 100 million to this program during 2006.

A Social Committee has been established to coordinate this program, consisting of three board members, and it is the intention of the Board of Directors to seek assistance of other independent members from the business community and the Shari'ah Board of the Bank to overview and provide guidance for the activities of the program.

14. SUBORDINATED SUKUK

On March 29, 2011, the Bank issued 1,000 Subordinated Sukuk Certificates of SR 1 million each, with a profit distribution rate based on 6 months Saudi Inter-Bank Offered Rate (SIBOR), reset semi-annually in advance, plus a margin of 170 basis point per annum and payable semi-annually in arrears on March 29 and September 29 each year until March 29, 2021, on which date the Sukuk will expire or mature. The proceeds of the Sukuk were used by the Bank for strengthening its capital base as the Sukuk comprises Tier II capital for Saudi Arabian regulatory purposes. The obligation of the issuer to the Sukukholders is not secured by any assets or security or guaranteed by third party and is subordinated. The Sukuk is due in 2021 with a step up in margin to 550 basis points in 2016. The Group has a call option which can be exercised after March 29, 2016 on meeting certain conditions and as per the terms mentioned in the related Offering Circular dated March 28, 2011. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the above Offering Circular. The intention of the Bank is to exercise the call option in 2016. The Sukuk is registered with Saudi Stock Exchange (Tadawul).

15. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 300 million shares of SR 10 each (2012: 300 million shares of SR 10 each).

The ownership of the Bank's share capital is as follows:

	2013	2012
Saudi shareholders	94.17 %	94.17 %
Non Saudi shareholder - National Bank of Pakistan	5.83 %	5.83 %

16. STATUTORY AND GENERAL RESERVES

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly SR 163 million has been transferred from net income for 2013 (2012: SR 125.5 million). The statutory reserve is currently not available for distribution.

In addition, when considered appropriate, the Bank makes an appropriation to a general reserve for general banking risks.

17. OTHER RESERVES

2013	**Cash flow hedges SR' 000**	**Fair value reserve SR' 000**	**Total SR' 000**
Balance at beginning of the year	(45,474)	7,830	**(37,644)**
Net change in fair value	29,111	23,643	**52,754**
Transfer to consolidated statement of income	13,302	-	**13,302**
Transfer to retained earnings	-	(26,763)	**(26,763)**
Net movement during the year	42,413	(3,120)	**39,293**
Balance at end of the year	**(3,061)**	**4,710**	**1,649**

2012	Cash flow hedges SR' 000	Fair value reserve SR' 000	Total SR' 000
Balance at beginning of the year	5,211	19,039	24,250
Net change in fair value	(49,999)	(10,479)	(60,478)
Transfer to consolidated statement of income	(686)	-	(686)
Transfer to retained earnings	-	(730)	(730)
Net movement during the year	(50,685)	(11,209)	(61,894)
Balance at end of the year	(45,474)	7,830	(37,644)

18. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

At December 31, 2013, there were legal proceedings of a routine nature outstanding against the Group. No significant provision has been made as related professional legal advice indicates that it is unlikely that any significant loss will eventually arise.

b) Capital commitments

At December 31, 2013, the Group had capital commitments of SR 40.375 million (2012: SR 43.250 million) in respect of the construction of branches and IT related projects.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the related commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate and, therefore, have significantly less credit risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by customers.

Commitments to extend credit represent the unused 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 Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot be readily quantified, is expected to be considerably less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit does not necessarily represent future cash requirements, as many of the commitments could expire or terminate without being funded.

18. COMMITMENTS AND CONTINGENCIES (continued)

c) Credit related commitments and contingencies (continued)

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

			(SR'000)		
2013	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**834,197**	**234,472**	**19,312**	**-**	**1,087,981**
Letters of guarantee	**965,271**	**1,393,150**	**882,266**	**25,981**	**3,266,668**
Acceptances	**448,563**	**-**	**-**	**-**	**448,563**
Irrevocable commitments to extend credit	**-**	**83,282**	**151,459**	**365,939**	**600,680**
Total	**2,248,031**	**1,710,904**	**1,053,037**	**391,920**	**5,403,892**

			(SR'000)		
2012	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	659,398	224,892	4,047	-	888,337
Letters of guarantee	848,459	1,085,477	443,893	74,509	2,452,338
Acceptances	329,948	-	-	-	329,948
Irrevocable commitments to extend credit	2	-	562,500	1,108,945	1,671,447
Total	1,837,807	1,310,369	1,010,440	1,183,454	5,342,070

The outstanding unused portion of commitments as at December 31, 2013, which can be revoked unilaterally at any time by the Group, amounts to SR 1.9 billion (2012: SR 3.5 billion).

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

	2013 SR'000	2012 SR'000
Corporate	**5,287,470**	5,207,495
Banks and other financial institutions	**116,422**	134,575
Total	**5,403,892**	5,342,070

18. COMMITMENTS AND CONTINGENCIES (continued)

d) Operating lease commitments

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

	2013 **SR'000**	2012 SR'000
Less than 1 year	**9,711**	5,613
1 to 5 years	**35,327**	22,100
Over 5 years	**37,590**	13,874
Total	**82,628**	41,587

19. NET SPECIAL COMMISSION INCOME

	2013 **SR'000**	2012 SR'000
Special commission income		
Investments held as at amortised cost	**193,799**	131,334
Due from banks and other financial institutions	**24,877**	25,304
Derivatives	**54,742**	38,698
Loans and advances	**1,371,711**	1,067,171
Total	**1,645,129**	1,262,507
Special commission expense		
Due to banks and other financial institutions	**26,201**	12,532
Customers' deposits	**281,621**	209,349
Subordinated Sukuk	**27,467**	26,257
Derivatives	**82,359**	42,496
Others	**4,534**	20,990
Total	**422,182**	311,624
Net special commission income	**1,222,947**	950,883

20. FEES AND COMMISSION INCOME, NET

	2013 SR'000	2012 SR'000 (Restated)
Fees and commission income		
Local share trading	**244,659**	394,850
Takaful Ta'wuni (insurance) wakala fees	**21,076**	26,687
Loan commitment and management fees	**165,180**	142,795
Trade finance	**40,931**	35,064
International share trading	**3,108**	2,897
Mutual funds fees	**20,660**	17,303
Fees from ATM transactions	**30,496**	36,988
Others	**31,155**	45,434
Total fees and commission income	**557,265**	702,018
Fees and commission expense		
Brokerage fees	**(89,050)**	(134,348)
Takaful Ta'wuni – sales commission	**(125)**	(1,153)
Total	**468,090**	566,517

21. TRADING INCOME

	2013 SR'000	2012 SR'000 (Restated)
Equities	**16,719**	11,481
Mutual funds	**29,291**	11,191
Derivatives	**9,728**	8,429
Total	**55,738**	31,101

22. DIVIDEND INCOME

	2013 SR'000	2012 SR'000
Investments held at FVTOCI	**6,407**	10,800

23. GAIN ON NON-TRADING INVESTMENTS

	2013 SR'000	2012 SR'000
Held as at amortised cost investments	**23,432**	-

24. OTHER OPERATING INCOME

	2013 **SR'000**	2012 SR'000 (Restated)
Rental income	**333**	46
Gain on sale of property and equipment and others	**27,576**	14,489
Total	**27,909**	14,535

25. EARNINGS PER SHARE

Basic earnings per share for the years ended December 31, 2013 and December 31, 2012 is calculated by dividing the net income for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares outstanding during 2013 was 300 million (2012: 300 million).

