

SAMBA FINANCIAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2016



Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Samba Financial Group (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated financial position as at December 31, 2016, and the statements of consolidated income, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes.

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

- present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Accounting Standards for Commercial Banks issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Financial Reporting Standards ("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.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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For each key audit matter, a description of how our audit addressed the matter is set out below:

The key audit matter	How the matter was addressed in our audit
<p>Zakat and income tax</p> <p>The Group files its zakat and tax return with the General Authority of Zakat and Tax ("GAZT") on an annual basis. The GAZT has issued assessment orders for the years from 2004 up to 2009, which resulted in significant additional zakat, income tax and withholding tax exposure of the Group amounting to Saudi Riyals 1,309 million. The additional assessments were mainly due to certain long term investments being considered as non-deductible by the GAZT for the purpose of computation of Zakat base and the addition of long term financing to the Zakat base which consequently increased the zakat exposure.</p> <p>The interpretations of the GAZT are being challenged by the Group and the appeal proceedings are underway before the Higher Appeals Committee.</p> <p>Assessments for the years 2010 onwards are yet to be raised by the GAZT. However, in line with the assessments finalized by the GAZT for the years 2004 to 2009 which are currently being appealed, if long-term investments are disallowed and long-term financing is added to the Zakat base this would result in significant additional zakat exposure. The amount of the potential additional zakat exposure related to the years 2010 onwards are not disclosed in the consolidated financial statements as management believes that such disclosure might affect the Bank's position in this matter.</p> <p>The management makes judgments about the incidence and quantum of zakat liabilities (which are subject to the future outcome of</p>	<ul style="list-style-type: none"> • In order to assess the status and likely outcome of the matter, we obtained the correspondence between the Group, GAZT and Group's independent external tax and zakat consultants to determine the amount of additional assessments made by the GAZT. We further obtained the related appeal documents to confirm the fact that the matter has been contested at various appellate forums and to assess the status of the outcome of those appeals. • We held meetings with those charged with governance and executive management of the Group to obtain an update on the Zakat matter and the results of their interactions with the relevant appeal committees. • We also used our internal specialist to assess the adequacy and appropriateness of the disclosure in the consolidated financial statements, in light of the facts and circumstances of the Group.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<p>assessments by the GAZT) and based on such assessment, management is confident of a favourable outcome of the appeal process.</p> <p>We consider this as a key audit matter as it involves significant management estimation and assessment and the additional demand by the GAZT are material to the consolidated financial statements.</p> <p>Refer to note 2.20 and 2.26 of the consolidated financial statements for the accounting policies relating to Provisions and Zakat and tax, respectively and note 24 for the related disclosures for Zakat and tax.</p>	
<p>Impairment of non-trading investments held as available for sale</p> <p>As at 31 December 2016, the Group had aggregate non-trading investments of Saudi Riyals 19.75 billion held as available for sale. These non-trading investments comprise equities, sukuk and other investments, which are subject to the risk of impairment due to either adverse market situations and / or liquidity constraints faced by the issuers.</p> <p>For assessing the impairment of equity instruments, management monitors volatility of share prices and uses the criteria of significant or prolonged decline in their fair values below their costs as the basis for determining impairment. A significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The determination of what is significant or prolonged requires judgment. In assessing whether it is significant, the decline in the fair value is evaluated against the original cost of the equity instrument. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair</p>	<p>We assessed the design and implementation and tested the operating effectiveness of the key controls over management's processes for identifying significant or prolonged decline in the fair value of available for sale equity investments.</p> <p>For equity investments, we:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of management's criteria for determining the significant or prolonged decline in the value of investments; • Evaluated the basis for determining the fair value of investments; • Tested the valuations; and • Considered price fluctuation / movement during the holding period to determine if the decline in the fair value of the investment meets the significant or prolonged criteria.

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Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<p>value of the equity instrument has been below its original cost.</p> <p>Management considers sukuk and other debt instruments to be impaired when there is evidence of a deterioration in the financial health of the investee or else due to industry, country or sector performance, changes in technology and operational and financing cash flows which may result in the Bank not recovering substantially all of its principal and interest payment.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the consolidated financial statements.</p> <p>Refer to note 2.14 of the consolidated financial statements for the accounting policy relating to the impairment of non-trading investments, note 2.5(c) for the critical accounting estimates and judgments, and notes 27 and 29 for the disclosures of credit and market risks, respectively.</p>	<p>For sukuks and other debt instruments, on a sample basis, we assessed the creditworthiness of counter parties and assessed likely timing of cash flows from the instrument to evaluate any defaults based on the contractual terms and conditions of the issuance of these investments.</p>
<p>Loan impairment</p> <p>At 31 December 2016, gross loans and advances of the Group were Saudi Riyals 127.11 billion against which impairment provision of Saudi Riyals 1.87 billion was maintained. This includes impairment against specific corporate loans and collective impairment recorded on a portfolio basis.</p> <p>We considered this as a key audit matter as the Group makes complex and subjective judgments and makes assumptions to determine</p>	<p>We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for establishing and monitoring both specific and collective impairment provisions.</p> <p>These included controls over the identification of impaired loans and advances and the calculation of impairment provisions.</p>

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Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<p>the impairment and the timing of recognition of such impairment.</p> <p>In particular the determination of impairment against loans and advances includes:</p> <ul style="list-style-type: none"> ○ The identification of impairment events and methods and judgments used to calculate impairment against specific corporate loans and advances; ○ The use of assumptions underlying the calculation of collective impairment for portfolios of loans and advances, and the use of models to make those calculations; and ○ An assessment of the Group's exposure to certain industries affected by short-term economic conditions. <p>Refer to note 2.13 of the consolidated financial statements for the accounting policy, note 2.5(a) which details the disclosure of significant accounting estimates and judgments relating to impairment against loans and advances, note 2.14 which explains the impairment assessment methodology used by the Group and note 6 which details the disclosure of impairment against loans and advances.</p>	<p>We also tested entity level controls over the modelling process including model review and monitoring, approval of assumptions by senior management and the Group's relevant Committees, the data transfer from source systems to impairment model and model output to the general ledger.</p> <p>We tested a sample of loans and advances (including loans and advances that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairment had been identified and recorded in a timely manner.</p> <p>For loans and advances, which are individually assessed for impairment, we considered the assumptions underlying the impairment identification including forecasted future cash flows, discount rates and estimated recovery, including recovery from any underlying collateral, etc. For individually assessed loans and advances, we also selected a sample of loans and advances for industries adversely affected by the current short term economic conditions to evaluate management's impairment assessment for such loans and advances.</p> <p>For collective impairment, we also assessed the appropriateness of the qualitative and quantitative changes in the underlying loan portfolio. We also tested, on a sample basis, extraction of data used</p>

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Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
	in the models including grading of corporate loans, movements between various grades of corporate loans and analysis of loans into delinquency bandings for the retail portfolio.
<p>Valuation of derivatives</p> <p>The Group has entered into various derivatives including commission rate swaps ("swaps"), forward foreign exchange contracts ("forwards"), currency, equity and commodity options ("options") and certain structured derivative contracts. Swaps, forwards, options and certain derivative contracts are over the counter (OTC) derivatives and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions and model calibrations.</p> <p>The majority of these derivatives are held for trading. However, the Group utilises certain swaps for hedge accounting purposes in the consolidated financial statements for hedging cash flow or fair value risks. An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and in case of a cash flow hedge may result in an ineffectiveness in the hedge and thus impact the hedge accounting.</p> <p>We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation in general and structured derivatives in particular, where complex modelling techniques are being used and the valuation inputs in certain cases are not market observable.</p> <p>Refer to the significant accounting policies note 2.5 (b) to the consolidated financial statements, note 2.7 which explains the valuation</p>	<p>We assessed the design and implementation, and tested the operating effectiveness of the key controls over management's processes for valuation of derivatives including the testing of relevant automated controls covering the fair valuation process for derivatives.</p> <p>We selected a sample of derivatives and:</p> <ul style="list-style-type: none"> ○ Tested the accuracy of the particulars of derivatives by comparing the terms and conditions with relevant agreements and deal confirmations. ○ Checked the accuracy and appropriateness of the key inputs to the valuation model. ○ Performed independent valuations of the derivatives and compared the result with management's valuation. ○ Checked hedge effectiveness performed by the Group and the related hedge accounting. ○ Considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement.

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Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
methodology used by the Group and note 9 which discloses the derivative positions as at the reporting date.	
<p>Valuation of non-trading investments held as available for sale</p> <p>Available for sale investments comprise debt, equity and other investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The fair value of these financial instruments is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.</p> <p>Estimation uncertainty exists for those instruments which are not traded in an active market and where the internal modelling techniques use:</p> <ul style="list-style-type: none"> ▪ significant observable valuation inputs (i.e. level 2 instruments) and ▪ significant unobservable valuation inputs (i.e. level 3 instruments) <p>Estimation uncertainty is particularly high for level 3 instruments.</p> <p>The valuation of the Group's available for sale investments categorised as level 2 and 3 was considered a key audit matter given the degree of complexity involved in valuing these financial instruments and significance of the judgment and estimates made by management.</p> <p>In the Group's accounting policies, the management has described the key sources of estimation involved in determining the</p>	<ul style="list-style-type: none"> • We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for performing valuation of investments classified as available for sale, which are not traded in an active market. • We performed an assessment of the methodology and the appropriateness of valuation models and inputs used to value available for sale investments not traded in an active market. • We tested the valuation of a sample of available for sale investments not traded in an active market. As part of these audit procedures, we assessed the key inputs used in the valuation such as expected cash flows, risk free rates and credit spreads by benchmarking them with external data.



