

SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAMBA FINANCIAL GROUP
(a Saudi Joint Stock Company)**

We have audited the accompanying consolidated financial statements of Samba Financial Group (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the statement of consolidated financial position as at December 31, 2015, the statements of consolidated income, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 38. We have not audited note 33(b), nor the information related to "Other Pillar 3 disclosures of Basel Framework" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAMBA FINANCIAL GROUP (continued)

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

Opinion

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

- present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by SAMA and with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

PricewaterhouseCoopers
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia



Khalid A. Mahdhar
Certified Public Accountant
Registration No. 368

16 February 2016
(7 Jumad Awal 1437H)



STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2015 and 2014

	Notes	2015 SAR'000	2014 SAR'000
ASSETS			
Cash and balances with Central Banks	3	15,299,930	14,679,399
Due from banks and other financial institutions	4	14,396,550	7,405,595
Investments, net	5	69,705,054	64,515,698
Loans and advances, net	6, 32	129,818,882	124,079,447
Property and equipment, net	7	2,267,212	2,066,685
Other assets	8	3,755,051	4,652,003
Total Assets		235,242,679	217,398,827
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	19,191,178	9,385,098
Customer deposits	11, 32	171,395,618	163,794,838
Other liabilities	12	4,298,026	5,306,894
Total Liabilities		194,882,822	178,486,830
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	13	20,000,000	12,000,000
Statutory reserve	14	13,303,555	12,000,000
General reserve	14	130,000	130,000
Other reserves		205,507	1,598,463
Retained earnings		6,523,875	12,926,090
Proposed dividend	24	1,134,000	1,197,000
Treasury stocks		(1,046,336)	(1,067,451)
Total equity attributable to equity holders of the Bank		40,250,601	38,784,102
Non-controlling interest		109,256	127,895
Total Equity		40,359,857	38,911,997
Total Liabilities and Equity		235,242,679	217,398,827

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



Abdul Haleem Sheikh
Chief Financial Officer



Zaki Al-Mousa
Director



Sajjad Razvi
General Manager

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

	Notes	2015 SAR'000	2014 SAR'000
Special commission income	17	5,163,685	5,041,081
Special commission expense	17	500,847	447,723
Special commission income, net		4,662,838	4,593,358
 Fees and commission income, net	18	1,683,071	1,775,023
Exchange income, net		509,773	499,348
Income from investments held at FVIS, net		50,458	210,300
Trading income (loss), net	19	55,803	(9,212)
Gains on non-trading investments, net	20	426,381	181,219
Other operating income, net	21	366,254	134,801
Total operating income		7,754,578	7,384,837
 Salaries and employee related expenses	22	1,383,055	1,258,316
Rent and premises related expenses		308,311	288,290
Depreciation	7	126,111	133,685
Other general and administrative expenses		602,725	552,757
Provision for credit losses, net of recoveries	6	142,158	141,333
Total operating expenses		2,540,358	2,374,381
Net income for the years		5,214,220	5,010,456
Attributable to:			
Equity holders of the Bank		5,212,336	5,005,078
Non-controlling interest		1,884	5,378
		5,214,220	5,010,456
 Basic and diluted earnings per share for the year (SAR)	23	2.61	2.60

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


Abdul Haleem Sheikh
 Chief Financial Officer


Zaki Al Mousa
 Director


Sajjad Razvi
 General Manager

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

	2015 SAR'000	2014 SAR'000
Net income for the years	5,214,220	5,010,456
Other comprehensive income for the year – items that may be reclassified subsequently to the statements of consolidated income:		
Exchange differences on translation of foreign operations	(28,700)	7,907
Available for sale financial assets:		
- Change in fair values	(1,001,181)	989,909
- Transfers to statements of consolidated income	(426,381)	(156,660)
Cash flow hedges:		
- Change in fair values	118,073	286,768
- Transfers to statements of consolidated income	(75,290)	(135,886)
Total comprehensive income for the years	3,800,741	6,002,494
Attributable to:		
Equity holders of the Bank	3,819,380	6,002,277
Non-controlling interest	(18,639)	217
	3,800,741	6,002,494

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

Samba Financial Group

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

For the years ended December 31, 2015 and 2014

Attributable to equity holders of the Bank												
Notes	Share capital SAR'000	Statutory reserve SAR'000	General reserve SAR'000	Other reserves		Cash flow hedges SAR'000	Retained earnings SAR'000	Proposed dividend SAR'000	Treasury stocks SAR'000	Total SAR'000	Non-controlling interest SAR'000	Total equity SAR'000
				Exchange translation reserve SAR'000	AFS financial assets SAR'000							
2015												
Balance at the beginning of the year	12,000,000	12,000,000	130,000	(152,004)	1,785,193	(34,726)	12,926,090	1,197,000	(1,067,451)	38,784,102	127,895	38,911,997
Bonus shares issued	13	8,000,000	-	-	-	-	(8,000,000)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	23,004	-	21,115	44,119	-	44,119
Dividend paid for 2015 (interim) and 2014 (final)	24	-	-	-	-	-	(1,200,000)	(1,197,000)	-	(2,397,000)	-	(2,397,000)
Proposed final dividend 2015	24	-	-	-	-	-	(1,134,000)	1,134,000	-	-	-	-
Net Income for the year		-	-	-	-	-	5,212,336	-	-	5,212,336	1,884	5,214,220
Other comprehensive income for the year		-	-	(16,370)	(1,419,369)	42,783	-	-	-	(1,392,956)	(20,523)	(1,413,479)
Transfer to statutory reserve	14	-	1,303,555	-	-	-	(1,303,555)	-	-	-	-	-
Balance at the end of the year	20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	1,134,000	(1,046,336)	40,250,601	109,256	40,359,857
2014												
Balance at the beginning of the year	9,000,000	9,000,000	130,000	(168,992)	955,864	(185,608)	16,141,498	1,016,000	(1,085,864)	34,802,898	127,678	34,930,576
Bonus shares issued	13	3,000,000	-	-	-	-	(3,000,000)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	21,514	-	18,413	39,927	-	39,927
Dividend paid for 2014 (interim) and 2013 (final)	24	-	-	-	-	-	(1,045,000)	(1,016,000)	-	(2,061,000)	-	(2,061,000)
Proposed final dividend 2014	24	-	-	-	-	-	(1,197,000)	1,197,000	-	-	-	-
Net Income for the year		-	-	-	-	-	5,005,078	-	-	5,005,078	5,378	5,010,456
Other comprehensive income for the year		-	-	16,988	829,329	150,882	-	-	-	997,199	(5,161)	992,038
Transfer to statutory reserve	14	-	3,000,000	-	-	-	(3,000,000)	-	-	-	-	-
Balance at the end of the year	12,000,000	12,000,000	130,000	(152,004)	1,785,193	(34,726)	12,926,090	1,197,000	(1,067,451)	38,784,102	127,895	38,911,997

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

PUBLIC

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

	Notes	2015 SAR'000	2014 SAR'000
<u>OPERATING ACTIVITIES</u>			
Net income for the years		5,214,220	5,010,456
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		54,031	65,242
Income from investments held at FVIS, net		(50,458)	(210,300)
Gain on non-trading investments, net	20	(426,381)	(181,219)
Depreciation	7	126,111	133,685
(Gain) loss on disposal of property and equipment, net	21	(2,886)	428
Provision for credit losses, net of recoveries		142,156	141,333
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		(181,279)	(839,840)
Due from banks and other financial institutions maturing after ninety days		(545,397)	602,455
Investments held for trading		267,936	(136,460)
Loans and advances		(5,881,591)	(10,765,411)
Other assets		896,952	(476,231)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		9,806,080	1,911,853
Customer deposits		7,600,780	5,458,122
Other liabilities		(1,019,260)	1,126,241
Net cash from operating activities		16,001,014	1,840,552
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		52,602,178	52,331,876
Purchase of non-trading investments		(59,056,031)	(55,214,761)
Purchase of property and equipment, net of exchange adjustments		(328,966)	(387,122)
Proceeds from sale of property and equipment		5,214	10,133
Net cash used in investing activities		(6,777,605)	(3,259,874)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(2,382,718)	(2,013,732)
Treasury stocks, net		44,119	39,927
Net cash used in financing activities		(2,338,599)	(1,973,805)
Increase / (decrease) in cash and cash equivalents		6,884,810	(3,393,127)
Cash and cash equivalents at the beginning of the year	25	10,266,201	13,659,328
Cash and cash equivalents at the end of the year	25	17,151,011	10,266,201
Special commission received during the year		5,252,068	5,033,720
Special commission paid during the year		417,526	344,187
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		(1,384,779)	984,131

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


Abdul Haleem Sheikh
 Chief Financial Officer


Zaki Al-Mousa
 Director


Sajjad Razvi
 General Manager

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

1. General

Samba Financial Group (the Bank), a joint stock company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980) through its 72 branches (2014: 72 branches) in the Kingdom of Saudi Arabia and three overseas branches (2014: three branches). The Bank including its overseas branches employed 3,723 full time direct staff at the year-end (2014: 3,404). The Bank is listed on the Saudi Arabian stock exchange and its head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides Shariah approved Islamic banking products to its customers.

The consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group":

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the securities business regulations issued by the Capital Market Authority (CMA), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company formed as a limited liability company under commercial registration number 1010237159 issued in Riyadh dated 6 Shaa'ban 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advising and custody businesses. The company is licensed by the CMA and has commenced its business effective January 19, 2008.

Samba Bank Limited, Pakistan (SBL)

A majority owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and is listed on Pakistan Stock Exchange. On March 31, 2014, the ownership of the Bank was increased to 84.51% from 80.68% through participation in a right shares issue by SBL.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments, through an entity controlled by COCL.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757 issued in Riyadh dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed as a limited liability company with the approval of Saudi Arabian Monetary Agency (SAMA) and is engaged in managing real estate projects on behalf of Samba Real Estate Fund - a fund under management by Samba Capital, and the Bank.

2. Summary of significant accounting policies

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

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Accounting Standards for Financial Institutions promulgated by SAMA and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group prepares its consolidated financial statements to comply with the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and its Articles of Association.

