2013
Annual Report

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بسم الله الرحمن الرحيم

In the Name of Allah, the Most Gracious, the Most Merciful

The Custodian of the Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud

HRH
Prince Salman Bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister
and Minister of Defence

HRH
Prince Muqrin Bin Abdulaziz Al Saud
Deputy Crown Prince, Second Deputy
Prime Minister and Advisor to Special
Envoy of the Custodian of the Two
Holy Mosques

“We will be the leading Saudi Bank,
first in quality, first in value, first in caring
for our customers and responding to their
needs by continuously improving our
services, while enhancing our Shareholders
Value”

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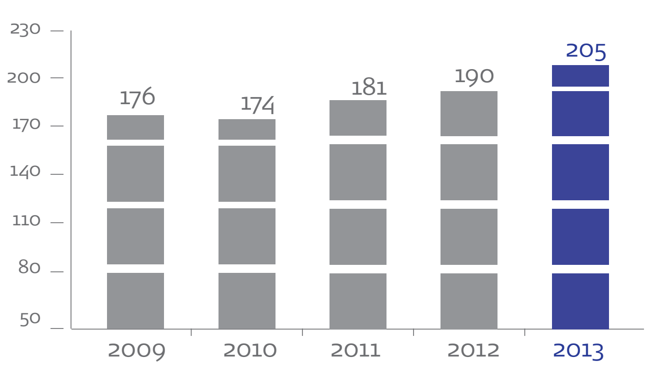
Financial Statements Highlights 2013

Financial Statements Highlights

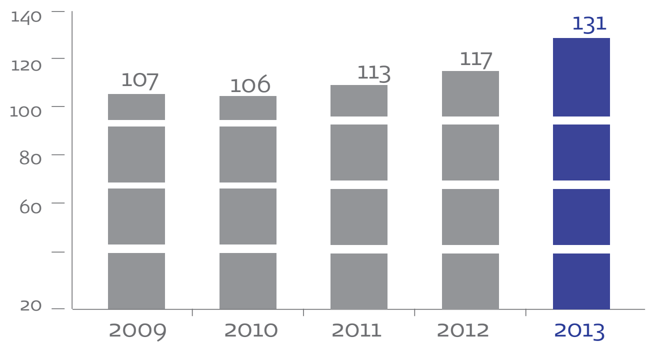
2013

SAR' Millions	2013	2012	2011	2010	2009
Total Assets	205,246	190,181	180,887	173,556	176,399
Loans & Advances, net	131,191	117,471	112,973	106,035	106,515
Investments, net	43,538	36,254	36,616	33,822	32,308
Customer Deposits	153,200	146,215	139,823	126,945	125,278
Shareholders' Equity	33,870	31,964	30,158	29,233	28,235
Net Income	3,947	3,466	3,149	2,825	3,030
Net Special Commission Income	4,697	4,381	4,197	4,142	4,347
Total Operating Income	7,131	6,866	6,321	5,981	5,960
Fee & Commission Income, net	1,821	1,777	1,589	1,418	1,223
Return on Average Assets	2.00%	1.87%	1.78%	1.61%	1.79%
Return on Equity	11.99 %	10.84%	10.44%	9.66%	10.73%

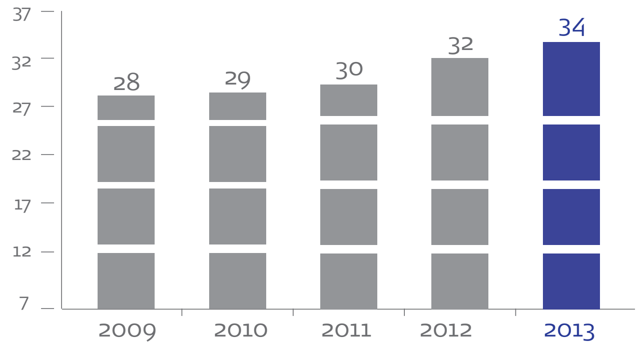
Total Assets (Billions SAR)