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Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
<p>valuation of financial instruments categorized in level 2 and level 3 and in particular when fair value is established using valuation techniques due to the instruments' complexity or due to the lack of available market based data or market observable data.</p> <p>Refer to the significant accounting policies note 2.12 (b) to the consolidated financial statements which explains the investment valuation methodology used by the Group and note 2.5 (b) which explains critical judgments and estimates.</p>	



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Other Information included in the Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The 2016 annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Accounting Standards for Commercial Banks issued by SAMA, IFRSs, the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditors' Report on the Audit of the Consolidated Financial Statements to the Shareholders of Samba Financial Group (A Saudi Joint Stock Company)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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19 Jumada Al Awal 1438 H
(16 February 2017)



STATEMENTS OF CONSOLIDATED FINANCIAL POSITION
As at December 31, 2016 and 2015

	Notes	2016 SAR'000	2015 SAR'000
ASSETS			
Cash and balances with Central Banks	3	37,344,514	15,299,930
Due from banks and other financial institutions	4	9,599,656	14,415,818
Investments, net	5	51,392,810	69,952,186
Derivatives	9	4,442,059	2,606,132
Loans and advances, net	6, 32	125,234,330	130,001,230
Property and equipment, net	7	2,510,180	2,267,212
Other assets	8	965,038	700,171
Total Assets		231,488,587	235,242,679
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	10	10,880,778	19,197,230
Customer deposits	11, 32	172,075,716	171,804,534
Derivatives	9	1,485,629	609,901
Other liabilities	12	4,265,449	3,271,157
Total Liabilities		188,707,572	194,882,822
EQUITY			
Equity attributable to equity holders of the Bank			
Share capital	13	20,000,000	20,000,000
Statutory reserve	14	14,554,971	13,303,555
General reserve	14	130,000	130,000
Other reserves		(78,428)	205,507
Retained earnings		7,884,606	6,523,875
Proposed dividend	24	1,234,000	1,134,000
Treasury stocks		(1,045,623)	(1,046,336)
Total equity attributable to equity holders of the Bank		42,679,526	40,250,601
Non-controlling interest		101,489	109,256
Total Equity		42,781,015	40,359,857
Total Liabilities and Equity		231,488,587	235,242,679

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



Abdul Haleem Sheikh
Chief Financial Officer



Fahd Al-Mufarrij
Director



Sajjad Razvi
General Manager


STATEMENTS OF CONSOLIDATED INCOME
For the years ended December 31, 2016 and 2015

	Notes	2016 SAR'000	2015 SAR'000
Special commission income	17	6,691,752	5,163,685
Special commission expense	17	1,309,468	500,847
Special commission income, net		5,382,284	4,662,838
Fees and commission income, net	18	1,584,807	1,683,071
Exchange income, net		563,920	509,773
Income from investments held at FVIS, net		49,396	50,458
Trading (loss) income, net	19	(14,538)	55,803
Gains on non-trading investments, net	20	35,767	426,381
Other operating income, net	21	158,821	366,254
Total operating income		7,760,457	7,754,578
Salaries and employee related expenses	22	1,339,059	1,363,055
Rent and premises related expenses		350,504	306,311
Depreciation	7	121,341	126,111
Other general and administrative expenses		743,744	602,725
Provision for credit losses, net of recoveries	6	200,146	142,156
Total operating expenses		2,754,794	2,540,358
Net income for the years		5,005,663	5,214,220
Attributable to:			
Equity holders of the Bank		5,002,912	5,212,336
Non-controlling interest		2,751	1,884
		5,005,663	5,214,220
Basic and diluted earnings per share for the year (SAR)	23	2.50	2.61

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


Abdul Haleem Sheikh
Chief Financial Officer


Fahd Al-Mufarrij
Director


Sajjad Razvi
General Manager

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015

	2016 SAR'000	2015 SAR'000
Net income for the years	5,005,663	5,214,220
Other comprehensive income for the year – items that may be reclassified subsequently to the statements of consolidated income:		
Exchange differences on translation of foreign operations	(33,824)	(28,700)
Available for sale financial assets:		
- Change in fair values	(86,584)	(1,006,284)
- Transfers to statements of consolidated income	(39,495)	(421,278)
Cash flow hedges:		
- Change in fair values	(82,789)	118,073
- Transfers to statements of consolidated income	(51,761)	(75,290)
Other comprehensive loss for the years	(294,453)	(1,413,479)
Total comprehensive income for the years	4,711,210	3,800,741
Attributable to:		
Equity holders of the Bank	4,718,977	3,819,380
Non-controlling interest	(7,767)	(18,639)
Total	4,711,210	3,800,741

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

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015

Attributable to equity holders of the Bank												
Notes	Share capital	Statutory reserve	General reserve	Other reserves			Retained earnings	Proposed dividend	Treasury stocks	Total	Non-controlling interest	Total equity
				Exchange translation reserve	AFS financial assets	Cash flow hedges						
2016	SAR'000	SAR'000	SAR'00	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance at the beginning of the year	20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	1,134,000	(1,046,336)	40,250,601	109,256	40,359,857
Net changes in treasury stocks	-	-	-	-	-	-	43,235	-	713	43,948	-	43,948
Transfer to statutory reserve	14	1,251,416	-	-	-	-	(1,251,416)	-	-	-	-	-
Dividend paid for 2016 (interim) and 2015 (final)	24	-	-	-	-	-	(1,200,000)	(1,134,000)	-	(2,334,000)	-	(2,334,000)
Proposed final dividend 2016	24	-	-	-	-	-	(1,234,000)	1,234,000	-	-	-	-
Subtotal	20,000,000	14,554,971	130,000	(168,374)	365,824	8,057	2,881,694	1,234,000	(1,045,623)	37,960,549	109,256	38,069,805
Net income for the year	-	-	-	-	-	-	5,002,912	-	-	5,002,912	2,751	5,005,663
Other comprehensive loss for the year	-	-	-	(617)	(148,768)	(134,550)	-	-	-	(283,935)	(10,518)	(294,453)
Total comprehensive income for the year	-	-	-	(617)	(148,768)	(134,550)	5,002,912	-	-	4,718,977	(7,767)	4,711,210
Balance at the end of the year	20,000,000	14,554,971	130,000	(168,991)	217,056	(126,493)	7,884,606	1,234,000	(1,045,623)	42,679,526	101,489	42,781,015
2015												
Balance at the beginning of the year	12,000,000	12,000,000	130,000	(152,004)	1,785,193	(34,726)	12,926,090	1,197,000	(1,067,451)	38,784,102	127,895	38,911,997
Bonus shares issued	13	8,000,000	-	-	-	-	(8,000,000)	-	-	-	-	-
Net changes in treasury stocks	-	-	-	-	-	-	23,004	-	21,115	44,119	-	44,119
Transfer to statutory reserve	14	1,303,555	-	-	-	-	(1,303,555)	-	-	-	-	-
Dividend paid for 2015 (interim) and 2014 (final)	24	-	-	-	-	-	(1,200,000)	(1,197,000)	-	(2,397,000)	-	(2,397,000)
Proposed final dividend 2015	24	-	-	-	-	-	(1,134,000)	1,134,000	-	-	-	-
Subtotal	20,000,000	13,303,555	130,000	(152,004)	1,785,193	(34,726)	1,311,539	1,134,000	(1,046,336)	36,431,221	127,895	36,559,116
Net Income for the year	-	-	-	-	-	-	5,212,336	-	-	5,212,336	1,884	5,214,220
Other comprehensive loss for the year	-	-	-	(16,370)	(1,419,369)	42,783	-	-	-	(1,392,956)	(20,523)	(1,413,479)
Total comprehensive Income for the year	-	-	-	(16,370)	(1,419,369)	42,783	5,212,336	-	-	3,819,380	(18,639)	3,800,741
Balance at the end of the year	20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	1,134,000	(1,046,336)	40,250,601	109,256	40,359,857

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

STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended December 31, 2016 and 2015

	Notes	2016 SAR'000	2015 SAR'000
OPERATING ACTIVITIES			
Net income for the years		5,005,663	5,214,220
Adjustments to reconcile net income to net cash from operating activities:			
Amortization of premium and accretion of discount on non-trading investments, net		(45,136)	54,031
Income from investments held at FVIS, net		(49,396)	(50,458)
Gain on non-trading investments, net	20	(35,767)	(426,381)
Depreciation	7	121,341	126,111
Gain on disposal of property and equipment, net	21	(73)	(2,886)
Provision for credit losses, net of recoveries		200,146	142,156
Net (increase) / decrease in operating assets:			
Statutory deposits with Central Banks		266,597	(181,279)
Due from banks and other financial institutions maturing after ninety days		2,016,017	(549,282)
Investments held for trading		278,374	267,936
Derivatives		(1,835,927)	678,460
Loans and advances		4,566,754	(5,733,810)
Other assets		(264,867)	129,711
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(8,316,452)	9,805,905
Customer deposits		271,182	7,684,276
Derivatives		875,728	(938,110)
Other liabilities		799,733	(164,471)
Net cash from operating activities		3,853,917	16,056,129
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		80,447,570	52,547,063
Purchase of non-trading investments		(62,185,037)	(59,056,031)
Purchase of property and equipment, net of exchange adjustments		(370,028)	(328,966)
Proceeds from sale of property and equipment		5,792	5,214
Net cash from /(used in) investing activities		17,898,297	(6,832,720)
FINANCING ACTIVITIES			
Dividends paid		(2,285,126)	(2,382,718)
Treasury stocks, net		43,948	44,119
Net cash used in financing activities		(2,241,178)	(2,338,599)
Increase in cash and cash equivalents		19,511,036	6,884,810
Cash and cash equivalents at the beginning of the year	25	17,151,011	10,266,201
Cash and cash equivalents at the end of the year	25	36,662,047	17,151,011
Special commission received during the year		6,661,570	5,252,068
Special commission paid during the year		834,029	417,526
Supplemental non-cash information:			
Net changes in fair value and transfers to Statements of Consolidated Income		(260,629)	(1,384,779)