2.2 Basis of preparation and presentation

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, available for sale and FVIS financial assets and liabilities. In addition, as explained fully in the related notes, financial assets and liabilities that are hedged under a fair value hedging relationship are adjusted to record changes in fair value attributable to the risks that are being hedged.

Under article 37 of the Bank's Articles of Association, the Gregorian calendar is observed for reporting the consolidated financial statements.

These consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

2.3 Consolidation

These consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies except for Co-Invest Offshore Capital Limited (COCL) whose financial statements are made up to the previous quarter end for consolidation purposes to meet the group reporting timetable. However any material changes during the interim period are adjusted for the purposes of consolidation. In addition, wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's financial statements.

Significant intragroup balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. 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-off during the year are included in the statements of consolidated income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank in subsidiaries and are presented in the statements of consolidated income and within equity in the statements of consolidated financial position separately from the equity holders of the Bank.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of acquisition is measured at the fair value of the consideration given at the date of exchange. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Bank's share of identifiable net assets acquired is recorded as intangible asset – goodwill.

2.4 Fair value measurement

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

The 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 best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the 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.

2.5 Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such estimates, assumptions and judgements 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:

(a) Impairment for credit losses on loans and advances

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

(b) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques including models are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Impairment of available for sale equity investments

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

2.6 Settlement date accounting

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

2.7 Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value and their fair values are included in other assets, if positive, or in other liabilities, if negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

Derivative financial instruments are designated as held for trading unless they are part of an effective hedging relationship. Any changes in the fair values of derivatives that are held for trading purposes are taken directly to the statements of consolidated income.

Hedge accounting

Hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability.

In order to qualify for hedge accounting, the hedge is required to be highly effective at inception i.e. the changes in the fair value or the cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At the inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of the risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis. Hedge accounting is discontinued when the designation is revoked, the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting.

In relation to fair value hedges that meet the criteria for hedge accounting, any gain or loss from re-measuring the hedging instruments to change in fair value is recognized immediately in the statements of consolidated income. The corresponding change in fair value of the hedged item is adjusted against the carrying amount and is recognized in the statements of consolidated income. Where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment to the carrying value resulting from fair value changes is amortized to the statements of consolidated income over the remaining life of the hedged item.

In relation to cash flow hedges that meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under equity and the ineffective portion, if any, is recognized in the statements of consolidated income. Gains or losses recognized initially in other reserves are transferred to the statements of consolidated income in the period in which the hedged item impacts the statements of consolidated income.

2.8 Foreign currencies

The consolidated financial statements are denominated and presented in Saudi Arabian Riyals, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year (other than monetary items that form part of the net investments in a foreign operation) are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date.

Realized and unrealized gains or losses on exchange are credited or charged to the statements of consolidated income.

The monetary assets and liabilities of overseas branches and subsidiaries are translated at the rate of exchange prevailing at the reporting date. The statements of income of overseas branches and subsidiaries are translated at the average exchange rates for the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity through the statement of consolidated comprehensive income.

2.9 Offsetting

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

2.10 Revenue recognition

Special commission income and expense including the fees which are considered an integral part of the effective yield of a financial instrument, are recognized in the statements of consolidated income using the effective yield method, and include premiums amortized and discounts accreted during the year. Special commission income on loans and advances which is received but not earned is netted off against the related assets.

Fee from banking services are recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the loan when it is drawn down. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized rateably over the period when the service is being provided. Dividend income is recognized when declared and right to receive is established. Any fee income received but not earned is classified as "other liability".

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

Exchange income is recognized as and when it arises. For presentation purposes, "Exchange income, net" includes exchange related gains and losses from derivative financial instruments and translated foreign currency assets and liabilities.

2.11 Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statements of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, available for sale and other investments at amortized cost. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customer deposits, as appropriate. The difference between the sale and the repurchase price is treated as special commission expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statements of consolidated financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

2.12 Investments

All investment securities are initially recognized at fair value and except for investments held at FVIS, include the acquisition costs associated with the investment. Transaction costs if any are not added to fair value measurement at initial recognition of investments held at FVIS. Premiums are amortized and discounts are accreted using the effective yield method and are taken to statements of consolidated income.

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

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

Following initial recognition of investment securities, subsequent transfers between the various classes of investment are not ordinarily permissible. Subsequent measurement for each class of investments are determined as follows:

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

Investments in this category are classified as either held for trading or those designated as FVIS upon initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term. An instrument which is part of a portfolio classified as held for trading, may include items held for a longer period of time due to market conditions or position management. An investment may be designated as FVIS by the management if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases; or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

After initial recognition, investments are measured at fair value and gains and losses arising from any change in the fair value are recognized in the statements of consolidated income for the period in which it arises.

b) Available for sale

Investments that are classified as available for sale are subsequently measured at fair value. For available for sale investments where fair value has not been hedged, any gain or loss arising from a change in the fair value is recognized directly through the statements of consolidated comprehensive income in fair value reserve under equity until the investment is derecognized or considered impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statements of consolidated income for the period.

Any gain or loss arising from a change in the fair value of available for sale investments that are part of an effective hedging relationship is recognized directly in the statements of consolidated income to the extent of the changes in fair value being hedged.

c) Other investments held at amortized cost

Investments with fixed or determinable payments that are not quoted in an active market, other than those purchased with the intent to be sold immediately or in the short term and are not classified as available for sale, are classified as other investments held at amortized cost. Such investments where fair value has not been hedged are stated at amortized cost, less provision for any impairment. Any gain or loss is recognized in the statements of consolidated income when the investment is derecognized or impaired.

d) Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity other than those that the Group designates as FVIS, available for sale and those that meet the definition of other investments held at amortized cost are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition on an effective yield method.

Any gain or loss on such investments is recognized in the statements of consolidated income when the investment is derecognized or impaired.

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

2.13 Loans and advances

Loans and advances are non-derivative financial assets having fixed or determinable payments that are not quoted in an active market.

All loans and advances are initially measured at fair value including acquisition charges associated with the loans and advances, if any. Following initial recognition, subsequent transfers between the various classes of loans and advances is not ordinarily permissible.

Loans and advances that are not quoted in an active market and for which fair value has not been hedged are stated at amortized cost. For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

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

2.14 Impairment of financial assets

An assessment is made at each period end date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. Objective evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of consolidated income.

Renegotiation activity is designed to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activity may involve extending the payment arrangements and/or the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

(a) Impairment of financial assets held at amortized cost

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

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

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

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

(b) Impairment of financial assets held as available for sale

For financial assets held as available for sale at fair value, where a loss has been recognised directly under equity, the cumulative net loss recognised in equity is transferred to the statements of consolidated income when the asset is considered to be impaired.

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

2.15 Other real estate owned

The Group, in the ordinary course of business, acquires certain real estate against settlement of loans and advances. Such real estate are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related real estate, less any cost to sell.

Subsequent to the initial recognition, these other real estate owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gains or losses on disposal and unrealized losses on revaluation are credited or charged to the statements of consolidated income.

2.16 Property and equipment

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

Buildings	33 years
Leasehold premises	Period of lease
Leasehold improvements	Over the lease period or economic life (10 years), whichever is shorter
Furniture, equipment and vehicles	Up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals of property and equipment are included in the statements of consolidated income.

2.17 Intangible assets - goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Bank's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses, which are charged to the statements of consolidated income. An impairment test for goodwill is carried out annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.18 Financial liabilities

All financial liabilities including customer and money market deposits and debt securities issued are initially recognized at fair value less transaction costs except for financial liabilities measured at FVIS where transactions cost, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statements of consolidated income.

Subsequently, all special commission bearing financial liabilities other than those held at FVIS are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement. Special commission bearing deposits for which there is an associated fair value hedging relationship are adjusted for fair value to the extent hedged.

Financial liabilities held at FVIS comprise market linked financial liabilities which are customer deposits where the rate of return is benchmarked to the performance of underlying instruments such as currencies, equities or commodities. At maturity, the repayment of principal amount to the customers is in accordance with the contractual terms. After initial recognition these deposits are measured at fair value and any gains or losses arising from the change in fair value are included in the statements of consolidated income for the year.

2.19 Financial guarantees

In the ordinary course of business, the Group extends credit related commitments consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value in other liabilities, being the value of the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of guarantees. The premium received is recognized in the statements of consolidated income over the life of the guarantee.

2.20 Provisions

Provisions are recognized when a reliable estimate can be made 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.

2.21 Cash and cash equivalents

For the purpose of the statements of consolidated cash flows, cash and cash equivalents comprise cash, balances with Central Banks and reverse repos (excluding statutory deposit) and due from banks and other financial institutions having an original maturity of three months or less.

2.22 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized 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 derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.23 Share-based payments

The Bank offers its eligible employees the following types of equity-settled share-based payment plans (the "Plans") as approved by SAMA. The following is a brief description of these plans:

(a) Option Based Long Term Bonus Plan

Under the terms of the Option Based Long Term Bonus Plan (LTBP), eligible employees of the Bank are offered stock options at a predetermined strike price for a fixed period of time. At maturity of the plans, the Bank delivers the underlying allotted shares if the employees exercise the options as per the terms and conditions of the plans.

(b) Equity Based Long Term Bonus Plan

Under the terms of the Equity Based Long Term Bonus Plan, eligible employees of the Bank are offered shares at a predetermined benchmark price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Bank delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions.

The cost of these plans is measured by reference to the fair value at the date on which the options or the shares are granted. The fair value of the options under the option based long term bonus plan is determined by the use of the Black-Scholes pricing model. The fair value of the equity based long term bonus plan is determined with reference to the market value of the shares at the inception of the plan using the discounted cash flow model.

The cost of the plans is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the stock option or the shares ('the vesting date'). The cumulative expense recognized for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statements of consolidated income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

The Bank uses the Black-Scholes model in order to risk-manage its options exposure under the option based long term bonus plan. The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party to acquire a beneficial interest in the underlying shares solely to manage the price risks associated with the above plans. Under the provisions of such agreement, the Bank, at no point, becomes the legal owner of the underlying shares.

