Saudi Hollandi Bank البنك السعودي الهولندي

Saudi Hollandi Bank

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

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Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG Al Fozan & Al Sadhan

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Saudi Hollandi Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, and the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 41. We have not audited note (42), nor the information related to "Basel II Pillar 3 Disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA"), International Financial Reporting Standards ("IFRS"), the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether these consolidated financial statements are free from material misstatement.

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

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG Al Fozan & Al Sadhan

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, 2010, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions issued by SAMA and with IFRS; 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.

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13 Rabi' I 1432H
16 February 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2010 and 2009
Amounts in SAR'000

	Notes	2010	2009
ASSETS			
Cash and balances with SAMA	4	4,999,698	9,269,563
Due from banks and other financial institutions	5	308,881	138,935
Investments, net	6	11,751,665	12,131,554
Loans and advances, net	7	35,038,979	36,022,970
Investment in associate	8	20,000	20,000
Property and equipment, net	9.1	495,216	496,608
Other assets	10	1,267,974	1,030,088
Total assets		53,882,413	59,109,718
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	2,857,012	5,756,556
Customers' deposits	13	41,603,619	44,827,289
Other liabilities	14	1,534,826	1,393,051
Subordinated debt	15	1,500,000	1,500,000
Total liabilities		47,495,457	53,476,896
Shareholders' equity			
Share capital	16	3,307,500	3,307,500
Statutory reserve	17	2,134,500	1,936,500
General reserve		130,000	130,000
Other reserves	18	(29,916)	8,995
Retained earnings		820,691	228,260
Staff share based plan reserve	37	24,181	21,567
Total shareholders' equity		6,386,956	5,632,822
Total liabilities and shareholders' equity		53,882,413	59,109,718

Ananth Venkat
Chief Financial Officer
Saudi Hollandi Bank

Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank

Farid Zaouk
GM-Legal & Corporate Secretary

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

CONSOLIDATED INCOME STATEMENT

For the years ended December 31, 2010 and 2009
Amounts in SAR'000

	Notes	*2010*	*2009*
Special commission income	20	1,624,997	2,280,199
Special commission expense	20	337,666	710,153
Net special commission income		1,287,331	1,570,046
Fee and commission income, net	21	454,827	366,002
Exchange income, net		89,345	79,669
Income from financial instruments designated as FVIS, net	22	5,389	2,589
Trading income, net	23	86,197	125,235
Gains on non-trading investments, net		30,994	3,021
Total operating income		1,954,083	2,146,562
Salaries and employee related expenses		426,669	479,271
Rent and premises related expenses		73,755	74,588
Depreciation and amortisation		92,223	77,414
Other general and administrative expenses		179,559	181,114
Impairment charge for credit losses, net	7 (b)	388,726	1,148,196
Impairment charge for investments	6 (g)	9,200	100,048
Total operating expenses		1,170,132	2,060,631
Net operating income for the year		783,951	85,931
Gain on sale of land	9.2	6,480	-
Net income for the year		790,431	85,931
Earnings per share (Expressed in SAR per share)			
Basic and diluted EPS	25	2.39	0.26

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Saudi Hollandi Bank البنك السعودي الهولندي

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2010 and 2009

Amounts in SAR'000

	2010	2009
Net income for the year	**790,431**	85,931
Other comprehensive income		
Available for sale investments		
- Net unrealised (loss) / gain arising during the year	**(14,305)**	64,398
- Net reclassification adjustment for realised gain / (loss)	**2,394**	(3,021)
	(11,911)	61,377
Cash flow hedges		
- Effective portion of changes in fair value recognised	**(29,391)**	(10,831)
- Net change in fair value transferred to consolidated income statement	**2,391**	3,860
	(27,000)	(6,971)
Total comprehensive income for the year	**751,520**	140,337

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2010 and 2009

Amounts in SAR'000

	Notes	Share Capital	Statutory reserve	General Reserve	Retained earnings	Other reserves: Available for sale investments	Other reserves: Cash flow hedges	Proposed dividends	Staff share based plan reserve	Total equity
2010										
Balance at beginning of the year		**3,307,500**	**1,936,500**	**130,000**	**228,260**	**(7,185)**	**16,180**	**-**	**21,567**	**5,632,822**
Total comprehensive income		-	-	-	**790,431**	**(11,911)**	**(27,000)**	-	-	**751,520**
Contribution towards staff share based plan	**37**	-	-	-	-	-	-	-	**2,614**	**2,614**
Transfer to statutory reserve	**17**	-	**198,000**	-	**(198,000)**	-	-	-	-	-
Balance at the end of the year		**3,307,500**	**2,134,500**	**130,000**	**820,691**	**(19,096)**	**(10,820)**	**-**	**24,181**	**6,386,956**
2009										
Balance at beginning of the year		2,646,000	1,915,000	130,000	825,329	(68,562)	23,151	233,450	10,783	5,715,151
Total comprehensive income		-	-	-	85,931	61,377	(6,971)	-	-	140,337
Contribution towards staff share based plan	37	-	-	-	-	-	-	-	10,784	10,784
Bonus shares issued		661,500	-	-	(661,500)	-	-	-	-	-
Transfer to statutory reserve	17	-	21,500	-	(21,500)	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	(233,450)	-	(233,450)
Balance at the end of the year		3,307,500	1,936,500	130,000	228,260	(7,185)	16,180	-	21,567	5,632,822

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2010 and 2009
Amounts in SAR'000

	Notes	*2010*	*2009*
OPERATING ACTIVITIES			
Net income for the year		**790,431**	85,931
Adjustments to reconcile net income to net cash used in operating activities:			
Accretion of discounts on non-trading investments, net		**(192,779)**	(264,050)
Gains on non-trading investments, net		**(30,994)**	(3,021)
Depreciation / amortisation	9	**92,223**	77,414
Impairment charge for credit losses, net	7(b)	**388,726**	1,148,196
Impairment charge for Investments	6(g)	**9,200**	100,048
Staff share based plan expenses		**2,614**	10,784
Gain on sale of land		**(6,480)**	-
		1,052,941	1,155,302
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(132,214)**	(328,714)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**7,152**	(113,518)
Investments held as FVIS (including trading investments)		**(3,685)**	251,423
Loans and advances, net		**595,265**	845,935
Other assets		**(237,886)**	399,229
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**(2,899,544)**	(3,529,594)
Customers' deposits		**(3,223,670)**	1,814,962
Other liabilities		**141,775**	(554,504)
Net cash used in operating activities		**(4,699,866)**	(59,479)
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non-trading investments		**9,642,386**	9,499,959
Purchase of non-trading investments		**(9,083,150)**	(3,293,164)
Acquisition of property and equipment	9	**(96,756)**	(108,411)
Investment in associate		-	(20,000)
Proceeds from sale of land		**12,405**	-
Net cash from investing activities		**474,885**	6,078,384
FINANCING ACTIVITIES			
Proceeds from issuance of subordinated debt		**-**	725,000
Repayment of subordinated debt		-	(700,000)
Dividends paid		**-**	(233,450)
Net cash used in financing activities		**-**	(208,450)
Net (decrease) / increase in cash and cash equivalents		**(4,224,981)**	5,810,455
Cash and cash equivalents at beginning of the year		**7,198,181**	1,387,726
Cash and cash equivalents at end of the year	27	**2,973,200**	7,198,181
Special commission received during the year		**1,706,210**	2,417,380
Special commission paid during the year		**452,740**	918,059
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated income statement		**38,911**	54,406

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

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Chief Financial Officer
Saudi Hollandi Bank

Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank

Farid Zaouk
GM-Legal & Corporate Secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

1 GENERAL

Saudi Hollandi Bank (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and was formed pursuant to Royal Decree No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to December 20, 1976). The Bank commenced business on 16 Shaaban 1397H (corresponding to August 1, 1977) when it took over the operations of Algemene Bank Nederland N.V. in the Kingdom of Saudi Arabia. The Bank operates under commercial registration No. 1010064925 dated 6 Jumada II 1407H (corresponding to February 4, 1987) through its 44 branches (2009: 42 branches) in the Kingdom of Saudi Arabia. The postal address of the Bank's head office is as follows:

Saudi Hollandi Bank
P O Box 1467
Riyadh 11431
Kingdom of Saudi Arabia.

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

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries (collectively referred to as "the Group"). The details of these subsidiaries are set out below:

Saudi Hollandi Capital (SHC)

SHC was formed in accordance with the Capital Market Authority's (CMA) Resolution number 1-39-2007 under commercial registration number 1010242378 dated 30 Dhul Hijja 1428 (corresponding to January 09, 2008) to take over and manage the Bank's Investment Services and Asset Management activities related to dealing, managing, arranging, advising and taking custody of securities regulated by CMA. SHC is effectively wholly owned by the Bank through direct and beneficial ownership and commenced its operations effective 1 Rabi'II 1429H (corresponding to April 7, 2008).

Saudi Hollandi Real Estate Company (SHREC)

SHREC an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership, was established under commercial registration number 1010250772 dated 21 Jumada II 1429H (corresponding to June 25, 2008) with the approval of the Saudi Arabian Monetary Agency (SAMA).

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and financial assets and liabilities held at fair value through income statement (FVIS) and available for sale investments. In addition, financial assets and liabilities that are hedged in a fair value hedging relationship and otherwise carried at cost are carried at fair value to the extent of the risk being hedged.

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

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

(i) Impairment for credit losses on loans and advances

Management reviews its loan portfolios to assess specific and collective impairment on a quarterly basis. In determining whether an impairment loss should be recorded. Management applies judgement when assessing 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 there has been an adverse change in the payment status of borrowers in a group. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics where objective evidence of impairment exists. 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.

(ii) 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. These valuation techniques (for example, models) are validated and periodically reviewed by qualified personnel independent of the area that created them. Models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable market data, however, areas such as credit risk (both own and counter party), volatilities and correlations require management to apply judgement. This include considerations of liquidity and model inputs such as volatility for longer dated financial instruments and discount, prepayment and default rate assumptions for asset backed securities. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(iii) Impairment of available-for-sale equity investments

Management exercises judgement to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgement, the 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 health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(iv) Classification of held-to-maturity investments

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

e) Going concern

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of amendments to the existing standards as mentioned below. The Group has adopted the following amendments and interpretations issued with retrospective effect which had no impact on the financial position and financial performance.

Amendment to IAS 27 (Revised)- Consolidated and Separate Financial Statements which deals primarily with the accounting for changes in ownership of interests in subsidiaries after control is obtained, the accounting for loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interest in a subsidiary;

Amendment to IAS 39 "Financial Instruments – Recognition and Measurement" – which clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations; and

Amendments to IFRSs made as part of International Accounting Standards Board's (IASB or Board) improvements to International Financial Reporting Standards 2009 which are effective for the year 2010.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Saudi Hollandi Bank and its subsidiaries and are drawn up to 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank and changes have been made to the accounting policies of the subsidiaries where necessary to align them with the accounting policies adopted by the Group.