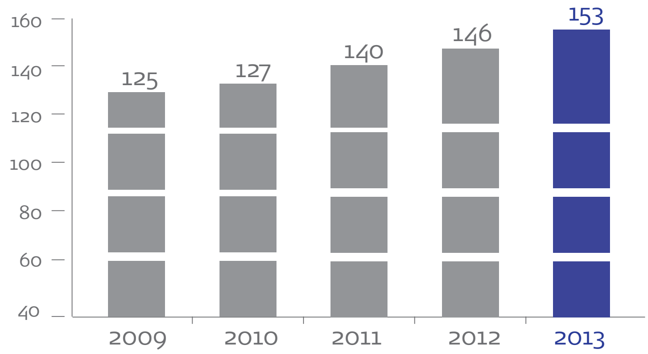
Loans & Advances, net (Billions SAR)



Shareholders' Equity (Billions SAR)



Customer Deposits (Billions SAR)



02

Board of Directors

The Chairman's Statement

Where have we been?...... where we are?....Where are we going?

We address these questions in a series of research and discussions, based on which we launch strategies that determine the bank's path.

Strategic planning is a cornerstone in the management of any entity, but particularly for a strong economic institution, dedicated to enhancing customers and shareholders value.

Riyad Bank operates on sound and clear foundations, following a path of steady growth and avoiding speculative and high-risk investments.

Despite the financial crises that many international banks experienced as a result of high risk, Riyad Bank has avoided the temptations of involving itself in harmful speculative activities.

The Bank continued its success and was able to achieve high growth rates through its prudent banking policy targeting careful and steady development. The Bank's assets increased by 7.9% and its deposits increased by 4.8%. The Bank's private sector loans increased by 11.7%, contributing to a profit growth of 13.9%.Riyad Bank has not limited itself to one approach but follows a multi-faceted approach that targets human, social, economic, and environmental development in our beloved country.

Riyad Bank is proud of the precious trust of its customers and investors, which increases year after year, as the Bank continues unimpeded to provide excellent banking and investment services and rewarding returns to its shareholders.

Riyad Bank was one of the banks that took the lead in providing services to the community in all areas of social responsibility through its support to many charitable activities and events in the social, educational, healthand and cultural sectors. The Bank contributed to supporting the requirements of people with special needs through several programs, most notably in the Transport Charity project, which provides suitable transport for them. It also embraced and sponsored the "Yadawi" Handicraft Program, supported the productive work of a group of women with special needs by increasing their self-confidence, and proving to them and to society as a whole, that "whoever knows the door of hope does not know the word 'impossible'."

The Bank also has a great interest in economic conferences and forums and has participated in numerous festivals, including heritage and cultural festivals such as "Al Janadriyah", as well as the "Al Dokhlah", the "Al-Sharqiyah" festivals, and others.

Riyad Bank has played a significant role in raising awareness among members of the community on several issues like the importance of early screening for breast cancer, drug education, AIDS awareness, hyperactivity and attention deficit awareness, etc.

The Bank has continued its success in the field of financing, from consumer loans to mega projects. It has played a key role in financing national projects, from small-scale handicrafts projects to large-scale projects in the petrochemical, energy, and water industries, in addition to a large number of the most important infrastructure projects in the Kingdom.

In 2013, the Bank continued to take serious steps towards launching programs and strategies like the "Customer Experience Enrichment" program, which is intended to make a quantum leap in the level of its services and meet the growing needs of its customers in various segments more effectively, leading to a significant growth in the size of the Bank's customer base, which is considered a great source of pride for the Bank and another area of excellence.

The Bank's customer service is not limited to its domestic presence. In fact, we have expanded our presence abroad through our offices in London, Houston, and Singapore in order to meet our customers' needs wherever they may be with the same level of quality and service.

In 2013, Riyad Bank achieved an increase in profits compared to the previous year. By doing so, the Bank aims to meet the expectations of its shareholders and enhancing value, in addition to consolidating the Bank's position as a leader in the banking sector.

On November 6, 2013, the Bank successfully completed the offering of medium-term senior sukuk of SAR 4 billion. This is yet another way that the Bank strives to diversify its financing sources, extend their maturities, and support its financing portfolio.