2.24 Staff indemnity provision

The staff indemnity provision is made based on an actuarial valuation of the Bank's liability under the Saudi Arabian Labour and Workmen Law and in accordance with the local statutory requirements of the foreign branches and subsidiaries.

2.25 Treasury stock

Treasury stocks are recorded at cost and presented as a deduction from the equity as adjusted for any transaction costs, dividends and gains or losses on sale of such stocks. Subsequent to their acquisition, these stocks are carried at the amount equal to the consideration paid.

These stocks are acquired by the Bank with the approval of SAMA, primarily for discharging its obligation under its share-based payment plans and also include stocks acquired in settlement of customer debt.

2.26 Zakat and income taxes

Under Saudi Arabian Zakat and Income tax laws, Zakat and income taxes 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 taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are not charged to the Bank's statements of consolidated income. They are paid on behalf of and are deducted from the dividends paid to the shareholders. Overseas branches and subsidiaries are subject to income tax as per rules and regulations of the country in which they reside.

2.27 Investment management services

The Bank offers certain investment management and advisory services to its customers through its subsidiary. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds in consultation with professional investment advisors. The Bank's investment in these funds is included in the FVIS or available for sale investments and fees earned are disclosed under related party transactions.

Determining whether the Bank controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Bank in the fund and the investors' right to remove the fund manager. Based on the assessment carried out by the Bank, it has concluded that it acts as an agent for the investors in all the cases and therefore it has not consolidated these funds in these financial statements.

In addition, the assets held in a trust or fiduciary capacity are not treated as assets of the Bank or that of its subsidiary and accordingly are not included in the Bank's statements of consolidated financial position.

2.28 Shariah approved banking products

In addition to conventional banking, the Bank offers its customers certain Shariah compliant banking products, which are approved by its Shariah Board.

All Shariah compliant banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

2.29 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The following authoritative pronouncements which introduce certain improvements to existing standards and a new interpretation which did not have any impact on the accounting policies, the financial position or the performance of the Group:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans.
- Annual improvements 2010-2012 cycle
 - IFRS 2 Share-based Payment - This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.
 - IFRS 3 Business Combinations - The amendment clarifies the scope exceptions within IFRS 3 and that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).
 - IFRS 8 Operating Segments - The amendments clarify that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8 and the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – The amendment clarifies that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.
- IAS 24 Related Party Disclosures - The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures and an entity that uses a management entity is required to disclose the expenses incurred for management services.
- Annual improvements 2011-2013 cycle
 - IFRS 3 Business Combinations - The amendment clarifies for the scope exceptions within IFRS 3 that joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- IFRS 13 Fair Value Measurement - The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

3. Cash and balances with Central Banks

	2015 SAR '000	2014 SAR '000
Cash in hand	1,410,653	1,403,623
Statutory deposit	9,826,816	9,645,537
Current account	380,615	411,261
Money market placements	3,681,846	3,218,978
Total	15,299,930	14,679,399

In accordance with the Banking Control Law and regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA and other Central Banks at stipulated percentages of its demand, savings, time and other deposits, as calculated at the end of each month. Money market placements represent securities purchased under an agreement to re-sell (reverse repos) with SAMA.

4. Due from banks and other financial institutions

	2015 SAR '000	2014 SAR '000
Current accounts	8,829,785	5,088,478
Money market placements	5,566,765	2,317,117
Total	14,396,550	7,405,595

5. Investments, net
a) Investment securities are classified as follows:
i) Held at fair value through income statement (FVIS)

	Domestic		International		Total	
	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000
Fixed rate securities	-	95,452	1,126,502	935,448	1,126,502	1,030,900
Structured credits	-	-	307,617	346,222	307,617	346,222
Hedge funds	-	-	2,032,309	1,859,636	2,032,309	1,859,636
Equities	-	363,031	365	872	365	363,903
Total Held at FVIS	-	458,483	3,466,793	3,142,178	3,466,793	3,600,661

FVIS investments above include investments held for trading of SAR 1,126.8 million (2014: SAR 1,394.8 million). The designated FVIS investments included above are so designated when the financial instruments include one or more embedded derivatives or are being evaluated on a fair value basis and are in accordance with the documented risk management strategy of the Group.

ii) Available for sale

	Domestic		International		Total	
	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000
Fixed rate securities	27,214,152	31,053,708	12,457,296	8,915,842	39,671,448	39,969,550
Floating rate notes	2,668,311	3,500,292	6,500,305	5,918,700	9,168,616	9,418,992
Private equity	-	-	806,098	669,618	806,098	669,618
Equities	2,829,864	4,034,314	73,315	114,028	2,903,179	4,148,342
Total Available for sale	32,712,327	38,588,314	19,837,014	15,618,188	52,549,341	54,206,502

iii) Held to maturity

	International		Total	
	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000
Fixed rate securities	3,184,719	5,949,719	3,184,719	5,949,719
Total Held to maturity	3,184,719	5,949,719	3,184,719	5,949,719

iv) Other investments held at amortized cost, net

	Domestic		International		Total	
	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000	2015 SAR '000	2014 SAR '000
Fixed rate securities	10,100,401	50,670	143,443	159,508	10,243,844	210,178
Floating rate notes	-	-	221,250	221,250	221,250	221,250
Mudaraba investments	-	-	39,107	327,388	39,107	327,388
Total other investments held at amortized cost	10,100,401	50,670	403,800	708,146	10,504,201	758,816
Total investments, net	42,812,728	39,097,467	26,892,326	25,418,231	69,705,054	64,515,698

b) The composition of investments is as follows:

	2015 (SAR'000)			2014 (SAR'000)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	16,504,833	37,721,680	54,226,513	16,920,232	30,240,116	47,160,348
Floating rate notes	9,222,269	167,597	9,389,866	8,631,105	1,009,136	9,640,241
Equities	2,827,613	75,931	2,903,544	4,497,494	14,752	4,512,246
Mudaraba investments	-	39,107	39,107	-	327,388	327,388
Others	307,616	2,838,408	3,146,024	346,222	2,529,253	2,875,475
Total	28,862,331	40,842,723	69,705,054	30,395,053	34,120,645	64,515,698

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, sukuks, treasury bills, hedge funds and private equities. In view of the nature of the market for such securities, carrying values are determined either by using an appropriate pricing model or net asset values, as provided by independent third parties. Included in fixed rate securities above are securities pledged under repurchase agreements with other banks and customers whose carrying value at December 31, 2015 was SAR 5,504 million (2014: SAR 477 million).

Mudaraba is an arrangement approved by the Shariah Board under which the Bank provides funds to customers for a specified business activity. The returns under such arrangements are shared between the Bank and customer on a predetermined basis. Mudaraba investments are included under 'Other investments held at amortized cost'. The fair values of these Mudaraba investments are not expected to be significantly different from their carrying values.

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

	2015 (SAR'000)				2014 (SAR'000)			
	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value
Held to maturity:								
Fixed rate securities	3,184,719	209,547	-	3,394,266	5,949,719	265,917	-	6,215,636
Total held to maturity	3,184,719	209,547	-	3,394,266	5,949,719	265,917	-	6,215,636
Other investments held at amortized cost:								
Fixed rate securities	10,243,844	3,520	(100,679)	10,146,685	210,178	18,398	-	228,576
Floating rate notes	221,250	-	(4,816)	216,434	221,250	-	(8,384)	212,866
Mudaraba investments	39,107	-	-	39,107	327,388	-	-	327,388
Total other investments held at amortized cost	10,504,201	3,520	(105,495)	10,402,226	758,816	18,398	(8,384)	768,830
Grand total	13,688,920	213,067	(105,495)	13,796,492	6,708,535	284,315	(8,384)	6,984,466

d) Credit quality of investments

The credit quality of investment portfolio is as follows:

	2015 SAR '000	2014 SAR '000
Saudi government, government backed bonds and treasury bills	37,123,318	31,913,154
Investment grade	24,945,880	23,467,247
Non-investment grade	307,952	1,355,844
Others	7,327,904	7,779,453
Total	69,705,054	64,515,698

The Bank uses its internal ratings to rate the credit quality of the investment portfolio. Investments classified under investment grade above comprise of credit exposures equivalent to Aaa to Baa3 ratings under Moody's ratings methodology. Investments classified as 'Others' mainly comprise of equities and hedge funds which are not rated.

e) The investments by counter-party are as follows:

	2015 SAR '000	2014 SAR '000
Government and quasi government	53,230,730	44,291,133
Banks and other financial institutions	11,748,669	12,856,088
Corporate	1,900,087	4,680,443
Hedge funds	2,032,309	1,859,636
Others	793,259	828,398
Total	69,705,054	64,515,698

6. Loans and advances, net

a) Loans and advances are classified as follows:

2015 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,368,921	19,232,643	108,885,735	1,235,504	130,722,803
Non-performing loans and advances	-	15,524	1,085,753	12,552	1,113,829
Total held at amortized cost	1,368,921	19,248,167	109,971,488	1,248,056	131,836,632
Provision for credit losses	(42,867)	(207,190)	(1,735,167)	(32,526)	(2,017,750)
Loans & advances, net	1,326,054	19,040,977	108,236,321	1,215,530	129,818,882

2014 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,386,869	18,453,491	104,062,532	1,184,449	125,087,341
Non-performing loans and advances	-	23,993	1,621,900	13,853	1,659,746
Total held at amortized cost	1,386,869	18,477,484	105,684,432	1,198,302	126,747,087
Provision for credit losses	(43,718)	(178,279)	(2,424,097)	(21,546)	(2,667,640)
Loans & advances, net	1,343,151	18,299,205	103,260,335	1,176,756	124,079,447

Loans and advances, net includes Shariah-approved banking products in respect of Murabaha, Ijara and Tawarruq finance, which are stated at amortized cost less provision for credit losses amounting to SAR 72,135 million (2014: SAR 68,977 million).