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


Abdul Haleem Sheikh
Chief Financial Officer


Fahd Al-Mufarrij
Director


Sajjad Razvi
General Manager

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

1. General

Samba Financial Group (the Bank), a joint stock company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shaa'ban 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980) through its 72 branches (2015: 72 branches) in the Kingdom of Saudi Arabia and three overseas branches (2015: three branches). The Bank including its overseas branches employed 3,560 full time direct staff at the year-end (2015: 3,723). The Bank is listed on the Saudi Arabian stock exchange and its head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

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

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

Samba Capital and Investment Management Company (Samba Capital)

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

Samba Bank Limited, Pakistan (SBL)

An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on Pakistan Stock Exchange.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments through an entity; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

Samba Real Estate Company

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

Samba Global Markets Limited

A wholly owned company incorporated as limited liability company under the laws of Cayman Islands on February 1, 2016, with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

2. Summary of significant accounting policies

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

2.1 Statement of compliance

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

2.2 Basis of preparation and presentation

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

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

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

2.3 Consolidation

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

Significant intragroup balances and transactions are eliminated upon consolidation.

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

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

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

In addition to the subsidiaries stated above under note 1, the Bank is also party to certain special purpose entities which are formed with the approval of SAMA solely to facilitate certain Shariah compliant financing arrangements. The Bank has concluded that these entities cannot be consolidated as it does not control these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

2.4 Fair value measurement

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

2.5 Critical accounting judgments and estimates

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

(a) Impairment for credit losses on loans and advances

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

(b) Fair value of unquoted financial instruments

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

(c) Impairment of available for sale equity investments

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

2.6 Settlement date accounting

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

2.7 Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and other pricing models, as appropriate.

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

Hedge accounting

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

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

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

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

2.8 Foreign currencies

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

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

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

2.9 Offsetting

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

2.10 Revenue recognition

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

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

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

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

2.11 Sale and repurchase agreements

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

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

2.12 Investments

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

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

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

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

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

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

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

b) Available for sale

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

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

c) Other Investments held at amortized cost

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

d) Held to maturity

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

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

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

2.13 Loans and advances

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

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

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

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

2.14 Impairment of financial assets

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

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted. Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognized based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

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

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

(a) Impairment of financial assets held at amortized cost

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

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

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

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

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

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

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

2.15 Other real estate owned

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

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

2.16 Property and equipment

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

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

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

2.17 Intangible assets - goodwill

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

2.18 Financial liabilities

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

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

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

2.19 Financial guarantees

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

2.20 Provisions

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

2.21 Cash and cash equivalents

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

2.22 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

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

2.23 Equity-based payments

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

(a) Option Based Long Term Bonus Plan

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

(b) Equity Based Long Term Bonus Plan

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

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

model. The fair value of the equity based long term bonus plan is determined with reference to the market value of the shares at the inception of the plan using the discounted cash flow model.

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

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

2.24 Staff indemnity provision

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

2.25 Treasury stock

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

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

2.26 Zakat and income taxes

Under Saudi Arabian Zakat and Income tax laws, Zakat and income taxes are the liabilities of the Saudi and foreign shareholders, respectively.

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

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

2.27 Investment management services

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

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

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

2.28 Shariah approved banking products

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

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

2.29 Change in accounting policies

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

- Introduction of IFRS 14 – Regulatory Deferral Accounts, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS.

- Amendments to IAS 27: Equity Method in Separate Financial Statements - The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- IFRS 10, IFRS 12 and IAS 28 Investment Entities – Amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortizations.
- Amendments to IFRS 11 Joint Arrangements, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 Business Combinations and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements

Annual improvements to International Financial Reporting Standards - 2012-2014 cycle. These include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- IFRS 7 Financial Instruments: Disclosures - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- IAS 19 Employee Benefits - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 1 Disclosure Initiative - The amendments clarify:
 - The materiality requirements in IAS 1.
 - That specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
 - Those entities have flexibility as to the order in which they present the notes to financial statements.
 - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to income.
 - Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income

3. Cash and balances with Central Banks

	2016 SAR '000	2015 SAR '000
Cash in hand	1,395,760	1,410,653
Statutory deposit	9,560,219	9,826,816
Current account	405,159	380,615
Money market placements	25,983,376	3,681,846
Total	37,344,514	15,299,930

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

4. Due from banks and other financial institutions

	2016 SAR '000	2015 SAR '000
Current accounts	4,553,282	8,829,785
Money market placements	5,046,374	5,586,033
Total	9,599,656	14,415,818

The analysis of Due from banks and other financial institutions is as follows:

	2016 SAR '000	2015 SAR '000
Investment grade	9,253,863	14,103,564
Non Investment Grade	345,793	312,254
Total	9,599,656	14,415,818

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

	Domestic		International		Total	
	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000
Fixed rate securities	127,676	-	733,888	1,139,842	861,564	1,139,842
Structured credits	-	-	90,645	307,617	90,645	307,617
Hedge funds	-	-	1,848,775	2,032,309	1,848,775	2,032,309
Equities	-	-	269	365	269	365
Total Held at FVIS	127,676	-	2,673,577	3,480,133	2,801,253	3,480,133

FVIS investments above include investments held for trading of SAR 861.8 million (2015: SAR 1,140.2 million). The designated FVIS investments included above are so designated when the financial instruments include one or more embedded derivatives or are being evaluated on a fair value basis and are in accordance with the documented risk management strategy of the Group.

ii) Available for sale

	Domestic		International		Total	
	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000
Fixed rate securities	2,399,443	27,234,662	6,727,937	12,575,108	9,127,380	39,809,770
Floating rate notes	2,689,583	2,676,363	4,563,371	6,520,067	7,252,954	9,196,430
Private equity	-	-	671,500	806,098	671,500	806,098
Equities	2,661,369	2,829,864	31,911	73,315	2,693,280	2,903,179
Total Available for sale	7,750,395	32,740,889	11,994,719	19,974,588	19,745,114	52,715,477

iii) Held to maturity

	International		Total	
	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000
Fixed rate securities	2,981,574	3,216,268	2,981,574	3,216,268
Total Held to maturity	2,981,574	3,216,268	2,981,574	3,216,268

iv) Other investments held at amortized cost, net

	Domestic		International		Total	
	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000	2016 SAR '000	2015 SAR '000
Fixed rate securities	10,640,725	10,135,181	137,214	144,770	10,777,939	10,279,951
Floating rate notes	14,923,715	-	-	221,250	14,923,715	221,250
Mudaraba investments	-	-	163,215	39,107	163,215	39,107
Total other investments held at amortized cost	25,564,440	10,135,181	300,429	405,127	25,864,869	10,540,308
Total investments, net	33,442,511	42,876,070	17,950,299	27,076,116	51,392,810	69,952,186

b) The composition of investments is as follows:

	2016 (SAR'000)			2015 (SAR'000)		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate securities	12,435,562	11,312,895	23,748,457	16,664,949	37,780,882	54,445,831
Floating rate notes	7,110,269	15,066,400	22,176,669	9,233,988	183,692	9,417,680
Equities	2,607,167	86,382	2,693,549	2,827,613	75,931	2,903,544
Mudaraba investments	-	163,215	163,215	-	39,107	39,107
Others	90,645	2,520,275	2,610,920	307,616	2,838,408	3,146,024
Total	22,243,643	29,149,167	51,392,810	29,034,166	40,918,020	69,952,186

Unquoted securities principally comprise Saudi government development bonds, Saudi floating rate notes, sukuks, treasury bills, hedge funds and private equities. In view of the nature of the market for such securities, carrying values are determined either by using an appropriate pricing model or net asset values, as provided by independent third parties. Included in fixed rate securities above are securities pledged under repurchase agreements with other banks and customers whose carrying value at December 31, 2016 was SAR 2,967 million (2015: SAR 5,504 million).

