BANK ALBILAD
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended December 31, 2015

Building a better working world

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bank AlBilad (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 39. We have not audited note 40, nor the information related to "Disclosures Under Basel III Framework" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA"), International Financial Reporting Standards ("IFRS"), the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws. In addition, management is responsible for such internal 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.

Auditors' Responsibility

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

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

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

Opinion

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

- present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Financial Institutions issued by SAMA and with IFRS; and

- comply with the requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

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(February 22, 2016)

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PROFESSIONAL LICENCE No. 45
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BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	Notes	**2015 SAR' 000**	2014 SAR' 000
ASSETS			
Cash and balances with SAMA	4	**4,602,121**	4,467,704
Due from banks and other financial institutions, net	5	**8,382,657**	8,784,586
Investments, net	6	**2,948,935**	2,635,330
Financing, net	7	**34,254,623**	28,355,270
Property and equipment, net	8	**792,084**	798,369
Other assets	9	**239,990**	188,655
Total assets		**51,220,410**	45,229,914
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	10	**1,421,652**	1,191,018
Customers' deposits	11	**42,179,460**	36,723,742
Other liabilities	12	**1,177,059**	1,423,801
Total liabilities		**44,778,171**	39,338,561
Shareholders' equity			
Share capital	13	**5,000,000**	4,000,000
Statutory reserve	14	**961,066**	768,403
Other reserves	6 (b)&16	**(11,712)**	22,778
Retained earnings		**591,317**	1,195,557
Treasury shares		**(113,758)**	(110,705)
Employees' share plan	36	**15,326**	15,320
Total shareholders' equity		**6,442,239**	5,891,353
Total liabilities and shareholders' equity		**51,220,410**	45,229,914

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31

	Notes	**2015 SAR' 000**	2014 SAR' 000
INCOME:			
Income from investing and financing assets	18	**1,238,839**	1,072,694
Return on deposits and financial liabilities	19	**(76,445)**	(53,517)
Income from investing and financing assets, net		**1,162,394**	1,019,177
Fee and commission income, net	20	**779,220**	719,096
Exchange income, net		**316,994**	293,433
Dividend income	21	**9,647**	14,002
(Losses) / gains on non-trading investments, net		**(197)**	38,814
Other operating income	22	**26,562**	12,530
Total operating income		**2,294,620**	2,097,052
EXPENSES:			
Salaries and employee related benefits	23	**853,106**	742,316
Rent and premises related expenses		**224,825**	198,786
Depreciation	8	**101,187**	95,793
Other general and administrative expenses		**235,278**	203,646
Impairment charge / (reversal of impairment) for financing, net	7(b)	**78,693**	(7,518)
Impairment charge on available for sale investments	6(c)	**13,108**	-
Total operating expenses		**1,506,197**	1,233,023
Net income for the year		**788,423**	864,029
Basic and diluted earnings per share (Saudi Riyals)	24	**1.58**	1.73

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME COMPREHENSIVE
FOR THE YEARS ENDED DECEMBER 31

	Note	2015 SAR' 000	2014 SAR' 000
Net income for the year		**788,423**	864,029
Other comprehensive income:			
Items that can be recycled back to consolidated statement of income in subsequent periods / have been recycled in the current year			
- Available for sale financial assets	6(b) and 16		
Net changes in fair value		**(47,795)**	18,254
Net amount transferred to consolidated statement of income		**197**	(38,814)
Impairment charge on available for sale investments		**13,108**	-
Total other comprehensive income		**(34,490)**	(20,560)
Total comprehensive income for the year		**753,933**	843,469

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31

2015 **SAR' 000**	**Notes**	**Share capital**	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Treasury shares**	**Employees' share plan**	**Total**
Balance at the beginning of the year		**4,000,000**	**768,403**	**22,778**	**1,195,557**	**(110,705)**	**15,320**	**5,891,353**
Changes in the equity for the year								
Net changes in fair values of available for sale investments		**-**	**-**	**(47,795)**	**-**	**-**	**-**	**(47,795)**
Net amount transferred to consolidated statement of income		**-**	**-**	**197**	**-**	**-**	**-**	**197**
Impairment charge on available for sale investments		**-**	**-**	**13,108**				**13,108**
Net income recognized directly in shareholders' equity				**(34,490)**	**-**	**-**	**-**	**(34,490)**
Net income for the year					**788,423**			**788,423**
Total comprehensive income for the year				**(34,490)**	**788,423**		**-**	**753,933**
Cash dividend	**15**				**(200,000)**			**(200,000)**
Issuance of bonus shares	**15**	**1,000,000**	**(4,443)**		**(995,557)**			**-**
Treasury shares						**(3,053)**		**(3,053)**
Employees' share plan reserve	**36**						**6**	**6**
Transfer to statutory reserve	**14**		**197,106**		**(197,106)**			**-**
Balance at end of the year		**5,000,000**	**961,066**	**(11,712)**	**591,317**	**(113,758)**	**15,326**	**6,442,239**

2014 SAR' 000	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employees' share plan	Total
Balance at the beginning of the year		4,000,000	552,396	43,338	547,535	(54,426)	12,046	5,100,889
Changes in the equity for the year								
Net changes in fair values of available for sale investments		-	-	18,254	-	-	-	18,254
Net amount transferred to consolidated statement of income		-	-	(38,814)	-	-	-	(38,814)
Net income recognized directly in shareholders' equity				(20,560)	-	-	-	(20,560)
Net income for the year					864,029			864,029
Total comprehensive income for the year				(20,560)	864,029		-	843,469
Treasury shares						(56,279)		(56,279)
Employees' share plan reserve	36						3,274	3,274
Transfer to statutory reserve	14		216,007		(216,007)			-
Balance at end of the year		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	Notes	2015 SAR' 000	2014 SAR' 000
OPERATING ACTIVITIES			
Net income for the year		**788,423**	864,029
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
Losses / (gains) on non-trading investments, net		**197**	(38,814)
Gains from disposal of property and equipment, net		**(66)**	(82)
Depreciation	8	**101,187**	95,793
Impairment charge / (reversal of impairment) for financing, net	7(b)	**78,693**	(7,518)
Impairment charge on available for sale investments	6(c)	**13,108**	-
Employees' share plan		**8,267**	15,086
Operating profit before changes in operating assets and liabilities		**989,809**	928,494
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(150,244)**	(582,141)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**772,331**	(1,345,983)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		**(1,102,066)**	(399,139)
Financing		**(5,978,045)**	(4,932,329)
Other assets		**(51,335)**	(52,538)
Net increase/ (decrease) in operating liabilities:			
Due to banks and other financial institutions		**230,634**	215,402
Customers' deposits		**5,455,718**	7,616,024
Other liabilities		**(246,742)**	284,716
Net cash (used in) generated from operating activities		**(79,940)**	1,732,506
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(662,349)**	(610,363)
Proceeds from sale of non-trading investments		**402,964**	309,404
Purchase of property and equipment		**(94,994)**	(132,325)
Proceeds from sale of property and equipment		**158**	449
Net cash used in investing activities		**(354,221)**	(432,835)
FINANCING ACTIVITIES			
Purchase of shares for employees' share plan		**(11,314)**	(68,091)
Dividend paid	15	**(200,000)**	-
Net cash used in financing activities		**(211,314)**	(68,091)
(Decrease) / increase in cash and cash equivalents		**(645,475)**	1,231,580
Cash and cash equivalents at the beginning of the year		**8,711,751**	7,480,171
Cash and cash equivalents at the end of the year	25	**8,066,276**	8,711,751
Income received from investing and financing assets		**1,182,807**	1,058,539
Return paid on deposits and financial liabilities		**74,474**	37,868
Supplemental non-cash information			
Total other comprehensive income		**(34,490)**	(20,560)
Issuance of bonus shares	15	**1,000,000**	-

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the "Bank"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Counsel of Ministers' resolution No. 258 dated 18 Ramadan 1425H (corresponding to November 1, 2004).