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

26. ZAKAT AND INCOME TAX

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

a) Saudi shareholders:

The Zakat attributable to Saudi shareholders for 2013 is estimated at SR 17.5 million (2012: SR 12 million).

b) Non-Saudi shareholder:

The income tax payable on the current year's share of income for the Non-Saudi shareholder is estimated at SR 5 million (2012: SR 6 million).

27. CASH AND CASH EQUIVALENTS

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

	2013 **SR'000**	2012 SR'000 (Restated)
Cash and balances with SAMA, excluding statutory deposit	**4,766,705**	5,074,653
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition (note 4)	**2,323,795**	2,014,122
Total	**7,090,500**	7,088,775

28. OPERATING SEGMENTS

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

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

Transactions between business segments are recorded based on the Group’s transfer pricing methodologies. Segment assets and liabilities mainly comprise operating assets and operating liabilities.

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

Personal banking

Deposit, credit and investment products for individuals.

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

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

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

Takaful Ta’wuni
Takaful Ta’wuni provides protection and saving products services and is fully Shari’ah compliant and is a substitute for conventional life insurance products.

The current Takaful segment represents the insurance portfolio which will be transferred to AlJazira Takaful Ta’wuni (ATT) at an agreed value and date duly approved by SAMA. The details related to ATT are more fully explained in note 7 and note 38 to these consolidated financial statements.

28. OPERATING SEGMENTS (continued)

The Group's total assets and liabilities and its income from operations and net income for the year by operating segment are as follows:

(SR'000)

2013	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'wuni	Others	Total
Total assets	17,379,558	20,558,555	21,230,439	675,775	10,592	121,489	59,976,408
Total liabilities	19,038,108	27,287,895	7,815,633	58,854	47,373	-	54,247,863
Total operating income	547,923	491,845	542,697	274,695	21,385	(39,238)	1,839,307
Net special commission	394,643	374,645	445,395	7,949	433	(118)	1,222,947
Trading, fee and commission income, net	111,335	102,565	23,429	265,548	20,951	-	523,828
Share in loss of an associate	-	-	-	-	-	(1,011)	(1,011)
Operating expenses:							
- Impairment charge for credit losses, net	(62,961)	(73,382)	-	-	-	-	(136,343)
- Depreciation	(42,744)	(10,272)	(7,532)	(8,549)	(2,320)	-	(71,417)
Total operating expenses	(648,279)	(256,955)	(110,064)	(145,782)	(31,946)	5,366	(1,187,660)
Net (loss) / income	(100,356)	234,890	432,633	128,913	(10,561)	(34,883)	650,636

28. OPERATING SEGMENTS (continued)

(SR'000) (Restated)

2012	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'wuni	Others	Total
Total assets	13,062,987	18,140,294	18,778,640	790,158	9,323	-	50,781,402
Total liabilities	15,767,984	24,366,949	5,521,155	67,444	46,017	-	45,769,549
Total operating income	383,507	434,062	426,699	354,459	25,556	(26,707)	1,597,576
Net special commission	267,606	327,400	347,375	10,675	22	(2,195)	950,883
Trading, fee and commission income, net	91,215	92,503	47,102	341,264	25,534	-	597,618
Operating expenses:							
- Impairment charge for credit losses, net	(74,032)	(98,447)	-	-	-	-	(172,479)
- Depreciation	(39,875)	(6,530)	(6,483)	(9,512)	(3,108)	-	(65,508)
Total operating expenses	(518,983)	(264,737)	(125,553)	(140,395)	(52,796)	5,368	(1,097,096)
Net (loss) / income	(135,476)	169,325	301,146	214,064	(27,240)	(21,339)	500,480

28. OPERATING SEGMENTS (continued)

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

	(SR'000)						
2013	**Personal banking**	**Corporate banking**	**Brokerage and asset management**	**Treasury**	**Takaful Ta'wuni**	**Others**	**Total**
Assets	**15,250,085**	**19,798,787**	**-**	**15,430,119**	**-**	**-**	**50,478,991**
Commitments and contingencies	**-**	**3,131,470**	**-**	**-**	**-**	**-**	**3,131,470**
Derivatives	**-**	**-**	**-**	**92,937**	**-**	**-**	**92,937**
2012	Personal banking	Corporate banking	Brokerage and asset management	Treasury	Takaful Ta'wuni	Others	Total
Assets	12,444,145	17,353,859	-	9,358,338	-	-	39,156,342
Commitments and contingencies	-	2,277,089	-	-	175,000	-	2,452,089
Derivatives	-	-	-	86,305	-	-	86,305

Credit exposure comprises the carrying value of the consolidated statement of financial position assets excluding cash, property and equipment, other real estate, investment in equities and mutual funds and certain other assets. Additionally the credit equivalent values of commitments, contingencies and derivatives are also included in the credit exposure (refer note 30).

29. CREDIT RISK

Credit risk, which is the result of a delay or failure by a counterparty to meet its financial and/or contractual obligations to the Group, is managed in accordance with the Group's comprehensive risk management control framework. Three credit committees are responsible for the oversight of credit risk, The Board Risk Committee, the Executive Committee and the Management Credit Committee. These committees have clearly defined mandates and delegated authorities, which are reviewed regularly.

The Group assesses the probability of default of counterparties using either internal rating models or external ratings as assessed by major rating agencies.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Group's credit policy aims at maintaining the high quality of the loan portfolio and ensuring proper risk diversification. The credit policy sets the basic criteria for acceptable risks and identifies risk areas that require special attention.

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. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group seeks to manage its credit risk exposure through the diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business.

The debt securities included in the investment portfolio are mainly sovereign and quasi sovereign risk. Analysis of investments by counterparty is provided in note 5e. For details of the composition of loans and advances, refer to note 6. Information on credit risk relating to commitments and contingencies is provided in note 18. Information on the Group's maximum credit exposure by operating segment is given in note 28.

The Group in the ordinary course of its lending activities will often seek to take collateral to provide an alternative source of repayment in the event that customers or counterparties are unable to meet their obligations. Assets taken as collateral include promissory notes, time and other cash deposits, financial guarantees, local and international equities subject to an appropriate margin to reflect price volatility, real estate and other physical assets. The Group holds real estate collateral against the transfer of title deed.