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

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

	2016 (SAR'000)				2015 (SAR'000)			
	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value	Carrying value	Gross unrecognized gain	Gross unrecognized loss	Fair value
Held to maturity:								
Fixed rate securities	2,981,574	150,313	-	3,131,887	3,216,268	209,547	-	3,425,815
Total held to maturity	2,981,574	150,313	-	3,131,887	3,216,268	209,547	-	3,425,815
Other investments held at amortized cost:								
Fixed rate securities	10,777,939	3,655	(267,553)	10,514,041	10,279,951	3,520	(100,679)	10,182,792
Floating rate notes	14,923,715	-	-	14,923,715	221,250	-	(4,816)	216,434
Mudaraba investments	163,215	-	-	163,215	39,107	-	-	39,107
Total other investments held at amortized cost	25,864,869	3,655	(267,553)	25,600,971	10,540,308	3,520	(105,495)	10,438,333
Grand total	28,846,443	153,968	(267,553)	28,732,858	13,756,576	213,067	(105,495)	13,864,148

d) Credit quality of investments

The credit quality of investment portfolio is as follows:

	2016 SAR '000	2015 SAR '000
Saudi government, government backed bonds and treasury bills	30,035,993	37,246,700
Investment grade	17,878,650	25,049,459
Non-investment grade	422,586	320,037
Others	3,055,581	7,335,990
Total	51,392,810	69,952,186

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

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

	2016 SAR '000	2015 SAR '000
Government and quasi government	37,739,592	53,417,725
Banks and other financial institutions	8,568,277	11,966,942
Corporate	2,091,666	1,906,929
Hedge funds	1,848,775	1,763,483
Others	1,144,500	897,107
Total	51,392,810	69,952,186

6. Loans and advances, net

a) Loans and advances are classified as follows:

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,389,502	18,267,992	105,944,113	428,207	126,029,814
Non-performing loans and advances	-	14,565	1,050,178	11,448	1,076,191
Total held at amortized cost	1,389,502	18,282,557	106,994,291	439,655	127,106,005
Provision for credit losses	(41,028)	(227,337)	(1,586,270)	(17,040)	(1,871,675)
Loans & advances, net	1,348,474	18,055,220	105,408,021	422,615	125,234,330

2015 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Held at amortized cost:					
Performing loans and advances	1,368,921	19,232,643	109,068,083	1,235,504	130,905,151
Non-performing loans and advances	-	15,524	1,085,753	12,552	1,113,829
Total held at amortized cost	1,368,921	19,248,167	110,153,836	1,248,056	132,018,980
Provision for credit losses	(42,867)	(207,190)	(1,735,167)	(32,526)	(2,017,750)
Loans & advances, net	1,326,054	19,040,977	108,418,669	1,215,530	130,001,230

Loans and advances, net includes Shariah-approved banking products in respect of Murabaha, Ijara and Tawarruq finance, which are stated at amortized cost less provision for credit losses amounting to SAR 74,953 million (2015: SAR 72,135 million).

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

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Balance at the beginning of the year	42,867	207,190	1,735,167	32,526	2,017,750
Provided during the year, net	(1,839)	21,236	66,874	(14,638)	71,633
Bad debts written off	-	(213)	(210,780)	(481)	(211,474)
Recoveries of amounts previously provided	-	(876)	(7,314)	(392)	(8,582)
Exchange adjustment	-	-	2,323	25	2,348
Balance at the end of the year	41,028	227,337	1,586,270	17,040	1,871,675

2015 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Balance at the beginning of the year	43,718	178,279	2,424,097	21,546	2,667,640
Provided during the year, net	(851)	31,345	37,126	12,111	79,731
Bad debts written off	-	(291)	(682,373)	(286)	(682,950)
Recoveries of amounts previously provided	-	(1,468)	(41,668)	(353)	(43,489)
Exchange adjustment	-	(675)	(2,015)	(492)	(3,182)
Balance at the end of the year	42,867	207,190	1,735,167	32,526	2,017,750

During the year, the Group has charged an amount of SAR 200.1 million (2015: SAR 142.2 million) to the statements of consolidated income on account of provision for credit losses which is net of recoveries of amounts previously provided and net direct write-offs.

c) Credit quality of loans and advances

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

2016 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Less than 90 days	106,554	763,243	1,033,313	-	1,903,110
90 days and more	40,564	99,286	-	-	139,850
Total	147,118	862,529	1,033,313	-	2,042,960

2015 (SAR '000)	Credit cards	Consumer loans	Commercial loans & advances	Others	Total
Less than 90 days	109,347	583,920	1,276,476	-	1,969,743
90 days and more	27,683	82,256	68,969	-	178,908
Total	137,030	666,176	1,345,445	-	2,148,651

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

2016 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	818,687	-	-	818,687
Banks and other financial institutions	4,053,931	-	22,422	4,031,509
Agriculture and fishing	4,621,550	318	13,733	4,608,135
Manufacturing	19,215,021	102,842	288,997	19,028,866
Mining and quarrying	1,323,914	-	6,874	1,317,040
Electricity, water, gas and health services	11,523,444	21,172	47,187	11,497,429
Building and construction	16,130,496	734,208	769,642	16,095,062
Commerce	22,220,294	175,890	187,153	22,209,031
Transportation and communication	11,065,763	1,402	55,743	11,011,422
Services	2,983,367	2,481	45,786	2,940,062
Consumer loans and credit cards	19,657,494	14,565	268,365	19,403,694
Other	12,415,853	23,313	165,773	12,273,393
Total	126,029,814	1,076,191	1,871,675	125,234,330

2015 (SAR '000)	Performing	Non-performing	Credit loss provision	Loans & advances, net
Government and quasi government	831,450	-	-	831,450
Banks and other financial institutions	4,945,119	-	25,039	4,920,080
Agriculture and fishing	4,360,327	352	15,007	4,345,672
Manufacturing	19,322,319	101,413	245,713	19,178,019
Mining and quarrying	1,704,680	-	11,167	1,693,513
Electricity, water, gas and health services	9,434,838	21,172	57,748	9,398,262
Building and construction	15,056,612	768,306	912,770	14,912,148
Commerce	24,347,661	175,727	207,553	24,315,835
Transportation and communication	12,974,461	1,402	45,674	12,930,189
Services	2,664,218	2,763	44,714	2,622,267
Consumer loans and credit cards	20,601,564	15,524	250,057	20,367,031
Other	14,661,902	27,170	202,308	14,486,764
Total	130,905,151	1,113,829	2,017,750	130,001,230

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

	2016 SAR '000	2015 SAR '000
Investment grade loans and advances	17,711,182	31,904,615
Consumer loans and credit cards	18,647,846	19,798,358
Non-investment grade	86,859,155	76,508,112
Unrated	768,670	545,415
Total	123,986,853	128,756,500

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

d) Collateral

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

	2016 SAR '000	2015 SAR '000
Neither past due nor impaired	57,879,057	54,203,384
Past due but not impaired	12,862,323	7,952,419
Impaired	249,125	250,153
Total	70,990,505	62,405,956

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

7. Property and equipment, net

	Land & buildings (SAR'000)	Leasehold improvements (SAR'000)	Furniture, equipment & vehicles (SAR'000)	2016 Total (SAR'000)	2015 Total (SAR'000)
Cost					
Balance at the beginning of the year	918,630	656,044	1,272,149	2,846,823	2,741,691
Additions	571	23	87,145	87,739	112,136
Disposals	(4,168)	-	(12,111)	(16,279)	(4,296)
Exchange adjustment	-	-	(1,279)	(1,279)	(2,708)
Balance at the end of the year	915,033	656,067	1,345,904	2,917,004	2,846,823
Accumulated depreciation					
Balance at the beginning of the year	564,410	499,783	1,146,386	2,210,579	2,089,120
Charge for the year	11,112	37,201	73,028	121,341	126,111
Disposals	(753)	-	(9,807)	(10,560)	(1,968)
Exchange adjustment	-	-	(441)	(441)	(2,684)
Balance at the end of the year	574,769	536,984	1,209,166	2,320,919	2,210,579
Net book value as at December 31, 2016	340,264	119,083	136,738	596,085	
Net book value as at December 31, 2015	354,220	156,261	125,763		636,244
Capital work in progress				1,914,095	1,630,968
Total				2,510,180	2,267,212

8. Other assets

	2016 SAR '000	2015 SAR '000
Accounts receivable	160,776	165,474
Other real estate, net	11,415	14,780
Goodwill	22,604	22,604
Other	770,243	497,313
Total	965,038	700,171

9. Derivatives

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

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

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

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

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

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

Derivatives held for trading purposes

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

Derivatives held for hedging purposes

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

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

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

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

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

2016	Positive Fair value SAR '000	Negative Fair value SAR '000	Notional amount SAR '000	Notional amounts by term to maturity			
				Within 3 Months SAR'000	3-12 Months SAR'000	1-5 Years SAR'000	Over 5 Years SAR'000
Held for trading							
Commission rate swaps	3,788,223	3,388,485	111,190,682	903,214	19,325,706	63,252,704	27,709,058
Commission rate futures and options	25,100	30,368	5,011,454	226,938	28,125	3,597,408	1,158,983
Forward foreign exchange contracts	231,433	104,650	34,929,272	18,314,824	13,768,804	2,845,644	-
Currency options	318,614	297,223	39,767,990	13,170,387	19,038,140	7,559,463	-
Swaptions	61,141	53,710	5,625,000	-	5,625,000	-	-
Equity & commodity options	119,700	119,700	1,847,442	125,053	226,059	1,496,330	-
Other	-	-	-	-	-	-	-
Held as fair value hedges:							
Commission rate futures & options	-	10,378	1,613,625	1,613,625	-	-	-
Held as cash flow hedges							
Commission rate swaps	47,301	90,999	7,003,200	-	280,700	4,660,000	2,062,500
Sub-total	4,591,512	4,095,513	206,988,665	34,354,041	58,292,534	83,411,549	30,930,541
Cash collateral received / paid	(149,453)	(2,609,884)					
Total	4,442,059	1,485,629					

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

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

Description of hedged items	Fair value	Nature of hedge	Hedging instrument	Positive fair value	Negative fair value
2016 (SR '000)					
Floating rate notes	7,000,158	Cash flow	Commission rate swaps	47,301	90,999
Fixed rate notes	1,411,406	Fair Value	Commission rate futures & options	-	10,378
2015 (SR '000)					
Floating rate notes	2,367,124	Cash flow	Commission rate swaps	54,567	36,725

Cash flow hedges

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

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

2016 (SAR'000)	Within 3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Cash inflows	36,494	120,666	799,943	339,177	1,296,280
2015 (SAR'000)	Within 3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Cash inflows	1,740	17,123	132,692	76,922	228,477

Approximately 37% (2015: 36%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 10% (2015: 15%) of the positive fair value contracts are with any single counter-party at the statements of financial position date.