The Bank operates under Commercial Registration No. 1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

Bank AlBilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, 'AlBilad Investment Company' and 'AlBilad Real Estate Company' (collectively referred to as "the Group"). The subsidiaries are 100% owned by the Bank and are incorporated in the Kingdom of Saudi Arabia.

The Group's objective is to provide full range of banking services and conduct, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in compliance with Islamic Shariah and within the provisions of the Articles of Association and the Banking Control Law. The Bank provides these services through 120 banking branches (2014: 116) and 171 exchange and remittance centers (2014: 158) in the Kingdom of Saudi Arabia.

b) Shariah Authority

The Bank has established a Shariah Authority ("the Authority"). It ascertains that all the Bank's activities are subject to its approval and control.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA") and with International Financial Reporting Standards ("IFRS") as well as interpretations issued by IFRS Interpretations Committee (IFRIC). The Bank, in preparation of its consolidated financial statements, complies with the requirements of the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia, the Bank's Articles of Association and certain capital adequacy disclosure requirements issued by SAMA.

b) Basis of measurement and presentation

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 30.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. The financial information presented in SAR has been rounded to the nearest thousand except otherwise indicated.

d) Critical accounting judgments and estimates

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

(i) Impairment for losses on financing

The Group reviews its financing portfolio to assess specific and collective impairment on a regular basis. In determining whether an impairment loss should be recorded, 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. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group.

Management uses estimates based on historical loss experience for financing with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating 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.

(ii) Fair value measurement

The Group measures financial instruments at fair value at each statement of financial position date.

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(iii) Classification of held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling close to maturity or an insignificant amount– it will be required to reclassify the entire class as available-for-sale.

(iv) Impairment of available-for-sale equity and sukuk investment

The Group exercises judgment to consider impairment on the available-for-sale investments at each reporting date. This includes determination of a significant or prolonged decline in the fair value of investment below its cost. The determination of what is significant and prolonged requires judgment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition.

In making this judgment, the Group evaluates among other factors, the normal volatility in the investment price, deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Group reviews its sukuk investments classified as available for sale at each reporting date to assess whether they are impaired. This requires similar judgement as applied to assess individual corporate financings for impairment.

(v) Determination of control over investees

The control indicators set out in note 3 (b) are subject to management's judgments that can have a significant effect in case of the Group's interests in securitisation vehicles and investment funds.

Investment funds

The Group acts as a Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors' rights to remove the Fund Manager. As a result the Group has concluded that it acts as an agent for the investors in all cases and therefore has not consolidated these funds.

(vi) Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of business. Management has exercised judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had no material impact on the consolidated financial statements of the Group on the current period or prior period and is expected to have an insignificant effect in future periods:

- Amendments to IAS 19 applicable for annual periods beginning on or after July 01, 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after July 01,2014. A summary of the amendments is contained as under:
  a) IFRS 1 – "First Time Adoption of IFRS": the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
  b) IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

c) IFRS 3 – "Business Combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to accounting for formation of all types of joint arrangements in IFRS 11.
d) IFRS 8 – "Operating Segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
e) IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
f) IAS 16 – "Property Plant and Equipment" and IAS 38 – "Intangible Assets": – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
g) IAS 24 – "Related Party Disclosures"– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
h) IAS 40 – "Investment Property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The Bank's subsidiaries 'Albilad Investment Company' and 'Albilad Real Estate Company' are 100% owned by the Bank and both are incorporated in the Kingdom of Saudi Arabia.

Albilad Investment Company's principal activity is dealing , managing , arranging , advising and custody of securities regulated by CMA .

AlBilad Real Estate Company's principal activity is to act as custodian for assets provided by customer of the bank Albilad as collateral.

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights granted by equity instruments such as shares

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

c) Trade date accounting

All regular-way purchases and sales of financial assets are initially recognized and derecognized on the trade date, i.e. the date that the Group becomes a party to contractual provision of an instrument. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial asset and liabilities are initially recognized on trade date at which the Group becomes a party to the contractual provisions of the instrument.

d) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the Bank's functional currency.

Transactions in foreign currencies are translated into Saudi Riyals ('SAR') at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the reporting date.

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

e) Offsetting financial instrument

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

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

f) Due from banks and other financial institution

Due from banks and other financial institutions are initially measured at fair value and subsequently measured at amortized cost.

g) Investments

All investments in securities are initially recognized at fair value and except for investments classified at fair value through statement of income (FVSI), include the acquisition costs associated with the investment. Transaction costs if any are not added to fair value measurement at initial recognition of investments classified at FVSI.

Premiums are amortized and discounts are accreted using the effective yield method and are taken to consolidated statement of income.

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

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are recognized at cost.

Following initial recognition, subsequent transfers between the various classes of investments are permissible only if certain conditions are met. The subsequent period-end reporting values for each class of investment are determined on the basis as set out in the following paragraphs.

(i) Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as held for trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

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

Investments at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognized in the consolidated statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Financing and investing income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the consolidated statement of income.

Reclassification

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

- If the financial asset would have met the definition of financing and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of financing and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

(ii) Available for sale

Available-for-sale investments are those equity and sukuk investments which are neither classified as held to maturity investments, financing nor designated as FVSI, that are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices.

Investments which are classified as "available-for-sale" are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Unrealized gains or losses arising from changes in fair value are recognized in other comprehensive income until the investment is de-recognized or impaired whereupon any cumulative gain or loss previously recognized in other comprehensive income are reclassified to (consolidated) statement of income.

Financing and investing income is recognized in the consolidated statement of income on effective yield basis. Dividend income is recognized in the consolidated statement of income when the Group becomes entitled to the dividend. Foreign exchange gains or loss on available – for – sale debt security investments are recognized in consolidated statement of income.

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

(iii) Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and 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 using an effective yield basis. Any gain or loss on such investments is recognized in the (consolidated) statement of 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.

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

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value

- Sales or reclassifications after the Group has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(iv) Other investments held at amortized cost

Investment securities with fixed or determinable payments that are not quoted in an active market are classified as "other investments held at amortized cost". Such investments are stated at amortized cost using effective yield basis, less provision for impairment. Any gain or loss is recognized in the consolidated statement of income when the investment is derecognized or impaired.

h) Financing

Financing comprises of Bei-ajel, Installment Sales, Musharakah, and Ijarah originated or acquired by the Group and are initially recognized at fair value including acquisition costs and is subsequently measured at amortized cost less any amounts written off and provision for impairment, if any. Financing is recognized when cash is advanced to borrowers, and is derecognized when either the customers repay their obligations, or the financing is sold or written off, or substantially all the risks and rewards of ownership are transferred.

Bei-ajel and installment sales - These financing contracts are based on Murabaha whereby the Group sells to customers a commodity or an asset which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei ajel is used for corporate customers whereas installment sale is used for retail customers.

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

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

i) Impairment of financial assets

a) <u>Financing and held to maturity investments</u>

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

The Group considers evidence of impairment for financing and advances and held to maturity investments at both specific asset and collective level.

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

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income in impairment charge account.

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

Financing are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a revised rate of commission to genuinely distressed borrowers. This results in the asset continuing to be overdue and individually impaired as the renegotiated payments of commission and principal do not recover the original carrying amount of the financing. In other cases, renegotiation lead to a new agreement, this is treated as a new financing.

The Group also considers evidence of impairment at a collective assets level. The collective provision could be based on following criteria i-e deterioration in internal grading, external credit ratings, allocated to the borrower or group of borrowers, the current economic climate in which the borrowers operate and the experience and historical default patterns that are embedded in the components of the credit portfolio.

b) <u>Available for sale investments</u>

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

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

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 consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income.

j) Revenue recognition

i- Income and return on financing assets and liabilities

Income and return on financing assets and liabilities is recognized in the consolidated statement of income using the effective yield method on the outstanding balance over the term of the contract.