Subsidiaries are entities over which the Group has the power to govern financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. 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 consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances.

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

b) Investments in associates

Investments in associates are initially recognised at cost and subsequently equity accounted, based on its annual audited financial statements. An associate is an entity in which the Bank holds 20% to 50% of the voting power, over which it has significant influence but which is neither a subsidiary nor a joint venture.

c) Trade date accounting

All 'regular-way' purchases and sales of financial assets are recognised and derecognised on trade date, i.e. the date that the Group commits to purchase a transaction. 'Regular way' purchases or sales are purchases or sales that require delivery within the time frame generally established by regulation or convention in the market place.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, and options (both written and purchased) are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate. The treatment of changes in fair value depends on derivative's classification into the following categories:

i) Derivatives held for trading

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

ii) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through income statement FVIS. Embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated income statement.

iii) Hedge accounting

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges that hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Management will assess the effectiveness of the hedging relationship. Subsequently hedge is assessed for effectiveness on an ongoing basis.

Fair Value Hedges

When a derivative is designated as a hedge of the change in a fair value hedge relationship, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated income statement together with change in the fair value of the hedged item attributable to the hedged risk which is included under gains / losses on non trading investments in the consolidated income statement.

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

Cash Flow Hedges

When a derivative is designated as hedge in a cash flow hedge relationship, the portion of the gain or loss on the hedging instrument that is determined to be effective is recognised directly in other comprehensive income whereas the ineffective portion, if any, is recognised in the consolidated income statement. For cash flow hedges affecting future transactions, the fair value gains or losses recognised in other reserves, are transferred to the consolidated income statement in the same period in which the hedged transaction affects the consolidated income statement.

Where the hedged forecasted transaction results in the recognition of a nonfinancial asset or liability, then the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount at the time such asset or liability is recognised. When the hedging instrument expires, is sold, terminated, exercised, no longer qualifies for hedge accounting, forecasted transaction is no longer expected to occur or the Group revokes the designation, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in the consolidated statement of comprehensive income is transferred to the consolidated income statement for the year.

e) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. All differences arising on non-trading activities are taken to other non operating income in the consolidated income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in foreign entity.

Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except for differences arising on the retranslation of available for sale equity instruments. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated income statement or in other comprehensive income depending on the underlying financial asset.

f) Offsetting financial instruments

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

g) Revenue / expense recognition

i) Special commission income and expenses

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

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

The calculation of the effective yield takes into account all contractual terms of the financial instruments (prepayment, options etc.) and 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, issue or disposal of a financial asset or a liability.

ii) Exchange income / loss

Exchange income/loss is recognised when earned/incurred.

iii) Fees and commission income

Fees and commission income that are not integral part of the effective yield calculation on a financial asset or liability is recognised when the related service is provided as follows:

- Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time proportionate basis.
- Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.
- When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the service, are received.

iv) Dividend income

Dividend income is recognised when the right to receive dividend is established.

v) Net trading income

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

vi) Income / (Loss) from FVIS financial instruments

Net income from FVIS financial instruments relates to financial assets and liabilities designated as FVIS and include all realised and unrealised fair value changes, commission, and foreign exchange differences.

h) Day one profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day one' profit) in the consolidated income statement in 'Net trading income'. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

i) Sale and repurchase agreements

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

j) Investments

The investment securities are initially recognised on the trade date where the Group becomes party to the contractual provisions of the investment securities. All investment securities are initially recognised at fair value, including incremental direct transaction cost except for investments held as FVIS. Premiums are amortised and discounts accreted using the effective yield basis and are taken to special commission income.

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

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

Reclassification

Investments at FVIS are not reclassified subsequent to their initial recognition, except that non-derivative FVIS instrument, other than those designated as FVIS upon initial recognition, may be reclassified out of the FVIS fair value through profit or loss (i.e. trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the investments would have met the definition of "held at amortised cost" and had not been required to be classified as held for trading at initial recognition, then it is reclassified if the Group has the intention and ability to hold the investments for the foreseeable future or until maturity.
- If the investments would not have met the definition of held at amortised cost, and then it is reclassified out of the trading category only in 'rare circumstances'.

A security held as available for sale may be reclassified to "Other investments held at amortised cost" if it otherwise would have met the definition of "Other investments held at amortised cost" and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

The subsequent period-end reporting values for each class of investment are determined on the basis set out in the following paragraphs:

i) Held as FVIS

Investments in this category are classified as either investment held for trading or those designated as FVIS on initial recognition. Investments held for trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognised in trading income/loss.

An investment can be designated as FVIS by the management if it satisfies the criteria laid down in IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVIS are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognised in the consolidated income statement for the year in which it arises. Special commission income and dividend income on financial assets held as FVIS are reflected as either trading income or income from FVIS financial instruments in the consolidated income statement.

ii) Available- for- sale

Available-for-sale investments are those equity and debt securities that are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as "available for sale" are subsequently measured at fair value. Unrealised gain or loss arising from a change in its fair value is recognised in other comprehensive income. On de-recognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated income statement. Special commission income is recognised in the consolidated income statement on effective yield basis. Dividend income is recognised in consolidated income statement when the Group becomes entitled to the dividend. Foreign exchange gains or loss on available for sale debt security investments are recognised in the consolidated income statement.

iii) Held to maturity

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

However, sales and reclassifications in any of the following circumstances would not impact Group's ability to use this classification;

- Sales or reclassifications that are so close to maturity that the changes in market rate of interest would not have a significant effect on the fair value;
- Sales or reclassifications after the Group has collected substantially all the assets' original principal;
- Sales or reclassifications attributable to non recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

iv) Other investments held at amortised cost

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

k) Loans and advances

Loans and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments. Loans and advances are recognised when cash is advanced to borrowers. They are derecognised when either the borrower repays the obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.

All loans and advances are initially measured at fair value, including acquisition charges associated with the loans and advances.

The subsequent period-end reporting values for various classes of loans and advances are determined on the basis as set out in the following paragraphs.

(i) Held at amortised cost

Loans and advances originated or acquired by the Group that are not quoted in an active market and for which fair value has not been hedged, are stated at amortised cost.

For loans and advances which are hedged, the related portion of the hedged fair value is adjusted against the carrying amount.

(ii) Held as FVIS

Loans and advances in this category are classified as either held for trading or those designated as FVIS. Loans and advances classified as held for trading are acquired principally for the purpose of selling or repurchasing in short term. Loans and advances may be designated as FVIS by the management if it either removes on accounting mismatches or contains embedded derivatives. After initial recognition, such loans and advances are measured at fair value and any change in the fair value is recognised in the consolidated income statement for the year in which it arises.

Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS loans and advances.

(iii) Available for sale

Loans and advances classified as available for sale are subsequently measured at fair value. Any changes in fair value, other than those relating to hedged risks, are recognised directly in "other reserves" under " equity" until these are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement for the year.

l) Impairment of financial assets

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement in impairment charge for credit losses.

Loans whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Restructuring policies and practices are based on indicators or criteria, which indicate that payment will most likely continue. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective yield rate.

(i) Impairment of financial assets held at amortised cost

A financial asset or group of financial assets 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 financial asset or group of financial assets and that a loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

(ii) Impairment of available-for-sale financial assets

In the case of debt instruments classified as available for sale, Management assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

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

m) Other real estate

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

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

n) Property and equipment

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

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

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

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

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

o) Liabilities

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

Financial liabilities are designated as FVIS on initial recognition if doing so significantly reduces measurement inconsistencies which would otherwise arise. After initial recognition these liabilities are measured at fair value and the resulting gain or loss is included in the consolidated income statement.

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

p) Guarantees

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

q) Provisions

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

r) Accounting for leases

Leases entered into by the Group as a lessee are all operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

s) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "Cash and cash equivalents" are defined as those amounts included in cash, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions maturing within three months from the date of acquisition.

t) Derecognition of financial instruments

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

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

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

u) Share based payment transactions

The Group's share plan is classified as an equity settled plan. The fair value of shares which the Group expects, will eventually vest, is determined at the grant date and is expensed on a straight line basis over the vesting period with corresponding increase in staff share based plan reserve. Details regarding the plan and determination of the fair value are set out in Note 37.

At each reporting date, Management revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the staff share plan reserve.

v) End of service benefits

The liability for employees' end of service benefits is determined based on an actuarial valuation conducted by an independent actuary. The actuarial valuation process takes into account the provisions of the Saudi Arabian Labour and Workmen law.

w) Zakat and income tax

Under Saudi Arabian Zakat and Income tax laws, Zakat and income taxes are the liabilities of 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 Group's consolidated income statement and are deducted from current and future dividends payable to the shareholders.

x) Investment management services

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Group's share of these funds is included in the FVIS or available-for-sale investments and fees earned are disclosed under related party transactions.

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

y) Non-interest based banking products

In addition to the conventional banking, the Group offers its customers certain non-interest based banking products, which are approved by its independent Shariah Board, as follows:

Definitions of non-commission based products

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

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

(ii) **Musharaka** is an agreement between the Group and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

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

All non-commission based banking products are accounted for as held at amortised cost under IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

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4 CASH AND BALANCES WITH SAMA

	2010	*2009*
Cash in hand	**297,711**	235,038
Statutory deposit	**2,228,225**	2,096,011
Current accounts	**23,796**	11,610
Reverse repo with SAMA	**2,449,966**	6,926,904
Total	**4,999,698**	9,269,563

In accordance with the Banking Control Law and Regulations issued by SAMA, the Group is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, time and other deposits, calculated at the end of each month. The statutory deposits with SAMA are not available to finance the Group's day-to-day operations and therefore are not part of cash and cash equivalents.

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010	*2009*
Current accounts	**106,403**	112,175
Money market placements	**202,478**	26,760
	308,881	138,935

6 INVESTMENTS, NET

a) Investment securities are classified as follows:

	Domestic		*International*		*Total*	
i) Held as FVIS	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
Floating rate securities	**18,133**	18,210	**37,711**	20,376	**55,844**	38,586
Index linked securities	-	-	**59,734**	73,307	**59,734**	73,307
Total held as FVIS	**18,133**	18,210	**97,445**	93,683	**115,578**	111,893

Investments in index linked securities are made to economically hedge the returns on related deposits whose returns are linked to the same index. Both investment securities and related deposits are designated as FVIS as such designation significantly reduces measurement inconsistencies. Floating rate securities are classified as held for trading.