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

	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
2015 (SAR '000)					
Balance at the beginning of the year	43,718	178,279	2,424,097	21,546	2,667,640
Provided during the year, net	(851)	31,345	37,126	12,111	79,731
Bad debts written off	-	(291)	(682,373)	(286)	(682,950)
Recoveries of amounts previously provided	-	(1,468)	(41,668)	(353)	(43,489)
Exchange adjustment	-	(675)	(2,015)	(492)	(3,182)
Balance at the end of the year	42,867	207,190	1,735,167	32,526	2,017,750
2014 (SAR '000)					
Balance at the beginning of the year	41,644	176,029	2,680,532	28,336	2,926,541
Provided during the year, net	2,074	17,304	91,274	(4,805)	105,847
Bad debts written off	-	(11,478)	(294,119)	(1,877)	(307,474)
Recoveries of amounts previously provided	-	(4,449)	(56,125)	(828)	(61,402)
Exchange adjustment	-	873	2,535	720	4,128
Balance at the end of the year	43,718	178,279	2,424,097	21,546	2,667,640

During the year, the Group has charged an amount of SAR 142.2 million (2014: SAR 141.3 million) to the statements of consolidated income on account of provision for credit losses which is net of recoveries of amounts previously provided and net direct write-offs.

c) Credit quality of loans and advances

i) Ageing of loans and advances past due but not impaired

	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
2015 (SAR '000)					
Less than 90 days	109,347	583,920	1,276,476	-	1,969,743
90 days and more	27,683	82,256	68,969	-	178,908
Total	137,030	666,176	1,345,445	-	2,148,651
2014 (SAR '000)					
Less than 90 days	97,320	508,752	863,551	96	1,469,719
90 days and more	31,650	71,479	62,081	-	165,210
Total	128,970	580,231	925,632	96	1,634,929

ii) Economic sector risk concentration for the loans and advances and the related credit loss provision as follows:

	Performing	Non-performing	Credit loss provision	Loans & advances, net
2015 (SAR '000)				
Government and quasi government	831,450	-	-	831,450
Banks and other financial institutions	4,945,119	-	25,039	4,920,080
Agriculture and fishing	4,360,327	352	15,007	4,345,672
Manufacturing	19,322,319	101,413	245,713	19,178,019
Mining and quarrying	1,704,680	-	11,167	1,693,513
Electricity, water, gas and health services	9,434,838	21,172	57,748	9,398,262
Building and construction	15,056,612	768,306	912,770	14,912,148
Commerce	24,347,661	175,727	207,553	24,315,835
Transportation and communication	12,974,461	1,402	45,674	12,930,189
Services	2,664,218	2,763	44,714	2,622,267
Consumer loans and credit cards	20,601,564	15,524	250,057	20,367,031
Other	14,479,554	27,170	202,308	14,304,416
Total	130,722,803	1,113,829	2,017,750	129,818,882

2014 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	436,608	-	-	436,608
Banks and other financial institutions	4,540,740	-	236,770	4,303,970
Agriculture and fishing	4,664,955	354	11,968	4,653,341
Manufacturing	20,758,494	41,044	230,416	20,569,122
Mining and quarrying	2,611,714	-	13,723	2,597,991
Electricity, water, gas and health services	8,665,629	22,118	81,032	8,606,715
Building and construction	9,188,634	811,286	1,000,626	8,999,294
Commerce	23,205,223	66,522	245,012	23,026,733
Transportation and communication	15,158,318	1,402	59,321	15,100,399
Services	2,727,356	659,020	410,053	2,976,323
Consumer loans and credit cards	19,840,360	23,992	221,997	19,642,355
Other	13,289,310	34,008	156,722	13,166,596
Total	125,087,341	1,659,746	2,667,640	124,079,447

iii) **Analysis of loans and advances which are neither past due nor impaired**

	2015 SAR '000	2014 SAR '000
Investment grade loans and advances	31,859,626	30,693,342
Consumer loans and credit cards	19,798,359	19,131,159
Non-investment grade	76,398,980	73,143,637
Unrated	517,187	484,274
Total	128,574,152	123,452,412

The Bank uses its internal ratings to rate the credit quality of the loans and advances portfolio. Loans and advances classified under investment grade above comprise of credit exposures equivalent to Aaa to Baa3 ratings under Moody's ratings methodology.

d) **Collateral**

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

	2015 SAR '000	2014 SAR '000
Neither past due nor impaired	54,203,384	50,500,112
Past due but not impaired	7,952,419	13,099,008
Impaired	250,153	62,835
Total	62,405,956	63,661,955

The collateral consists of deposits, financial guarantees, marketable securities and real estate. Those collaterals which are not readily convertible into cash (i.e. real estate) are accepted by the Bank with the intent for them to be disposed of in case of default by the customer.

7. Property and equipment, net

	Land & buildings (SAR'000)	Leasehold improvements (SAR'000)	Furniture, equipment & vehicles (SAR'000)	2015 Total (SAR'000)	2014 Total (SAR'000)
Cost					
Balance at the beginning of the year	914,036	641,624	1,186,031	2,741,691	2,687,617
Additions	5,244	14,433	92,459	112,136	80,253
Disposals	-	(7)	(4,289)	(4,296)	(22,619)
Exchange adjustment	(650)	(6)	(2,052)	(2,708)	(3,560)
Balance at the end of the year	918,630	656,044	1,272,149	2,846,823	2,741,691
Accumulated depreciation					
Balance at the beginning of the year	553,226	459,872	1,076,022	2,089,120	1,966,588
Charge for the year	11,330	40,022	74,759	126,111	133,685
Disposals	-	(7)	(1,961)	(1,968)	(12,061)
Exchange adjustment	(146)	(104)	(2,434)	(2,684)	908
Balance at the end of the year	564,410	499,783	1,146,386	2,210,579	2,089,120
Net book value as at December 31, 2015	354,220	156,261	125,763	636,244	
Net book value as at December 31, 2014	360,810	181,752	110,009		652,571
Capital work in progress				1,630,968	1,414,114
Total				2,267,212	2,066,685

8. Other assets

	2015 SAR '000	2014 SAR '000
Accrued special commission receivable:		
Banks and other financial institutions	19,268	15,384
Investments	247,132	192,016
Loans and advances	182,746	330,129
Total accrued special commission receivable	449,146	537,529
Accounts receivable	165,473	107,280
Positive fair value of derivatives (note 9)	2,606,132	3,284,592
Other real estate, net	14,780	16,467
Goodwill	22,604	23,613
Other	496,916	682,522
Total	3,755,051	4,652,003

9. Derivatives

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

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

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

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

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

Swaptions are options on swaps and entail an option on the fixed rate component of a swap. An option on a swap provides the purchaser or holder of the option the right, but not the obligation to enter into a swap where it pays fixed rates against receipt of a floating rate index at a future date.

Derivatives 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, inter alia, enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from, price differentials between markets or products.

Derivatives held for hedging purposes

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 risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against overall statements of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading.

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

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

All derivatives are reported on the consolidated statements of financial position at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received or paid to a given counterparty pursuant to a valid master netting agreement.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Notional amounts by term to maturity			
				Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
2015							
Held for trading							
Commission rate swaps	2,184,469	2,177,894	88,575,410	3,424,645	9,236,609	54,251,064	21,663,092
Commission rate futures and options	34,524	29,179	2,264,016	409,913	612,539	696,876	544,688
Forward foreign exchange contracts	65,487	117,603	28,761,712	4,389,672	13,133,410	11,238,630	-
Currency options	287,822	274,990	70,967,792	11,680,068	31,944,521	27,343,203	-
Swaptions	18,967	22,875	1,875,000	1,875,000	-	-	-
Equity & commodity options	176,384	178,999	2,585,483	167,539	362,697	2,055,247	-
Other	1,787	1,690	82,467	29,336	53,131	-	-
Held as cash flow hedges							
Commission rate swaps	54,567	36,725	2,376,950	-	-	595,700	1,781,250
Sub-total	2,824,007	2,839,955	197,488,830	21,976,173	55,342,907	96,180,720	23,989,030
Cash collateral received / paid	(217,875)	(2,230,054)					
Total	2,606,132	609,901					

	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Notional amounts by term to maturity			
				Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
2014							
Held for trading							
Commission rate swaps	2,564,928	2,570,098	98,799,220	3,093,803	11,427,048	57,009,920	27,268,449
Commission rate futures and options	14,256	9,000	5,143,181	3,789,018	-	809,475	544,688
Forward foreign exchange contracts	163,141	167,751	44,417,987	23,586,142	16,290,314	4,541,531	-
Currency options	350,473	327,233	73,514,981	17,613,963	34,919,950	20,981,068	-
Swaptions	-	6,882	9,375	-	9,375	-	-
Equity & commodity options	313,643	293,794	5,124,312	267,789	2,914,954	1,941,569	-
Other	20,996	4,517	357,254	98,771	70,983	-	187,500
Held as cash flow hedges							
Commission rate swaps	81,049	85,174	5,238,200	-	1,000,000	1,200,700	3,037,500
Sub-total	3,508,486	3,464,449	232,604,510	48,449,486	66,632,624	86,484,263	31,038,137
Cash collateral received / paid	(223,894)	(1,916,438)					
Total	3,284,592	1,548,011					

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

Description of hedged items	Fair value	Nature of hedge	Hedging instrument	Positive fair value	Negative fair value
2015 (SR '000)					
Floating rate notes	2,367,124	Cash flow	Commission rate swaps	54,567	36,725
2014 (SR '000)					
Floating rate notes	5,178,422	Cash flow	Commission rate swaps	81,049	85,174

Cash flow hedges

The Group is exposed to variability in future cash flows on non-trading assets and liabilities which bear special commission at a variable rate. The Group generally uses special commission rate swaps as hedging instruments to hedge against these special commission rate risks. Also, as a result of firm commitments in foreign currencies, the Group is exposed to foreign exchange and special commission rate risks which are hedged with cross currency special commission rate swaps.

Below is the schedule indicating as at 31 December, the periods when the cash flows arising from the hedged item are expected to occur and when they are expected to affect statements of consolidated income:

2015 (SAR'000)	Within 3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Cash inflows	1,740	17,123	132,692	76,922	228,477
2014 (SAR'000)					
Cash inflows	4,481	22,840	310,242	235,799	573,362

Approximately 36% (2014: 37%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 15% (2014: 16%) of the positive fair value contracts are with any single counter-party at the statements of financial position date.