As a result of the foregoing, Riyad Bank achieved a high credit rating as in the previous year, keeping its Standard & Poor's rating of (A+) for long-term liabilities and the highest available rating (A-1) for short-term liabilities. This demonstrates the strength of Riyad Bank's financial position.

It is the belief of the Board of Directors that the outstanding performance and key accomplishments noted in the Bank's performance history, which has become increasingly impressive over the years, are the result of steadfast determination and unremitting hard work of our staff in their tireless pursuit of progress and excellence. As a result the Bank has not lost sight of the importance of the human element in its operational structure, which it considers both the engine of excellence and a great foundation for success. The Board of Directors is dedicated to supporting Saudization in service to the country, its citizens, and the national economy. During the past year, the Bank achieved a Saudization rate of 93% in its departments, in addition to a high percentage of female employees, which reached around 22% across Bank departments by the end of the year 2013, with 100% of female employees being Saudi citizens. The Bank intends to continue to support female employment as Saudi women play an important and effective role in the community and the national economy.

The Board of Directors is also keen on developing and increasing the skills and training of its employees and improving their job performance in order to ensure that they perform properly at all levels of banking services. The prime objective is to ensure the highest levels of customer service in direct dealings with clients as well as through the various electronic channels in order to meet the needs of customers quickly, conveniently, and securely.

During 2013, the Bank provided 10,000 training opportunities to its employees, both within and outside the Kingdom, and has adopted a wide range of training programs for the qualification of its staff in order to maintain a high level of competence and ensure lasting motivation towards innovation. These programs include the "Riyad Bank" program, the "Graduates" program, and the "Competencies" program to enhance the skills of branch staff.

This is only a brief overview of the achievements of Riyad Bank in 2013, to which we add a long list of successive accomplishments achieved during the Bank's immanent history, building on a solid base of aspirations and capabilities.

As we turn the pages of our annual report for the past year, we likewise turn our attention to a promising new year and our continued work to achieve the aspirations of our customers, our shareholders, and the Riyad Bank family.

At the beginning of 2014, the Bank made a request to the competent authorities to increase its share capital to SAR 30 billion in order to meet the increasing need for financing arising from the strong economic growth in our beloved country.

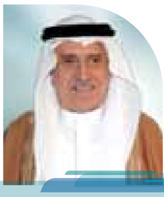
In closing, on behalf of my fellow board members, I reiterate my thanks and gratitude for your trust and to all employees of the Bank for their outstanding efforts as a single team striving for excellence and leadership.

Best regards,

Rashed Abdulaziz Al-Rashed

Board Of Directors

Rashed Abdulaziz Al-Rashed
Chairman of the Board of Directors



Dr. Khaled Hamza Nahas
Board Director

Abdulrahman Hassan Sharbatly
Board Director

Dr. Abdulaziz Saleh Al-Jarbou
Board Director

Abdullah Ibrahim Al-Ayadhi
Board Director

The Executive Committee

Rashed Abdulaziz Al-Rashed (Chairman)
Abdullah Ibrahim Al-Ayadhi
Dr. Faris Abdullah Abaalkhail
Mohammed Abdulaziz Al-Afaleq
Waleed Abdulrahman Al-Eisa

The Audit Committee

Eng. Abdullah Mohammed Al-Issa (Chairman)
Nader Ibrahim Al-Wehibi
Dr. Ibrahim Al Ali Al-Khudair
Dr. Abdullah Hasan Al-Abdulqader
Eng. Abdullah Abdullatif Al-Saif

Eng. Abdullah Mohammed Al-Issa
Board Director

Dr. Faris Abdullah Abaalkhail
Board Director

Mohammed Abdulaziz Al-Afaleq
Board Director

Nader Ibrahim Al-Wehibi
Board Director

Waleed Abdulrahman Al-Eisa
Board Director

The Nomination and Compensation Committee

Abdullah Ibrahim Al-Ayadhi (Chairman)
Rashed Abdulaziz Al-Rashed
Dr. Faris Abdullah Abaalkhail
Mohammed Abdulaziz Al-Afaleq
Nader Ibrahim Al-Wehibi
Waleed Abdulrahman Al-Eisa