	Domestic		*International*		*Total*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
ii) Available- for- sale						
Fixed rate securities	**129,800**	167,952	-	-	**129,800**	167,952
Floating rate securities	**772,191**	952,665	**85,718**	201,394	**857,909**	1,154,059
Mutual funds	**26,863**	33,395	-	-	**26,863**	33,395
Equities	**4,236**	4,236	-	-	**4,236**	4,236
Total available-for-sale	**933,090**	1,158,248	**85,718**	201,394	**1,018,808**	1,359,642

Equities reported under available for sale investments comprise unquoted shares for SAR 4 million (2009: SAR 4 million) that are carried at cost. In the opinion of Management its fair value approximates the carrying value.

	Domestic		*International*		*Total*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
iii) Other investments held at amortised cost						
Fixed rate securities	**4,314,962**	3,352,988	-	-	**4,314,962**	3,352,988
Floating rate securities	**4,028,844**	5,505,251	**2,056,617**	1,229,146	**6,085,461**	6,734,397
Total other investments held at amortised cost	**8,343,806**	8,858,239	**2,056,617**	1,229,146	**10,400,423**	10,087,385
Allowances for impairment	-	-	**(10,000)**	(10,000)	**(10,000)**	(10,000)
Total other investments held at amortised cost, net	**8,343,806**	8,858,239	**2,046,617**	1,219,146	**10,390,423**	10,077,385

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iv) Held to maturity	Domestic 2010	Domestic 2009	International 2010	International 2009	Total 2010	Total 2009
Fixed rate securities	73,375	409,984	-	-	73,375	409,984
Floating rate securities	50,000	-	103,481	227,650	153,481	227,650
Total held to maturity	123,375	409,984	103,481	227,650	226,856	637,634
Allowances for impairment	-	-	-	(55,000)	-	(55,000)
Total held to maturity, net	123,375	409,984	103,481	172,650	226,856	582,634
Total investments, net	9,418,404	10,444,681	2,333,261	1,686,873	11,751,665	12,131,554

b) Investments reclassification

The Group identified certain investments within available for sale investments portfolio, for which at July 1, 2008, it had a clear intention to hold the instruments for the foreseeable future rather than to exit or trade in the short term. As a result these instruments were reclassified from AFS to other investments held at amortised cost. The reclassification was made at fair value at that date. Had the reclassification not been made, other reserves would have included unrealised fair value losses amounting to SAR 23 million (2009: SAR 57 million) and shareholders' equity would have been lower by the same amount.

The following table shows carrying values and fair values of the reclassified investments:

	2010 Carrying value	2010 Fair value	2009 Carrying value	2009 Fair value
Available for sale securities reclassified to other investments held at amortised cost	594,515	553,544	587,848	519,382

c) The composition of investments is as follows:

	2010 Quoted	2010 Unquoted	2010 Total	2009 Quoted	2009 Unquoted	2009 Total
Fixed rate securities	-	4,518,137	4,518,137	-	3,930,924	3,930,924
Floating rate securities	3,006,132	4,136,563	7,142,695	2,349,453	5,740,238	8,089,691
Mutual funds	26,863	-	26,863	33,396	-	33,396
Equities	-	4,236	4,236	-	4,236	4,236
Index linked securities	-	59,734	59,734	-	73,307	73,307
Investments, net	3,032,995	8,718,670	11,751,665	2,382,849	9,748,705	12,131,554

Unquoted securities above principally comprise Saudi Government Development Bonds (SGDBs). Such SGDBs are traded in an inter-bank market within Saudi Arabia and values are determined according to an appropriate pricing model.

d) The analysis of unrealised gains and losses and fair values of other investments held at amortised cost and held-to-maturity investments, are as follows:

	2010 Carrying value, net of allowances	2010 Gross unrealised gains	2010 Gross unrealised losses	2010 Fair value	2009 Carrying value, net of allowances	2009 Gross unrealised gains	2009 Gross unrealised losses	2009 Fair value
i) Other investments held at amortised cost								
Fixed-rate securities	4,314,962	16,236	(1,075)	4,330,123	3,352,988	33,811	(4,302)	3,382,497
Floating rate securities	6,075,461	84,891	(44,343)	6,116,009	6,724,397	42,454	(72,867)	6,693,984
Total	10,390,423	101,127	(45,418)	10,446,132	10,077,385	76,265	(77,169)	10,076,481

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	2010				2009			
	Carrying value, net of allowances	*Gross unrealised gains*	*Gross unrealised losses*	*Fair value*	*Carrying value, net of allowances*	*Gross unrealised gains*	*Gross unrealised losses*	*Fair value*
ii) Held to maturity								
Fixed-rate securities	73,375	6,906	-	80,281	409,984	8,251	-	418,235
Floating rate securities	153,481	-	(13,106)	140,375	172,650	-	(32,779)	139,871
Total	226,856	6,906	(13,106)	220,656	582,634	8,251	(32,779)	558,106

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

	2010	2009
Government and quasi-government	9,102,512	10,452,860
Corporates	1,469,469	817,803
Banks and other financial institutions	1,148,586	823,276
Others	31,098	37,615
Total	11,751,665	12,131,554

Investments include SAR 535 million (2009: SAR 877 million) which has been pledged under repurchase agreements with customers. The market value of these investments is SAR 546 million (2009: SAR 1,075 million).

f) Credit risk exposures of Investments

	2010				2009			
	Fixed rate securities	Floating rate securities	Others	Total	Fixed rate securities	Floating rate securities	Others	Total
AAA	-	134,223	-	134,223	-	93,505	-	93,505
AA- To AA+	4,518,137	5,169,961	56,889	9,744,987	3,930,924	6,691,200	-	10,622,124
A- To A+	-	640,399	-	640,399	-	525,458	-	525,458
BBB- To BBB+	-	311,358	-	311,358	-	268,472	-	268,472
Lower than BBB	-	88,643	-	88,643	-	82,640	-	82,640
Unrated	-	798,111	33,944	832,055	-	428,416	110,939	539,355
Total	4,518,137	7,142,695	90,833	11,751,665	3,930,924	8,089,691	110,939	12,131,554

g) Allowances for impairment on investments

Allowances for impairment on investments during the year were SAR 9.2 million (2009: SAR 100 million).

7 LOANS AND ADVANCES, NET

a) Loans and advances held at amortised cost

2010	Overdraft	Credit Cards	Consumer loans	Commercial loans	Total
Performing loans and advances-gross	3,104,079	228,539	3,485,985	28,447,362	35,265,965
Non performing loans and advances, net	661,260	11,069	45,714	212,949	930,992
Total loans and advances	3,765,339	239,608	3,531,699	28,660,311	36,196,957
Allowances for specific and portfolio impairment	(742,645)	(11,326)	(38,722)	(365,285)	(1,157,978)
Loans and advances, net	3,022,694	228,282	3,492,977	28,295,026	35,038,979

Amounts in SAR'000

2009	Overdraft	Credit Cards	Consumer Loans	Commercial loans	Total
Performing loans and advances-gross	3,813,173	203,005	3,149,452	28,862,228	36,027,858
Non performing loans and advances, net	1,906,042	9,258	39,011	286,743	2,241,054
Total loans and advances	5,719,215	212,263	3,188,463	29,148,971	38,268,912
Allowances for specific and portfolio impairment	(2,026,059)	(5,542)	(48,070)	(166,271)	(2,245,942)
Loans and advances, net	3,693,156	206,721	3,140,393	28,982,700	36,022,970

b) Movements in Allowances for impairment of credit losses

	Overdraft	Credit Cards	Consumer Loans	Commercial loans	Total
2010					
Balance at beginning of the year	**2,026,059**	**5,542**	**48,070**	**166,271**	**2,245,942**
Provided during the year	**152,000**	**21,563**	**49,314**	**202,789**	**425,666**
Bad debts written off	**(1,434,308)**	**(8,140)**	**(34,242)**	**-**	**(1,476,690)**
Recoveries of amounts previously provided	**(1,106)**	**(7,639)**	**(24,420)**	**(3,775)**	**(36,940)**
Balance at the end of the year	**742,645**	**11,326**	**38,722**	**365,285**	**1,157,978**
2009					
Balance at beginning of the year	924,436	11,326	38,722	176,143	1,150,627
Provided during the year	1,101,623	16,748	67,760	10,915	1,197,046
Bad debts written off	-	(16,730)	(36,151)	-	(52,881)
Recoveries of amounts previously provided	-	(5,802)	(22,261)	(20,787)	(48,850)
Balance at the end of the year	2,026,059	5,542	48,070	166,271	2,245,942

c) Credit quality of loans and advances

i) Loans and advances neither past due nor impaired

The Group has categorised its portfolio of loans and advances that are neither past due nor impaired into three sub categories i.e. strong, satisfactory and watch according to the Group's internal rating system.

Loans and advances under the strong category are performing, have sound fundamental characteristics and include those that exhibit neither current nor potential weaknesses.

Loans and advance under the satisfactory category are of sufficient quality to meet its financial obligations in the medium term, but could be impacted by adverse business or economic conditions.

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

2010	**Overdraft**	**Credit Cards**	**Consumer Loans**	**Commercial loans**	**Total**
Strong	**1,125,524**	207,643	**3,431,107**	**13,216,939**	17,981,213
Satisfactory	**1,366,290**	10,052	**8,196**	**14,683,262**	16,067,800
Watch	**277,407**	956	**239**	389,836	668,438
Total	2,769,221	218,651	3,439,542	28,290,037	34,717,451

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2009	Overdraft	Credit Cards	Consumer Loans	Commercial loans	Total
Strong	1,680,199	163,701	2,942,352	14,454,899	19,241,151
Satisfactory	1,267,878	7,959	6,499	13,890,209	15,172,545
Watch	189,940	979	970	258,912	450,801
Total	3,138,017	172,639	2,949,821	28,604,020	34,864,497

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

2010	**Overdraft**	**Credit Cards**	**Consumer Loans**	**Commercial loans**	**Total**
From 1 day to 30 days	**28,885**	**4,041**	**21,294**	**39,947**	**94,167**
From 31 days to 90 days	**9,781**	**5,847**	**25,149**	**56,163**	**96,940**
From 91 days to 180 days	-	-	-	**28,465**	**28,465**
More than 180 days	**296,192**	-	-	**32,750**	**328,942**
Total	**334,858**	**9,888**	**46,443**	**157,325**	**548,514**
2009					
From 1 day to 30 days	2,355	26,154	166,624	19,244	214,377
From 31 days to 90 days	182,795	4,212	33,007	-	220,014
From 91 days to 180 days	16,400	-	-	2,826	19,226
More than 180 days	473,606	-	-	236,138	709,744
Total	675,156	30,366	199,631	258,208	1,163,361

Out of the past due loans for 2010 loans amounting to SAR 62 million are fully secured by collateral (2009: SAR 478 million)