29. CREDIT RISK (continued)

Financial instruments such as loans and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done. The positive and negative fair value of derivatives are shown gross on the consolidated statement of financial position and no offsetting has been done (refer to notes 9 and 13). Collateral generally is not held in connection with balances due from banks and other financial institutions, except when securities are held as part of reverse repurchase agreement.

The carrying amount and fair value of securities pledged, margin deposits against derivatives and contingencies and commitments are disclosed in notes 9 and 12. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2013 and December 31, 2012. Customer agreements often include requirements for provision of additional collateral should valuations decline or credit exposure increase.

The Group uses an internal credit classification and review system to manage the credit risk within its wholesale loans portfolio. The classification system includes ten grades, of which seven grades relate to the performing portfolio as follows:

- Standard-low risk: represents risk ratings 1 to 3;
- Standard-medium risk: represents risk ratings 4 to 6; and
- Special mention: represents risk rating 7.

Three grades relate to the non-performing portfolio (substandard, doubtful and loss; risk ratings 8 to 10). Loans and advances under the standard category are performing, have sound fundamental characteristics and include those that exhibit neither actual nor potential weaknesses. Specific provisions for impairment are maintained in respect of the non performing portfolio based on each borrower's grade, which is determined by the Group's Credit Control Division using specific criteria such as activities, cash flows, capital structure, securities and delinquency. Portfolio provisions are created for losses, where there is objective evidence that unidentified losses are present at the reporting date. These are estimated based upon credit grading allocated to the borrower or group of borrowers as well as the current economic climate in which the borrowers operate together with the experience and the historical default patterns that are embedded in the components of the credit portfolio. The Group's Internal Audit Division independently reviews the overall system on a regular basis.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

29. CREDIT RISK (continued)

a) Credit quality of financial assets (Loans and advances and Due from banks and other financial institutions)

The table below shows the credit quality by class of asset.

	SR'000 Loans and advances					
2013	**Consumer**	**Commercial**	**Others**	**Subtotal**	**Due from banks and other financial institutions**	**Total**
Performing						
Neither past due nor impaired (performing)						
Standard – low risk	-	4,934,289	-	4,934,289	3,073,795	8,008,084
Standard – medium risk	-	10,905,630	-	10,905,630	-	10,905,630
Standard – unclassified	12,129,984	4,491,107	219,871	16,840,962	-	16,840,962
Sub total - standard	12,129,984	20,331,026	219,871	32,680,881	3,073,795	35,754,676
Special mention	-	2,261,796	-	2,261,796	-	2,261,796
Sub total	12,129,984	22,592,822	219,871	34,942,677	3,073,795	38,016,472
Past due but not impaired						
Less than 30 days	26,461	125,853	-	152,314	-	152,314
30-60 days	2,035	1,211	-	3,246	-	3,246
60-90 days	2,351	74,552	-	76,903	-	76,903
Over 90 days	23,221	28,453	-	51,674	-	51,674
Total performing	12,184,052	22,822,891	219,871	35,226,814	3,073,795	38,300,609
Less: portfolio provision	(126,628)	(355,532)	-	(482,160)	-	(482,160)
Net performing	**12,057,424**	**22,467,359**	**219,871**	**34,744,654**	**3,073,795**	**37,818,449**
Non-performing						
Total non-performing	220,486	208,886	-	429,372	-	429,372
Less: Specific provision	(90,333)	(88,934)	-	(179,267)	-	(179,267)
Net-non performing	**130,153**	**119,952**	**-**	**250,105**	**-**	**250,105**

29. CREDIT RISK (continued)

	SR'000 Loans and advances					
2012	Consumer	Commercial	Others	Sub total	Due from banks and other financial institutions	Total
Performing						
Neither past due nor impaired (performing)						
Standard – low risk	-	4,992,733	-	4,992,733	3,138,622	8,131,355
Standard – medium risk	-	10,412,948	-	10,412,948	-	10,412,948
Standard – unclassified	10,444,455	2,329,826	142,714	12,916,995	-	12,916,995
Sub total - standard	10,444,455	17,735,507	142,714	28,322,676	3,138,622	31,461,298
Special mention	-	1,376,263	-	1,376,263	-	1,376,263
Sub total	10,444,455	19,111,770	142,714	29,698,939	3,138,622	32,837,561
Past due but not impaired						
Less than 30 days	45,541	22,126	-	67,667	-	67,667
30-60 days	1,687	20,267	-	21,954	-	21,954
60-90 days	1,050	1,686	-	2,736	-	2,736
Over 90 days	5,360	437,677	-	443,037	-	443,037
Total performing	10,498,093	19,593,526	142,714	30,234,333	3,138,622	33,372,955
Less: portfolio provision	(178,211)	(289,462)	-	(467,673)	-	(467,673)
Net performing	10,319,882	19,304,064	142,714	29,766,660	3,138,622	32,905,282
Non-performing						
Total non-performing	107,205	933,014	-	1,040,219	-	1,040,219
Less: Specific provision	(49,778)	(860,319)	-	(910,097)	-	(910,097)
Net non-performing	57,427	72,695	-	130,122	-	130,122

Standard unclassified mainly comprise of loans given to individuals for personal needs, credit cards, small business, employee and share trading loans.

Others mainly comprise employee loans.

29. CREDIT RISK (continued)

Performing loans as at December 31, 2013 include renegotiated loans restructured due to deterioration in the borrower's financial position) of SR 698.4 million (2012: SR 1,378.5 million).

The special mention / watchlist category includes loans and advances that are performing, current and up to date in terms of principal and special commission payments. However, they require close management attention as they may have potential weaknesses that might, at some future date, result in the deterioration of the repayment prospects of either the principal or the special commission payments. The special mention / watchlist loans and advances do not expose the Bank to sufficient risk to warrant a lower classification.

b) Credit quality of investments

The credit quality of investments comprising solely of debt instruments held as at amortised cost (all debt instruments are under amortised cost category) is managed using reputable external rating agencies.

Unrated investments are debt instruments which have not been rated by any external credit rating agency.

The table below shows the credit quality by class of asset.

	2013 SR'000	2012 SR'000
Performing		
Government murabaha investments	**913,533**	1,745,808
High grade (AAA – BBB)	**11,179,371**	4,132,980
Standard grade (BA1 – B2)	**-**	-
Sub-standard grade (BA3 – C)	**-**	-
Unrated	**158,367**	1,888,889
Total performing and overall investments	**12,251,271**	7,767,677

As at December 31, 2013 and December 31, 2012, no provision was required for the impairment in the value of investments held as at amortised cost.

29. CREDIT RISK (continued)

c) An economic sector analysis of the Bank's loans and advances

The tables below show an economic sector analysis of the Bank's loans and advances, net of specific and portfolio provisions; after taking into account total collateral held for both performing and non-performing loans and advances. Collateral includes time and cash deposits, local and international equities, real estate, counter guarantees and assignment of receivables.