10. Due to banks and other financial institutions

	2015 SAR '000	2014 SAR '000
Current accounts	646,825	679,319
Money market deposits	18,544,353	8,705,779
Total	19,191,178	9,385,098

Money market deposits include deposits against the sale of fixed rate securities of SAR 5,610 million (2014: SAR 476.9 million) with an agreement to repurchase the same at fixed future dates.

11. Customer deposits

Customer deposits comprise the following:

	2015 SAR '000	2014 SAR '000
Demand	110,631,912	107,671,371
Savings	6,868,491	6,356,616
Time	46,565,924	40,852,140
Other	7,329,291	8,914,711
Total	171,395,618	163,794,838

Time deposits include deposits accepted under Shariah approved banking product contracts of SAR 23,215 million (2014: SAR 13,768 million).

Time deposits include deposits against sale of fixed rate securities of SAR Nil (2014: SAR 421 million) with agreements to repurchase the same at fixed future dates. Other customer deposits include SAR 1,915 million (2014: SAR 2,234 million) of margins held against facilities extended to customers.

Included in time deposits are market linked customer deposits amounting to SAR 17.8 million (2014: SAR 485 million), which are designated FVIS liabilities. The deposits are so designated when they include one or more embedded derivatives or are being evaluated on a fair value basis in accordance with the documented risk management strategy of the Group.

The above include foreign currency deposits as follows:

	2015 SAR '000	2014 SAR '000
Demand	11,714,640	10,794,429
Savings	760,939	837,272
Time	16,042,432	19,529,588
Other	287,727	237,082
Total	28,805,738	31,398,371

12. Other liabilities

	2015 SAR '000	2014 SAR '000
Accrued special commission payable:		
Banks and other financial institutions	6,052	6,227
Customer deposits	408,916	325,420
Total accrued special commission payable	414,968	331,647
Accounts payable	607,104	716,378
Negative fair value of derivatives (note 9)	609,901	1,548,011
Unearned fee income	370,981	412,941
Customer initial public offering deposits	36,742	78,316
Other	2,256,330	2,219,601
Total	4,296,026	5,306,894

13. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2014: 1,200 million shares) of SAR 10 each.

The shareholders have approved a bonus issue of two shares for every three shares held at their extraordinary general assembly meeting held on March 18, 2015. The bonus shares have been issued to the shareholders effective the date of the extraordinary general assembly meeting. As a result of the bonus issue, the share capital of the Bank has increased to SAR 20,000 million (2014: SAR 12,000 million) comprising of 2,000 million (2014: 1,200 million) issued and paid up shares.

In 2014, a bonus issue of one share for every three shares held was approved by the shareholders in their extraordinary general assembly meeting held on March 20, 2014. The bonus shares have been issued to the shareholders effective the date of the extraordinary general assembly meeting.

14. Statutory and general reserves

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia and the Articles of Association of the Bank, a minimum of 25% of the net income for the year is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. The statutory reserve is not currently available for distribution.

During the year, the bank transferred SAR 1,303.6 million (2014: 3,000 million) to the statutory reserve from the retained earnings.

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

15. Fair value reserves

2015 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	(34,726)	1,785,193	1,750,467
Change in fair value attributable to:			
- Equity holders of the Bank	118,073	(1,001,181)	(883,108)
- Non-controlling interest	-	8,193	8,193
Net change in fair value during the year	118,073	(992,988)	(874,915)
Transfer to statements of consolidated income	(75,290)	(426,381)	(501,671)
Net movement during the year	42,783	(1,419,369)	(1,376,586)
Balance at end of the year	8,057	365,824	373,881

2014 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	(185,608)	955,864	770,256
Change in fair value attributable to:			
- Equity holders of the Bank	286,768	989,909	1,276,677
- Non-controlling interest	-	(3,920)	(3,920)
Net change in fair value during the year	286,768	985,989	1,272,757
Transfer to statements of consolidated income	(135,886)	(156,660)	(292,546)
Net movement during the year	150,882	829,329	980,211
Balance at end of the year	(34,726)	1,785,193	1,750,467

16. Commitments and contingencies

a) Legal proceedings

No provision has been made in relation to legal proceedings existing as at December 31, 2015 and 2014 as no material costs are expected to be incurred.

b) Capital commitments

The Group's capital commitments as at December 31, 2015 amounted to SAR 220 million (2014: SAR 304 million). These commitments represent contractual obligations in respect of building, construction and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and irrevocable commitments to extend credit. The primary purpose of these instruments is to ensure that funds are available to a customer 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. 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 less 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 the customers. Cash requirements under these instruments are considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unused portion of approved facilities 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 readily be quantified, is expected to be less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements as many of these commitments may expire or terminate without being funded.

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

	Within 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
2015 (SAR '000)					
Letters of credit	5,154,547	2,680,588	510,626	2,250	8,348,011
Letters of guarantee	8,799,024	17,167,445	14,320,672	4,247	40,291,388
Acceptances	1,344,448	1,186,043	17,237	-	2,547,728
Irrevocable commitments to extend credit	2,757,082	280,627	2,308,481	163,580	5,509,770
Other	21	-	37,418	201,898	239,337
Total	18,055,122	21,314,703	17,194,434	371,975	56,936,234
2014 (SAR '000)					
Letters of credit	6,351,633	3,476,579	519,125	2,250	10,349,587
Letters of guarantee	9,335,014	15,351,764	12,903,318	4,491	37,594,587
Acceptances	2,093,237	849,312	40,148	-	2,982,697
Irrevocable commitments to extend credit	2,902,656	895,760	1,894,481	200,379	5,893,276
Other	2,587	-	40,770	281,817	325,174
Total	20,685,127	20,573,415	15,397,842	488,937	57,145,321

The unused portion of commitments outstanding as at December 31, 2015 which can be revoked unilaterally at any time by the Group amounts to SAR 103,453 million (2014: SAR 96,904 million).

ii) The analysis of credit related commitments and contingencies by counter-party are as follows:

	2015 SAR '000	2014 SAR '000
Corporate	51,870,282	55,147,903
Banks and other financial institutions	4,882,410	1,947,407
Other	183,542	50,011
Total	56,936,234	57,145,321

d) Assets pledged

Assets pledged as collateral with other financial institutions as security against borrowings are as follows:

	2015 SAR'000		2014 SAR'000	
	Assets	Related liabilities	Assets	Related liabilities
Investments available for sale	3,677,352	3,840,107	-	-
Investments held at FVSI	1,826,667	1,769,665	476,631	476,880
Total	5,504,019	5,609,772	476,631	476,880

e) Operating lease commitments

There are no non-cancelable operating lease commitments as of December 31, 2015 and 2014.

17. Special commission income and expense

	2015 SAR '000	2014 SAR '000
Special commission income		
Investments:		
Available for sale	659,282	594,225
Held to maturity	148,342	202,888
Other investments held at amortized cost	121,296	166,513
	928,920	963,626
Due from banks and other financial institutions	82,114	97,100
Loans and advances	4,152,651	3,980,355
Total	5,163,685	5,041,081
Special commission expense		
Due to banks and other financial institutions	89,881	64,303
Customer deposits	410,966	383,420
Total	500,847	447,723

18. Fee and commission income, net

	2015 SAR '000	2014 SAR '000
Fee and commission income:		
Share trading and fund management	496,237	594,770
Trade finance	424,847	416,871
Corporate finance and advisory	166,016	126,768
Other banking services	781,365	822,750
Total	1,868,465	1,961,159
Fee and commission expense:		
Cards	(96,667)	(81,197)
Other banking services	(88,727)	(104,939)
Total	(185,394)	(186,136)
Fee and commission income, net	1,683,071	1,775,023

19. Trading income (loss), net

	2015 SAR '000	2014 SAR '000
Debt securities	22,538	51,572
Derivatives and others	33,265	(60,784)
Total	55,803	(9,212)

20. Gains on non-trading investments, net

	2015 SAR '000	2014 SAR '000
Available for sale	421,278	181,219
Other investments held at amortized cost	5,103	-
Total	426,381	181,219

21. Other operating income, net

	2015 SAR '000	2014 SAR '000
Gain (loss) on disposal of property and equipment	2,886	(426)
Loss on disposal of other real estate	(1,687)	-
Dividend income	145,108	130,396
Other income	219,947	4,831
Total	366,254	134,801

Other income includes claims recovered during the year 2015 amounting to SR 208.7 million.

22. Salaries and employee related expenses

The Bank's compensation policy complies with the regulatory requirements of SAMA and international standards of Financial Stability Forum with respect to compensation. The policy defines the level and categories of key employees whose goal settings, performance measurement and appraisal processes are based on a balanced scorecard approach that links the financial performance evaluation with associated risks, at the overall Bank level. The Bank's overall variable compensation pool is derived from the Risk Adjusted Net Income of the Bank which takes into account significant existing and potential risks in order to protect Bank's capital adequacy and to mitigate risk of potential future losses. A process of distributing variable compensation payments over three annual installments is in place for key employees. Further, claw-back arrangements are included to address adverse future performance. No guaranteed bonuses are allowed. Through these mechanisms, the Bank has successfully achieved the policy objectives of ensuring that the overall variable compensation takes into account risks associated with financial performance and adjustments to deferred compensation are considered pursuant to any negative future impact arising out of decisions made during the current period.

Variable compensation is awarded to eligible employees in the form of cash, equities or a combination of both. The proportion of variable compensation to be paid in either form is determined based on the level of responsibility and role of the individual employee, as well as the business area in which the employee works and commensurate to the risk taking or controlling ability of the employee.

In accordance with regulatory requirements on corporate governance, Bank's Board of Directors has established a Nomination and Remuneration Committee (NRC) which comprises of three non-executive directors and chaired by an independent board member. The NRC is responsible for the overall architecture and oversight of the compensation system. The NRC makes its recommendations to the Board on the level and composition of remuneration after taking into account the Risk Management Group's input. NRC also periodically reviews the progress of the compensation policy implementation and ensures that its stated objectives are achieved in line with the laid out guidelines.

The following is a breakup of the compensation paid to Bank's employees for the years 2015 and 2014.