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

2010	**Performing**	**Non performing**	**Allowances for impairment**	**Loans and advances, net**
Government and quasi-government	**2,369,483**	-	-	**2,369,483**
Banks and other financial institutions	**1,197,190**	-	-	**1,197,190**
Agriculture and fishing	**367,049**	**23,231**	**(23,231)**	**367,049**
Manufacturing	**7,827,346**	**119,016**	**(111,241)**	**7,835,121**
Mining and quarrying	**302,274**	-	-	**302,274**
Electricity, water, gas and health services	**1,692,207**	**38,144**	**(14,867)**	**1,715,484**
Building and construction	**5,228,508**	**54,070**	**(52,827)**	**5,229,751**
Commerce	**7,529,166**	**512,973**	**(507,306)**	**7,534,833**
Transportation and communication	**420,794**	**28**	**(28)**	**420,794**
Services	**1,818,761**	**96,391**	**(96,391)**	**1,818,761**
Consumer loans and credit cards	**3,714,525**	**56,783**	-	**3,771,308**
Others	**2,798,662**	**30,356**	**(16,644)**	**2,812,374**
	35,265,965	**930,992**	**(822,535)**	**35,374,422**
Portfolio impairment allowances	-	-	**(335,443)**	**(335,443)**
Total	**35,265,965**	**930,992**	**(1,157,978)**	**35,038,979**

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2009	Performing	Non performing	Allowances for impairment	Loans and advances, net
Government and quasi-government	2,452,186	-	-	2,452,186
Banks and other financial institutions	1,226,356	-	-	1,226,356
Agriculture and fishing	370,415	23,267	(23,267)	370,415
Manufacturing	6,354,436	1,326,325	(1,120,545)	6,560,216
Mining and quarrying	241,266	-	-	241,266
Electricity, water, gas and health services	1,436,563	-	-	1,436,563
Building and construction	4,805,199	58,152	(56,570)	4,806,781
Commerce	10,158,053	395,100	(395,100)	10,158,053
Transportation and communication	681,682	10,484	(10,483)	681,683
Services	1,939,393	339,852	(315,785)	1,963,460
Consumer loans and credit cards	3,352,457	49,541	-	3,401,998
Others	3,009,852	38,333	(38,110)	3,010,075
	36,027,858	2,241,054	(1,959,860)	36,309,052
Portfolio allowances	-	-	(286,082)	(286,082)
Total	36,027,858	2,241,054	(2,245,942)	36,022,970

Loans and advances, include Islamic products of SAR 13.55 billion (2009: SAR 11.45 billion)

e) Collateral

The Group, in the ordinary course of its lending activities holds collateral to mitigate the associated credit risk. This mostly consists of time, demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. Collateral is mainly held against commercial and consumer loans and is managed against relevant exposures at its net realisable value. The fair value of collateral held by the Group against loans and advances at December 31 2010 is SAR 7,746 million (2009: SAR 7,504 million).

f) Loans and advances renegotiated

Restructuring activities include extended repayment arrangements, approved external management plans and modification or deferral of payments. Following restructuring, previously overdue customer accounts are reset to a normal status and managed together with other similar accounts. Renegotiated loans that would otherwise be past due or impaired totaled SAR 740 million (2009: SAR 89 million).

8 INVESTMENT IN ASSOCIATE

Investment in associate represents a 20 % shareholding interest in Wataniya Insurance Company formed in the Kingdom of Saudi Arabia, pursuant to Royal Decree No. 26/30 dated 16 Rabi' II 1430H (corresponding to April 12, 2009). Although the company started its commercial operations during the current financial year, the Group did not account for its portion of the associate's profits or losses as the results of the associate for the period, according to its management accounts, are not material to those of the Group.

9 PROPERTY AND EQUIPMENT, NET

9.1 Property and equipment details are as follows:

	Land and Buildings	Leasehold Improvements	Computer hardware and software	Furniture and Fixtures	Motor Vehicles	Capital Work In Progress (CWIP)	Total
Cost:							
Balance at beginning of the year	139,526	226,470	499,328	131,488	3,913	209,191	1,209,916
Additions during the year	-	-	-	16,729	467	79,560	96,756
Disposals / write off during the year	(5,925)	-	(12,667)	-	-	-	(18,592)
Transfers from CWIP during the year	75,283	40,125	50,985	26,742	-	(193,135)	-
Balance at end of the year	**208,884**	**266,595**	**537,646**	**174,959**	**4,380**	**95,616**	**1,288,080**
Accumulated depreciation/ Amortisation							
Balance at beginning of the year	51,272	195,980	358,480	105,019	2,557	-	713,308
Charge for the year	3,723	13,204	63,117	11,688	491	-	92,223
Write off during the year	-	-	(12,667)	-	-	-	(12,667)
Balance at end of the year	54,995	209,184	408,930	116,707	3,048	-	792,864
Net book value:							
As at 31 December 2010	153,889	57,411	128,716	58,252	1,332	95,616	495,216
As at 31 December 2009	88,254	30,490	140,848	26,469	1,356	209,191	496,608

Amounts in SAR'000

9.2 Gain on sale of land

During the year the Group disposed off a land which it considered surplus to its requirements. This land was initially acquired with a view to build the regional office premises in Eastern Region. The original cost of the land amounted to SAR 5.93 million and sale proceeds were SAR 12.41 million. Necessary regulatory approvals were obtained for the sale.

10 OTHER ASSETS

	2010	*2009*
Accrued special commission receivable:		
Banks and other financial institutions	**1,358**	42,955
Investments	**40,441**	33,417
Loans and advances	**209,431**	216,990
Others	**84,638**	123,719
Total accrued special commission receivable	**335,868**	417,081
Accounts receivable	**631,098**	415,147
Positive fair value of derivatives (note 11)	**297,821**	182,071
Other real estate	**-**	8,597
Others	**3,187**	7,192
Total	**1,267,974**	1,030,088

11 DERIVATIVES

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

a) Swaps

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

b) Forwards and futures

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

c) Forward-rate agreements

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

d) Options

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

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

Derivatives held for hedging purposes

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

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board of Directors has also established the levels of commission rate risk by setting limits on special commission rate gaps for stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce commission rate gaps within the established limits.

Amounts in SAR'000

As part of its asset and liability management process, 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.

The Group uses commission rate swaps 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 details of the hedged items and hedging instrument, are formally documented and the transactions are aeeounted for as fair value or cash flow hedges.

Cash flow hedges

The Group is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear commission at a variable rate. The Group uses commission rate swaps as cash flow hedges of these commission rate risks. The table below indicates as at 31 December 2010, the periods when the hedged eash flows are expected to occur and when they are expected to affect profit or loss:

	2010		2009	
	Within 1 year	1-3 years	Within 1 year	1-3 years
Casb inflows (assets)	**3,297**	**15,944**	3,784	-
Cash out flows (liabilities)	**10,068**	**20,163**	22,530	-
Net cash outflows	**6,771**	**4,219**	18,746	-

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

				Notional amounts by maturity				
Derivative financial instruments	*Positive fair value*	*Negative fair value*	*Notional amount total*	*Within three months*	*3-12 Months*	*1-5 Years*	*Over 5 Years*	*Monthly Average*
Held for trading:								
Commission rate swaps	**149,378**	**148,071**	**19,556,467**	**2,228,503**	**3,912,721**	**11,946,785**	**1,468,458**	**20,556,443**
Forward foreign exchange contracts	**116,952**	**101,851**	**37,258,805**	**18,721,776**	**17,948,645**	**588,384**	**-**	**40,275,625**
Curreney options	**22,114**	**21,375**	**6,036,749**	**2,047,397**	**1,829,295**	**2,160,057**	**-**	**3,062,974**
Forward rate agreements	**105**	**13**	**600,000**	**-**	**600,000**	**-**	**-**	**900,000**
Held as fair value hedges:								
Commission rate swaps	**9,272**	**13,002**	**2,092,356**	**5,000**	**424,470**	**1,425,385**	**237,501**	**1,770,622**
Held as cash flow hedges:								
Commission rate swaps	**-**	**10,820**	**350,000**	**-**	**-**	**350,000**	**-**	**650,000**
Total	**297,821**	**295,132**	**65,894,377**	**23,002,676**	**24,715,131**	**16,470,611**	**1,705,959**	

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Derivative financial instruments 2009	*Positive fair value*	*Negative fair value*	*Notional amount total*	*Notional amounts by maturity* *Within three months*	*3-12 Months*	*1-5 Years*	*Over 5 Years*	*Monthly Average*
Held for trading:								
Commission rate swaps	139,668	135,885	23,549,321	1,462,108	6,775,923	12,943,152	2,368,138	21,768,245
Forward foreign exchange contracts	17,794	9,910	30,421,852	18,450,805	11,378,076	592,971	-	35,952,265
Currency options	774	774	193,031	94,107	98,924	-	-	1,454,280
Forward rate agreements	301	249	1,450,000	-	1,450,000	-	-	1,412,500
Held as fair value hedges:								
Commission rate swaps	7,354	25,513	1,601,104	-	184,564	1,416,540	-	2,475,841
Held as cash flow hedges:								
Commission rate swaps	16,180	-	800,000	-	450,000	350,000	-	925,000
Total	182,071	172,331	58,015,308	20,007,020	20,337,487	15,302,663	2,368,138	

The tables below show a summary of hedged items, the nature of the risk being hedged, the hedging instrument and it's fair value:

Description of hedged items	*Fair value*	*Hedge inception value*	*Risk*	*Hedging Instrument*	*Positive fair value*	*Negative fair value*
2010						
Floating commission rate investments	**185,006**	**206,250**	**Fair value**	**Commission rate swaps**	-	**127**
Fixed commission rate investments	**594,660**	**558,750**	**Fair value**	**Commission rate swaps**	**7,642**	-
Subordinated debts	**350,027**	**350,000**	**Cash flow**	**Commission rate swaps**	-	**10,820**
Deposits taken	**122,980**	**120,000**	**Fair value**	**Commission rate swaps**	**3,439**	-
Loans and advances	**918,215**	**893,797**	**Fair value**	**Commission rate swaps**	-	**14,690**

Description of hedged items						
2009						
Floating commission rate investments	217,809	249,487	Fair value	Commission rate swaps	1,709	120
Floating commission rate investments	451,420	450,000	Cash flow	Commission rate swaps	18,951	-
Deposits taken	122,980	120,000	Fair value	Commission rate swaps	8,147	-
Loans and advances	992,521	969,014	Fair value	Commission rate swaps	-	27,718

The positive fair value of derivatives amounting to SAR 297.82 million (2009: SAR 182.07 million) is reflected in other assets (note 10). The negative fair value of derivatives amounting to SAR 295.13 million (2009: SAR 172.33 million) is reflected in other liabilities (note 14).

Approximately 61% (2009: 53%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 9% (2009: 14%) of the positive fair value contracts are with any single counterparty at the reporting date. Derivative activities are carried out by the Group's treasury segment.