The Strategic Planning Group

Rashed Abdulaziz Al-Rashed (Chairman)
Dr. Abdulaziz Saleh Al-Jarbou
Eng. Abdullah Mohammed Al-Issa
Dr. Faris Abdullah Abaalkhail
Nader Ibrahim Al-Wehibi

The Risk Committee

Mohammed Abdulaziz Al-Afaleq (Chairman)
Abdullah Ibrahim Al-Ayadhi
Waleed Abdulrahman Al-Eisa

Report Of The Board Of Directors

The Board of Directors' Report

The Board of Directors is pleased to submit its annual report on the performance of Riyad Bank and its subsidiaries for the year 2013. This includes information on the Bank's activities, main achievements, strategies, and financial results, as well as its Board of Directors and various committees, plus other supplementary information in order to meet the requirements of users of this report.

Main Activities

Riyad Bank principally deals with all banking and investment businesses, whether for its own account or on behalf of third parties in Saudi Arabia and abroad. It offers an integral range of banking and commercial services for companies and individuals, and financing commercial and industrial activities and enterprises, as well as infrastructure projects, all through its network of 252 branches within the Kingdom, its London Branch in the UK, Houston Agency in the United States and the Singapore Representative Office. Through its wholly-owned subsidiary Riyad Capital, the Bank offers a variety of asset management services, to meet customer retail requirements by providing brokerage services in capital markets, plus a wide range of investment services and investment funds. The income statement presents the results from the Bank's main activities as shown in Notes. 20 and 21. Moreover, the Bank's business results and sectors are shown in Note. 26 attached to the annual financial statements of 2013. A detailed description of the risks encountered, or those that might be encountered by the Bank in the future, are shown in Notes. 27, 28, 29 and 30, which form an integral part of the Board of Directors' report.

Main Achievements

By the end of 2013, the Bank was able to accomplish a number of its strategic objectives in order to progress and to support its efforts to develop its main banking products and services, creating products and services that meet the requirements of the Bank's customers and strengthened its leadership in many banking activities. The Bank's foremost achievements in its different sectors and activities included, but were not limited to, the following:

Retail Banking Services

Over the past three years, the Retail Banking Strategy set in 2010 has shown broad progress in a number of areas. This has resulted in positive growth rates in income, assets and market share. The strategy's performance is measured on an ongoing annual basis in order to achieve the highest standards of success. The main achievements in 2013 were:

In the field of credit cards, MasterCard recognized the Bank for selling more than 100,000 Titanium MasterCard credit cards in record time; an achievement that led the Bank's credit card portfolio to outgrow those of all other banks operating in the Middle East region. Furthermore, the Bank launched the first unique credit card in the Kingdom, World Elite, which is plated with pure gold, especially for its VIP Elite customers. The Bank also launched the World Cup credit card, FIFA VISA, offering 15 opportunities to win a trip to Brazil to watch the World Cup 2014.

With the growing need for safe and easy remittance services, the Bank launched its EZTRANSFER remittance service as an agent for Western Union. EZTRANSFER Centers aim to provide services to all national and expatriate customers in order to take advantage of this broad market segment.

In the field of personal finance, Riyad Bank has achieved positive results. It occupies a prominent position in the banking sector in the Kingdom in terms of loan volume and value, and has the highest growth rate in terms of market share for consumer loans compared to average market growth. The Bank has applied technical solutions that have helped speed up processing of borrowing requests and customer services, in record time. These automated solutions were applied to all Bank branches during the third quarter of 2013.

In the field of remote banking, Riyad Bank has become number one in off-site ATM network availability. The RiyadMobile app has also been launched for smart devices, making it easier for customers to carry out banking transactions securely.

The Bank completed a large part of its service developments (RiyadOnline), which are expected to be completed within the first quarter of 2014. This evolution will meet the ongoing needs of customers through a package of state-of-the-art internet services, to carry out financial and non-financial transactions quickly and conveniently.