The calculation of effective yield takes into account all contractual terms of the financial instruments including all fees, transaction costs, discounts that are integral part of the effective yield method but does not include the future financing loss. Transactional costs are incremental costs that are directly attributable to acquisition of financing assets and liabilities.

ii- Fees and commission income

Fees and commission income that are integral to the effective yield rate are included in the measurement of the relevant assets.

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

- 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 over the period when the service is being provided.
- Performance linked fees or fee components are recognized when the performance criteria are fulfilled.
- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective yield on the financing. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognized on a straight-line basis over the commitment period.
- Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the transaction is completed or the service, is received.

iii- Exchange income/ (loss)

Exchange income/(loss) is recognized as discussed in foreign currencies policy above.

iv- Dividend income

Dividend income from investment in equities is recognized when the Group’s right to receive the dividend is established which is generally when the shareholders approve the dividend.

v- Gain/(loss) from non-trading investments

Unrealized gain/loss for a change in fair value is recognized in other comprehensive income until the investment is derecognized or impaired where upon any cumulative gains or losses previously recognized in other comprehensive income are recycled back to consolidated statement of income.

k) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to receive the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition.

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 recognises separately, as assets or liabilities, any rights and obligations created or retained in the process.

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

l) Zakat and Withholding Tax

Under Saudi Arabian Zakat and Income Tax Regulations, Zakat is the liability of the Saudi shareholders. Zakat is computed on the Saudi shareholders’ share of equity or net income using the basis defined under the Zakat Regulations.

Zakat is not charged to the Group’s consolidated statement of income as it is deducted from the dividends paid to the Saudi shareholders.

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the Department of Zakat & Income Tax (DZIT) on a monthly basis.

m) Financial guarantees

In ordinary course of business, the Group gives financial guarantees, consisting of letter 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 the 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 obligations arising as a result of guarantees. Any increase in the liability relating to the financial guarantee is taken to the consolidated statement of income in "impairment charge for financing, net". The premium received is recognized in the consolidated statement of income in "Fees and commission income, net" on a straight line basis over the life of the guarantee.

n) Provisions

Provisions are recognized when a reliable estimate can be made by the Group for a present legal or constructive obligation arising as a result of past events and it is more likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each consolidated statement of financial position date and are adjusted to reflect the current best estimate.

o) Accounting for leases

i) Where the Group is the lessee

Leases that do not transfer to the Group substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognized as an expense in the period in which termination takes place.

The Group evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

ii) Where the Group is the lessor

When assets are transferred under Ijara Muntahia Bittamleek the present value of the lease payments is recognized as a receivable and disclosed under “Financing”. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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

p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, “cash and cash equivalents” include cash on hand and balances and murabaha with SAMA excluding statutory deposit, and due from banks and other financial institutions with maturities of three months or less from the date of acquisition which is subject to insignificant changes in their fair value.

q) Property and equipment

Property and equipment is stated at cost less accumulated depreciation, and impairment, if any. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Building	33 years
Leasehold improvements	Over lease period or economic life (10 years), whichever is shorter
Equipment and furniture and motor vehicles	4 to 6 years
Computer hardware and software	5 years

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

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

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

r) Financial liabilities

All customer deposits, due to banks and other financial institutions and other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

s) Investment management services

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

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

t) Income excluded from the consolidated statement of income

The Shariah Authority of the Bank conducts from time to time Shariah reviews to ensure compliance of its Shariah decisions. In cases where revenue have been wrongly or inadvertently recognized which does not conform to Shariah principles, the Board of Directors of the Bank shall, at the request of the Chief Executive Officer (CEO), authorize the exclusion of such revenue from the Group income for its final disposal.

u) Employees' share plan

The Bank offers its eligible employees an equity-settled share-based payment plan as approved by SAMA. As per the plan, eligible employees of the Bank are offered stocks to be withheld out of their annual bonus payments.

The cost of the plan is measured by reference to the fair value at the date on which the stocks are granted.

The cost of the plan 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 ('the vesting date'). The cumulative expense recognized for the plan 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 consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The Bank, with the approval from SAMA, has entered into an agreement with an independent third-party for custody of the shares under the plan, plus any benefits accrued there-on.

v) End of service benefits

End of service benefits payable to the employees of the Group at the end of their service are accrued in accordance with the guidelines set by the Saudi Arabian Labor Regulations and included in other liabilities in the consolidated statement of financial position.

4. CASH AND BALANCES WITH SAMA

	Notes	**2015 SAR' 000**	2014 SAR' 000
Cash in hand		**1,473,037**	1,339,091
Statutory deposit	**4.1**	**2,509,101**	2,358,857
Other balances	**4.2**	**619,983**	769,756
Total		**4,602,121**	4,467,704

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

4.2 This includes cash management account with SAMA of SAR 570 million (2014: SAR 615 million).

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2015 SAR' 000	2014 SAR' 000
Demand	**424,791**	274,373
Commodity murabaha	**8,048,789**	8,601,136
Allowance for impairment on commodity murabaha	**(90,923)**	(90,923)
	7,957,866	8,510,213
Total	**8,382,657**	8,784,586

6. INVESTMENTS, NET

a) Investments as at December 31 comprise the following:

2015

		Domestic		International		Total
		Quoted	Unquoted	Quoted	Unquoted	
	Note	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Available-for-sale investments						
Equities, net	note 6 (c)	151,041	157,500	-	-	308,541
Mutual fund		236,909		-	-	236,909
Sukuk		253,991	297,568	48,704	-	600,263
		641,941	455,068	48,704		1,145,713
Held to maturity						
Commodity murabaha with SAMA		-	1,803,222	-	-	1,803,222
Total		641,941	2,258,290	48,704	-	2,948,935

2014

		Domestic		International		Total
		Quoted	Unquoted	Quoted	Unquoted	
	Note	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
Available-for-sale investments						
Equities, net		174,368	150,000	-	-	324,368
Mutual fund		152,985	-	-	-	152,985
Sukuk		256,770	200,000	-	-	456,770
		584,123	350,000	-		934,123
Held to maturity						
Commodity murabaha with SAMA		-	1,701,207	-	-	1,701,207
Total		584,123	2,051,207	-	-	2,635,330

b) Movement in other reserves (net unrealized revaluation (losses) / gains on available for sales investments) is as follows:

	2015	2014
	SAR' 000	SAR' 000
Balance at beginning of the year	**22,778**	43,338
Net change in fair value of available for sale investments	**(47,795)**	18,254
Transfer to consolidated statement of income	**197**	(38,814)
Impairment charge on available for sale investments	**13,108**	-
Net movement during the year	**(34,490)**	(20,560)
Balance at the end of the year	**(11,712)**	22,778

c) Movement in impairment charge through consolidated income statement are summarized as follows:

	2015 SAR'000	2014 SAR'000
Balance at the beginning of the year	**-**	-
Provided during the year	**13,108**	-
Balance at the end of the year	**13,108**	-

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

	2015 SAR' 000	2014 SAR' 000
Corporate	**1,138,833**	884,236
Banks and other financial institutions	**6,880**	49,887
SAMA	**1,803,222**	1,701,207
Total	**2,948,935**	2,635,330

e) Equities reported under available-for-sale investments include unquoted shares of SAR 157.5 million (2014: SAR 150 million) carried at cost as management believes that cost of such investments approximate their fair value. Management also believes cost of Commodity murabaha with SAMA approximates its fair value.