Amounts in SAR'000

12 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010	2009
Current accounts	510,649	715,217
Call/ Overnight	358	4,302
Money market deposits	2,346,005	5,037,037
Total	2,857,012	5,756,556

13 CUSTOMERS' DEPOSITS

	2010	2009
Time	23,764,572	29,104,109
Demand	16,894,955	14,793,301
Saving	350,059	331,667
Others	594,033	598,212
Total	41,603,619	44,827,289

Time deposits include:

	2010	2009
i) Deposits designated as FVIS	59,734	73,307
ii) Deposits under repurchase agreements with customers	534,800	876,800
iii) Islamic deposits	10,339,000	11,047,000

Customers' deposits include SAR 554 million (2009: SAR 499 million) of margins held for irrevocable commitments, non commission based deposits amounting to SAR 16.30 billion (2009: SAR 14.21 billion) and foreign currency deposits as follows:

	2010	2009
Time	6,957,924	8,814,993
Demand	1,723,808	1,443,824
Saving	34,368	36,959
Others	21,630	20,905
Total	8,737,730	10,316,681

14 OTHER LIABILITIES

	2010	2009
Accrued special commission payable:		
Banks and other financial institutions	828	2,981
Customer deposits	65,408	108,434
Subordinated debt	234	26,167
Others	119,255	163,217
Total accrued special commission payable	185,725	300,799
Accrued expenses and accounts payable	673,928	682,763
Negative fair value of derivatives (note 11)	295,132	172,331
Others	380,041	237,158
Total	1,534,826	1,393,051

15 SUBORDINATED DEBT

Subordinated debt includes the following debt securities:

On 30 December 2009, the Group issued SAR 725 million unsecured subordinated Mudaraba Certificates (the Certificates), due in 2019, through public offer The Group may at its option, but subject to the prior written approval of SAMA redeem the Certificates at their redemption amount at the end of 2014 or at the end of each calendar year thereafter until 2018, or in the event of certain changes affecting taxation and regulatory capital treatment of these Mudaraba Certificates.

Amounts in SAR'000

On 29 December 2008, the Group issued SAR 775 million unsecured subordinated Mudaraba Certificates (the Certificates), due in 2018. The Group may at its option, but subject to the prior written approval of SAMA redeem the Certificates at their redemption amount at the end of 2013 or at the end of each calendar year thereafter until 2017, or in the event of certain changes affecting taxation and regulatory capital treatment of these Mudaraba Certificates.

The Group has not defaulted of principal or commission or other breaches with regard to any of these liabilities during 2010 or 2009.

16 SHARE CAPITAL

The authorised, issued and fully paid share capital consists of 330.75 million (2009: 330.75 million) shares of SAR 10 (2009: SAR 10) each.

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

	Percentage	*2010*	*2009*
Saudi shareholders	**60%**	**1,984,500**	1,984,500
ABN AMRO Bank N.V. (The Netherlands)	**40%**	**1,323,000**	1,323,000
Total	**100%**	**3,307,500**	3,307,500

17 STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 198 million has been transferred from net income (2009: SAR 21.5 million). The statutory reserve is not available for distribution.

18 OTHER RESERVES

	Cash flow hedges	*Available for sale investments*	*Total*
2010			
Balance at beginning of the year	**16,180**	**(7,185)**	**8,995**
Net change in fair value	**(29,391)**	**(14,305)**	**(43,696)**
Transfer to consolidated income statement	**2,391**	**2,394**	**4,785**
Balance at end of the year	**(10,820)**	**(19,096)**	**(29,916)**
2009			
Balance at beginning of the year	23,151	(68,562)	(45,411)
Net change in fair value	(10,831)	64,398	53,567
Transfer to consolidated income statement	3,860	(3,021)	839
Balance at end of the year	16,180	(7,185)	8,995

19 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at 31 December 2010 and 2009 there were certain legal proceedings outstanding against the Group that arose in the normal course of business. No provision has been made as professional legal advice indicates that it is not probable that any significant loss will arise in respect of these proceedings.

b) Capital commitments

As at 31 December 2010 the Group had capital commitments of SAR 9.38 million (2009: SAR 17.85 million) in respect of leasehold improvements and equipment purchases.

Amounts in SAR'000

c) **Credit related commitments and contingencies**

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

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

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

Commitments to extend credit represent the unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of the commitments could expire or terminate without being funded.

i) The contractual maturities of the Group's commitments and contingencies are as follows:

2010	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Total
Letters of credit	**592,385**	**2,138,415**	**694,545**	**58,281**	**3,483,626**
Letters of guarantee	**1,138,014**	**886,819**	**7,697,983**	**1,988,188**	**11,711,004**
Acceptances	**998,082**	**1,037,340**	**52,349**	**245**	**2,088,016**
Irrevocable commitments to extend credit	**6,500**	**81,902**	**38,621**	**55,406**	**182,429**
Total	**2,734,981**	**4,144,476**	**8,483,498**	**2,102,120**	**17,465,075**
2009					
Letters of credit	505,001	1,627,502	462,016	51,538	2,646,057
Letters of guarantee	562	1,406,807	7,696,866	1,822,773	10,927,008
Acceptances	660,453	893,007	73,469	979	1,627,908
Irrevocable commitments to extend credit	18,494	75,515	494,710	251,219	839,938
Total	1,184,510	4,002,831	8,727,061	2,126,509	16,040,911

ii) Commitments and contingencies by counterparty are as follows:	2010	2009
Government and quasi-government	**73,535**	71,704
Corporate	**14,491,471**	13,516,056
Banks and other financial institutions	**2,730,892**	2,200,754
Other	**169,177**	252,397
Total	**17,465,075**	16,040,911

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d) Operating lease commitments

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

	2010	2009
Less than 1 year	44,338	42,859
1 to 5 years	116,470	113,598
Over 5 years	63,805	80,534
Total	224,613	236,991

20 SPECIAL COMMISSION INCOME AND EXPENSE

Special commission income

	2010	2009
Investments:		
Available for sale	24,772	31,743
Held to maturity	6,529	26,382
Other investments held at amortised cost	163,761	387,268
Due from banks and other financial institutions	38,756	64,487
Loans and advances	1,391,179	1,770,319
Total	1,624,997	2,280,199

Special commission expense

	2010	2009
Due to banks and other financial institutions	24,634	158,544
Subordinated debt	46,667	46,463
Customers' deposits	266,365	505,146
Total	337,666	710,153

21 FEE AND COMMISSION INCOME, NET

	2010	2009
Fee and commission income:		
Share brokerage and fund management, net	48,666	61,348
Trade finance	168,272	144,455
Corporate finance and advisory	126,838	79,023
Credit cards	68,341	61,715
Other banking services	88,336	57.378
Total fee and commission income	500,453	403,919
Fee expenses:		
Credit cards	39,891	32,533
Other banking services	5,735	5,384
Total fee expenses	45,626	37,917
Fee and commission, net	454,827	366,002

22 INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AS FVIS, NET

	2010	2009
Fair value change on investments designated as FVIS	1,250	1,246
Special commission income on designated as FVIS, net	4,139	1,343
Total income	5,389	2,589

Amounts in SAR'000

23 TRADING INCOME, NET

	2010	2009
Foreign exchange, net	**50,064**	65,763
Investments held for trading	**14,815**	8,597
Derivatives	**21,318**	50,875
Trading income, net	**86,197**	125,235

24 SALARIES AND EMPLOYEE RELATED PAYMENTS

Following are the details of compensation paid to the various categories of employees of the Group during the year:

Categories of employees	Number of employees	Fixed compensation	Variable compensation	Total compensation	Forms of payment
Senior executives who require SAMA's no objection	22	25,539	6,378	31,917	Cash
Employees engaged in control and risk management functions	66	15,067	537	15,604	Cash
Employees engaged in risk taking activities	411	83,397	7,994	91,391	Cash
Other employees	1,147	175,928	14,044	189,972	Cash
Outsourced employees involved in risk taking activities	-	-	-	-	-

Senior executives who require SAMA's no objection:

This comprises senior management having responsibility and authority for formulating strategies and directing and controlling the activities of the Group. This covers the Managing Director (MD) and certain direct reports to the MD.

Employees engaged in control and risk management functions:

This refers to employees working in divisions that are not involved in risk taking activities but are engaged in review functions, for example Risk Management, Compliance, Internal Audit and Finance. These functions are fully independent from the risk taking units.

Employees engaged in risk taking activities:

This comprises staff within business lines (Corporate Banking, Personal Banking, Treasury and SHC), who are responsible for executing and implementing the business strategy on behalf of the Group, for example staff involved in recommending credit limits, pricing of loans, undertaking and executing business proposals, treasury dealing activities, investment management and brokerage services.

Other employees:

This includes all other employees of the Group, excluding those already mentioned above.

Outsourced employees involved in risk taking activities:

There are no outsourced employees involved in risk taking activities.

Group Compensation policy:

The purpose of the policy is to establish and apply compensation policies and processes which support delivery of business strategy, reinforce the desired organisational culture, reflect prudent risk management and comply with SAMA Regulations.

The Group's compensation policy is aimed at rewarding both risk-adjusted performance and appropriate behaviour in line with the Group's core values. To this end, performance measurements are risk adjusted and reviewed by the independent Risk Management function. In addition, the Compensation Policy is reviewed by Risk Management to ensure rewards are adjusted for the level of risk incurred.

The Board of Directors are responsible for ensuring the effective implementation of the compensation policy. The Board is advised by the Nominations and Remuneration Committee ("The Committee") which comprises three independent Non Executive Directors. The Committee receives reports and recommendations from the Executive Management supported by Human Resources. The Committee reviews and approves all compensation decisions relating to all employees.

Heads of business units and control functions being monitored and/or controlled by Internal Audit, Compliance, Risk Management and Credit Risk will not have any input to compensation decisions of employees in the control functions. Compensation recommendations are determined based on a clear understanding of the intended total reward package and the decisions are taken considering the balance between external competitiveness and affordability together with focusing attention on building motivational and performance related compensation arrangements

Comparative information has not been provided as SAMA's circular no. 26194/BCS/12580 dated May 03, 2010 requires disclosure of the above information for the current and prospective financial years.

Amounts in SAR'000

25 EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2010 and 2009 are calculated by dividing the net income for the year attributable to the equity shareholders by total number of shares in issue.

26 DIVIDENDS, ZAKAT AND INCOME TAX

No dividend has been proposed for the year 2010 (2009: SAR Nil).

Zakat and income tax payable for the year are as follows:

a) Saudi shareholders:

Zakat attributable to Saudi shareholders for the year amounted to approximately SAR 15 million (2009: SAR 3 million), which will be deducted from their share of future dividends.

b) Non-Saudi shareholders:

Income tax payable on the current year's share of income of foreign shareholders' is approximately SAR 62 million (2009: SAR 14 million), which will be deducted from their share of future dividends.