Corporate Banking

Corporate Banking at Riyad Bank holds a prominent and advanced position in the Saudi banking market, as one of the largest providers of commercial finance solutions for corporate banking customers within the Kingdom. Corporate Banking represents one of the largest sectors contributing to the growth of income and assets in the Bank. In 2013, Corporate Banking focused on improving customer service and expanding corporate service offerings in order to transform these relationships into an integrated banking experience.

With regard to Corporate Finance, the Bank has continued its leadership in financing and supporting a number of major enterprises in various economic areas, such as the first aluminum refinery and the first bauxite mine in the Middle East. Moreover, the Bank has maintained its leading role in Corporate Finance, and continues to be a key adviser to the world's largest single phase petrochemical project.

The Bank is interested in funding projects associated with the construction sector to facilitate the implementation of commercial projects and mega infrastructure projects in the Kingdom. Through its global branch relationships with international companies, the Corporate Banking department helped finance three Riyadh Metro consortiums. It offered the groups a full package of banking services, as well as, comprehensive banking products to its employees, attempting to create products and services relevant to the project as a whole.

With regard to small and medium enterprises (SMEs), the Kafalah Program has proven that the Bank is fully committed to funding and servicing rapidly growing SMEs. Through this program, the Bank remains one of the principal financiers.

Treasury and Investment Division

In 2013, the Treasury Division continued to diversify its customer base and provide more products and options for customers. During the year, it activated cross selling of products for private banking and corporate customers.

To meet the growing need for Shari'a compliant products, the Treasury Division has launched three new products: Wa'ad Foreign Exchange contract, Wa'ad Conditional Foreign Exchange, and Structured Murabaha Investment.

In 2014, the Treasury Division seeks to add internal research capabilities in the fixed income security markets in order to enhance the return on the investment portfolio within the limits of the approved risk policies. Moreover, the Bank is planning to build upon its cross selling system by providing a wide range of products and hedging solutions that meet the needs of customers and the growing demand for advanced hedging solutions.

During the year in collaboration with the Balance Sheet (BSM) unit, and under the supervision of the Assets and Liabilities Committee (ALCO), the Treasury Division was able, to issue a Shari'a compliant medium-term sukuk to diversify funding sources and enhance the liquidity position of the Bank.

In 2013, BSM focused on developing approaches and tools to enhance effective management of the structure of interest rates and liquidity risk.

The Bank's investment policy takes into account the factors of quality, diversity and liquidity in asset allocation under the supervision of the Bank's Investment Committee. The Bank's investment portfolio consists of diversified local and international assets. Fixed income (government and corporate bonds) represents most of the portfolio's assets. In 2013, the portfolio performed well and attained rewarding returns.

Islamic Banking

The Bank continues to provide a special package of Islamic products and services, for everyday transactions, financing and investment solutions for its retail and corporate customers, based on a clear approach approved by the Bank's Shari'a Committee.

The Islamic Banking Department held workshops to train 350 bank employees, concentrating on introducing Islamic Banking products, the best methods for product presentations and responding to customer queries.

Furthermore, the Bank continued its product awareness campaign, with the Bank's Shari'a Committee holding three meetings with customers in the Western, Eastern, and Central regions. Through the organization of such events and meetings, the Bank intends to communicate with its customers and discuss any queries about the Bank's Shari'a approved products.

It is worth mentioning that the Islamic Banking Department formally approved many newly created products, such as the Riyad Income Fund, Wa'ad Foreign Exchange contract, and Sadara Sukuk, which have been well appreciated by customers.

Overseas Branches

Through an overseas banking network represented by our branch office in London, the Houston agency, and the Singapore Representative Office, Riyad Bank provides banking products abroad, serving the corporate customer base, and allowing the Bank to provide its customers with tailored services to meet their various needs. In addition, the Bank provides advice on investment and business in the Kingdom of Saudi Arabia. This leads to enhanced trade in the Kingdom and clients' investment interests abroad.