	Maximum exposure		
2013	**On-balance sheet position, net of provisions SR'000**	**Off-balance sheet credit – related commitments and contingencies, net of provisions SR'000**	**Total SR'000**
Government and quasi government	**507,819**	**83,282**	**591,101**
Banks and other financial institutions	**1,020,066**	**447,222**	**1,467,288**
Agriculture and fishing	**26,686**	**106,701**	**133,387**
Manufacturing	**5,907,042**	**828,826**	**6,735,868**
Mining and quarrying	**630,806**	**157,323**	**788,129**
Electricity, water, gas and health services	**1**	**29**	**30**
Building and construction	**705,370**	**1,757,879**	**2,463,249**
Commerce	**8,255,574**	**1,004,230**	**9,259,804**
Transportation and communication	**276,098**	**53,520**	**329,618**
Services	**412,139**	**112,383**	**524,522**
Consumer loans and credit cards	**12,187,577**	**-**	**12,187,577**
Share trading	**2,766,365**	**-**	**2,766,365**
Other	**2,299,216**	**852,497**	**3,151,713**
Maximum exposure	**34,994,759**	**5,403,892**	**40,398,651**
Less: collateral for performing and non-performing	**(14,018,313)**	**(2,460,415)**	**(16,478,728)**
Net maximum exposure	**20,976,446**	**2,943,477**	**23,919,923**

29. CREDIT RISK (continued)

c) An economic sector analysis of the Bank's loans and advances (continued)

2012	Maximum exposure On-balance sheet position, net of provisions SR'000	Off-balance sheet credit – related commitments and contingencies, net of provisions SR'000	Total SR'000
Banks and other financial institutions	674,663	233,299	907,962
Agriculture and fishing	57,584	80,441	138,025
Manufacturing	5,713,206	1,142,925	6,856,131
Mining and quarrying	653,640	656,250	1,309,890
Electricity, water, gas and health services	-	2,075	2,075
Building and construction	4,910,929	1,386,502	6,297,431
Commerce	3,214,532	899,153	4,113,685
Transportation and communication	297,264	69,182	366,446
Services	485,679	164,326	650,005
Consumer loans and credit cards	10,367,310	-	10,367,310
Share trading	1,879,952	-	1,879,952
Other	1,642,023	707,917	2,349,940
Maximum exposure	29,896,782	5,342,070	35,238,852
Less: collateral for performing and non-performing	(12,462,707)	(1,438,546)	(13,901,253)
Net maximum exposure	17,434,075	3,903,524	21,337,599

d) Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2013 SR'000	2012 SR'000
Assets		
Due from banks and other financial institutions (note 4)	**3,073,795**	3,138,622
Investments (note 5)	**12,597,125**	8,994,394
Loans and advances, net (note 6)	**34,994,759**	29,896,782
Other assets - margin deposits against derivatives and accrued special commission receivable (note 9)	**415,861**	259,504
Total assets	**51,081,540**	42,289,302
Contingencies and commitments, net (notes 18)	**2,943,477**	3,903,524
Derivatives - positive fair value, net (note 10)	**122,456**	151,257
Total maximum exposure	**54,147,473**	46,344,083

30. GEOGRAPHICAL CONCENTRATION

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

(SR'000)

2013 Assets	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Other Countries	Total
Cash and balances with SAMA	7,306,158	-	-	-	-	-	**7,306,158**
Due from banks and other financial institutions	2,556,258	70,878	46,519	397,460	1,296	1,384	**3,073,795**
Investments	11,000,490	630,188	114,456	63,710	38,281	750,000	**12,597,125**
Loans and advances, net	34,872,673	17,312	-	-	75,556	29,218	**34,994,759**
Total	**55,735,579**	**718,378**	**160,975**	**461,170**	**115,133**	**780,602**	**57,971,837**
Commitments and contingencies	**4,955,856**	**286,825**	**61,123**	**600**	**5,436**	**94,052**	**5,403,892**
Credit exposure (credit equivalent)							
Commitments and contingencies	**2,942,584**	**148,289**	**31,357**	**300**	**2,718**	**6,222**	**3,131,470**
Derivatives	**36,308**	**3,050**	**22,446**	**31,133**	**-**	**-**	**92,937**

30. GEOGRAPHICAL CONCENTRATION (continued)

(SR'000)(Restated)

2012 Assets	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	South East Asia	Other Countries	Total
Cash and balances with SAMA	7,082,421	-	-	-	-	-	7,082,421
Due from banks and other financial institutions	2,866,228	109,723	61,057	96,273	3,953	1,388	3,138,622
Investments	7,749,238	67,686	68,370	61,800	297,300	750,000	8,994,394
Loans and advances, net	29,599,770	33,990	-	-	75,556	187,466	29,896,782
Total	47,297,657	211,399	129,427	158,073	376,809	938,854	49,112,219
Commitments and contingencies	5,153,605	64,039	103,770	-	-	20,656	5,342,070
Credit exposure (credit equivalent)							
Commitments and contingencies	2,353,126	30,801	52,733	-	2,602	12,827	2,452,089
Derivatives	30,399	29,201	26,705	-	-	-	86,305

Credit equivalent of commitments and contingencies is calculated according to SAMA's prescribed methodology.

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

	Non performing loans, net		Impairment for credit losses	
	2013 SR' 000	2012 SR' 000	**2013 SR' 000**	2012 SR' 000
Kingdom of Saudi Arabia	**429,372**	1,040,219	**661,427**	1,377,770

31. MARKET RISK

Market risk is the risk that the Group's earnings or capital, or its ability to meet business targets, will be adversely affected by changes in the level or volatility in market prices, such as special commission rates, credit spreads (not relating to changes in the obligor's / issuer's credit standing), equity prices and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury division and include equity investments and mutual funds that are managed on a fair value basis.

The Board approves market risk appetite for trading and non-trading activities. The Market Risk Policy Committee is responsible for the Market Risk Framework and under the delegated authority of the Board sets a limits framework within the approved market risk appetite. A daily market risk report details the Group's market risk exposures against agreed limits. This daily report is reviewed by the Treasurer and Chief Risk Officer. The market risk for the trading book and non-trading book is managed and monitored using sensitivity analysis.

a) MARKET RISK TRADING BOOK

Market risk on trading mainly arises from the foreign currency exposures and changes in equity prices and the net asset value of mutual fund.

i) FOREIGN EXCHANGE RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored daily to ensure positions are maintained within established limits.