27 CASH AND CASH EQUIVALENTS

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

	2010	*2009*
Cash and balances with SAMA excluding statutory deposits (note 4)	**2,771,473**	7,173,552
Due from banks and other financial institutions maturing within 3 months or less from the date of acquisition	**201,727**	24,629
Total	**2,973,200**	7,198,181

28 OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources and to assess performance. Transactions between reportable segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between reportable segments, resulting in funding cost transfers. Commission is charged to reportable segments based on a pool rate, which approximates the marginal cost of funds. Following are the reportable business segments of the Group:

Corporate banking

The corporate banking group offers a range of products and services to corporate and institutional customers. It accepts customer deposits and provides financing, including term loans, overdrafts, syndicated loans, trade finance services, treasury and derivative products and foreign exchange. Services provided to customers include internet banking, global transaction services and a centralised service that manages all customer transfers, electronic or otherwise.

Consumer banking

The consumer banking group operates through a national network of branches and ATMs supported by a 24-hour phone banking center. The Group accepts customers' deposits in various savings and deposit accounts and provides retail banking products and services, including consumer loans, overdrafts, credit cards, to individuals and small-to-medium-sized enterprises.

Treasury

Treasury transacts mainly money market, foreign exchange, interest 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 bank-wide liquidity and managing the Group's investment portfolio and consolidated statement of financial position.

Investment banking and investment services

The investment banking and services group offers dealing, managing, arranging, advising and maintaining custody services in relation to securities.

Amounts in SAR'000

a) The following is an analysis of the Bank's assets, revenue and results by operating segments for the years ended December 31, 2010 and 2009.

2010	***Corporate Banking***	***Consumer Banking***	***Treasury***	***Investment banking and investment services***	***Total***
Total assets	**30,685,145**	**4,524,406**	**18,190,734**	**482,128**	**53,882,413**
Total liabilities	**21,332,976**	**14,713,923**	**11,429,147**	**19,411**	**47,495,457**
Fee and commission income, net	**324,143**	**57,290**	**13,908**	**59,486**	**454,827**
Trading income, net	**3,064**	**12,461**	**70,672**	**-**	**86,197**
Total operating income	**1,125,257**	**461,769**	**305,293**	**61,764**	**1,954,083**
Impairment charge for credit losses, net	**(337,068)**	**(51,658)**	**-**	**-**	**(388,726)**
Impairment charge for investments	**-**	**-**	**(9,200)**	**-**	**(9,200)**
Depreciation / amortisation	**(24,585)**	**(67,346)**	**(292)**	**-**	**(92,223)**
Total operating expenses	**(580,264)**	**(383,885)**	**(149,561)**	**(56,422)**	**(1,170,132)**
Net operating income for the year	**544,993**	**77,884**	**155,732**	**5,342**	**783,951**

2009	*Corporate Banking*	*Consumer Banking*	*Treasury*	*Investment banking and investment services*	*Total*
Total assets	33,881,231	4,590,357	20,054,035	584,095	59,109,718
Total liabilities	23,277,194	15,135,075	14,951,864	112,763	53,476,896
Fee and commission income, net	215,966	46,611	27,463	75,962	366,002
Trading income, net	8,456	8,581	108,198	-	125,235
Total operating income	1,132,067	569,613	361,957	82,925	2,146,562
Impairment charge for credit losses, net	(1,094,274)	(53,922)	-	-	(1,148,196)
Impairment charge for investments	-	-	(100,048)	-	(100,048)
Depreciation / amortisation	(19,645)	(57,573)	(196)	-	(77,414)
Total operating expenses	(1,307,632)	(505,527)	(192,283)	(55,189)	(2,060,631)
Net operating income for the year	(175,565)	64,086	169,674	27,736	85,931

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

2010	***Corporate Banking***	***Consumer Banking***	***Treasury***	***Total***
Non-derivative assets	**30,685,145**	**4,524,406**	**11,909,974**	**47,119,525**
Commitments and contingencies	**9,412,941**	**-**	**-**	**9,412,941**
Derivatives	**-**	**-**	**1,092,802**	**1,092,802**
2009				
Non-derivative assets	31,558,418	4,058,519	12,696,521	48,313,458
Commitments and contingencies	8,553,397	-	-	8,553,397
Derivatives	-	-	856,787	856,787

Credit exposure comprises the carrying value of assets excluding cash and balances with SAMA, property and equipment and other assets.

29 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities There is also credit risk in off statement of the consolidated financial position financial instruments, such as loan commitments. The Group controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Amounts in SAR'000

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 Management may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk on derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation. To control the level of credit risk taken. Management assesses counterparties using the same techniques as for its lending activities.

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.

Management seeks to manage concentration of credit risk through the diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate or seeks additional collateral from the counterparty as soon as impairment indicators are noticed.

Management monitors on regular basis the market value of collateral and requests additional collateral in accordance with the underlying agreement, if required. In addition it also specifically monitors the market value of collateral during its review of the adequacy of the allowances for impairment losses. Management regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by class of counter party is provided in note 6. For details of the composition of loans and advances refer to note 7. Information on credit risk relating to derivative instruments and commitments and contingencies are provided in note 11 and 19 respectively . Information on the Group's maximum credit exposure by operating segment is provided in note 28.

Maximum exposure to credit risk to the Group at 31 December 2010 and 2009, without taking into account of any collateral held or credit enhancements attached is reflected below:

	2010	*2009*
Due from banks and other financial institutions	**308,881**	138,935
Investments, net	**11,751,665**	12,131,554
Loans and advances, net	**35,038,979**	36,022,970
Derivatives	**297,821**	182,071
Credit related commitments and contingencies	**17,465,075**	16,040,911
Total	**64,862,421**	64,516,441

The Group uses a credit classification system as a tool to assist in managing the quality of credit risk within the lending portfolio. In addition to the three categories mentioned in note 7 management maintains further classification grades that differentiates between performing and impaired portfolios and allocates portfolio allowances and specific allowances respectively. Management determines each individual borrower's grade based on specific objectives and criteria such as activity, cash flows, capital structure, security, quality of management and borrower's character. A further quality classification is performed over existing borrowers and the results of this exercise are validated by the independent risk management unit.

30 GEOGRAPHICAL CONCENTRATION

The Group's credit exposure by geographical region is as follows:

2010	*Saudi Arabia*	*Other GCC and Middle East*	*Europe*	*America*	*Other countries*	*Total*
Assets						
Cash and balances with SAMA	4,999,698	-	-	-	-	4,999,698
Due from banks and other financial institutions	153,175	25,158	78,992	4,966	46,590	308,881
Investments, net	9,794,242	1,330,981	170,662	-	455,780	11,751,665
Loans and advances, net	35,038,590	-	389	-	-	35,038,979
Total	49,985,705	1,356,139	250,043	4,966	502,370	52,099,223

Amounts in SAR'000

	Saudi Arabia	*Other GCC and*	*Europe*	*America*	*Other countries*	*Total*
Liabilities						
Due to banks and other financial institutions	2,060,356	648,613	81,794	40,853	25,396	2,857,012
Customers' deposits	41,442,789	90,062	22,518	3,021	45,229	41,603,619
Subordinated debt	1,500,000	-	-	-	-	1,500,000
Total	45,003,145	738,675	104,312	43,874	70,625	45,960,631
Credit-related commitments and Contingencies	15,267,818	270,262	1,015,095	74,992	836,908	17,465,075
Maximum credit exposure (stated at credit equivalent amounts) of the above						
Commitments and contingencies	7,833,256	197,807	722,450	37,522	621,906	9,412,941
Derivatives	520,068	114,071	422,568	33,052	3,043	1,092,802

2009	*Saudi Arabia*	*Other GCC and Middle East*	*Europe*	*America*	*Other countries*	*Total*
Assets						
Cash and balances with SAMA	9,269,563	-	-	-	-	9,269,563
Due from banks and other financial institutions	2,977	40,075	53,002	11,458	31,423	138,935
Investments, net	10,379,389	1,339,884	269,317	-	142,964	12,131,554
Loans and advances, net	35,627,570	395,295	70	32	3	36,022,970
Total	55,279,499	1,775,254	322,389	11,490	174,390	57,563,022
Liabilities						
Due to banks and other financial institutions	3,929,121	1,580,985	79,275	143,610	23,565	5,756,556
Customers' deposits	44,715,871	64,564	13,322	3,048	30,484	44,827,289
Subordinated debt	1,500,000	-	-	-	-	1,500,000
Total	50,144,992	1,645,549	92,597	146,658	54,049	52,083,845
Credit-related commitments and Contingencies	14,186,049	295,186	475,078	61,488	1,023,110	16,040,911
Maximum credit exposure (stated at credit equivalent amounts) of the above						
Commitments and contingencies	7,181,414	205,903	277,145	36,512	852,423	8,553,397
Derivatives	459,367	79,094	266,181	52,145	-	856,787

Credit equivalent amounts reflect the amounts that result from translating the Group's contingent liabilities and commitments into the risk equivalent of loans, using credit conversion factors prescribed by SAMA. The Credit conversion factor is meant to capture the potential credit risk related to the exercise of that commitment. Impaired loans and advances and allowances for credit losses are all within the Kingdom of Saudi Arabia.

31 MARKET RISK

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

The market risk for the trading book is managed and monitored using a Value at Risk (VaR) methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

a) MARKET RISK - TRADING BOOK

The Board has set limits for the acceptable level of risks in managing the trading book. In order to manage market risk in the trading book, Management applies a VaR methodology daily 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.

Amounts in SAR'000

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 distribution.

The VaR that Management 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, Management maintains a framework of non-modeled limits that show potential loss for a given change in a market factor and makes no assumption about the behaviour of market factors. Furthermore, Management employs stop loss limits on market risk positions and 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 and Asset Liability Committee (ALCO) for their review.

The Group's VaR related information for the year ended December 31, 2010 is as given below. Total VaR takes into account correlations across asset classes and accordingly it is not the total of individual VaR.