Category	Number of Employees		Fixed Compensation SAR'000		Variable Compensation Paid – SAR'000					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
					Cash	Shares	Total			
Senior executives*	19	18	27,772	27,760	32,026	31,000	2,889	2,335	34,915	33,335
Employees engaged in risk taking activities	914	925	318,299	311,214	87,131	87,507	4,121	3,767	91,252	91,274
Employees engaged in control functions	741	638	172,614	152,757	24,218	20,584	1,526	1,116	25,744	21,700
Other employees	2,049	1,823	208,440	191,925	6,977	7,269	182	174	7,159	7,443
Other outsourced employees	194	196	19,207	18,185	750	600	-	-	750	600
Outsourced employees engaged in risk taking activities	-	-	-	-	-	-	-	-	-	-
Total	3,917	3,600	746,332	701,841	151,102	146,960	8,718	7,392	159,820	154,352
Variable compensation and other employee related cost accrued or paid during the year**			616,723	556,475						
Total salaries & employee related expenses			1,363,055	1,258,316						

* Senior executives are employees whose appointment requires approval from SAMA.

** Other employee related costs include insurance premium paid, GOSI contribution, relocation charges, recruitment expenses, training and development cost, employee related costs for SBL and certain other non-recurring employee related costs.

23. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net income for the years 2015 and 2014 by 2,000 million shares.

24. Dividend, Zakat and income tax

a) Proposed Final Dividend

The Board of Directors has proposed a final dividend of SR 1,134 million for 2015 (2014: SR 1,197 million). After deducting the applicable Zakat & income taxes, this will yield a net payment of SR 0.45 per share to the Saudi shareholders of the Bank (2014: SR 0.70). The total net dividend for the year to Saudi shareholders is SR 0.90 per share (2014: SR 1.35 per share) of which SR 0.45 (2014: SR 0.65) was paid as interim dividend earlier during the year. The total interim dividend during 2015 amounted to SR 1,200 million (2014: SR 1,045 million) making full year total dividends of SR 2,334 million (2014: SR 2,242 million).

The proposed final dividend is included within equity until approved by the shareholders' annual general assembly.

b) Zakat and Income Tax Liabilities

Zakat and income taxes are the liabilities of the Saudi and foreign shareholders respectively. The zakat liability of Saudi shareholders is calculated on their share in the equity and the net income. However, the tax liability of foreign shareholders is calculated on their share in the net income.

Zakat attributable to Saudi shareholders for the year is estimated at SR 514 million (2014: SR 599 million) which will be deducted from their share of dividend. Zakat liability for the current year has been calculated on a prudent basis considering dis-allowance of certain long-term investments held by the Bank, as advised by our external advisors based on the Department of Zakat and Income Tax (the "DZIT") current practices. The Bank however, as a matter of principle, disagrees with this calculation and intends to contest it with the appropriate authorities, should the DZIT disallow long term investments in the Bank's Zakat assessments. Income tax liability of the foreign shareholders on their current year's share of income is estimated at SR 36 million (2014: SR 36 million). Any such unpaid income tax liability for 2015 will be deducted from their share of dividend for the year. The net dividend to foreign shareholders is SR 43 million (2014: SR 36 million).

c) Status of Zakat and Income Tax Assessments

The Bank has filed its Zakat and Income Tax returns for the financial years up to and including the year 2014 with the DZIT. The Bank has received Zakat and Income Tax assessments for the years up to 2009 raising additional demands aggregating to SAR 1,332 million. The above additional exposure is mainly on account of disallowance of certain long-term investments by the DZIT. The basis for this additional aggregate Zakat liability is being contested by the Bank in conjunction with all the Banks in Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from DZIT.

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

25. Cash and cash equivalents

Cash and cash equivalents for the purpose of the statements of consolidated cash flows comprise the following:

	2015 SAR '000	2014 SAR '000
Cash and balances with Central Banks excluding statutory deposit (note 3)	5,473,114	5,033,862
Due from banks and other financial institutions	11,677,897	5,232,339
Total	17,151,011	10,266,201

26. Operating segments

The Group is organized into the following main operating segments:

Consumer – comprises individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate – comprises corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well the Group's customer derivative portfolios and its corporate advisory business.

Treasury – principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statements of financial position.

Investment banking – engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with three overseas branches and two overseas subsidiaries. However, the results of the overseas operations are not material to the Group's overall consolidated financial statements.

Transactions between the business segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on market based inter-bank rates. There are no other material items of income or expense between the operating segments.

- a) The Group's total assets and liabilities as at December 31, 2015 and 2014, its total operating income, total operating expenses, provision for credit losses, net income, capital expenditure and depreciation expenses for the years then ended, by operating segment, are as follows:

2015 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Total assets	38,885,574	106,307,017	89,875,936	174,152	235,242,679
Total liabilities	98,051,281	76,780,345	19,981,994	69,202	194,882,822
Total operating income	2,259,753	3,010,875	1,803,360	680,590	7,754,578
Total operating expenses of which:	1,599,546	595,891	145,049	199,872	2,540,358
- Depreciation	45,614	69,252	909	10,336	126,111
- Provision for credit losses	104,263	37,893	-	-	142,156
Net income	660,207	2,414,984	1,658,311	480,718	5,214,220
Capital expenditure	177,564	146,539	4,183	704	328,990

2014 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Total assets	37,895,763	101,894,845	77,471,627	136,592	217,398,827
Total liabilities	90,628,749	76,957,434	10,815,406	85,241	178,486,830
Total operating income	2,175,112	2,604,962	1,851,888	752,875	7,384,837
Total operating expenses of which:	1,453,348	608,402	125,694	186,937	2,374,381
- Depreciation	45,422	76,591	983	10,689	133,685
- Provision for credit losses	99,721	41,612	-	-	141,333
Net income	721,764	1,996,560	1,726,194	565,938	5,010,456
Capital expenditure	139,433	244,081	2,997	5,079	391,590

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

2015 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	31,210,995	98,525,224	84,101,602	82,665	213,920,486
Commitments and contingencies	341,006	32,639,313	943,801	-	33,924,120
Derivatives	122	1,696,376	4,018,924	-	5,715,422

2014 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	30,293,108	93,761,765	71,921,291	24,576	196,000,740
Commitments and contingencies	360,848	31,948,774	433,670	-	32,743,292
Derivatives	43,432	2,097,255	4,589,520	-	6,730,207

Balance sheet risk assets comprise of the carrying value of the assets at the date of the statements of financial position, excluding cash and balances with central banks, property and equipment and other assets. Credit exposures relating to commitments, contingencies and derivatives are stated at their credit equivalent amounts as prescribed by central banks.

27. Credit Risk

Credit risk is the risk that a customer will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss. The Group seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses. The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits.

In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. In certain cases the Group may also close out transactions and settle on a net present value basis.

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 limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks. Debt instruments included in the Group's investment portfolio are mainly sovereign risk instruments. Analysis of investments by counterparty and the composition of loans and advances is provided in notes 5 and 6 to the consolidated financial statements, respectively. The nature and extent of credit risk relating to derivative instruments and commitments and contingencies is provided in notes 9 and 16, respectively. The Group classifies its exposure into ten risk categories that are compatible with internationally recognized ratings. Of these, seven categories are for performing and three for non-performing. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The risk rating categories drive the due diligence and approval process, and these ratings are reviewed at least annually or sooner if any adverse signs are visible. These categories also form the basis for managing credit concentrations and identifying problem credits.

Exposures falling below a certain classification threshold are considered to be impaired, and appropriate specific provisions are made against these loans by comparing the present value of expected future cash flows for each such exposure with its carrying amount on the basis of criteria prescribed by IAS 39. Impairment and uncollectible are also measured and recognized on a portfolio basis for a group of similar credit exposure that are not individually identified as impaired.

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

	2015 SAR'000	2014 SAR'000
ASSETS		
Due from banks and other financial institutions	14,396,550	7,405,595
Investments, net	69,705,054	64,515,698
Loans and advances, net	129,818,882	124,079,447
Other assets exposed to credit risk	614,619	644,809
Total	214,535,105	196,645,549
Contingent liabilities and commitments	33,924,120	32,743,292
Derivatives	5,715,422	6,730,207
Total	254,174,647	236,119,048

28. Geographical concentration

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

	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
2015 (SAR'000)								
Assets								
Cash & balances with central banks	14,886,946	294,143	2,189	-	-	-	116,652	15,299,930
Due from banks and other financial institutions	4,091,366	3,031,909	1,242,638	5,953,160	-	5,582	71,895	14,396,550
Investments, net	42,812,728	1,471,094	7,740,610	12,024,382	49,035	53,553	5,553,652	69,705,054
Loans and advances, net	121,882,002	5,598,112	1,152,567	12,447	-	-	1,173,754	129,818,882
Total	183,673,042	10,395,258	10,138,004	17,989,989	49,035	59,135	6,915,953	229,220,416
Liabilities								
Due to banks & other financial institutions	5,383,605	6,745,112	5,110,047	308	-	854	1,951,252	19,191,178
Customer deposits	169,248,820	1,069,195	92,947	224,982	7,443	832	751,399	171,395,618
Total	174,632,425	7,814,307	5,202,994	225,290	7,443	1,686	2,702,651	190,586,796
Credit exposure (stated at credit equivalents)								
Commitments & contingencies	25,715,222	3,926,828	1,275,922	779,144	118,908	1,459,846	648,250	33,924,120
Derivatives	2,330,118	202,160	2,650,861	452,207	-	-	80,076	5,715,422
Total	28,045,340	4,128,988	3,926,783	1,231,351	118,908	1,459,846	728,326	39,639,542

2014 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash & balances with central banks	14,288,115	295,116	1,720	-	-	-	94,448	14,679,399
Due from banks and other financial institutions	829,335	1,690,920	730,801	4,016,646	-	16,045	121,848	7,405,595
Investments, net	39,097,467	1,136,538	7,447,398	13,998,955	84,681	55,363	2,695,296	64,515,698
Loans and advances, net	111,446,806	9,741,521	1,286,740	-	-	-	1,604,380	124,079,447
Total	165,661,723	12,864,095	9,466,659	18,015,601	84,681	71,408	4,515,972	210,680,139
Liabilities								
Due to banks & other financial institutions	1,883,441	5,738,207	975,083	177,864	-	875	609,628	9,385,098
Customer deposits	160,692,338	2,376,412	41,638	27,531	7,477	8,034	641,408	163,794,838
Total	162,575,779	8,114,619	1,016,721	205,395	7,477	8,909	1,251,036	173,179,936
Credit exposure (stated at credit equivalents)								
Commitments & contingencies	24,278,483	2,837,806	1,420,614	1,303,949	39,651	1,775,934	1,086,854	32,743,291
Derivatives	2,693,111	179,511	3,312,831	477,224	-	-	67,530	6,730,207
Total	26,971,594	3,017,317	4,733,445	1,781,173	39,651	1,775,934	1,154,384	39,473,498

Credit exposures are stated at their credit equivalent amounts as prescribed by SAMA.