10. Due to banks and other financial institutions

	2016 SAR '000	2015 SAR '000
Current accounts	459,948	646,825
Money market deposits	10,420,830	18,550,405
Total	10,880,778	19,197,230

Money market deposits include deposits against the sale of fixed rate securities of SAR 2,403 million (2015: SAR 5,610 million) with an agreement to repurchase the same at fixed future dates.

11. Customer deposits

Customer deposits comprise of the following:

	2016 SAR '000	2015 SAR '000
Demand	103,678,452	110,631,912
Savings	7,009,304	6,869,525
Time	53,407,586	46,973,806
Other	7,980,374	7,329,291
Total	172,075,716	171,804,534

Time deposits include deposits accepted under Shariah approved banking product contracts of SAR 27,716 million (2015: SAR 23,215 million).

Time deposits include deposits against sale of fixed rate securities of SAR 630 million (2015: Nil) with agreements to repurchase the same at fixed future dates. Other customer deposits include SAR 1,308 million (2015: SAR 1,915 million) of margins held against facilities extended to customers.

Included in time deposits are market linked customer deposits amounting to SAR 444.2 million (2015: SAR 17.8 million), which are designated FVIS liabilities. The deposits are so designated when they include one or more embedded derivatives or are being evaluated on a fair value basis in accordance with the documented risk management strategy of the Group.

The above include foreign currency deposits as follows:

	2016 SAR '000	2015 SAR '000
Demand	12,468,112	11,714,640
Savings	813,406	760,939
Time	10,194,982	16,042,432
Other	283,022	287,727
Total	23,759,522	28,805,738

12. Other liabilities

	2016 SAR '000	2015 SAR '000
Accounts payable	834,116	607,104
Unearned fee income	321,284	370,981
Customer initial public offering deposits	36,818	36,742
Other	3,073,231	2,256,330
Total	4,265,449	3,271,157

13. Share capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2015: 2,000 million shares) of SAR 10 each.

In 2015, a bonus share issue of two shares for every three shares held was approved by the shareholders in their extraordinary general assembly meeting held on March 18, 2015. The bonus shares have been issued to the shareholders effective the date of the extraordinary general assembly meeting.

14. Statutory and general reserves

In accordance with the Banking Control Law of the Kingdom of Saudi Arabia and the Articles of Association of the Bank, a minimum of 25% of the net income for the year is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. The statutory reserve is currently not available for distribution. During the year, the bank transferred SAR 1,251.4 million (2015: 1,303.6 million) to the statutory reserve from the retained earnings.

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

15. Fair value reserves

2016 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	8,057	365,824	373,881
Change in fair value attributable to:			
- Equity holders of the Bank	(82,789)	(86,584)	(169,373)
- Non-controlling interest	-	(22,689)	(22,689)
Net change in fair value during the year	(82,789)	(109,273)	(192,062)
Transfer to statements of consolidated income	(51,761)	(39,495)	(91,256)
Net movement during the year	(134,550)	(148,768)	(283,318)
Balance at end of the year	(126,493)	217,056	90,563

2015 (SR'000)	Cash flow hedges	Available for sale financial assets	Total
Balance at beginning of the year	(34,726)	1,785,193	1,750,467
Change in fair value attributable to:			
- Equity holders of the Bank	118,073	(1,006,284)	(888,211)
- Non-controlling interest	-	8,193	8,193
Net change in fair value during the year	118,073	(998,091)	(880,018)
Transfer to statements of consolidated income	(75,290)	(421,278)	(496,568)
Net movement during the year	42,783	(1,419,369)	(1,376,586)
Balance at end of the year	8,057	365,824	373,881

16. Commitments and contingencies**a) Legal proceedings**

No provision has been made in relation to legal proceedings existing as at December 31, 2016 and 2015 as no material costs are expected to be incurred.

b) Capital commitments

The Group's capital commitments as at December 31, 2016 amounted to SAR 166 million (2015: SAR 220 million). These commitments represent contractual obligations in respect of building, construction and equipment purchases.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of credit, guarantees, acceptances and irrevocable commitments to extend credit. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Documentary letters of credit which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have less risk. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers. Cash requirements under these instruments are considerably less than the amount of the related commitment because the Group generally expects the customers to fulfill their primary obligation.

Commitments to extend credit represent the unused portion of approved facilities to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be less than the total unused commitment as most commitments to extend credit are

contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements as many of these commitments may expire or terminate without being funded.

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

	Within 3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
2016 (SAR '000)					
Letters of credit	3,137,414	2,316,020	510,234	2,250	5,965,918
Letters of guarantee	7,750,835	17,826,725	10,593,883	2,344	36,173,787
Acceptances	894,851	548,300	9,448	-	1,452,599
Irrevocable commitments to extend credit	1,341,992	1,516,984	269,746	54,302	3,183,024
Other	-	-	36,723	186,048	222,771
Total	13,125,092	22,208,029	11,420,034	244,944	46,998,099
2015 (SAR '000)					
Letters of credit	5,154,547	2,680,588	510,626	2,250	8,348,011
Letters of guarantee	8,799,024	17,167,445	14,320,672	4,247	40,291,388
Acceptances	1,344,448	1,186,043	17,237	-	2,547,728
Irrevocable commitments to extend credit	2,757,082	280,627	2,308,481	163,580	5,509,770
Other	21	-	37,418	201,898	239,337
Total	18,055,122	21,314,703	17,194,434	371,975	56,936,234

The unused portion of commitments outstanding as at December 31, 2016 which can be revoked unilaterally at any time by the Group amounts to SAR 95,823 million (2015: SAR 103,453 million)

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

	2016 SAR '000	2015 SAR '000
Corporate	42,729,752	51,870,282
Banks and other financial institutions	4,121,101	4,882,410
Other	147,246	183,542
Total	46,998,099	56,936,234

d) Assets pledged

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

	2016 SAR'000		2015 SAR'000	
	Assets	Related liabilities	Assets	Related liabilities
Investments available for sale	1,324,770	1,346,244	3,677,352	3,840,107
Investments held at FVIS	1,642,534	1,687,226	1,826,667	1,769,665
Total	2,967,304	3,033,470	5,504,019	5,609,772

e) Operating lease commitments

There are no non-cancelable operating lease commitments as of December 31, 2016 and 2015.

17. Special commission income and expense

	2016 SAR '000	2015 SAR '000
Special commission income		
Investments:		
Available for sale	604,424	659,282
Held to maturity	123,571	148,342
Other investments held at amortized cost	543,693	121,296
	1,271,688	928,920
Due from banks and other financial institutions	201,887	82,114
Loans and advances	5,218,177	4,152,651
Total	6,691,752	5,163,685
Special commission expense		
Due to banks and other financial institutions	143,148	89,881
Customer deposits	1,166,320	410,966
Total	1,309,468	500,847

18. Fee and commission income, net

	2016 SAR '000	2015 SAR '000
Fee and commission income:		
Share trading and fund management	356,552	496,237
Trade finance	387,587	424,847
Corporate finance and advisory	218,674	166,016
Other banking services	774,075	781,365
Total	1,736,888	1,868,465
Fee and commission expense:		
Cards	(109,870)	(96,667)
Other banking services	(42,211)	(88,727)
Total	(152,081)	(185,394)
Fee and commission income, net	1,584,807	1,683,071

19. Trading (loss) income, net

	2016 SAR '000	2015 SAR '000
Debt securities	16,867	22,538
Derivatives and others	(31,405)	33,265
Total	(14,538)	55,803

20. Gains on non-trading investments, net

	2016 SAR '000	2015 SAR '000
Available for sale	39,495	421,278
Other investments held at amortized cost	(3,728)	5,103
Total	35,767	426,381

21. Other operating income, net

	2016 SAR '000	2015 SAR '000
Gain on disposal of property and equipment	73	2,886
Gain / (Loss) on disposal of other real estate	6,770	(1,687)
Dividend income	140,496	145,108
Other income	11,482	219,947
Total	158,821	366,254

22. Salaries and employee related expenses

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

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

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

The following is a breakup of the compensation paid to Bank's employees for the years 2016 and 2015:

Category	Number of Employees		Fixed Compensation SAR'000		Variable Compensation Paid – SAR'000					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
					Cash		Shares		Total	
Senior executives*	21	19	30,443	27,772	32,981	32,026	3,190	2,889	36,171	34,915
Employees engaged in risk taking activities	895	914	330,704	318,299	67,753	87,131	5,285	4,121	73,038	91,252
Employees engaged in control functions	756	741	188,528	172,614	19,286	24,218	1,970	1,526	21,256	25,744
Other employees	1,888	2,049	233,059	208,440	4,858	6,977	214	182	5,072	7,159
Other outsourced employees	195	194	19,070	19,207	600	750	-	-	600	750
Total	3,755	3,917	801,804	746,332	125,478	151,102	10,659	8,718	136,137	159,820
Variable compensation and other employee related cost accrued or paid during the year**			537,255	616,723						
Total salaries & employee related expenses			1,339,059	1,363,055						

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

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

23. Basic and Diluted Earnings per Share

Basic and diluted earnings per share is calculated by dividing the net income for the years 2016 and 2015 by 2,000 million shares.