7. FINANCING, NET

a) Held at amortized cost

SAR' 000	**2015**				
	Bei ajel	**Installment sales / Ijarah**	**Musharakah**	**Ijarah**	**Total**
Performing	**20,812,829**	**11,708,958**	**1,863,143**	**219,157**	**34,604,087**
Non-performing	**263,462**	**139,024**	**112,276**	**-**	**514,762**
Total	**21,076,291**	**11,847,982**	**1,975,419**	**219,157**	**35,118,849**
Allowance for impairment	**(536,762)**	**(191,000)**	**(132,614)**	**(3,850)**	**(864,226)**
Financing, net	**20,539,529**	**11,656,982**	**1,842,805**	**215,307**	**34,254,623**

SAR' 000	2014				
Performing	16,609,417	10,163,859	1,417,580	558,782	28,749,638
Non-performing	219,119	116,749	94,863	-	430,731
Total	16,828,536	10,280,608	1,512,443	558,782	29,180,369
Allowance for impairment	(520,519)	(164,789)	(127,088)	(12,703)	(825,099)
Financing, net	16,308,017	10,115,819	1,385,355	546,079	28,355,270

b) Allowance for impairment for financing:

	2015 SAR' 000	2014 SAR' 000
Balance at beginning of the year	**825,099**	895,311
Provided during the year	**120,970**	132,953
Amounts written off during the year	**(39,566)**	(62,694)
Recoveries of amounts previously provided	**(42,277)**	(140,471)
Balance at end of the year	**864,226**	825,099

c) Credit quality of financing

The financing categories have the following classifications:

(i) Neither past due nor impaired

Grades	**2015 SAR' 000**	2014 SAR' 000
Excellent	**5,845,048**	4,629,296
Good	**6,004,768**	4,303,771
Satisfactory	**4,145,190**	3,556,758
Fair risk	**6,076,015**	5,699,118
Watch list	**363,516**	301,920
Total corporate	**22,434,537**	18,490,863
Retail – Satisfactory	**11,445,895**	9,943,485
Total	**33,880,432**	28,434,348

Excellent:
Strong financial position with excellent liquidity, capitalization, earnings, cash flow, management and capacity to repay are excellent.

Good:
Healthy financial position with good liquidity, capitalization, earnings, cash flow, management and capacity to repay are good.

Satisfactory:
Acceptable financial position with reasonable liquidity, capitalization, earnings, cash flow, management and capacity to repay are good. All performing retail loans are also categorized as Satisfactory.

Fair risk:
Financial position is fair but volatile. However, capacity to repay remains acceptable.

Watch list:
Cash flow problems may result in delay in payment of profit / installment. Facilities require frequent monitoring. However management considers that full repayment will be received.

(ii) Credit quality of financing (individually impaired financing)

The table below sets out gross balances of individually impaired financing, together with the fair value of related collaterals held by the Group as at December 31, as follows:

2015	**Bei Ajel SAR' 000**	**Installment sales / Ijarah SAR' 000**	**Ijarah SAR' 000**	**Musharakah SAR' 000**	**Total SAR' 000**
Individually impaired financing	**263,462**	**139,024**	**-**	**112,276**	**514,762**
Fair value of collaterals	**211,531**	**11,791**	**-**	**321,968**	**545,290**

2014	Bei Ajel SAR' 000	Installment sales / Ijarah SAR' 000	Ijarah SAR' 000	Musharakah SAR' 000	Total SAR' 000
Individually impaired financing	219,119	116,749	-	94,863	430,731
Fair value of collaterals	213,524	8,863	-	374,112	596,499

(iii) Ageing of portfolio (past due but not impaired)

2015	**Bei Ajel SAR' 000**	**Installment sales / Ijarah SAR' 000**	**Ijarah SAR' 000**	**Musharakah SAR' 000**	**Total SAR' 000**
1 to 30 days	**314,419**	**204,854**	**-**	**63,812**	**583,085**
31 to 90 days	**75,131**	**58,208**	**-**	**7,231**	**140,570**
Total	**389,550**	**263,062**	**-**	**71,043**	**723,655**
Fair value of collaterals	**2,489,668**	**25,798**	**-**	**111,095**	**2,626,561**
2014					
1 to 30 days	12,135	165,382	-	-	177,517
31 to 90 days	53,752	54,992	-	29,029	137,773
Total	65,887	220,374	-	29,029	315,290
Fair value of collaterals	59,835	48,585	-	-	108,420

Neither past due nor impaired and past due but not impaired comprise the total performing financing.

d) Collateral

The Bank in the ordinary course of its financing activities holds collateral as security to mitigate credit risk.
The collateral mostly includes deposits, financial guarantees, local equities and real estate. Collateral is principally held against corporate and retail real estate facilities and is managed against relevant exposures at their net realizable values.

e) Economic sector risk concentration for financing and allowance for impairment:

2015	**Performing financing SAR' 000**	**Non-performing financing SAR' 000**	**Allowance for impairment SAR' 000**	**Financing, net SAR' 000**
Commercial	**4,071,951**	**101,744**	**(161,020)**	**4,012,675**
Industrial	**4,447,959**	**135,947**	**(132,374)**	**4,451,532**
Building and construction	**6,686,319**	**74,698**	**(182,695)**	**6,578,322**
Transportation and communication	**941,240**	**-**	**(16,534)**	**924,706**
Services	**2,508,732**	**224**	**(44,293)**	**2,464,663**
Agriculture and fishing	**498,286**	**-**	**(8,753)**	**489,533**
Mining & Quarrying	**-**	**-**	**-**	**-**
Personal	**11,708,958**	**139,024**	**(191,000)**	**11,656,982**
Other	**3,740,642**	**63,125**	**(127,557)**	**3,676,210**
Total	**34,604,087**	**514,762**	**(864,226)**	**34,254,623**

2014	Performing financing SAR '000	Non-performing financing SAR '000	Allowance for impairment SAR '000	Financing, net SAR '000
Commercial	3,221,103	78,093	(150,836)	3,148,360
Industrial	3,390,899	114,848	(117,048)	3,388,699
Building and construction	5,578,254	57,340	(183,487)	5,452,107
Transportation and communication	679,005	-	(15,436)	663,569
Services	2,122,228	3,145	(51,234)	2,074,139
Agriculture and fishing	567,631	-	(12,904)	554,727
Mining & Quarrying	629,210	-	(14,304)	614,906
Personal	10,163,859	116,749	(164,789)	10,115,819
Other	2,397,449	60,556	(115,061)	2,342,944
Total	28,749,638	430,731	(825,099)	28,355,270

f) Ijarah receivables:

	2015 SAR'000		2014 SAR'000	
	Retail	**Corporate**	**Retail**	**Corporate**
Gross receivables from ijarah financing :				
Less than 1 year	**240,445**	**220,670**	187,567	560,225
1 to 5 years	**266,754**	**-**	327,754	-
Over 5 years	**10,444**	**-**	363	-
Unearned finance income on ijarah financing	**(59,782)**	**(1,513)**	(33,038)	(1,443)
Net receivables from ijarah financing	**457,861**	**219,157**	482,646	558,782

8. PROPERTY AND EQUIPMENT, NET

SAR' 000	Land and building	Leasehold improvements	Equipment, furniture and motor vehicles	Computer hardware and software	Total 2015	Total 2014
Cost:						
As at the beginning of the year	**452,661**	**524,434**	**268,976**	**331,648**	**1,577,719**	1,454,950
Additions during the year	**4,570**	**45,521**	**16,073**	**28,830**	**94,994**	132,325
Disposals	**-**	**(680)**	**(1,278)**	**(2,361)**	**(4,319)**	(9,556)
As at December 31	**457,231**	**569,275**	**283,771**	**358,117**	**1,668,394**	1,577,719
Accumulated depreciation:						
At the beginning of the year	**1,643**	**309,860**	**195,657**	**272,190**	**779,350**	692,746
Charge for the year	**657**	**47,742**	**27,527**	**25,261**	**101,187**	95,793
Disposals	**-**	**(650)**	**(1,233)**	**(2,344)**	**(4,227)**	(9,189)
As at December 31	**2,300**	**356,952**	**221,951**	**295,107**	**876,310**	779,350
Net book value:						
As at December 31,2015	**454,931**	**212,323**	**61,820**	**63,010**	**792,084**	
As at December 31, 2014	451,018	214,574	73,319	59,458		798,369

Leasehold improvements include work-in-progress as at December 31, 2015 amounting to SAR 46.7 million (2014: SAR 25 million).