	Foreign exchange rate risk	***Special Commission rate risk***	***Foreign Exchange Forwards***	***Overall Risk***
2010 (VaR)				
VaR as at December 31	**242**	97	**146**	**485**
Average VaR for 2010	**381**	**695**	**40**	**1,116**
Maximum VaR	**1,072**	**1,881**	**1,845**	3,914
Minimum VaR	**38**	**78**	**56**	**361**

	Foreign exchange rate risk	*Special Commission rate risk*	*Foreign Exchange Forwards*	*Overall Risk*
2009 (VaR)				
VaR as at December 31	948	1,255	440	2,643
Average VaR for 2009	646	1,135	899	2,680
Maximum VaR	2,931	2,619	2,214	5,244
Minimum VaR	27	310	157	1,134

b) MARKET RISK – NON-TRADING OR BANKING BOOK

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

i) COMMISSION RATE RISK

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

The following table depicts the sensitivity to a reasonable possible change in commission rates, with other variables held constant, on the Group's consolidated income statement or equity. The sensitivity of the income is the effect of the assumed changes in commission rates on the net commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at December 31, 2010 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, 2010 for the effect of assumed changes in commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap

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Banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed below:

2010

Currency	Increase/ (decrease) in basis points	Sensitivity of special commission income	Sensitivity of equity			
			6 months or less	6 to12 months	1-5 Yrs	Over 5Years
USD	25	(22)	(58)	(116)	(237)	-
	(25)	22	58	116	237	-
EUR	25	(14)	-	-	-	-
	(25)	14	-	-	-	-
SAR	25	636	365	71	833	2,514
	(25)	(636)	(365)	(71)	(833)	(2,514)
Others	25	6	-	-	-	-
	(25)	(6)	-	-	-	-

2009

Currency	Increase/ (decrease) in basis points	Sensitivity of special commission income	Sensitivity of equity			
			6 months or less	6 to12 months	1-5 Yrs	Over 5Years
USD	25	(204)	(99)	(44)	(244)	-
	(25)	204	99	44	244	-
EUR	25	(19)	-	(66)	(73)	-
	(25)	19	-	66	73	-
SAR	25	815	376	922	334	2,705
	(25)	(815)	(376)	(922)	(334)	(2,705)
Others	25	(14)	-	-	-	-
	(25)	14	-	-	-	-

The exposure to the effect of various risks associated with fluctuations in the prevailing levels of market commission rates on financial position and cash flows is managed.

The Board sets limits on the level of commission rate re-pricing mismatch that may be undertaken, which is monitored daily by the Group's Treasury. The Group is exposed to commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off the consolidated statement of financial position instruments that mature or re-price in a given period. This risk is managed by matching the re-pricing of assets and liabilities through risk management strategies. The table below summarises the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of the contractual re-pricing or the maturity dates.

2010	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*Over 5 Years*	*Non commission bearing*	*Total*	*Effective commission rate %*
Assets							
Cash and balances with SAMA	2,449,965	-	-	-	2,549,733	4,999,698	0.15
Due from banks and other financial institutions	201,727	751	-	-	106,403	308,881	0.81
Investments, net	9,948,762	1,559,815	234,569	8,519	-	11,751,665	1.48
Loans and advances, net	22,224,834	8,553,576	4,232,997	27,572	-	35,038,979	3.78
Investment in associate	-		-	-	20,000	20,000	
Property and equipment, net	-	-	-	-	495,216	495,216	
Other assets	-	-	-	-	1,267,974	1,267,974	
Total	34,825,288	10,114,142	4,467,566	36,091	4,439,326	53,882,413	

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Liabilities and shareholders' equity	***Within 3 Months***	***3 to 12 Months***	***1 to 5 years***	***Over 5 Years***	***Non commission bearing***	***Total***	***Effective commission rate %***
Due to banks and other financial institutions	**2,230,617**	**115,388**	**-**	**-**	**511,007**	**2,857,012**	**0.40**
Customers' deposits	**19,946,144**	**5,281,894**	**71,612**	**-**	**16,303,969**	**41,603,619**	**0.60**
Other liabilities	**-**	**-**	**-**	**-**	**1,534,826**	**1,534,826**	
Subordinated debt	**-**	**1,500,000**	**-**	**-**	**-**	**1,500,000**	**2.98**
Shareholders' equity	**-**	**-**	**-**	**-**	**6,386,956**	**6,386,956**	
Total liabilities and share holders' equity.	**22,176,761**	**6,897,282**	**71,612**	**-**	**24,736,758**	**53,882,413**	
Commission rate sensitivity - on the consolidated financial position gap	**12,648,527**	**3,216,860**	**4,395,954**	**36,091**	**(20,297,432)**	**-**	
Commission rate sensitivity - off the consolidated financial position gap	**1,668,669**	**(512,759)**	**(1,012,664)**	**(30,747)**	**(112,499)**	**-**	
Total commission rate sensitivity gap	**14,317,196**	**2,704,101**	**3,383,290**	**5,344**	**(20,409,931)**	**-**	
Cumulative commission rate sensitivity gap	**14,317,196**	**17,021,297**	**20,404,587**	**20,409,931**	**-**	**-**	

2009	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*Over 5 Years*	*Non commission bearing*	*Total*	*Effective commission rate %*
Assets							
Cash and balances with SAMA	6,926,904	-	-	-	2,342,659	9,269,563	0.35
Due from banks and other financial institutions	24,629	2,131	-	-	112,175	138,935	1.02
Investments, net	8,980,997	2,448,839	660,265	41,453	-	12,131,554	2.97
Loans and advances, net	21,186,133	8,722,694	6,024,823	89,320	-	36,022,970	4.52
Property and equipment, net	-	-	-	-	496,608	496,608	-
Investment in associate	-	-	-	-	20,000	20,000	-
Other assets	-	-	-	-	1,030,088	1,030,088	-
Total	37,118,663	11,173,664	6,685,088	130,773	4,001,530	59,109,718	
Liabilities and shareholders' equity							
Due to banks and other financial institutions	4,667,811	369,226	-	-	719,519	5,756,556	1.64
Customers' deposits	23,075,482	7,429,002	115,203	-	14,207,602	44,827,289	1.04
Other liabilities	-	-	-	-	1,393,051	1,393,051	-
Subordinated debt	-	1,500,000	-	-	-	1,500,000	3.24
Shareholders' equity	-	-	-	-	5,632,822	5,632,822	-
Total liabilities and share holders' equity.	27,743,293	9,298,228	115,203	-	21,952,994	59,109,718	
Commission rate sensitivity - on the consolidated financial position gap	9,375,370	1,875,436	6,569,885	130,773	(17,951,464)	-	
Commission rate sensitivity - off the consolidated financial position gap	858,290	(1,029,567)	(235,245)	298,966	107,556	-	
Total commission rate sensitivity gap	10,233,660	845,869	6,334,640	429,739	(17,843,908)	-	
Cumulative commission rate sensitivity gap	10,233,660	11,079,529	17,414,169	17,843,908	-	-	

Amounts in SAR'000

The off the consolidated financial position gap represents the net notional amounts of off financial position financial instruments that are used to manage the commission rate risk.

The effective commission rate (effective yield) of a monetary financial instrument is the yeild that the Group earns from its clients taking into consideration the contractual commission rate.

ii) CURRENCY RISK

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

The table below shows the currencies to which the Group has a significant exposure as at reporting date on its non-trading monetary assets and liabilities and forecasted eash flows. The analysis ealeulates the effect on the income statement (due to the fair value of the eurreney sensitive non-trading monetary assets and liabilities) of a potential movement in the foreign eurreney against SAR, with all other variables held eonstant,. A positive effeet shows a potential increase in consolidated income statement or equity, whereas a negative effeet shows a potential net reduction in consolidated income statement.

2010

Currency exposure	Change in Currency Rate (%)	Effect on Net Income
USD	**5**	**(26,207)**
	(5)	**26,207**
EUR	**5**	**13**
	(5)	**(13)**
GBP	**5**	**24**
	(5)	**(24)**
JPY	**5**	**(23)**
	(5)	**23**
Others	**5**	**358**
	(5)	**(358)**

2009

Currency exposure	Change in Currency Rate (%)	Effect on Net Income
USD	5	11,026
	(5)	(11,026)
EUR	5	(10)
	(5)	10
GBP	5	(7)
	(5)	7
JPY	5	834
	(5)	(834)
Others	5	7,472
	(5)	(7,472)

Exposure to the effects of fluctuations in prevailing foreign eurrency exchange rates on its financial position and eash flows is managed by the Board of Directors setting limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Amounts in SAR'000

At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	Long / (short)	
	2010	2009
US Dollar	**(524,146)**	220,526
Euro	**258**	(204)
Pound Sterling	**475**	(134)
Japanese Yen	**(452)**	16,688
Others	**7,156**	149,477

iii) EQUITY PRICE RISK

Equity 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.

The Group does not have significant exposure to Equities.

32 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up at short notice. To mitigate this risk, management has diversified funding sources and assets are managed considering liquidity positions to maintain a healthy balance of cash and cash equivalents and readily marketable securities.

i) Maturity analysis of assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date and do not take into account the effective maturities as indicated by the Group's deposit retention history. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Bank and other operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2009: 7%) of total demand deposits and 4% (2009: 4 %) of savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposits liabilities, in the form of cash, Saudi Government Development Bonds or assets which can be converted into cash within a period not exceeding 30 days or the Bank may raise additional funds through repo facilities available with SAMA against Saudi Government Development Bonds up to 75% of the nominal value of bonds held.

(ii) The maturity profile of assets and liabilities as at reporting date is as follows;

2010	*No fixed maturity*	*Within 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*	*Total*
Assets						
Cash and balances with SAMA	**2,228,225**	**2,771,473**	**-**	**-**	**-**	**4,999,698**
Due from banks and other financial institutions	**106,403**	**201,727**	**751**	**-**	**-**	**308,881**
Investments, net	**1,310**	**4,065,516**	**2,472,265**	**4,666,544**	**546,030**	**11,751,665**
Loans and advances, net	**2,877,092**	**17,441,533**	**8,455,666**	**5,803,171**	**461,517**	**35,038,979**
Investment in associate	**20,000**	**-**	**-**	**-**	**-**	**20,000**
Property and equipment, net	**495,216**	**-**	**-**	**-**	**-**	**495,216**
Other assets	**1,267,974**	**-**	**-**	**-**	**-**	**1,267,974**
Total	**6,996,220**	**24,480,249**	**10,928,682**	**10,469,715**	**1,007,547**	**53,882,413**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	No fixed maturity	*Within 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*	*Total*
Liabilities and shareholders' equity						
Due to banks and other financial institutions	511,007	2,230,617	115,388	-	-	2,857,012
Customers' deposits	19,155,185	17,094,928	5,281,894	71,612	-	41,603,619
Other liabilities	1,534,826	-	-	-	-	1,534,826
Subordinated debt	-	-	-	-	1,500,000	1,500,000
Shareholders' equity	6,386,956	-	-	-	-	6,386,956
Total	27,587,974	19,325,545	5,397,282	71,612	1,500,000	53,882,413

2009	*No fixed maturity*	*Within 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*	*Total*
Assets						
Cash and balances with SAMA	2,096,011	7,173,552	-	-	-	9,269,563
Due from banks and other financial institutions	112,175	24,629	2,131	-	-	138,935
Investments, net	1,310	1,958,862	2,973,575	6,651,795	546,012	12,131,554
Loans and advances, net	3,808,284	12,305,865	7,678,800	9,122,397	3,107,624	36,022,970
Investment in associate	20,000	-	-	-	-	20,000
Property and equipment, net	496,608	-	-	-	-	496,608
Other assets	1,030,088	-	-	-	-	1,030,088
Total	7,564,476	21,462,908	10.654,506	15,774,192	3,653,636	59,109,718