24. Dividend, Zakat and income tax

a) Proposed Final Dividend

The Board of Directors has proposed a final dividend of SR 1,234 million for 2016 (2015: SR 1,134 million). After deducting the applicable Zakat, this will yield a net payment of SR 0.5 per share to the Saudi shareholders of the Bank (2015: SR 0.45). The total net dividend for the year to Saudi shareholders is SR 0.95 per share (2015: SR 0.90 per share) of which SR 0.45 (2015: SR 0.45) was paid as interim dividend earlier during the year. The total interim dividend during 2016 amounted to SR 1,200 million (2015: SR 1,200 million) making full year total dividends of SR 2,434 million (2015: SR 2,334 million).

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

b) Zakat and Income Tax Liabilities

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

Zakat attributable to Saudi shareholders for the year is estimated at SR 525 million (2015: SR 514 million) which will be deducted from their share of dividend. Zakat liability for the current year has been calculated on a prudent basis considering dis-allowance of certain long-term investments held by the Bank, as advised by our external advisors based on the General Authority of Zakat and Income Tax (the "GAZT") current practices. The Bank however, as a matter of principle, disagrees with this calculation and intends to contest it with the appropriate authorities should the GAZT disallows long term investments in the Bank's Zakat assessments. Income tax liability of the foreign shareholders on their current year's share of income is estimated at SR 33 million (2015: SR 36 million). Any such unpaid income tax liability for 2016 will be deducted from their share of dividend for the year. The net dividend to foreign shareholders is SR 49 million (2015: SR 43 million).

c) Status of Zakat and Income Tax Assessments

The Bank has filed its Zakat and Income Tax returns with the GAZT and paid Zakat and Income Tax for the financial years up to and including the year 2015. The Bank has received the assessment for the years upto 2009 in which the GAZT raised additional demand aggregating to SR 1,309 million for the years 2004 to 2009. These additional demands are principally on account of disallowance of long-term investments and the addition of long-term financing to the Zakat base by the GAZT. The basis for the additional Zakat liability is being contested by the Bank before the Higher Appeals Committee. The Bank is confident of a favourable outcome from the appeal process and has therefore not made any provisions in respect of the above.

The assessment of the years 2010 to 2015 are yet to be raised by the GAZT. However, if long-term investments are disallowed and long-term financing is added to the Zakat base in line with the assessments finalized by the GAZT for the years referred to above, it would result in significant additional zakat exposure to the Bank which remains an industry wide issue and disclosure of which might affect the Bank's position in this matter.

25. Cash and cash equivalents

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

	2016 SAR '000	2015 SAR '000
Cash and balances with Central Banks excluding statutory deposit (note 3)	27,784,295	5,473,114
Due from banks and other financial institutions	8,877,752	11,677,897
Total	36,662,047	17,151,011

26. Operating segments

The Group is organized into the following main operating segments:

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

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

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

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

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

On 8 June 2016, the Board of Directors of the Group has decided to close the operations of UK branch as its operations are no longer consistent with the business strategy of the Group. The management believes that the financial impact of this decision will not be material to the overall operations of the Group.

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

- a) The Group's total assets and liabilities as at December 31, 2016 and 2015, its total operating income, total operating expenses, provision for credit losses, net income, capital expenditure and depreciation expenses for the years then ended, by operating segment, are as follows:

2016 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Total assets	35,981,789	105,514,466	89,902,651	89,681	231,488,587
Total liabilities	98,743,232	77,483,198	12,379,519	101,623	188,707,572
Special commission income, net	2,129,217	1,974,385	1,261,290	17,392	5,382,284
Total operating income	2,789,400	2,776,001	1,606,184	588,872	7,760,457
Total operating expenses, of which:	1,774,785	667,194	129,693	183,122	2,754,794
- Depreciation	48,161	62,319	823	10,038	121,341
- Provision for credit losses	149,396	50,750	-	-	200,146
Net income	1,014,615	2,108,807	1,476,491	405,750	5,005,663
Capital expenditure	114,154	247,998	6,791	1,923	370,866

2015 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Total assets	38,885,574	106,307,017	89,875,936	174,152	235,242,679
Total liabilities	98,051,281	76,780,345	19,981,994	69,202	194,882,822
Special commission income, net	1,550,631	1,875,750	1,220,550	15,907	4,662,838
Total operating income	2,259,753	3,010,875	1,803,360	680,590	7,754,578
Total operating expenses, of which:	1,599,546	595,891	145,049	199,872	2,540,358
- Depreciation	45,614	69,252	909	10,336	126,111
- Provision for credit losses	104,263	37,893	-	-	142,156
Net income	660,207	2,414,984	1,658,311	480,718	5,214,220
Capital expenditure	177,564	146,539	4,183	704	328,990

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

2016 (SAR'000)	Consumer	Corporate	Treasury	Investment Banking	Total
Balance sheet risk assets	28,272,467	96,945,718	58,298,918	16,145	183,533,249
Commitments and contingencies	371,405	27,202,007	300,428	-	27,873,840
Derivatives	24,541	1,052,742	4,509,934	-	5,587,217
2015 (SAR'000)					
Balance sheet risk assets	31,249,875	98,692,907	81,440,243	82,665	211,465,690
Commitments and contingencies	341,006	32,639,313	943,801	-	33,924,120
Derivatives	122	1,696,376	4,018,924	-	5,715,422

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

27. Credit Risk

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

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group limits the impact of concentration risk in exposure by setting progressively lower limits for longer tenors and taking security, where considered appropriate, to mitigate such risks. Debt instruments included in the Group's investment portfolio are mainly sovereign risk instruments. Analysis of investments by counterparty and the composition of loans and advances is provided in notes 5 and 6 to the consolidated financial statements, respectively. The nature and extent of credit risk relating to derivative instruments and commitments and contingencies is provided in notes 9 and 16, respectively. The Group classifies its exposure into ten risk categories that are compatible with internationally recognized ratings. Of these, seven categories are for performing and three for non-performing. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The risk rating categories drive the due diligence and approval process, and these ratings are reviewed at least annually or sooner if any adverse signs are visible. These categories also form the basis for managing credit concentrations and identifying problem credits.

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

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

	2016 SAR'000	2015 SAR'000
ASSETS		
Due from banks and other financial institutions	9,599,656	14,415,818
Investments, net	48,699,263	67,048,642
Loans and advances, net	125,234,330	130,001,230
Other assets exposed to credit risk	160,776	165,474
Total	183,694,025	211,631,164
Contingent liabilities and commitments	27,873,840	33,924,120
Derivatives	5,587,217	5,715,422
Total	217,169,202	251,270,706

28. Geographical concentration

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

2016 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash & balances with central banks	36,842,978	331,439	1,292	-	-	168,805	-	37,344,514
Due from banks and other financial institutions	3,471,636	2,165,529	1,650,370	1,963,663	-	10,546	337,912	9,599,656
Investments, net	34,811,912	1,113,293	3,860,987	7,711,247	59,300	2,361,746	1,474,325	51,392,810
Derivatives	4,144,460	5,064	246	286,624	-	-	5,665	4,442,059
Loans and advances, net	117,892,220	5,203,930	769,680	45,024	-	-	1,323,476	125,234,330
Total	197,163,206	8,819,255	6,282,575	10,006,558	59,300	2,541,097	3,141,378	228,013,369
Liabilities								
Due to banks & other financial institutions	1,856,504	5,647,036	1,754,250	125,819	-	787	1,496,382	10,880,778
Customer deposits	168,599,369	1,531,193	61,587	212,192	-	722	1,670,653	172,075,716
Derivatives	1,226,954	2,598	20	251,507	-	-	4,550	1,485,629
Total	171,682,827	7,180,827	1,815,857	589,518	-	1,509	3,171,585	184,442,123
Credit exposure (stated at credit equivalents)								
Commitments & contingencies	21,878,648	2,853,474	912,302	388,099	5,432	1,127,883	708,002	27,873,840
Derivatives	2,258,980	154,652	2,760,046	403,716	-	-	9,823	5,587,217
Total	24,137,628	3,008,126	3,672,348	791,815	5,432	1,127,883	717,825	33,461,057

2015 (SAR'000)	Kingdom of Saudi Arabia	Other GCC & Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash & balances with central banks	14,886,946	294,143	2,189	-	-	-	116,652	15,299,930
Due from banks and other financial institutions	4,091,366	3,031,909	1,242,638	5,953,160	-	5,582	91,163	14,415,818
Investments, net	42,812,728	1,471,094	7,740,610	12,024,382	49,035	53,553	5,800,784	69,952,186
Derivatives	1,932,633	669,630	48	-	-	-	3,821	2,606,132
Loans and advances, net	121,882,002	5,598,112	1,152,567	12,447	-	-	1,356,102	130,001,230
Total	185,605,675	11,064,888	10,138,052	17,989,989	49,035	59,135	7,368,522	232,275,296
Liabilities								
Due to banks & other financial institutions	5,383,605	6,745,112	5,110,047	308	-	854	1,957,304	19,197,230
Customer deposits	169,248,820	1,069,195	92,947	224,982	7,443	832	1,160,315	171,804,534
Derivatives	576,638	17,633	30	-	-	-	15,600	609,901
Total	175,209,063	7,831,940	5,203,024	225,290	7,443	1,686	3,133,219	191,611,665
Credit exposure (stated at credit equivalents)								
Commitments & contingencies	25,715,222	3,926,828	1,275,922	779,144	118,908	1,459,846	648,250	33,924,120
Derivatives	2,330,118	202,160	2,650,861	452,207	-	-	80,076	5,715,422
Total	28,045,340	4,128,988	3,926,783	1,231,351	118,908	1,459,846	728,326	39,639,542

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

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

(SAR '000)	Non-performing loans and advances		Provision for credit losses	
	2016	2015	2016	2015
Kingdom of Saudi Arabia	991,605	1,042,960	1,761,998	1,919,984
Other GCC and Middle East	-	-	30,989	25,794
Europe	-	201	-	119
Other countries	84,586	70,668	78,688	71,853
Total	1,076,191	1,113,829	1,871,675	2,017,750

29. Market Risk

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

a) Market Risk -Trading Book

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

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

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

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

limitations mentioned above, the Group also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group's Asset and Liability Committee (ALCO) for its review.