9. OTHER ASSETS

	2015 SAR' 000	2014 SAR' 000
Prepaid rent	**48,446**	36,313
Advances to suppliers	**47,735**	31,048
Management fee receivable	**39,496**	62,685
Others	**104,313**	58,609
Total	**239,990**	188,655

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015 SAR' 000	2014 SAR' 000
Demand	**83,491**	87,658
Direct investment	**1,338,161**	1,103,360
Total	**1,421,652**	1,191,018

11. CUSTOMERS' DEPOSITS

	Notes	**2015 SAR' 000**	2014 SAR' 000
Demand	11-1	**28,502,322**	26,867,287
Direct investment		**9,452,440**	5,834,117
Albilad account (Mudarabah)		**3,326,469**	3,207,113
Others	11-2	**898,229**	815,225
Total		**42,179,460**	36,723,742

11-1 Demand includes foreign currency deposits of SAR 282 million (2014: SAR 224 million).

11-2 Other deposits include deposits of the Group's mutual funds of SAR 2.7 million (2014: SAR 2.1 million) and margins held for irrevocable commitments of SAR 895 million (2014: SAR 813 million). Margins includes foreign currency margin of SAR 57 million (2014: SAR 69 million).

12. OTHER LIABILITIES

	2015 SAR' 000	2014 SAR' 000
Accounts payable	**536,055**	733,373
Accrued expenses - staff	**191,510**	186,022
Accrued operating expenses	**83,937**	90,527
Others	**365,557**	413,879
Total	**1,177,059**	1,423,801

13. SHARE CAPITAL

The authorized issued and fully paid-up capital of the Bank consists of 500 million shares of SAR 10 each (2014: 400 million shares of SAR 10 each).

14. STATUTORY RESERVE

In accordance with Article 13 of the Saudi Arabian Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid-up capital of the Bank. Accordingly, SAR 197 million (2014: SAR 216 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

15. DIVIDENDS AND CAPITAL INCREASE

The Board of Directors in its meeting held on January 8, 2015 approved a dividend of SAR 200 million i.e. SAR 0.5 per share for the year 2014.

The Board of Directors also approved in its meeting held on January 8, 2015 a bonus issuance of one share for every four shares held at the date of Extra-ordinary General Assembly raising the Bank's capital from SAR 4,000 million to SAR 5,000 million. The bonus shares have been issued by capitalizing an amount of SAR 995.6 million from retained earnings, and transfer of an amount of SAR 4.4 million from statutory reserve as per the approval from SAMA making the number of shares outstanding after the bonus issuance to be 500 million shares.

The recommendation of the Board of Directors for the cash dividend of SAR 0.5 per share and bonus issue of one share for every four shares was approved by the shareholders in the Extra-ordinary General Assembly held on April 14, 2015.

16. OTHER RESERVES

Other reserves represent the net unrealized revaluation (losses) / gains on available for sale investments. This reserve is not available for distribution to shareholders. For movement in reserve, please refer note 6(b).

17. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2015, there were legal proceedings outstanding against the Bank. Provisions have been made for some of these legal cases based on the assessment of the Bank's legal advisers.

b) Capital commitments

As at December 31, 2015, the Bank had capital commitments of SAR 94 million (2014: SAR 62 million) relating to leasehold improvements and equipment purchases.

c) Credit related commitments and contingencies

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

Guarantee 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 financing. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

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

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

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend credit, the Group is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since 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 could expire or terminate without being funded.

(i) Contractual maturity structure of the Group's commitments and contingencies:

2015 (SAR' 000)	**Less than 3 months**	**From 3 months to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Letters of credit	**101,471**	**256,116**	**118,101**	**-**	**475,688**
Letters of guarantee	**369,747**	**1,732,269**	**1,491,507**	**106,510**	**3,700,033**
Acceptances	**385,144**	**61,814**	**7,453**	**-**	**454,411**
Irrevocable commitments to extend credit	**-**	**-**	**1,400,739**	**-**	**1,400,739**
Total	**856,362**	**2,050,199**	**3,017,800**	**106,510**	**6,030,871**
2014 (SAR' 000)	Less than 3months	From 3 months to 12 months	From 1 to 5 years	More than 5 years	Total
Letters of credit	339,130	728,157	59,018	-	1,126,305
Letters of guarantee	375,750	1,346,302	1,721,248	81,202	3,524,502
Acceptances	425,903	136,014	-	-	561,917
Irrevocable commitments to extend credit	-	-	651,371	51,597	702,968
Total	1,140,783	2,210,473	2,431,637	132,799	5,915,692

The outstanding unused portion of commitments as at December 31, 2015 which can be revoked unilaterally at any time by the Group, amounts to SAR 4.3 billion (2014: SAR 7.8 billion).

(ii) Commitments and contingencies by counter party:

	2015 SAR' 000	2014 SAR' 000
Corporate	**5,727,081**	5,726,883
Financial institutions	**229,597**	156,736
Others	**74,193**	32,073
Total	**6,030,871**	5,915,692

d) Operating lease commitments

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

	2015 SAR' 000	2014 SAR' 000
Less than one year	**118,989**	117,496
One year to five years	**376,912**	290,801
Over five years	**338,760**	264,618
Total	**834,661**	672,915

e) Zakat

The Bank has consistently filed its Zakat returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT") using the same basis for calculation.

The Higher Appeal Committee has issued its ruling on the Banks appeal against the Preliminary Appeal Committee for the year 2006, requesting the Bank to settle an additional amount of SAR 58 million. The Bank has not yet received the revised zakat assessment from the committee.

Zakat assessments for the years 2007 to 2008 from the Appeal Committee and for 2009 to 2011 from DZIT have been received by the Bank and the basis for these Zakat assessments is being contested by the Bank. The additional demand for these years amount to SAR 302.6 million.

The Zakat assessments for the years 2012 to 2014 have not been finalized by the DZIT and the Bank may not be able to determine reliably the impact of such assessments. However, the assessments may result in additional liability.

18. INCOME FROM INVESTING AND FINANCING ASSETS

	2015	2014
	SAR' 000	SAR' 000
Investments and due from banks and other financial institutions		
Income from Commodity murabaha with		
- SAMA	**5,863**	9,454
- Banks and other financial institutions	**72,991**	39,588
Income from sukuks	**9,813**	6,955
Income from financing:		
Bei ajel	**674,013**	523,369
Installment sales	**406,411**	421,233
Ijarah	**4,163**	17,498
Musharakah	**65,585**	54,597
Total	**1,238,839**	1,072,694

19. RETURN ON DEPOSITS AND FINANCIAL LIABILITES

	2015	2014
Return on:	**SAR' 000**	SAR' 000
Due to banks and other financial institutions	**5,259**	1,892
Deposits		
- Albilad account (Mudarabah)	**8,624**	4,898
- Direct investment	**62,562**	46,727
Total	**76,445**	53,517

20. FEES AND COMMISSION INCOME, NET

	2015	2014
	SAR' 000	SAR' 000
Fees and commission income		
Remittance	**477,684**	463,615
ATM and point of sale	**155,836**	98,526
Facilities management fee	**78,448**	65,793
Letter of credit and guarantee	**46,782**	51,594
Management fee (mutual fund and others)	**43,083**	43,047
Brokerage income	**41,383**	47,472
Documentation fee	**39,273**	33,449
Others	**42,460**	15,184
Total fees and commission income	**924,949**	818,680
Fees and commission expenses		
ATM and point of sale	**111,616**	85,862
Brokerage expenses	**4,762**	3,159
Remittance	**2,990**	3,169
Others	**26,361**	7,394
Total fees and commission expenses	**145,729**	99,584
Fees and commission income, net	**779,220**	719,096

21. DIVIDEND INCOME

	2015	2014
Dividends from available for sale investments	**SAR' 000**	SAR' 000
- Quoted	**6,201**	7,110
- Unquoted	**3,446**	6,892
	9,647	14,002

22. OTHER OPERATING INCOME

	2015	2014
	SAR' 000	SAR' 000
Recovery of written-off financing	**25,035**	12,384
Gains on sale of property and equipment	**66**	82
Others	**1,461**	64
Total	**26,562**	12,530