The London Branch plays an active role in supporting the rapid growth of commercial activities carried out by the leading European multinational companies with the Kingdom. This support ranges from providing letters of guarantee and stand-by letters of credit, as well as assisting in the provision of financing for their business in Saudi Arabia. In addition to this, the London Branch also provides tailored banking services to the Bank's customers in the Kingdom and their affiliated companies in order to support their European investments in industry and other sectors.

Riyad Bank is the only window for Saudi banks in the Americas, where the Houston Agency plays an important role in attracting investments to the region, as well as helping U.S. and multinational companies to support their commercial activities in the Kingdom of Saudi Arabia. In addition, the Agency supports Saudi companies in North America through providing Banking facilities and necessary advice.

Riyad Bank is also present in the Far East, where its Singapore Representative Office helps Riyad Bank customers to take advantage of investment opportunities in Asia, and to develop relationships with correspondents and Asian corporations who have business activities in Saudi Arabia.

Information Technology Governance

The Information Security Department undertaken several initiatives to reduce information security risk. It has setup software designed to combat malware in order to protect the Bank from advanced persistent threats. Two of the most important security enhancements, which are currently being implemented, are ATM protection against potential card reproduction and protection for online banking customers against cyber-attacks.

The Information Security Department is also strengthening the infrastructure of the Main Data Center and the Back-up Center in the event of disasters. The Department is performing Access Control System for the network in order to protect the Bank's intranet. The Department is making a significant effort to complete a number of security initiatives to reduce the time and effort required to implement those processes, and help to minimize the operating costs of security operations.

As part of its vision of IT Governance, the business Continuity Department is making steady progress towards establishing the Bank's plan for Business Continuity in accordance with the best international practices. A number of initiatives have already been taken to reach this target, including Business Impact Analysis (BIA), a project that has been implemented across the Bank.

Information Technology

In 2013, the Information Technology (IT) Division developed the RiyadMobile app for Android and IOS devices by adding many services, benefits, and an improved level of protection.

The division has made considerable contributions to the Consumer Finance Excellence Program (CFEP) by automating all operations that were performed manually, which accelerated the approval funding process.

In 2013, Riyad Bank was first to launch the trial Wage Protection System (WPS), followed by mandatory application, created by the Saudi Ministry of Labor (MOL) in cooperation with the Saudi Arabian Monetary Agency (SAMA). The program monitors wage payments to private sector employees by creating up-to-date databases that contain wage payment operations in the time frame and amount agreed upon under the Labor Law.

In 2013 complying with SAMA instructions to update the banking and personal information of customers, the Information Technology Division introduced, a system that facilitates the updating of customers' personal data on the RiyadOnline website, to avoid freezing their accounts. This resulted in minimizing the number of inquiries received, and raising the level of customer satisfaction.

As part of the strategy to enrich the customer experience, the division will upgrade the interactive telecommunications system using available state-of-the-art technologies by adding Text-To-Speech (TTS) and Automatic Speech Recognition (ASR) software programs, which are technical support programs that convert text into natural sounding voice and voice recognition. The system also provides a list of services tailored to each customer based upon his/her transaction history. Moreover, this change will improve operational continuity, reduce operating costs, and limit potential errors.

Also in 2013, the division improved "darkroom" operations, involving the reduction of reliance on manual processing of day-to-day routine operations and moving towards automated operations to reduce the potential for human error.

The division replicated all of the Bank's technological applications available at the Main Data Center in Riyadh, transferred them to the Back-up Center in Dammam and increased the communication speed between both centers. This will significantly reduce data recovery time in case of any incident at the Main Center in Riyadh.

Risk Management

The Bank considers risk management to be one of the main pillars of banking. The Risk Management Division is an independent function that reports directly to the Chief Risk Officer. This function includes Credit Risk Management, Market Risk Management and Operational Risk Management departments. The responsibilities and activities of these departments are an integral part of the risk frameworks and policies approved by the Board of Directors. These departments submit periodic reports to the Board of Directors and its associated committees on asset quality, market value at risk, liquidity risk and net interest income at risk.