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

(SAR '000)	Non-performing loans and advances		Provision for credit losses	
	2015	2014	2015	2014
Kingdom of Saudi Arabia	1,042,960	1,572,652	1,919,984	2,563,088
Other GCC and Middle East	-	6,735	25,794	25,693
Europe	201	169	119	163
Other countries	70,668	80,190	71,853	78,696
Total	1,113,829	1,659,746	2,017,750	2,667,640

29. Market Risk

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

a) Market Risk -Trading Book

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

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

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

The VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results however, may differ from the VAR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To overcome the VAR limitations mentioned above, the Group also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Asset Liability Committee (ALCO) for its review.

The Group's VAR related information for the year ended December 31, 2015 and 2014 is as shown below.

	Foreign exchange risk	Special commission risk	Total
2015 (SAR '000)			
VAR as at December 31	9,934	25,033	34,967
Average VAR for the year	9,090	22,178	31,268
2014 (SAR '000)			
VAR as at December 31	6,125	23,824	29,949
Average VAR for the year	6,796	11,758	18,554

b) Market Risk – Non-Trading or Banking Book

Market risk on non-trading or banking book 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 the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group has established special commission rate gap limits for stipulated periods. The Group monitors daily positions and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following table depicts the sensitivity to a reasonably possible change in special commission rates, with other variables held constant, on the Group's statements of consolidated income or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on non-trading financial assets and financial liabilities held as at December 31, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate available for sale financial assets, including the effect of any associated hedges as at December 31, for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap.

All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are presented below:

Currency	Increase / decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				Total 2015 (SAR'000)
			6 months or less	6 to 12 months	1-5 years	Over 5 years	
SAR	+1 bps	(9,406)	(1,008)	(613)	(4,428)	(2,582)	(8,631)
	-1 bps	9,406	1,008	613	4,428	2,582	8,631
US Dollar	+1 bps	(5,983)	(533)	(452)	(2,564)	(2,289)	(5,838)
	-1 bps	5,983	533	452	2,564	2,289	5,838
Euro	+1 bps	(1,917)	(1)	(50)	(732)	(1,126)	(1,909)
	-1 bps	1,917	1	50	732	1,126	1,909

Currency	Increase / decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				Total 2014 (SAR'000)
			6 months or less	6 to 12 months	1-5 years	Over 5 years	
SAR	+1 bps	(5,245)	(723)	(328)	(815)	(590)	(2,456)
	-1 bps	5,245	723	328	815	590	2,456
US Dollar	+1 bps	(4,967)	(561)	(421)	(2,703)	(1,227)	(4,912)
	-1 bps	4,967	561	421	2,703	1,227	4,912
Euro	+1 bps	(2,715)	(118)	(113)	(1,002)	(1,472)	(2,705)
	-1 bps	2,715	118	113	1,002	1,472	2,705

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market commission rates on its financial position and cash flows. The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to special 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.

2015 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	3,681,846	-	-	-	11,618,084	15,299,930
Due from banks and other financial institutions	2,848,112	2,718,653	-	-	8,829,785	14,396,550
Investments, net	33,147,136	2,793,037	10,309,688	17,713,242	5,741,951	69,705,054
Loans and advances, net	75,141,543	30,312,272	15,886,383	8,478,116	568	129,818,882
Property and equipment, net	-	-	-	-	2,267,212	2,267,212
Other assets	-	-	-	-	3,755,051	3,755,051
Total Assets	114,818,637	35,823,962	26,196,071	26,191,358	32,212,651	235,242,679
Liabilities and equity						
Due to banks and other financial institutions	18,350,998	193,355	-	-	646,825	19,191,178
Customer deposits	31,338,779	14,438,221	763,575	6,893,841	117,961,202	171,395,618
Other liabilities	-	-	-	-	4,296,026	4,296,026
Total equity	-	-	-	-	40,359,857	40,359,857
Total liabilities and equity	49,689,777	14,631,576	763,575	6,893,841	163,263,910	235,242,679
On balance sheet gap	65,128,860	21,192,386	25,432,496	19,297,517	(131,051,259)	
Off balance sheet gap	(1,760,029)	(1,260,399)	3,020,428	-		
Total commission rate sensitivity gap	63,368,831	19,931,987	28,452,924	19,297,517		
Cumulative commission rate sensitivity gap	63,368,831	83,300,818	111,753,742	131,051,259		

2014 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	3,218,978	-	-	-	11,460,421	14,679,399
Due from banks and other financial institutions	1,612,627	704,490	-	-	5,088,478	7,405,595
Investments, net	34,344,270	6,703,279	6,575,179	9,851,473	7,041,497	64,515,698
Loans and advances, net	70,532,887	29,173,363	15,208,100	9,164,446	651	124,079,447
Property and equipment, net	-	-	-	-	2,066,685	2,066,685
Other assets	-	-	-	-	4,652,003	4,652,003
Total Assets	109,708,762	36,581,132	21,783,279	19,015,919	30,309,735	217,398,827
Liabilities and equity						
Due to banks and other financial institutions	8,414,437	266,869	3,709	20,764	679,319	9,385,098
Customer deposits	33,708,071	12,461,556	689,003	350,126	116,586,082	163,794,838
Other liabilities	-	-	-	-	5,306,894	5,306,894
Total equity	-	-	-	-	38,911,997	38,911,997
Total liabilities and equity	42,122,508	12,728,425	692,712	370,890	161,484,292	217,398,827
On balance sheet gap	67,586,254	23,852,707	21,090,567	18,645,029	(131,174,557)	
Off balance sheet gap	1,575,184	1,011,371	(2,586,555)	-		
Total commission rate sensitivity gap	69,161,438	24,864,078	18,504,012	18,645,029		
Cumulative commission rate sensitivity gap	69,161,438	94,025,516	112,529,528	131,174,557		

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

ii) **Currency risk**

Currency risk represents the risk of change in the value of financial instruments 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. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and hedging strategies, which are monitored daily. At the end of the year, the Group had the following significant net currency exposures:

	2015 (SAR'000) Long	2014 (SAR'000) (Short)/Long
United States Dollar	135,670	(1,868,440)
United Arab Emirates Dirham	238,163	(263,978)
British Pound	29,572	(143,350)
Pakistan Rupee	820,008	811,235

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

Currency exposures	2015 (SAR'000)			2014 (SAR'000)		
	Change in currency rate	Effect on net income	Effect on net equity	Change in currency rate	Effect on net income	Effect on net equity
US Dollar	1%	80,691	260	1%	126,891	3,383
Euro	1%	1,337	1,438	1%	28,813	2,429

iii) **Equity Price Risk**

Equity price risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. Assuming all other variables are held constant, a 1% increase or decrease in the value of Group's available for sale quoted equity investments at December 31, 2015 would have a corresponding increase or decrease in equity by SR 29.1 million (2014: SR 44.9 million).

30. **Liquidity risk**

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

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of savings and time deposits (2014: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2014: 20%) of its deposit liabilities, in the form of cash, gold, Saudi Government securities 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 with SAMA against Saudi Government securities up to 100% (2014: 75%) of the nominal value of securities held.

i) **Maturity profile of Group's assets, liabilities and equity**

The management regularly monitors the maturity profile to ensure that adequate liquidity is maintained. The tables below summarize the maturity profile of the Group's assets, liabilities and equity based on the contractual maturities as at the reporting date. For presentation purposes, the demand, saving and other deposits amounting to SAR 124,830 million (2014: SAR 122,943 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2015 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	3,681,846	-	-	-	11,618,084	15,299,930
Due from banks and other financial institutions	2,848,112	2,718,653	-	-	8,829,785	14,396,550
Investments, net	25,637,451	2,401,268	12,738,663	23,185,721	5,741,951	69,705,054
Loans and advances, net	34,246,653	35,545,102	36,720,383	22,957,211	349,533	129,818,882
Property and equipment, net	-	-	-	-	2,267,212	2,267,212
Other assets	-	-	-	-	3,755,051	3,755,051
Total Assets	66,414,062	40,665,023	49,459,046	46,142,932	32,561,616	235,242,679
Liabilities and Equity						
Due to banks and other financial institutions	18,350,998	193,355	-	-	646,825	19,191,178
Customer deposits	31,180,989	14,340,300	768,038	276,597	124,829,694	171,395,618
Other liabilities	-	-	-	-	4,296,026	4,296,026
Total equity	-	-	-	-	40,359,857	40,359,857
Total Liabilities and Equity	49,531,987	14,533,655	768,038	276,597	170,132,402	235,242,679

2014 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	3,218,978	-	-	-	11,460,421	14,679,399
Due from banks and other financial institutions	1,612,627	704,490	-	-	5,088,478	7,405,595
Investments, net	27,529,327	6,985,299	9,600,500	15,218,709	5,181,863	64,515,698
Loans and advances, net	30,210,701	35,241,984	33,767,426	24,858,112	1,224	124,079,447
Property and equipment, net	-	-	-	-	2,066,685	2,066,685
Other assets	-	-	-	-	4,652,003	4,652,003
Total Assets	62,571,633	42,931,773	43,367,926	40,076,821	28,450,674	217,398,827
Liabilities and Equity						
Due to banks and other financial institutions	8,414,437	266,869	3,709	20,764	679,319	9,385,098
Customer deposits	28,876,510	10,934,906	690,598	350,126	122,942,698	163,794,838
Other liabilities	-	-	-	-	5,306,894	5,306,894
Total equity	-	-	-	-	38,911,997	38,911,997
Total Liabilities and Equity	37,290,947	11,201,775	694,307	370,890	167,840,908	217,398,827

ii) **Analysis of undiscounted financial liabilities by remaining contractual maturities**

The table below summarizes the maturity profile of Group's financial liabilities at December 31, based on contractual undiscounted repayment obligations. The totals in this table do not match with the statements of consolidated financial position as special commission payments with contractual maturities are included in the table on an undiscounted basis. The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The table below does not reflect the expected cash flows indicated by the deposit retention history of the Group. Contractual maturity of the financial guarantees is shown under note 16 c.