31. MARKET RISK (continued)

a) MARKET RISK TRADING BOOK (continued)

i) FOREIGN EXCHANGE RISK (continued)

At the end of the year, the Group has the following significant exposure in its trading book, denominated in foreign currencies as at December 31:

	2013 **SR'000**	2012 SR'000
USD	26,279	15,443
Euro	15,838	17,494
Pound Sterling	24,135	17,658
Japanese Yen	39,458	34,370

The table below indicates the extent to which the Group was exposed to currency risk at December 31, 2013 on its foreign currency positions. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	**2013**		2012	
	Increase in currency rate in %	**Effect on net income SR'000**	Increase in currency rate in %	Effect on net income SR'000
USD	±0.070	± 18	± 0.400	± 62
Euro	±7.360	± 1,166	± 8.260	± 1,445
Pound Sterling	±7.530	± 1,817	± 6.300	± 1,112
Japanese Yen	±12.290	± 4,849	± 7.470	± 2,567

31. MARKET RISK (continued)

a) MARKET RISK TRADING BOOK (continued)

ii) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of mutual funds decreases as a result of changes in the levels of equity index and the value of individual stocks deriving the net asset value of the funds.

The financial instruments included in the FVTIS portfolio are equity securities held by mutual funds owned by the Group. The Group manages the risk relating to the mutual funds by monitoring changes in net asset value of the mutual funds. The investments in equity securities and mutual funds held by the Group are managed by the Group in conjunction with professional investment advisors, and the equity price risk is monitored by the Group on a portfolio basis for each mutual fund. The effect on the consolidated statement of income as a result of a change in the fair value of equity instruments held for trading at December 31, 2013 and December 31, 2012 due to reasonably possible changes in the underlying respective fund's net asset value, with all other variables held constant, is as follows:

	2013		2012	
Portfolio	**Increase / decrease in equity price %**	**Effect on consolidated statement of income SR'000**	Increase / decrease in equity price %	Effect on consolidated statement of income SR'000
Al Thoraiya	± 16.970	± 8,706	± 14.170	± 6,239
Al Khair	± 22.670	± 6,614	± 14.160	± 3,447
Al Mashareq	± 56.720	± 21,713	± 27.080	± 8,916
Al Qawafel	± 25.500	± 26,396	± 5.98	± 1,447
Global Emerging Market	± 22.670	± 7,703	-	-
Others	± 25.500	± 14,535	-	-

The effect on the consolidated statement of income as a result of a change in the fair value of equity instruments held at FVTIS at December 31, 2013, previously FVIS at 31 December 2012 due to reasonably possible changes in the following market index, with all other variables held constant, is as follows:

	2013		2012	
Market index	**Increase / decrease in index %**	**Effect on consolidated statement of income SR'000**	Increase / decrease in index %	Effect on consolidated statement of income SR'000
Tadawul	25.5%	5,948	5%	503

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK

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

i) SPECIAL COMMISSION RATE RISK

Special commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments. The Group's Market Risk Policy Committee (MRPC) has established limits on the special commission rate gap. Positions are monitored on a daily basis and reported regularly to senior management and MRPC to ensure positions are maintained within the established limits. In case of stressed market conditions, the asset-liability gap may be reported to MRPC more frequently.

The following table depicts the sensitivity due to reasonably possible changes in special commission rates, with other variables held constant, on the Group's consolidated statement of income. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the special commission bearing non-trading financial assets and financial liabilities held as at December 31, 2013 including the effect of hedging instruments. All the non-trading book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	**2013**		2012	
	Increase / decrease in basis points	**Sensitivity of special commission income SR'000**	Increase / decrease in basis points	Sensitivity of special commission income SR'000
SR	+25	3,352	+25	(802)
SR	-25	(3,352)	-25	802
USD	+25	(697)	+25	(2,123)
USD	-25	697	-25	2,123
AED	+25	3	+25	5
AED	-25	(3)	-25	(5)

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) SPECIAL COMMISSION RATE RISK (continued)

Commission rate sensitivity of assets, liabilities and off-balance sheet items

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

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

	(SR'000)						
2013	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Assets							
Cash and balances with SAMA	4,045,000	-	-	-	3,261,158	7,306,158	-
Due from banks and other financial institutions	1,787,500	750,000	-	-	536,295	3,073,795	0.61%
Investments	3,501,533	1,868,104	881,823	5,999,811	345,854	12,597,125	2.10%
Loans and advances, net	10,831,342	14,304,443	9,398,724	254,482	205,768	34,994,759	4.05%
Investment in associate	-	-	-	-	121,489	121,489	-
Other real estate, net	-	-	-	-	672,485	672,485	-
Property and equipment, net	-	-	-	-	507,766	507,766	-
Other assets	-	-	-	-	702,831	702,831	-
Total assets	20,165,375	16,922,547	10,280,547	6,254,293	6,353,646	59,976,408	

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) SPECIAL COMMISSION RATE RISK (continued)

(SR'000)

2013	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Liabilities and equity							
Due to banks and other financial institutions	**4,331,513**	**-**	**-**	**-**	**27,225**	**4,358,738**	**0.66%**
Customers' deposits	**13,606,805**	**13,403,359**	**823,863**	**-**	**20,248,498**	**48,082,525**	**1.13%**
Other liabilities	**-**	**-**	**-**	**-**	**806,600**	**806,600**	**-**
Subordinated Sukuk	**-**	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**-**
Equity	**-**	**-**	**-**	**-**	**5,728,545**	**5,728,545**	**-**
Total liabilities and Equity	**17,938,318**	**14,403,359**	**823,863**	**-**	**26,810,868**	**59,976,408**	**-**
On-balance sheet gap	**2,227,057**	**2,519,188**	**9,456,684**	**6,254,293**	**(20,457,222)**	**-**	**-**
Commission rate sensitivity – off balance sheet	**1,698,750**	**936,563**	**(503,438)**	**(2,131,875)**	**-**	**-**	**-**
Total commission rate sensitivity gap	**3,925,807**	**3,455,751**	**8,953,246**	**4,122,418**	**(20,457,222)**	**-**	**-**
Cumulative commission rate sensitivity gap	**3,925,807**	**7,381,558**	**16,334,804**	**20,457,222**	**-**	**-**	**-**

2012	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Assets							
Cash and balances with SAMA	4,357,000	-	-	-	2,725,421	7,082,421	-
Due from banks and other financial institutions	2,937,000	-	-	-	201,622	3,138,622	0.60%
Investments	2,177,745	2,669,604	978,976	1,940,690	1,227,379	8,994,394	1.83%
Loans and advances, net	8,906,627	11,471,206	6,829,351	2,679,060	10,538	29,896,782	3.98%
Other real estate, net	-	-	-	-	660,446	660,446	-
Property and equipment, net	-	-	-	-	466,103	466,103	-
Other assets	-	-	-	-	542,634	542,634	-
Total assets	18,378,372	14,140,810	7,808,327	4,619,750	5,834,143	50,781,402	-

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

i) SPECIAL COMMISSION RATE RISK (continued)

(SR' 000) (Restated)