The Group's VAR related information for the year ended December 31, 2016 and 2015 is as shown below.

	Foreign exchange	Special commission	Total
2016 (SAR '000)			
VAR as at December 31	11,060	6,396	17,456
Average VAR for the year	6,731	23,362	30,093
2015 (SAR '000)			
VAR as at December 31	9,934	25,033	34,967
Average VAR for the year	9,090	22,178	31,268

b) Market Risk – Non-Trading or Banking Book

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

i) Special Commission Rate Risk

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

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

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

Currency	Increase / decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				Total 2016 (SAR'000)
			6 months or less	6 to 12 months	1-5 years	Over 5 years	
SAR	+1 bps	(18,316)	(1,025)	(660)	(4,250)	(2,126)	(8,061)
	-1 bps	18,316	1,025	660	4,250	2,126	8,061
US Dollar	+1 bps	(1,585)	(361)	(301)	(1,468)	(803)	(2,933)
	-1 bps	1,585	361	301	1,468	803	2,933
Euro	+1 bps	198	57	116	28	-	201
	-1 bps	(198)	(57)	(116)	(28)	-	(201)

Currency	Increase / decrease in basis point	Sensitivity of special commission income	Sensitivity of equity				Total 2015 (SAR'000)
			6 months or less	6 to 12 months	1-5 years	Over 5 years	
SAR	+1 bps	(16,731)	(1,008)	(613)	(4,428)	(2,582)	(8,631)
	-1 bps	16,731	1,008	613	4,428	2,582	8,631
US Dollar	+1 bps	(5,983)	(533)	(452)	(2,564)	(2,289)	(5,838)
	-1 bps	5,983	533	452	2,564	2,289	5,838
Euro	+1 bps	(1,917)	(1)	(50)	(732)	(1,126)	(1,909)
	-1 bps	1,917	1	50	732	1,126	1,909

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market commission rates on its financial position and cash flows. The table below summarizes the Group's exposure to commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2016 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	25,983,376	-	-	-	11,361,138	37,344,514
Due from banks and other financial institutions	4,371,374	675,000	-	-	4,553,282	9,599,656
Investments, net	20,756,522	2,445,235	10,538,666	12,438,560	5,213,827	51,392,810
Derivatives	4,442,059	-	-	-	-	4,442,059
Loans and advances, net	66,850,844	35,271,164	14,534,891	8,567,376	10,055	125,234,330
Property and equipment, net	-	-	-	-	2,510,180	2,510,180
Other assets	-	-	-	-	965,038	965,038
Total Assets	122,404,175	38,391,399	25,073,557	21,005,936	24,613,520	231,488,587
Liabilities and equity						
Due to banks and other financial institutions	8,517,589	1,903,241	-	-	459,948	10,880,778
Customer deposits	35,108,229	24,588,991	719,670	-	111,658,826	172,075,716
Derivatives	1,485,629	-	-	-	-	1,485,629
Other liabilities	-	-	-	-	4,265,449	4,265,449
Total equity	-	-	-	-	42,781,015	42,781,015
Total liabilities and equity	45,111,447	26,492,232	719,670	-	159,165,238	231,488,587
On balance sheet gap	77,292,728	11,899,167	24,353,887	21,005,936	(134,551,718)	
Off balance sheet gap	6,917,487	(7,000,482)	82,995	-	-	
Total commission rate sensitivity gap	84,210,215	4,898,685	24,436,882	21,005,936	(134,551,718)	
Cumulative commission rate sensitivity gap	84,210,215	89,108,900	113,545,782	134,551,718		

2015 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 Years	Non-commission bearing	Total
Assets						
Cash and balances with central banks	3,681,846	-	-	-	11,618,084	15,299,930
Due from banks and other financial institutions	2,867,380	2,718,653	-	-	8,829,785	14,415,818
Investments, net	33,394,268	2,793,037	10,309,688	17,713,242	5,741,951	69,952,186
Derivatives	2,606,132	-	-	-	-	2,606,132
Loans and advances, net	75,323,891	30,312,272	15,886,383	8,478,116	568	130,001,230
Property and equipment, net	-	-	-	-	2,267,212	2,267,212
Other assets	-	-	-	-	700,171	700,171
Total Assets	117,873,517	35,823,962	26,196,071	26,191,358	29,157,771	235,242,679
Liabilities and equity						
Due to banks and other financial institutions	18,357,050	193,355	-	-	646,825	19,197,230
Customer deposits	38,641,536	14,438,221	763,575	-	117,961,202	171,804,534
Derivatives	609,901	-	-	-	-	609,901
Other liabilities	-	-	-	-	3,271,157	3,271,157
Total equity	-	-	-	-	40,359,857	40,359,857
Total liabilities and equity	57,608,487	14,631,576	763,575	-	162,239,041	235,242,679
On balance sheet gap	60,265,030	21,192,386	25,432,496	26,191,358	(133,081,270)	
Off balance sheet gap	(1,760,029)	(1,260,399)	3,020,428	-	-	
Total commission rate sensitivity gap	58,505,001	19,931,987	28,452,924	26,191,358	(133,081,270)	
Cumulative commission rate sensitivity gap	58,505,001	78,436,988	106,889,912	133,081,270		

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

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and hedging strategies, which are monitored daily. At the end of the year, the Group had the following significant net currency exposures:

	2016 (SAR'000) Long/(Short)	2015 (SAR'000) Long
United States Dollar	1,344,355	135,670
United Arab Emirates Dirham	256,549	238,163
Pound Sterling	(62,746)	29,572
Pakistan Rupee	844,647	820,008

The table below shows the currencies to which the Group has a significant exposure as at December 31, 2016 and 2015 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the statements of consolidated income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in statements of consolidated income or equity; whereas a negative effect shows a potential net reduction in statements of consolidated income or equity.

Currency exposures	2016 (SAR'000)			2015 (SAR'000)		
	Change in currency rate	Effect on net income	Effect on net equity	Change in currency rate	Effect on net income	Effect on net equity
US Dollar	1%	64,340	(663)	1%	80,691	260
Euro	1%	3,680	656	1%	1,337	1,438

iii) Equity Price Risk

Equity price risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. Assuming all other variables are held constant, a 1% increase or decrease in the value of Group's available for sale quoted equity investments at December 31, 2016 would have a corresponding increase or decrease in equity by SR 26.9 million (2015: SR 29.1 million).

30. Liquidity risk

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

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of savings and time deposits (2015: 7% and 4% respectively).

In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% (2015: 20%) of its deposit liabilities, in the form of cash, gold, Saudi Government securities or assets that can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through repo facilities with SAMA against Saudi Government securities up to 100% (2015: 100%) of the nominal value of securities held.

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

The management regularly monitors the maturity profile to ensure that adequate liquidity is maintained. The tables below summarize the maturity profile of the Group's assets, liabilities and equity based on the contractual maturities as at the reporting date. For presentation purposes, the demand, saving and other deposits amounting to SAR 118,668 million (2015: SAR 124,830 million) with no contractual maturity are included under "No fixed maturity" category to correctly depict the maturity profile of such deposit liabilities.