23. SALARIES AND EMPLOYEE RELATED BENEFITS

The following table summarizes compensation practices and includes total of fixed and variable compensation paid to employees during the year ended December 31, 2015, and the form of such payments:

	Number of Employees		Fixed compensation SAR 000		Variable Compensation Paid					
					Cash		Shares		Total	
					SAR' 000					
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Senior executives requiring SAMA no objection	**12**	7	**20,498**	12,838	**8,104**	5,976	**4,840**	6,964	**12,944**	12,940
Employees engaged in risk taking activities	**249**	199	**71,273**	53,653	**7,950**	7,224	**1,117**	1,300	**9,067**	8,524
Employees engaged in control functions	**256**	227	**65,844**	53,728	**6,674**	5,870	**716**	809	**7,390**	6,679
Other employees	**2,982**	2,761	**380,340**	337,262	**23,131**	26,202	**1,588**	2,625	**24,719**	28,827
Outsourced employees	**385**	249	**52,387**	33,839						
Total	**3,884**	3,443	**590,342**	491,320	**45,859**	**45,272**	**8,261**	**11,698**	**54,120**	56,970
Variable compensation accrued			**35,337**	68,100						
Other employee related benefits			**227,427**	182,896						
Total salaries and employee related expenses			**853,106**	742,316						

The Bank has developed a Compensation Policy ("Policy") based on the 'Rules on Compensation Practices' issued by SAMA as well as the guidelines provided by the Financial Stability Board and the Basel Committee on Banking Supervision in this respect. The Compensation Policy has been approved by the Board of Directors. The Board of Directors have also established Nominations and Remuneration Committee, comprising of five members. The Chairman and two members of the Committee are independent to oversee the implementation of the Policy .

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the Policy and evaluate its effectiveness in line with the industry practice.

Compensation Policy
The Policy sets guidelines for determination of both fixed and variable compensation to be paid to the employees of the Group. The scope of the Policy includes all compensation elements, approval and reporting process, stock options, bonus and its deferral, etc.

The objective of the Policy is to ensure that the compensation is governed by the financial performance evaluation and is linked to the various risks associated, at an overall level. Key staff members of the Bank are eligible to variable compensation which is derived from Risk Adjusted Net Income of the Bank which accounts for significant existing and potential risks in order to protect the Bank's Capital Adequacy and to mitigate the risk of potential future losses.

Compensation Structure
The compensation structure of the Bank is based on appropriate industry benchmarking and include both fixed and variable components. The variable component is designed to ensure key employee retention and is based on three year vesting period.

a. Fix components:
   Provide a competitive salaries or wage according to market alignment, including (Basic, Housing, Transportation and Fix allowance) as per the employee's contract.

b. Variable components:
   Takes into account the risk associated with the Bank performance and individual performance appraisal of the concerned staff. All these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period it includes Stock options with vesting benchmarks.

Performance Management System
The performance of all employees is measured by way of a balance score card methodology taking into consideration, financial, customer, process and people factors with appropriate weightage to each factor based on the respective assignments.

24. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2015 and 2014 is calculated by dividing the net income for the year attributable to the equity holders by 500 million shares to give a retroactive effect of change in the number of shares increased as a result of the issuance of bonus shares.

25. CASH AND CASH EQUIVALENTS

	Notes	**2015** **SAR' 000**	2014 SAR' 000
Cash	4	**1,473,037**	1,339,091
Due from banks and other financial institutions (maturing within ninety days from acquisition)		**5,973,256**	5,602,854
Held to maturity investment (maturing within ninety days from acquisition)		**-**	1,000,050
Balances with SAMA (excluding statutory deposit)	4	**619,983**	769,756
Total		**8,066,276**	8,711,751

26. SEGMENTAL INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) and, the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

For management purposes, the Group is divided into the following five operating segments:

Retail banking
Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking
Services and products to corporate and commercial customers including deposits, financing and trade services.

Treasury
Money market, trading and treasury services.

Investment banking and brokerage
Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Other
All other support functions including CEO Office which manages equity investments of the Group.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to other operating segments, based on approved criteria.

a) The Group total assets and liabilities, together with its total operating income and expenses, and net income /(loss), for the years ended December 31, for each segment are as follows:

SAR' 000	2015					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	15,818,492	22,793,027	10,582,126	430,947	1,595,818	51,220,410
Capital expenditures	66,743	148	57	2,221	25,825	94,994
Total liabilities	31,230,550	11,032,401	1,338,161	148,753	1,028,306	44,778,171
Net income from investing and financing assets	441,269	592,337	84,837	902	43,049	1,162,394
Fee, commission and other income, net	795,184	135,516	94,401	72,295	34,830	1,132,226
Total operating income	1,236,453	727,853	179,238	73,197	77,879	2,294,620
Impairment charge for financing, net	65,777	12,916	-	-	-	78,693
Impairment charge on available for sale investments	-	-	-	-	13,108	13,108
Depreciation	93,217	5,436	1,085	1,449	-	101,187
Total operating expenses	1,110,973	284,049	49,541	46,732	14,902	1,506,197
Net income for the year	125,480	443,804	129,697	26,465	62,977	788,423

SAR' 000	2014					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	13,141,895	19,234,996	11,023,015	357,212	1,472,796	45,229,914
Capital expenditures	62,341	310	1,373	1,172	67,129	132,325
Total liabilities	24,688,068	12,123,331	1,103,361	125,236	1,298,565	39,338,561
Net income from investing and financing assets	413,769	510,816	52,022	310	42,260	1,019,177
Fee, commission and other income, net	722,061	125,378	86,072	78,898	65,466	1,077,875
Total operating income	1,135,830	636,194	138,094	79,208	107,726	2,097,052
Impairment charge (reversal of impairment) for financing, net	79,242	(86,760)	-	-	-	(7,518)
Depreciation	90,859	3,331	1,100	503	-	95,793
Total operating expenses	972,292	166,057	49,454	43,392	1,828	1,233,023
Net income for the year	163,538	470,137	88,640	35,816	105,898	864,029

(b) Credit exposure by operating segments is as follows:

2015 SAR' 000	**Retail banking segment**	**Corporate**	**Treasury**	**Total**
Total assets	**11,656,981**	**22,597,642**	**10,786,142**	**45,040,765**
Commitments and contingencies	**-**	**3,103,069**	**-**	**3,103,069**

2014 SAR' 000				
Total assets	10,115,819	18,239,451	10,942,563	39,297,833
Commitments and contingencies	-	2,871,605	-	2,871,605

Group credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure as calculated in accordance with SAMA regulations.

27. FINANCIAL RISK MANAGEMENT

Banking activities involve varieties of financial risks which are assessed by conducting set of analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance with ultimate objective of enhancing the shareholders' value.

The Group's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Group reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practice.

The Group's Board of Directors have appointed the Risk and Compliance Committee which has the responsibility to monitor the overall risk process within the Group. The Risk and Compliance

Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is the responsible for managing risk decisions and monitoring risk levels. The Risk and Compliance Committee reports on a regular basis to the Board of Directors.

28. CREDIT RISK

The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arrive principally in financing and investment activities. There is also credit risk in off-financial position financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses external ratings of the major rating agencies, where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. 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 limiting the duration of exposure.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

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

Management requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment for financings.