2012	Within 3 months	3-12 months	1-5 years	Over 5 years	Non commission bearing	Total	Effective commission rate
Liabilities and equity							
Due to banks and other financial institutions	3,253,375	-	-	-	32,669	3,286,044	1.11%
Customers' deposits	16,791,542	5,322,103	1,021,715	-	17,539,930	40,675,290	1.07%
Other liabilities	-	-	-	-	808,215	808,215	-
Subordinated Sukuk	-	1,000,000	-	-	-	1,000,000	-
Equity	-	-	-	-	5,011,853	5,011,853	-
Total liabilities and equity	20,044,917	6,322,103	1,021,715	-	23,392,667	50,781,402	
On-balance sheet gap	(1,666,545)	7,818,707	6,786,612	4,619,750	(17,558,524)	-	-
Commission rate sensitivity – off balance sheet	1,295,625	455,000	(718,125)	(1,032,500)	-	-	-
Total commission rate sensitivity gap	(370,920)	8,273,707	6,068,487	3,587,250	(17,558,524)	-	-
Cumulative commission rate sensitivity gap	(370,920)	7,902,787	13,971,274	17,558,524	-	-	-

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

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

ii) CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

At the end of the year, the Group has the following significant net exposures denominated in foreign currencies as at December 31:

	2013 **SR' 000** **Long / (Short)**	2012 SR'000 Long /(Short)
USD	**1,218,519**	(674,688)
AED	**14,406**	16,081

The table below indicates the currencies to which the Group has significant exposure as at December 31, 2013. The analysis is performed for a reasonable possible movement of the currency rate against the Saudi Arabian Riyal with all other variables held constant, including the effect of hedging instrument, on the consolidated statement of income. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions that might be taken by the Group to mitigate the effect of such changes.

Currency	**2013**		2012	
	Increase / decrease in currency rate in %	**Effect on net income SR'000**	Increase/ decrease in currency rate in %	Effect on net income SR'000
USD	± 0.05	609	± 0.05	± (337)
AED	± 0.05	7	± 0.05	± 8

31. MARKET RISK (continued)

b) MARKET RISK – NON TRADING OR BANKING BOOK (continued)

iii) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks.

The effect on shareholders' equity (other reserves) as a result of a change in the fair value of equity instruments as at FVTOCI at December 31, 2013 and December 31, 2012 due to reasonably possible changes in the following market indexes, with all other variables held constant, is as follows:

Market index	**2013**		2012	
	Increase / decrease in index %	**Effect on shareholders' equity (other reserve) SR'000**	Increase / decrease in index %	Effect on shareholders' equity (other reserve) SR'000
New York Stock Exchange	22.67%	1,324	± 14.16%	±556
Tadawul	-	-	± 5.98%	±15,134

All the non-trading securities listed on the Tadawul Stock Exchange were sold during December 31, 2013.

32. LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management has diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity gaps on a daily basis. The Group also has committed lines of credit that it can access to meet liquidity needs.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA at 7% of total demand deposits and 4% of savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of the deposit liabilities, in the form of cash or assets that can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities available with SAMA up to 75% of the value of Murabaha placements with SAMA.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. One of these methods is to maintain limits on the ratio of liquid assets to deposit liabilities, set to reflect market conditions. Liquid assets consist of cash, short term bank deposits, Murabaha placements with SAMA and liquid debt securities available for immediate sale. Deposit liabilities include both customers and Banks, excluding non-resident Bank deposits in foreign currency. The Bank also monitors the loan to deposit ratio. The liquidity ratio during the year was as follows:

32. LIQUIDITY RISK (continued)

	2013 %	2012 %
As at 31 December	**38**	40
Average during the period	**32**	32
Highest	**41**	40
Lowest	**25**	24

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2013 and December 31, 2012 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities as shown in note (b) below (Maturity analysis of assets and liabilities for the expected maturities). Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	(SR' 000)					
	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities						
As at 31 December 2013						
Due to banks and other financial institutions	**27,225**	**4,521,443**	**-**	**-**	**-**	**4,548,668**
Customers' deposits	**18,916,694**	**15,394,008**	**13,529,441**	**430,393**	**-**	**48,270,536**
Subordinated Sukuk	**-**	**6,588**	**13,176**	**1,052,702**	**-**	**1,072,466**
Derivatives	**-**	**1,265,364**	**869,428**	**3,075,251**	**4,229,974**	**9,440,017**
Total undiscounted financial liabilities 2013	**18,943,919**	**21,187,403**	**14,412,045**	**4,558,346**	**4,229,974**	**63,331,687**
Financial liabilities						
As at 31 December 2012						
Due to banks and other financial institutions	32,598	3,210,884	222,026	-	-	3,465,508
Customers' deposits	15,810,298	18,200,818	5,344,025	1,479,606	-	40,834,747
Subordinated Sukuk	-	6,687	13,375	53,499	1,046,812	1,120,373
Derivatives	-	508,152	1,610,661	969,340	5,739,552	8,827,705
Total undiscounted financial liabilities 2012	15,842,896	21,926,541	7,190,087	2,502,445	6,786,364	54,248,333

The contractual maturity structure of the Group's credit-related contingencies and commitments are shown under note 18.

32. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See note (a) above for the Group's contractual undiscounted financial liabilities. For presentation purposes demand deposits are included in "No fixed maturity" category.

(SR' 000)

2013	Within 3 months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Assets								
Cash and balances with SAMA	-	-	-	-	-	-	7,306,158	**7,306,158**
Due from banks and other financial institutions	-	1,787,499	1,787,499	750,000	-	750,000	536,296	**3,073,795**
Investments	30,677	646,912	677,589	2,990,502	8,583,180	11,573,682	345,854	**12,597,125**
Loans and advances, net	8,362,959	8,783,544	17,146,503	9,668,351	8,179,905	17,848,256	-	**34,994,759**
Investment in associate	-	-	-	-	-	-	121,489	**121,489**
Other real estate, net	-	-	-	-	-	-	672,485	**672,485**
Property and equipment, net	-	-	-	-	-	-	507,766	**507,766**
Other assets	138,139	239,360	377,499	-	-	-	325,332	**702,831**
Total assets	**8,531,775**	**11,457,315**	**19,989,090**	**13,408,853**	**16,763,085**	**30,171,938**	**9,815,380**	**59,976,408**
Liabilities and equity								
Due to banks and other financial institutions	-	4,331,513	4,331,513	-	-	-	27,225	**4,358,738**
Customers' deposits	4,204,527	13,831,180	18,035,707	9,396,836	-	9,396,836	20,649,982	**48,082,525**
Subordinated Sukuk	-	-	-	1,000,000	-	1,000,000	-	**1,000,000**
Other liabilities	65,475	47,829	113,304	55	-	55	693,241	**806,600**
Equity	-	-	-	-	-	-	5,728,545	**5,728,545**
Total liabilities and equity	**4,270,002**	**18,210,522**	**22,480,524**	**10,396,891**	-	**10,396,891**	**27,098,993**	**59,976,408**