	No fixed maturity	*Within 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*	*Total*
Liabilities and shareholders' equity						
Due to banks and other financial institutions	719,519	4,667,811	369,226	-	-	5,756,556
Customers' deposits	16,419,425	20,863,660	7.429,002	115,202	-	44,827,289
Other liabilities	1,393,051	-	-	-	-	1,393,051
Subordinated debt	-	-	-	-	1,500,000	1,500,000
Shareholders' equity	5,632,822	-	-	-	-	5,632,822
Total	24,164,817	25,531,471	7,798,228	115,202	1,500,000	59,109,718

The cumulative maturity of commitments and contingencies is given in note 19 (c) (i) of the consolidated financial statements.

ii) Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at reporting date based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and therefore the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

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2010	*No fixed maturity*	*Within 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial Liabilities						
Due to banks and other financial institutions	**511,007**	**2,234,130**	**115,787**	**-**	**-**	**2,860,924**
Customers' deposits	**19,155,185**	**17,140,186**	**5,330,674**	**77,222**	**-**	**41,703,267**
Subordinated debts	**-**	**234**	**30,393**	**406,162**	**1,822,900**	**2,259,689**
Derivatives						
Contractual amounts payable	**-**	**(5,709)**	**(25,146)**	**(288,311)**	**(5,941)**	**(325,107)**
Contractual amounts receivable	**-**	**2,433**	**11,808**	**296,122**	**10,415**	**320,778**
Total undiscounted financial liabilities	**19,666,192**	**19,371,274**	**5,463,516**	**491,195**	**1,827,374**	**46,819,551**
2009						
Financial Liabilities						
Due to banks and other financial institutions	719,519	4,672,473	373,860	-	-	5,765,852
Customers' deposits	16,419,425	20,921,826	7,529,435	127,952	-	44,998,638
Subordinated debts	-	8,650	30,640	1,111,212	1,258,453	2,408,955
Derivatives						
Contractual amounts payable	-	1,722	15,555	103,955	-	121,232
Contractual amounts receivable	-	(3,004)	(33,008)	(306,876)	-	(342,888)
Total undiscounted financial liabilities	17,138,944	25,601,667	7,916,482	1,036,243	1,258,453	52,951,789

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

Management 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 no significant input is based on observable market data. (There are no such financial instruments at the reporting date).

2010

Financial assets	**Level 1**	**Level 2**	**Total**
Derivative financial instruments	**-**	**297,821**	**297,821**
Financial assets designated as FVIS	**55,844**	**59,734**	**115,578**
Financial investments available for sale	**457,865**	**560,943**	**1,018,808**
Total	**513,709**	**918,498**	**1,432,207**
Financial liabilities			
Derivative financial instruments	**-**	**295,132**	**295,132**
Total	**-**	**295,132**	**295,132**

2009

Financial assets	Level 1	Level 2	Total
Derivative financial instruments	-	182,071	182,071
Financial assets designated at FVIS	38,586	73,307	111,893
Financial investments available for sale	239,025	1,120,617	1,359,642
Total	277,611	1,375,995	1,653,606

Amounts in SAR'000

Financial liabilities	Level 1	Level 2	Total
Derivative financial instruments	-	172,331	172,331
Total	-	172,331	172,331

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of on the consolidated statement of financial position financial instruments, except for those held to maturity, other investments held at amortised costs and customers' deposits that are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements. The estimated fair values of other investments held at amortised cost and held-to-maturity investments are based on quoted market prices, when available, or pricing models in the case of certain fixed rate bonds. The fair values of these investments are disclosed in note 6. The fair value of loans and advances held at amortised cost and commission-bearing customers' deposits are not significantly different from their book values since the current market commission rates for similar financial assets are not significantly different from the contracted rates. The fair values of due from banks and other financial institutions and due to financial institutions are not significantly different from the carrying values since the underlying amounts for these categories are for shorter durations which indicates that their booking rates are not significantly different from the current market rates. The fair value of subordinated debt approximates carrying value since this is a floating rate liability with commission rates re-priced every six months.

The fair values of derivatives and other off the consolidated statement of financial position financial instruments are based on the quoted market prices wherever available or by using the appropriate valuation models. The total amount of the changes in fair value recognised in the consolidated income statement, which was estimated using valuation technique, is SAR 2 million (2009: SAR 4 million).

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 and loss'. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realised through disposal. Subsequent changes in fair value are recognised immediately in the consolidated income statement without reversal of deferred day one profits and losses.

34 RELATED PARTY TRANSACTIONS

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

The balances at reporting date, resulting from such transactions are as follows:

ABN AMRO Bank N.V.	2010	2009
Due from banks and other financial institutions	**55,486**	46,460
Due to banks and other financial institutions	**59,586**	22,136
Commitments and contingencies	**268,848**	182,559
Directors and other major shareholders:		
Loans and advances	**511,549**	373,944
Customers' deposits	**4,735,626**	4,875,574
Commitments and contingencies	**1,219**	4,793
The Group's mutual funds:		
Investments	**26,863**	33,133
Customers' deposits	**648,687**	532,190

Other major shareholders represent shareholdings (excluding the non-Saudi shareholder) of more than 5% of the Bank's issued share capital. Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2010	2009
Special commission income	**20,806**	8,285
Special commission expense	**105,298**	112,710
Fees from banking services, net	**5,459**	1,162
General and administrative expenses	**506**	1,444
Directors' remuneration	**2,771**	2,706
Compensation paid to key management personnel (all short-term employee benefits)	**31,917**	54,141

Amounts in SAR'000

Key management personnel are those persons having responsibility and authority for for fomulating strategies and directing and controlling the activities of the Group.

35 CAPITAL ADEQUACY

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

Management monitors the adequacy of its capital using the ratios established by SAMA. These ratios expressed as percentage, measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at amounts weighted to reflect their relative risk in line with the standardised approach prescribed under the Basel II accord as modified by SAMA . In accordance with the regulations promulgated by SAMA, banks in the Kingdom are expected to meet a minimum requirement of 8% capital adequacy ratio.

The components of risk weighted assets (RWA), capital and ratios are as follows:

	2010	2009
Credit Risk RWA	**45,397,771**	45,474,212
Operational Risk RWA	**3,614,300**	3,456,975
Market Risk RWA	**1,163,798**	1,155,682
Total RWA	**50,175,869**	50,086,869
Tier I Capital	**6,352,775**	5,611,255
Tier II Capital	**1,849,530**	1,807,649
Total Tier I & II Capital	**8,202,305**	7,418.904
Capital Adequacy Ratio %		
Tier I	**12.66**	11.2
Tier I + Tier II	**16.35**	14.81

36 INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Group offers investment management services to its customers that include the management of certain investment funds in consultation with professional investment advisors, with total assets of SAR 2.61 billion (2009: SAR 2.16 billion). The financial statements of these funds are not consolidated with the consolidated financial statements of the Group. The Group's investment in these funds is included in available for sale investments. Fees earned from management services are disclosed under "related party transactions". Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated financial statements.

37 STAFF SHARE BASED PLAN RESERVE

In January 2008 the Group launched an equity settled share-based payment plan for executives and senior employees (eligible employees). In accordance with the provision of the plan, as approved by the Bank's Board of Directors in their meeting held on 10 Dhu-al-Qa'dah 1428 (corresponding November 20, 2007) and SAMA in their letter dated 26 Safar 1429 (corresponding March 4, 2008), such eligible employees will receive shares of the Bank if the following terms and conditions are met:

- Eligible employees are required to continue their employment with the Group for a period of three years from the grant date; and
- The Group achieve specific growth thresholds as approved by the Board of Directors where each threshold will accrue a certain value of shares to the eligible employees.

The Plan details are as follows:

Plan Commencement date	January 2008
Value of shares granted on the grant date,	32,342,500
Average price at grant date	53.15
Vesting period	3 years from the grant date
Method of settlement	Equity settled

Under the provisions of the plan, the Group at no point becomes the legal owner of the underlying shares. Until such time as these shares vest they will not carry voting rights. As per the plan, SHC manages the Staff Share Plan Fund (the Fund) which will operate in accordance with the terms and conditions as approved by the Bank's Board of Directors in their above referred meeting and by SAMA in their above referred letter. Any further modifications in the terms and conditions of the plan require prior approval of SAMA. Due to restrictions regarding its operations as agreed by SAMA the results and assets and liabilities of the Fund are not consolidated in these consolidated financial statements.

Amounts in SAR'000

The number of shares granted is calculated in accordance with the performance based formula approved by the Board of Directors and is subject to approval of the remuneration committees; however, in accordance with the plan the total value of the plan will not exceed SR 114 million in 9 years starting from January 2008. During the year 2009, bonus shares of one for every 4 shares held were transferred to the Fund which resulted in a reduction in the average cost per share from SAR 53.15 to SAR 42.52.

The following is the movement in number of shares in grant at December 31, 2010:

	Number of shares	
	2010	2009
Beginning of the year	**601,354**	608,513
Bonus shares allocated	**-**	120,271
Forfeited during the year	**(49,876)**	(127,430)
Shares expected to vest at the reporting date	**551,478**	601,354

No additional shares were granted subsequent to the initial grant in year 2008.

The Fund has purchased 2.15 million Bank's shares for a total consideration of SR 114 million during 2008 which are held by the Fund in fiduciary capacity until the shares vest to the eligible employees. At the vesting date the ownership of these shares will pass to the employees. The acquisition of shares was financed by the Bank and the amount is included in Other Assets.

38 PROSPECTIVE CHANGES IN THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK

The Group has chosen not to early adopt the amendments and revisions to the following standards which have been published and is mandatory for compliance for the Group's accounting years beginning after 1 January 2010.

The revised IAS 24 "Related Party Disclosures" amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. IAS 24 (2009 - Revised) applies retrospectively for annual periods beginning on or after 1 January 2011 and early adoption is permitted.

Amendments to IFRIC 14 IAS 19 – "The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction". These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues - The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Effective date 1 February 2010.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" - This interpretation provides guidance on the accounting for debt for equity swaps. Effective date is 1 July 2010.

39 EVENTS AFTER THE REPORTING DATE

The Bank made an investments amounting to SAR 500,000 during the year in Saudi Hollandi Insurance (SHI), which at the reporting date was in course of formation. Subsequent to the reporting date, SHI was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to 4 January 2011) with the approval of the SAMA.

40 COMPARATIVE FIGURES

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

41 BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved by the Board of Directors on 11 Safar 1432 H (corresponding to January 15, 2011).

42 BASEL II PILLAR 3 DISCLOSURE

Under Basel II pillar 3, certain quantitative and qualitative disclosures are required. These disclosures will be made available on the Group website www.shb.com.sa and included in the annual report, respectively as required by SAMA. Such disclosures are not subject to review or audit by the external auditors.