2015 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	On demand	Total
Due to banks and other financial institutions	18,355,345	193,370	-	-	646,825	19,195,540
Customer deposits	31,327,815	14,445,299	810,558	279,096	124,829,694	171,692,462
Other liabilities	43,911	53,733	176,763	836,180	3,686,126	4,796,713
Total	49,727,071	14,692,402	987,321	1,115,276	129,162,645	195,684,715

2014 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	8,417,471	267,738	5,467	29,590	679,319	9,399,585
Customer deposits	29,044,480	10,993,474	750,911	350,126	122,942,698	164,081,689
Other liabilities	144,756	168,001	486,957	1,276,762	3,758,883	5,835,359
Total	37,606,707	11,429,213	1,243,335	1,656,478	127,380,900	179,316,633

31. Fair values 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 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; and

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

2015 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets held at FVIS	1,204,367	2,262,426	-	3,466,793
Financial investments available for sale	20,541,022	31,204,042	804,277	52,549,341
Financial investments held to maturity	2,986,113	408,153	-	3,394,266
Other investments held at amortized cost	-	10,363,119	39,107	10,402,226
Total	24,731,502	44,237,740	843,384	69,812,626
Financial Liabilities:				
Financial liabilities designated at FVIS	-	17,816	-	17,816
Total	-	17,816	-	17,816
Derivative financial instruments:				
Financial assets	5,918	2,600,215	-	2,606,133
Financial liabilities	-	609,901	-	609,901
2014 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Financial assets held at FVIS	1,312,741	2,287,920	-	3,600,661
Financial investments available for sale	18,347,786	35,174,346	684,370	54,206,502
Financial investments held to maturity	5,848,408	367,228	-	6,215,636
Other investments held at amortized cost	-	441,442	327,388	768,830
Total	25,508,935	38,270,936	1,011,758	64,791,629
Financial Liabilities:				
Financial liabilities designated at FVIS	-	485,289	-	485,289
Total	-	485,289	-	485,289
Derivative financial instruments:				
Financial assets	392	3,284,200	-	3,284,592
Financial liabilities	1,179	1,546,832	-	1,548,011

During the year, there has been no transfer within levels of the fair value hierarchy. The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy in respect of financial assets held at FVIS and available for sale:

	2015 SAR '000	2014 SAR '000
Balance at the beginning of the year	684,370	871,389
Total gains /(losses) in consolidated statement of income - realized and unrealized	(46,816)	36,207
Purchases	416,652	125,703
Settlements	(249,929)	(211,988)
Transferred out of Level 3	-	(136,941)
Balance at the end of the year	804,277	684,370

The fair values of on-balance sheet financial instruments, except for other investments held at amortized cost and held-to-maturity investments which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements. The Group's portfolio of loans and advances to customer is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates the carrying value, subject to any significant movement in credit spreads. The fair value of the remaining portfolio is not significantly different from its carrying values. The fair values of commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

The estimated fair values of held-to-maturity investments and other investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 5.

The value obtained from the relevant valuation model may differ, with the transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day-one profit or loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the statements of consolidated income without reversal of deferred day-one profits or losses.

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as Level 2 are fair valued using the bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statements of financial position. The movement in Level 3 financial instruments during the year relates to fair value movement only.

32. Related party transactions

In the ordinary course of its activities, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and regulations issued by Central Banks. The year-end balances resulting from such transactions included in the consolidated financial statements are as follows:

	2015 SAR '000	2014 SAR '000
Directors, other major shareholders and their affiliates:		
Loans and advances	487,255	823,103
Customer deposits	5,295,761	9,547,676
Commitments and contingencies	70,792	45,016
SAMBA's mutual funds:		
Customer deposits	1,208,746	1,098,864

Other major shareholders represent shareholdings of more than 5% of the Bank's issued and paid up share capital, as listed on Tadawul. Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2015 SAR '000	2014 SAR '000
Special commission income	21,647	14,302
Special commission expense	85,089	104,767
Fee and commission income, net	227,142	224,986
Directors' remuneration	3,918	3,921

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

	2015 SAR '000	2014 SAR '000
Short-term employee benefits	55,270	54,271
Post-employment, termination and share-based payments	6,821	6,659

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

33. (a) Capital Adequacy

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA with a view to maintain a sound capital base to support business development and meet regulatory capital requirement as defined by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its statements of financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative risk market risk and operational risk. During the year, the Group has fully complied with regulatory capital requirement.

The management reviews on a periodical basis capital base and level of risk weighted assets to ensure that capital is adequate for risk inherent in business activities. The management also considers the Group's business plan along with economic conditions which directly and indirectly affect the business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, operational and market risks, at December 31 are as follows:

	2015 SR'000	2014 SR'000
Samba Financial Group (consolidated)		
Credit risk RWA	181,689,185	173,822,138
Operational risk RWA	13,091,257	12,188,338
Market risk RWA	11,862,675	16,570,138
Total RWA	206,643,117	202,580,614
Tier I capital	40,237,264	38,798,653
Tier II capital	1,209,835	1,442,075
Total tier I & II capital	41,447,099	40,240,728
Capital adequacy ratio %		
Tier I ratio	19.5%	19.2%
Tier I + II ratio	20.1%	19.9%
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	29.4%	39.3%
Tier I + II ratio	30.6%	40.1%

Tier I capital comprises the share capital, statutory, general and other reserves, qualifying non-controlling interest and retained earnings less any intangible assets of the Bank as at the year-end. Tier II capital comprises of a prescribed amount of eligible provisions.

33. (b) Other pillar 3 disclosure

Certain quantitative disclosures including those related to Group's Capital Structure, as required by SAMA under pillar 3 of Basel framework, have been placed on Bank's official website www.samba.com.

34. Investment management services

The investment management services are provided by Samba Capital and Investment Management Company, a 100% owned subsidiary of the Bank. The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SAR 29,906 million (2014: SAR 34,390 million). This includes funds managed under Shariah-approved portfolios amounting to SAR 12,422 million (2014: SAR 14,828 million).

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

35. Share-based payments

The Bank has following share-based payment plans outstanding at the end of the year. Significant features of these plans are as follows:

Nature of Plan	Option Based Long Term Bonus Plan	Equity Based Long Term Bonus Plan
Number of outstanding plan	1	3
Grant date	March 2011	Between June 2013 and August 2015
Maturity date	March 2016	Between June 2018 and August 2020
Number of options or shares granted on the grant date, adjusted for bonus share issue	2,685,695	1,125,784
Strike price/ Benchmark price per option / share at grant date adjusted for bonus share issue	SAR 20.25	Between SAR 22.6 and 25.7
Vesting period	5 years	5 years
Vesting conditions	Participating employees to remain in service	Participating employees to remain in service
Method of settlement	Equity	Equity
Valuation model	Black Scholes	Discounted Cash Flow
Fair value per option/ share on grant date adjusted for bonus share issue	SAR 7.9	Between SAR 19.8 and 22.5

The movement in weighted average price and in the number of stock options is as follows:

	Weighted average exercise price (SAR)		Number of stock options	
	2015	2014	2015	2014
Beginning of the year	20.25	20.25	1,452,799	1,507,409
Forfeited	(20.25)	(20.25)	(221,411)	(203,750)
Exercised / Expired	(20.25)	(20.25)	(586,782)	(431,981)
Adjustment due to bonus shares issued	-	-	-	581,121
End of the year	20.25	20.25	644,606	1,452,799

The stock options outstanding as of December 31, 2015 have an exercise price adjusted for bonus shares of SAR 20.25 (2014: SAR 20.25) and a remaining contractual life of less than 1 year. The weighted average share price at the time of exercise of the option during the year was SAR 49.3 (2014: SAR 54.9). No new stock options were granted during the current year.

The fair value of shares granted during the year was SAR 7.0 million (2014: SAR 7.1 million). The inputs used to calculate fair value of the shares granted during the year were the market price at the grant date, life of the plan, expected dividends and annual risk free rate of return.

The stock options and shares are granted only under a service condition with no market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above share-based payment plans for the year 2015 is SAR 6.2 million (2014: SAR 6.2 million).

36. Comparative figures

Certain prior year balances have been reclassified to conform to the current year presentation.

37. Accounting Standard issued but not yet effective

The Group has opted not to early adopt the amendments and revisions to the following standards which have been published and are mandatory for compliance for the Group's accounting year beginning after January 1, 2016.

- IFRS 9 - Financial Instruments - Classification and Measurement of Financial Assets & Financial Liabilities. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers - New revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 10, IFRS 12 and IAS 28 Investment Entities – Amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Effective for annual periods beginning on or after 1 January 2016.

- IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 27: Equity Method in Separate Financial Statements - The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - Effective prospectively for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Effective for annual periods beginning on or after 1 January 2016.
- Annual improvements to International Financial Reporting Standards - 2012-2014 cycle. Effective for annual periods beginning on or after 1 January 2016. These include:-
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
 - IFRS 7 Financial Instruments: Disclosures - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
 - IAS 19 Employee Benefits - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
 - IAS 1 Disclosure Initiative - The amendments clarify:
 - the materiality requirements in IAS 1.
 - that specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
 - that entities have flexibility as to the order in which they present the notes to financial statements.
 - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income.

38. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors on January 18, 2016 (8 Rabi II 1437H).