32. LIQUIDITY RISK (continued)

b) Maturity analysis of assets and liabilities (continued)

(SR' 000) (Restated)

2012	Within 3 Months	3-12 months	Within 1 year	1-5 years	Over 5 years	More than 1 year	No fixed maturity	Total
Assets								
Cash and balances with SAMA	-	-	-	-	-	-	7,082,421	7,082,421
Due from banks and other financial institutions	-	3,138,622	3,138,622	-	-	-	-	3,138,622
Investments	45,143	907,436	952,579	3,629,348	3,185,750	6,815,098	1,226,717	8,994,394
Loans and advances, net	6,373,069	8,540,490	14,913,559	8,184,065	6,799,158	14,983,223	-	29,896,782
Other real estate, net	-	-	-	-	-	-	660,446	660,446
Property and equipment, net	-	-	-	-	-	-	466,103	466,103
Other assets	110,171	205,201	315,372	-	-	-	227,262	542,634
Total assets	6,528,383	12,791,749	19,320,132	11,813,413	9,984,908	21,798,321	9,662,949	50,781,402
Liabilities and equity								
Due to banks and other financial institutions	-	3,253,446	3,253,446	-	-	-	32,598	3,286,044
Customers' deposits	4,832,101	12,864,032	17,696,133	5,154,737	-	5,154,737	17,824,420	40,675,290
Subordinated Sukuk	-	-	-	1,000,000	-	1,000,000	-	1,000,000
Other liabilities	62,869	17,201	80,070	4,698	-	4,698	723,447	808,215
Equity	-	-	-	-	-	-	5,011,853	5,011,853
Total liabilities and equity	4,894,970	16,134,679	21,029,649	6,159,435	-	6,159,435	23,592,318	50,781,402

33. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair values of on balance sheet financial instruments, except for investments as at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements (refer note 5(d)). The fair values of loans and advances, commission bearing customer deposits, subordinated Sukuk, due to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the duration of due from and due to banks. The estimated fair values of other investments held at amortised cost are based on quoted market prices, when available or pricing models when used in the case of certain fixed rate bonds (respectively). The fair values of these investments are disclosed in note 5.

The fair values of derivatives and other off-balance sheet financial instruments are based on the quoted market prices when available or by using the appropriate valuation technique.

Determination of fair value and fair value hierarchy

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

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

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

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

	2013 (SR'000)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
FVTIS	**336,576**	**-**	**-**	**336,576**
FVTOCI	**5,840**	**-**	**3,438**	**9,278**
Derivatives	**-**	**122,456**	**-**	**122,456**
Total	**342,416**	**122,456**	**3,438**	**468,310**
Financial liabilities				
Derivatives	**-**	**117,193**	**-**	**117,193**
Total	**-**	**117,193**	**-**	**117,193**

33. FAIR VALUE MEASUREMENT(continued)

Determination of fair value and fair value hierarchy (continued)

	2012 (SR'000) (Restated)			
	Level 1	Level 2	Level 3	Total
Financial assets				
FVTIS	966,276	-	-	966,276
FVTOCI	257,003	-	3,438	260,441
Derivatives	-	151,257	-	151,257
Total	1,223,279	151,257	3,438	1,377,974
Financial liabilities				
Derivatives	-	199,992	-	199,992
Total	-	199,992	-	199,992

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the Bank's proprietary valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

During the year there were no transfers between levels (2012: same). New investments acquired during the year are classified under the relevant levels.

34. RELATED PARTY TRANSACTIONS

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

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

	2013 SR' 000	2012 SR' 000
National Bank of Pakistan (shareholder)		
Due from banks and other financial institutions	**514**	622
Due to banks and other financial institutions	**344**	1,511
Other receivables	**-**	726
Commitments and contingencies	**1,745**	1,247
Directors, key management personnel, other major shareholders and their affiliates		
Loans and advances	**893,652**	1,326,993
Customers' deposits	**3,678,321**	4,337,448
Other receivables	**13,118**	6,982
Commitments and contingencies	**8,888**	6,403

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

34. RELATED PARTY TRANSACTIONS

Income, expenses and other transactions with related parties included in the consolidated financial statements are as follows:

	2013 **SR' 000**	2012 SR'000
Special commission income	**38,009**	37,497
Special commission expense	**43,606**	42,878
Fees and commission income	**119**	158
Directors' remuneration	**4,715**	4,263

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

	2013 **SR' 000**	2012 SR'000
Short-term employee benefits	**83,344**	67,005
Termination benefits	**16,116**	13,391

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

35. COMPENSATION

Categories of employees	**Number of employees**	**2013** **Fixed compensation (on accrual basis)** **SR' 000**	**Variable compensation (on cash basis)** **SR' 000**	**Total** **SR' 000**
Senior executives that require SAMA no objection	18	31,013	14,848	**45,861**
Employees involved in control function	125	42,980	5,757	**48,737**
Employees involved in risk taking activities	164	55,004	13,234	**68,238**
Other employees	1,669	340,180	49,929	**390,109**
Outsourced employees	1,057	47,727	1,765	**49,492**
Total	**3,033**	**516,904**	**85,533**	**602,437**
Variable compensation (accrual basis) other employee related benefits		**87,252**		
Other employee related benefits		**25,826**		
Total salaries and employee-related expenses		**629,982**		

Categories of employees	Number of employees	2012 (Restated) Fixed compensation (on accrual basis) SR' 000	Variable compensation (on cash basis) SR' 000	Total SR' 000
Senior executives that require SAMA no objection	18	28,180	7,986	36,166
Employees involved in control function	107	37,722	4,853	42,575
Employees involved in risk taking activities	154	54,299	8,439	62,738
Other employees	1,664	311,965	36,321	348,286
Outsourced employees	835	44,821	1,701	46,522
Total	2,778	476,987	59,300	536,287
Variable compensation accrued in 2012 and other employee related benefits		80,150		
Other employee related benefits		17,694		
Total salaries and employee-related expenses		574,831		

The compensation and benefits program philosophy

Compensation and benefits levels and amounts are determined by conducting periodic salary benchmark surveys and through other means of market pay intelligence, in order to enable the Group to keep abreast of the local and regional market conditions relating to the Group's staff employed in the Kingdom of Saudi Arabia.

The distribution of compensation is composed of a mix of fixed and variable pay, allowances, periodic meritorious reward schemes and non-cash benefits in line with the standards and norms for the financial services industry in the Kingdom of Saudi Arabia.

35. COMPENSATION (continued)

The compensation and benefits program philosophy (continued)

The compensation and benefits program is applicable to all regular (Headcount) Saudi national and expatriate employees of the Bank, and its subsidiaries within all applicable regulatory and corporate governance limitations.

- **Fixed compensation** includes salaries and wages, and job/position specific allowances and related benefits, which are fixed in employment contracts and are given irrespective of performance;
- **Variable compensation** includes performance bonuses, incentives and other variable performance related allowances which are not fixed by the employment contracts, and which vary from year to year, and have a direct correlation with individual, group and institutional performance success.

36. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored on a periodic basis by the Group’s management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum of 8%.

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

36. CAPITAL ADEQUACY (continued)

SAMA has issued its final guidelines regarding the implementation of the Basel III Framework effective January 1, 2013. Accordingly, the Group's consolidated risk weighted assets (RWA), total eligible capital and related ratios on a consolidated group basis are calculated under Basel III framework. The following table summarizes the Group's Pillar-I Risk Weighted Assets (RWA), Regulatory Capital and Capital Adequacy Ratios calculated in accordance with the new Basel III Framework. The comparative balances and ratios as at December 31, 2012 are calculated under Basel II and have not been restated.

The following table summarises the Group's Pillar I RWA, Tier 1 and Tier 2 capital and capital adequacy ratios:

	2013		2012	
	Eligible capital SR '000	**Capital adequacy ratio %**	Eligible capital SR '000	Capital adequacy ratio %
Core capital (Tier 1)	**5,731,583**	**12.23%**	5,011,853	12.12%
Supplementary capital (Tier 2)	**1,304,155**		1,467,673	
Core and supplementary capital (Tier 1 + Tier 2)	**7,035,738**	**15.01%**	6,479,526	15.67%

Tier 1 capital of the Group at the year-end comprises of share capital, statutory reserve, general reserves, other reserves, retained earnings and certain regulatory capital adjustments in accordance with the requirement of SAMA Basel III Framework. The other component of regulatory capital is Tier 2 capital, which comprises subordinated Sukuk issued by the Group and eligible portfolio provisions.

For the purpose of calculating risk weighted assets, the Group uses the standardized approach for credit risk and market risk and the basic indicator approach for operational risk. The Group's risk management division is responsible for ensuring that the Group's capital adequacy ratios meet the minimum requirement specified by SAMA. The Group is required to submit Capital Adequacy Prudential Returns on a quarterly basis to SAMA showing the capital adequacy position.

The amounts and ratios disclosed above as at December 31, 2013 have been calculated based on Basel III, whereas, comparative information has been calculated based on Basel II.

	2013 SR '000	2012 SR '000
Credit risk	**42,099,176**	37,157,226
Operational risk	**2,842,575**	2,412,388
Market risk	**1,921,225**	1,779,882
Total pillar-1 – risk weighted assets	**46,862,976**	41,349,496

37. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank's subsidiary AlJazira Capital Company (AJC) offers investment management and advisory services to its customers, compliant with the principles of Shari'ah (non-interest based). These services include portfolio management on a discretionary and non-discretionary basis and management of investment funds in conjunction with professional investment advisors. Eleven such funds for which AJC acts as the manager are Al-Khair Global Equities Fund, Al-Thoraiya European Equities Fund, Al-Mashareq Japanese Equities Fund, Al-Taiyebat Saudi Equities Fund, Al-Qawafel Commodities Fund, AlJazira Residential Projects Fund, AlJazira GCC Income Fund, AlJazira Diversified Aggressive Fund, AlJazira Diversified Balanced Fund, AlJazira Diversified Conservative Fund and Al Jazira Global Emerging Markets Fund. All are open-ended mutual funds for Saudi and foreign nationals except for Al Jazira Residential Projects Fund which is a closed-ended fund. Al-Khair Global Equities Fund, Al-Thoraiya European Equities Fund and Al-Mashareq Japanese Equities Fund invest in foreign equities, while Al-Taiyebat Saudi Equities Fund invests in local equities. Al-Qawafel Commodities Fund trades in commodities through Murabaha.

The objective of AlJazira Global Emerging Markets Fund is to provide long term capital growth and provide income by investing in a diversified portfolio in emerging markets. The objective of AlJazira GCC Income Fund is to achieve long term capital growth and generate dividend income through investment in Shari'ah compliant GCC equities. The mandates of AlJazira Diversified Aggressive, Balanced and Conservative Funds are to invest mainly in AlJazira Capital mutual funds.

The Group also provides investment management and other services to the policyholders of its Takaful Ta'wuni program.

Total assets under administration held by the Group under the brokerage services amounted to SR 32.7 billion (2012: SR 24.3 billion).

Total assets held in a fiduciary capacity by the Group under the asset management services amounted to SR 1.9 billion (2012: SR 1.1 billion).

38. TAKAFUL TA'WUNI DIVISION

Takaful Ta'wuni provides protection and saving products services that are fully Shari'ah compliant.

As required by the Insurance Law of Saudi Arabia, the Group decided to spin off its insurance business in a separate entity formed under the new Insurance Law of Saudi Arabia.

AlJazira Takaful Ta'wuni Company (ATT) was formed and listed on the Saudi Stock Exchange (Tadawul). ATT also received its insurance license from SAMA in December 2013 and started writing business from January 2014. The Group collectively holds a 35% share in ATT as at December 31, 2013. The current division represents the insurance portfolio which will be transferred to ATT at an agreed value and date duly approved by SAMA.

39. PROSPECTIVE CHANGES IN ACCOUNTING STANDARDS

Standards issued but not yet effective up to the date of issuance of the Group consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group is currently assessing the implications of the below mentioned standards and amendments on the Group's consolidated financial statements and the related timing of adoption.

Effective From periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1 January 2014	IAS 32 – Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32)	IAS 32 amendment clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
1 January 2014	IAS 39 – Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39)	The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.
1 January 2014	IFRS 10 - Consolidated Financial Statements (Investment Entities (Amendments))	This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
1 January 2014	IAS 36 – Impairment of Assets	IAS 36 amendment applicable from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets limiting disclosures requirements if that amount is based on fair value less costs of disposal.

39. PROSPECTIVE CHANGES IN ACCOUNTING STANDARDS (continued)

Effective From periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
The effective date has been deferred until the issue date of the completed version of IFRS 9 is known.	IFRS 9 – Financial Instruments	IFRS 9 for financial assets was first published in November 2009 and was updated in October 2010 to include financial liabilities. These pronouncements initially required the adoption of the standard for annual periods on or after 1 January 2013. Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 from 1 January 2013 to 1 January 2015. At its July 2013 meeting, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. IFRS 9 is being developed in phases. The first phase addressed the classification and measurement of financial instruments (Phase 1). The Board's work on the other phases is ongoing, and includes impairment of financial instruments and hedge accounting, with a view to replacing IAS 39 in its entirety. On 19 November 2013 the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (IFRS 9 (2013)), which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations.

40. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were authorized for issue by the Board of Directors on - 13 February 2014.

41. BASEL III PILLAR 3 DISCLOSURES

Under Basel III Pillar 3, certain quantitative and qualitative disclosures are required, and these disclosures, which are not required to be audited, will be made available on the Bank's website www.baj.com.sa and in its annual report, as required by SAMA.