2016 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	25,983,376	-	-	-	11,361,138	37,344,514
Due from banks and other financial institutions	4,371,374	675,000	-	-	4,553,282	9,599,656
Investments, net	2,219,322	1,797,998	12,634,760	29,526,903	5,213,827	51,392,810
Derivatives	145,658	573,100	2,488,852	1,234,449	-	4,442,059
Loans and advances, net	32,544,174	31,589,512	39,118,797	21,825,579	156,268	125,234,330
Property and equipment, net	-	-	-	-	2,510,180	2,510,180
Other assets	-	-	-	-	965,038	965,038
Total Assets	65,263,904	34,635,610	54,242,409	52,586,931	24,759,733	231,488,587

Liabilities and Equity						
Due to banks and other financial institutions	8,517,589	1,903,241	-	-	459,948	10,880,778
Customer deposits	28,732,363	23,955,554	719,669	-	118,668,130	172,075,716
Derivatives	48,185	179,480	809,022	448,942	-	1,485,629
Other liabilities	-	-	-	-	4,265,449	4,265,449
Total equity	-	-	-	-	42,781,015	42,781,015
Total Liabilities and Equity	37,298,137	26,038,275	1,528,691	448,942	166,174,542	231,488,587

2015 (SAR '000)	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with central banks	3,681,846	-	-	-	11,618,084	15,299,930
Due from banks and other financial institutions	2,867,380	2,718,653	-	-	8,829,785	14,415,818
Investments, net	25,884,583	2,401,268	12,738,663	23,185,721	5,741,951	69,952,186
Derivatives	55,278	173,310	494,656	1,882,888	-	2,606,132
Loans and advances, net	34,429,001	35,545,102	36,720,383	22,957,211	349,533	130,001,230
Property and equipment, net	-	-	-	-	2,267,212	2,267,212
Other assets	-	-	-	-	700,171	700,171
Total Assets	66,918,088	40,838,333	49,953,702	48,025,820	29,506,736	235,242,679

Liabilities and Equity						
Due to banks and other financial institutions	18,357,050	193,355	-	-	646,825	19,197,230
Customer deposits	31,588,871	14,340,300	768,038	276,597	124,830,728	171,804,534
Derivatives	20,014	34,976	112,504	442,407	-	609,901
Other liabilities	-	-	-	-	3,271,157	3,271,157
Total equity	-	-	-	-	40,359,857	40,359,857
Total Liabilities and Equity	49,965,935	14,568,631	880,542	719,004	169,108,567	235,242,679

ii) Analysis of undiscounted financial liabilities by remaining contractual maturities

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

2016 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	8,524,969	1,909,603	-	-	459,948	10,894,520
Customer deposits	28,794,996	24,310,442	750,806	-	118,668,130	172,524,374
Derivatives	60,189	224,618	1,056,441	754,496	-	2,095,744
Other liabilities	-	-	-	-	4,265,449	4,265,449
Total	37,380,154	26,444,663	1,807,247	754,496	123,393,527	189,780,087

2015 (SAR '000)	Within 3 months	3-12 months	1-5 Years	Over 5 years	On demand	Total
Due to banks and other financial institutions	18,361,397	193,370	-	-	646,825	19,201,592
Customer deposits	31,735,697	14,445,299	810,558	279,096	124,830,728	172,101,378
Derivatives	31,556	53,542	176,039	832,463	-	1,093,600
Other liabilities	-	-	-	-	3,271,157	3,271,157
Total	50,128,650	14,692,211	986,597	1,111,559	128,748,710	195,667,727

31. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);
- Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 - Valuation techniques for which any significant input is not based on observable market data.

The fair values of the financial assets, financial liabilities and the derivative financial instruments classified under the appropriate valuation hierarchy, are given below:

2016 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	836,734	1,964,519	-	2,801,253
Investments available for sale	11,940,048	7,137,993	667,073	19,745,114
Investments held to maturity	2,958,548	173,339	-	3,131,887
Other investments held at amortized cost	-	25,437,756	163,215	25,600,971
Derivative assets	1,487	4,440,572	-	4,442,059
Loans and advances, net	-	125,484,447	-	125,484,447
Total	15,736,817	164,638,626	830,288	181,205,731
Financial Liabilities:				
Financial liabilities designated at FVIS	-	444,203	-	444,203
Derivative liabilities	719	1,484,910	-	1,485,629
Total	719	1,929,113	-	1,929,832

2015 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments held at FVIS	1,215,349	2,264,784	-	3,480,133
Investments available for sale	20,672,930	31,238,270	804,277	52,715,477
Investments held to maturity	2,997,946	427,869	-	3,425,815
Other investments held at amortized cost	-	10,399,226	39,107	10,438,333
Derivative assets	5,918	2,600,214	-	2,606,132
Loans and advances, net	-	130,353,290	-	130,353,290
Total	24,892,143	177,283,653	843,384	203,019,180
Financial Liabilities:				
Financial liabilities designated at FVIS	-	17,816	-	17,816
Derivative liabilities	4,424	605,477	-	609,901
Total	4,424	623,293	-	627,717

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

	2016 SAR '000	2015 SAR '000
Balance at the beginning of the year	804,277	684,370
Total realized and unrealized losses in consolidated statement of income	(58,221)	(46,816)
Purchases	183,227	416,652
Settlements	(262,210)	(249,929)
Transferred out of Level 3	-	-
Balance at the end of the year	667,073	804,277

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

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

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

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

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

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

32. Related party transactions

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

	2016 SAR '000	2015 SAR '000
Directors, other major shareholders, key management personnel and their affiliates:		
Loans and advances	486,573	487,130
Customer deposits	8,998,300	5,312,023
Commitments and contingencies	14,335	70,792
Mutual funds:		
Customer deposits	1,256,152	1,208,746

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

	2016 SAR '000	2015 SAR '000
Special commission income	10,657	21,647
Special commission expense	186,566	85,089
Fee and commission income, net	213,058	227,142
Directors' remuneration	4,260	3,918

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

	2016 SAR '000	2015 SAR '000
Short-term employee benefits	56,806	55,270
Post-employment, termination and share-based payments	6,804	6,821

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

33. Capital Adequacy

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

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

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

	2016 SR'000	2015 SR'000
Samba Financial Group (consolidated)		
Credit risk RWA	171,634,477	181,689,185
Operational risk RWA	13,122,515	13,091,257
Market risk RWA	11,325,363	11,862,675
Total RWA	196,082,355	206,643,117
Tier I capital	42,810,511	40,237,264
Tier II capital	1,223,471	1,209,835
Total tier I & II capital	44,033,982	41,447,099
Capital adequacy ratio %		
Tier I ratio	21.8%	19.5%
Tier I + II ratio	22.5%	20.1%
Capital adequacy ratios for Samba Bank Limited, Pakistan are as follows:		
Tier I ratio	24.1%	29.4%
Tier I + II ratio	25.1%	30.6%

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

34. Investment management services

The investment management services are provided by Samba Capital and Investment Management Company, a 100% owned subsidiary of the Bank. The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SAR 28,929 million (2015: SAR 29,906 million). This includes funds managed under Shariah-approved portfolios amounting to SAR 12,586 million (2015: SAR 12,422 million).

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

35. Equity-based payments

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

Nature of Plan	Equity Based Long Term Bonus Plan
Number of outstanding plans	4
Grant date	Between June 2013 and March 2016
Maturity date	Between June 2018 and March 2021
Number of shares granted on the grant date, adjusted for bonus share issue	1,289,715
Benchmark price per share at grant date, adjusted for bonus share issue	Between SAR 22.4 and 25.7
Vesting period	5 years
Vesting conditions	Participating employees to remain in service
Method of settlement	Equity
Valuation model	Discounted Cash Flow
Fair value per share on grant date adjusted for bonus share issue	Between SAR 19.1 and 22.5

The fair value of shares granted during the year was SAR 6.9 million (2015: SAR 7.0 million). The inputs used to calculate fair value of the shares granted during the year were the market price at the grant date, life of the plan, expected dividends and annual risk free rate of return.

The shares are granted only under a service condition with no market condition associated with them. The total amount of expense recognized in these consolidated financial statements in respect of the above equity-based payment plans for the year 2016 is SAR 4.0 million (2015: SAR 6.2 million).

36. Comparative balances

The Accrued Special Commission Receivable or Payable on financial assets or financial liabilities, which was previously shown under "Other Assets" or "Other Liabilities" respectively, has now been reclassified and shown together with the related asset or liability as required by IFRS for better presentation purposes. Accordingly, prior year numbers for the related assets or liabilities have been reclassified to conform to current year presentation.

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

37. Accounting Standards issued but not yet effective

- IFRS 9 - Financial Instruments

In July 2014, the IASB issued final version of IFRS 9 - Financial Instruments, which will replace IAS 39 - Financial Instruments: Recognition and Measurement, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The mandatory effective date of IFRS 9 is January 1, 2018.

During the year, the Bank has established an internal high-level multidisciplinary project implementation committee (the "Committee") comprising of senior members from the financial control, risk management and other businesses to oversee and direct the implementation of IFRS 9 across the Group. At the banking sector level, SAMA provides the necessary implementation guidance to all the Saudi banks in consultation with external advisors. Regular communication channels are maintained between the Committee and SAMA to ensure uniform implementation of IFRS 9 across Saudi banks and guidance is provided to the banks, as needed.

The Committee has developed a formal implementation plan for IFRS 9 with the approval of senior management and has also organized various technical trainings and awareness presentations for the benefit of staff at all levels to create awareness and enhance understanding of the staff prior to the implementation. An initial impact analysis has also been carried out and shared with SAMA for the possible impact of adoption of IFRS 9. The system enhancement phase is currently underway. The project plan is progressing smoothly and management is confident for a timely implementation of IFRS 9 as per the regulatory mandated timelines.

The other Accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Group's accounting year beginning 1 January 2017 are listed below. The Group has opted not to early adopt these pronouncements.

- IFRS 15 Revenue from Contracts with Customers - New revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IAS 7 Statement of Cash Flows - The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Effective for the annual periods beginning on or after 1 January 2017.
- Amendments to IAS 12 Income Taxes - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Effective for the annual periods beginning on or after 1 January 2017.
- Amendments to IFRS 2 Share-based Payment - The amendments cover classification and measurement of measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. Effective for the annual periods beginning on or after 1 January 2018.
- IFRS 16 Leases - The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. Effective for the annual periods beginning on or after 1 January 2018.

38. Board of Directors' approval

The consolidated financial statements were approved by the Board of Directors' on January 18, 2017 (20 Rabi II 1438H).