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

Analysis of investments by counter-party is provided in note 6(d), for financing in note 7 and for commitments and contingencies in note 17. The information on the Group's maximum credit and credit risk exposure by operating business segments is given in note 26(b).

a) Geographical concentration

(i) The geographical distribution of assets, liabilities, commitments and contingencies and credit exposure as of December 31:

2015 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	South East Asia	Other countries	Total
Assets						
Cash and balances with SAMA	4,602,121	-	-	-	-	4,602,121
Due from banks and other financial institutions, net	5,223,260	2,754,035	132,083	68,665	204,614	8,382,657
Investments, net	2,900,231	48,704	-	-	-	2,948,935
Financing, net	34,254,623	-	-	-	-	34,254,623
Property and equipment, net	792,084	-	-	-	-	792,084
Other assets	239,567	423	-	-	-	239,990
Total	48,011,886	2,803,162	132,083	68,665	204,614	51,220,410
Liabilities						
Due to banks and other financial institutions	1,313,158	87,868	231	1,292	19,103	1,421,652
Customers' deposits	42,179,460	-	-	-	-	42,179,460
Other liabilities	1,177,059	-	-	-	-	1,177,059
Total	44,669,677	87,868	231	1,292	19,103	44,778,171
Commitments and contingencies	6,030,871	-	-	-	-	6,030,871
Credit risk (stated at credit equivalent amounts) on commitments and contingencies	3,103,069	-	-	-	-	3,103,069

2014 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	South East Asia	Other countries	Total
Assets						
Cash and balances with SAMA	4,467,704	-	-	-	-	4,467,704
Due from banks and other financial institutions, net	6,070,397	2,484,583	81,152	34,435	114,019	8,784,586
Investments, net	2,635,330	-	-	-	-	2,635,330
Financing, net	28,355,270	-	-	-	-	28,355,270
Property and equipment, net	798,369	-	-	-	-	798,369
Other assets	188,655	-	-	-	-	188,655
Total	42,515,725	2,484,583	81,152	34,435	114,019	45,229,914
Liabilities						
Due to banks and other financial institutions	493,810	606,253	521	68,260	22,174	1,191,018
Customers' deposits	36,723,742	-	-	-	-	36,723,742
Other liabilities	1,423,801	-	-	-	-	1,423,801
Total	38,641,353	606,253	521	68,260	22,174	39,338,561
Commitments and contingencies	5,915,692	-	-	-	-	5,915,692
Credit risk (stated at credit equivalent amounts) on commitments and contingencies	2,871,605	-	-	-	-	2,871,605

Credit equivalent amounts reflect the amounts that result from translating the Group's commitments and contingencies into the risk equivalent of financing facilities using credit conversion factors prescribed by SAMA. Credit conversion factor is used to capture the potential credit risk resulting from the Group meeting its commitments.

(ii) The geographical distribution of the impaired investing and financing assets and the allowance for impairment for financing and commodity murabaha assets is set out as below:

2015 SAR' 000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Non- performing financing	**514,762**	-	-	-	-	**514,762**
Allowance for impairment for financing	**864,226**	-	-	-	-	**864,226**
Non- performing of investments and commodity murabaha	**33,302**	**90,923**	-	-	-	**124,225**
Allowance for impairment for investments and commodity murabaha	**13,108**	**90,923**	-	-	-	**104,031**

2014
SAR' 000

Non- performing financing	430,731	-	-	-	-	430,731
Allowance for impairment for financing	825,099	-	-	-	-	825,099
Non- performing commodity murabaha	-	90,923	-	-	-	90,923
Allowance for impairment for commodity murabaha	-	90,923	-	-	-	90,923

29. MARKET RISK

Market risk is the risk that the fair value to future cash flows of the financial instruments will fluctuate due to changes in market variables such as profit rate, foreign exchange rates, and equity prices.

a) Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Group does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the consolidated financial statements at amortized cost. In addition to this, a substantial portion of the Group's financial liabilities are non-interest bearing.

b) Foreign exchange rate risk

(i) Foreign exchange rate risk represents the risk of change in the value of financial instruments due to change in exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Group's management sets limits on the level of exposure by individual currency and in total for intra day positions, which are monitored daily.

The Group had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2015		2014	
	Saudi Riyal SAR ' 000	**Foreign currency SAR ' 000**	Saudi Riyal SAR ' 000	Foreign currency SAR ' 000
Assets				
Cash and balances with SAMA	**4,483,028**	**119,093**	4,398,306	69,398
Due from banks and other financial institutions, net	**7,957,866**	**424,791**	8,139,572	645,014
Investments, net	**2,900,231**	**48,704**	2,635,330	-
Financing, net	**34,035,310**	**219,313**	28,092,343	262,927
Other assets	**212,661**	**27,329**	136,888	51,767
Liabilities and equity				
Due to banks and other financial institutions	**1,218,389**	**203,263**	724,429	466,589
Customer deposits	**41,626,585**	**552,875**	36,423,171	300,571
Other liabilities	**1,169,766**	**7,293**	1,413,294	10,507
Equity	**6,442,239**	**-**	5,891,353	-

A substantial portion of the net foreign currency exposure to the Group is in US Dollars, where the SAR is pegged to the US Dollar. The other currency exposures are not considered significant to the Group's foreign exchange rate risks and as a result the Group is not exposed to major foreign exchange rate risks.

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

(ii) **Currency position**

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

	2015 SAR' 000 Long/(short)	2014 SAR' 000 Long/(short)
US Dollars	**(20,980)**	(174,612)
Kuwaiti Dinars	**(32,109)**	2,068
Pakistani Rupees	**55,691**	60,944
Qatari Riyals	**5,155**	320,102
UAE Dirhams	**36,745**	30,230
Bangladeshi Takas	**16,391**	7,834
Others	**14,906**	4,873
Total	**75,799**	251,439

c) Investment price risk

Investment risk refers to the risk of decrease in fair values of equities, mutual funds and sukuk in the Group's available-for-sale investment portfolio as a result of possible changes in levels of market indices over a one year time horizon and the value of individual stocks.

The effect on the Group's investments held as available for sale due to reasonable possible change in market indices, with all other variables held constant is as follows:

	December 31, 2015		**December 31, 2014**	
Market indices	**Change in investment price %**	**Effect in SAR' 000**	**Change in investment price %**	**Effect in SAR' 000**
Quoted	± 10	**69,065**	± 10	58,412
Unquoted	± 2	**9,101**	± 2	7,000

30. LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able 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 dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Assets Liability committee (ALCO). Daily reports cover the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2014: 7%) of total demand deposits and 4% (2014: 4%) of time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with SAMA.

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows.

a) Maturity profile of assets, liabilities and equity as at December 31 are as follows:

2015 SAR' 000	Within 3 Months	3 months to 1 year	One year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	2,093,020	-	-	-	-	2,093,020
Statutory deposit with SAMA	-	-	-	-	2,509,101	2,509,101
Due from banks and other financial institutions, net	6,747,294	1,433,062	202,301			8,382,657
Investments, net	1,803,223			600,262	545,450	2,948,935
Financing, net	7,153,852	17,129,723	9,471,864	499,184	-	34,254,623
Property and equipment, net	-	-	-	-	792,084	792,084
Other assets	-	-	-	-	239,990	239,990
Total assets	17,797,389	18,562,785	9,674,165	1,099,446	4,086,625	51,220,410
Liabilities and equity						
Due to banks and other financial institutions	1,421,652	-	-	-	-	1,421,652
Customers' deposits	38,128,985	4,050,475	-	-	-	42,179,460
Other liabilities	-	-	-	-	1,177,059	1,177,059
Shareholders' equity	-	-	-	-	6,442,239	6,442,239
Total liabilities and equity	39,550,637	4,050,475	-	-	7,619,298	51,220,410

2014 SAR'000	Within 3 Months	3 months to 1 year	One year to 5 years	Over 5 Years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	2,108,847	-	-	-	-	2,108,847
Statutory deposit with SAMA	-	-	-	-	2,358,857	2,358,857
Due from banks and other financial institutions, net	6,737,832	2,046,754	-	-	-	8,784,586
Investments, net	1,450,918	250,289	-	456,770	477,353	2,635,330
Financing, net	7,138,896	12,024,209	8,603,266	588,899	-	28,355,270
Property and equipment, net	-	-	-	-	798,369	798,369
Other assets	-	-	-	-	188,655	188,655
Total assets	17,436,493	14,321,252	8,603,266	1,045,669	3,823,234	45,229,914
Liabilities and equity						
Due to banks and other financial institutions	1,191,018	-	-	-	-	1,191,018
Customers' deposits	33,358,001	3,365,741	-	-	-	36,723,742
Other liabilities	-	-	-	-	1,423,801	1,423,801
Shareholders' equity	-	-	-	-	5,891,353	5,891,353
Total liabilities and equity	34,549,019	3,365,741	-	-	7,315,154	45,229,914

b) Analysis of financial liabilities by the remaining undiscounted contractual maturities as at December 31, are as follows:

2015 **SAR' 000**	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 Years**	**No fixed Maturity**	**Total**
Financial liabilities						
Due to banks and other financial institutions	**1,422,156**	**-**	**-**	**-**	**-**	**1,422,156**
Customers' deposits	**38,138,110**	**4,083,175**	**-**	**-**	**-**	**42,221,285**

2014 SAR' 000	Within 3 Months	3 months to 1 year	One year to 5 years	Over 5 Years	No fixed Maturity	Total
Financial liabilities						
Due to banks and other financial institutions	1,191,067	-	-	-	-	1,191,067
Customers' deposits	33,359,811	3,385,225	-	-	-	36,745,036

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 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 accessible market for the asset or liability

Determination of fair value and fair value hierarchy

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

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

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

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

2015 **SAR' 000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Equities and mutual funds	**387,950**	**-**	**157,500**	**545,450**
Sukuk	**302,695**	**-**	**297,568**	**600,263**
	690,645	**-**	**455,068**	**1,145,713**
2014 SAR' 000				
Financial assets				
Equities and mutual funds	327,353	-	150,000	477,353
Sukuk	256,770	-	200,000	456,770
	584,123	-	350,000	934,123

Level 3 investments comprise of unquoted available-for-sale investments that are carried at cost as management believes that their cost approximate fair values.

The fair values of financial instrument at consolidated statement of financial position date are not significantly different from the carrying values included in the consolidated financial statements. The fair values of financing, due from and due to banks and held to maturity investment which are carried at amortized cost are not significantly different from the carrying values included in the consolidated financial statements, since the current market profit 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.

32. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. Major shareholders are those shareholders who own 5% or more of the Bank's issued share capital. Key management personnel include the chief executive officer and other officers having authority and responsibility for planning, directing, and controlling the activities of the Bank. The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

	2015 SAR' 000	2014 SAR' 000
a) Directors, and other major shareholders and their affiliates balances:		
Financing		
Bei ajel	**1,324,902**	1,509,743
Musharaka	**46,959**	30,600
Commitments and contingencies		
Commitments and contingencies	**44,228**	41,632
Deposits		
Demand	**148,797**	27,036
Albilad account (Mudarabah)	**14,481**	4,113
Other	**1,181**	4,093

	2015 SAR' 000	2014 SAR' 000
b) Key management personnel and their affiliates balances:		
Financing		
Installment sales	**12,623**	14,454
Deposits		
Demand	**9,001**	9,281
Albilad account (Mudarabah)	**1**	1,077

	2015 SAR' 000	2014 SAR' 000
c) Group's mutual funds:		
These are the outstanding balances with Group's mutual funds as of December 31:		
Customers' deposits	**2,689**	2,082
Investments	**29,735**	56,918

d) Income and expense:

The following is an analysis of the related party income and expenses included in the consolidated statement of income for the years ended December 31:

Directors, and other major shareholders and their affiliates and mutual funds managed by the Group**:**

	2015 **SAR' 000**	2014 SAR' 000
Income		
Income from financing	**45,736**	52,381
Fee and commission income, net	**352**	294
Fee and commission income, net (AlBilad mutual funds)	**17,635**	18,086
Expenses		
Albilad account (Mudarabah)	**2**	2
Buildings Rents	**5,086**	4,800
Board of Directors' remuneration	**6,302**	5,280

Key management personnel and their affiliates:

	2015 **SAR' 000**	2014 SAR' 000
Income		
Income from financing	**265**	300

The total amount of compensation paid to key management personal during the year is as flows:

	2015 **SAR' 000**	2014 SAR' 000
short-term employee benefits	**56,880**	48,016
Post-employment , treatments and share-based payments	**5,624**	7,808

33. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, are calculated under the Basel III framework.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	2015 **SAR' 000**	2014 SAR' 000
Credit Risk RWA	**39,449,578**	33,786,740
Operational Risk RWA	**3,905,237**	3,553,573
Market Risk RWA	**149,700**	448,075
Total Pillar-I RWA	**43,504,515**	37,788,388
Tier I Capital	**6,442,239**	5,891,353
Tier II Capital	**467,373**	422,334
Total Tier I & II Capital	**6,909,612**	6,313,687
Capital Adequacy Ratio %		
Tier I ratio	**14.81%**	15.59%
Tier I + Tier II ratio	**15.88%**	16.71%

34. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, AlBilad Investment Company. These services include the management of seven mutual funds (2014: seven mutual funds) with assets under management (AUM) totaling SAR 925 million (2014: SAR 1,188 million). All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors.

The Group also manages private investment portfolios on behalf of its customers amounting to SAR 7,708 million (2014: SAR 7,889 million). The financial statements of these funds and private portfolios are not included in the consolidated financial statements of the Group. However, the transactions between the Group and the funds are disclosed under related party transactions (see note 32).

35. PROSPECTIVE CHANGES IN THE INTERNATIONAL FINANCIAL REPORTING FRAMEWORK

The Group has chosen not to early adopt the following new standards which have been issued but not yet effective for the Group and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS effective for future periods as indicated in the table below:

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

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

  The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Effective for annual periods beginning on or after 1 January 2016.
- IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 1 January 2016.
- IFRS 16 specifies how to recognise, measure, present and disclose leases. Effective for annual periods beginning on or after 1 January 2019.
- Amendments to IAS 27: Equity Method in Separate Financial Statements - The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - Effective prospectively for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Effective for annual periods beginning on or after 1 January 2016.
- Annual improvements to International Financial Reporting Standards - 2012-2014 cycle. Effective for annual periods beginning on or after 1 January 2016. These include:-

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

- IFRS 7 Financial Instruments: Disclosures - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- IAS 19 Employee Benefits - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- IAS 1 Disclosure Initiative- The amendments clarify:
  - the materiality requirements in IAS 1
  - that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
  - that entities have flexibility as to the order in which they present the notes to financial statements
  - that the share of OCI 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 profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

36. Employees' share plan

Significant features of the share based payment plan is as follows:

	2015	2014
Grant date	**1 November 2015**	15 September 2014
Maturity Date	**25% 1 Jan 2016** **25% 1 Jan 2017** **50% 1 Jan 2018**	1 January 2017
Number of shares offered on the grant date	**399,418**	411,686
Share price on the grant date (SAR)	**21.76**	32.79
Value of shares offered on grant date (SAR' 000)	**8,691**	10,799
Vesting period	**3 years**	3 years
Vesting condition	**Employees to be in service**	Employees to be in service
Method of settlement	**Equity**	Equity

The movement in the number of shares, during the year, under employees' share plan is as follows	**2015**	2014
Beginning of the year	**868,294**	977,047
Granted during the year	**399,418**	411,686
Forfeited	**48,535**	34,409
Exercised	**277,978**	486,030
End of the year	**941,199**	868,294

The shares are granted only under a service condition with no market condition associated with them.

37. Subsequent Event

The Board of Directors in its meeting held on February 1, 2016 has proposed a bonus issue of one share for every five shares held at the date of General Assembly raising the Bank's capital from SAR 5,000 million to SAR 6,000 million. The bonus share will be issued by capitalizing SAR 468 million from the retained earnings and SAR 532 million from the statutory reserve. The number of shares outstanding after the bonus issuance will be 600 million shares. The recommendation of the Board for the Bonus issue of one share for every five shares held is subject to the approval of the General Assembly .

38. COMPARATIVE FIGURES

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

39. BOARD OF DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Bank's Board of Directors on 29 Rabi‟ AlThani 1437H (corresponding to 8 February, 2016).

40. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website (www.bankalbilad.com) within prescribed time as required by SAMA. Such disclosures are not subject to audit by the external auditors of the Bank.