The Bank continues to adopt corporate governance standards that satisfy local laws and regulations. It also monitors international developments in corporate governance principles and practices.

The Bank uses an advanced automated system to manage credit transactions, thereby helping the Bank to manage credit limits and related requirements and collaterals effectively. In addition, the Bank applies an advanced credit rating system according to international standards for rating corporate credit customers by credit rating levels approved by the Bank's Board of Directors. The Bank also uses an advanced credit rating system in order to manage credit risks for its retail customers. Currently, the Bank is taking swift measures to apply the Internal Rating Based (IRB) approach for assessing the capital adequacy ratio necessary to cover credit risks.

The Financial Risk Management department, which is part of the Risk Management Division, assesses and manages, market, assets and liabilities, and liquidity risks resulting from fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices. This is done as part of the risk frameworks and policies approved by the Board of Directors. It also submits periodic reports to the relevant stakeholders within the Bank. The Bank also implemented several advanced standards and approaches in order to enhance its analytical ability to manage market risks, including stress and sensitivity tests. The Bank is also preparing to apply the Internal Model Approach (IMA) to market risks.

The Operational Risk Management department is responsible for identifying, assessing and monitoring risks arising from deficiencies in work procedures, operating systems and/or human errors, submitting the necessary recommendations to address these risks and working with relevant Bank departments to identify responsibilities, monitor risk reductions resulting from operations, improve internal monitoring procedures, create an operational risk database and raise operational risk awareness at the Bank. In an effort to enhance Operational Risk Management's capabilities, the Bank continued to develop approaches for auditing the operational risks of branches and support departments. It has also enhanced its methods for assessing the application of these approaches, as well as training and supporting the team.

The Bank effectively participates in the activities of the Saudi bank working groups, created by SAMA, to implement the rules and resolutions of the Basel III Accord.

Quality Assurance Department

One of the Bank's most important strategic goals is satisfying customers and exceeding their expectations, which are the Quality Assurance Department's main focus. The Department implemented advanced techniques to ensure quality, improvement and continuous development. It did so using customer satisfaction surveys in order to enrich the customer experience, analyzing and using the data to develop operations and functionalities through which the Bank can fulfill customer needs.

The Quality Assurance Department consists of three main units: Research and Field Survey Unit, Quality Improvement Unit, Quality Control Unit.

In 2013, the Research and Field Survey Unit successfully conducted more than 54 research projects, including external studies, internal studies and reports serving the Bank's various departments. The Unit also contacted over 37,000 customers to ascertain their views and satisfaction levels with the various banking approaches.

There are also many important periodic reports issued by the Quality Assurance Department, which help decision-makers at the Bank to draw appropriate decisions related to customer services. Reports include, but are not limited to: the Customer Experience Report, the Customer Complaint Analysis Report and the Internal Customer Satisfaction Report.

Customer Service

With the aim of enhancing its customer service, and completing ongoing initiatives already put in place by the Bank to reach this goal, the Bank has created a separate department to ensure customers receive a high level of service and improve their experience in dealing with the Bank. In accordance with the latest trends in the banking sector in Saudi Arabia, this target can only be reached by means of specific and consistent mechanisms and rules. They have already been applied to global corporations and have quickly been converted into effective means for achieving customer satisfaction.

Compliance Department

The Compliance Department is directly linked to the Chairman of the Board of Directors. It submits its reports to the Audit Committee and the Operational Risk Management and Compliance Committee on a regular basis to monitor the level of compliance at the Bank.

The regulatory changes and accelerated development of the financial and banking sector have resulted in a growth in the volume of local and global regulatory requirements related to banking, customer protection principles and disclosure requirements.

In 2012, Riyad Bank set up a compliance transformation project to improve the culture of compliance at the Bank. The program initiatives were applied at the beginning of the first quarter of 2013 and contributed to raising the performance of the compliance department during the year. The program applied international standards and used a risk assessment approach to set the control frameworks, assessing their effectiveness through an approved action plan to follow up non-compliance risks. This is coupled with the role of the Bank's staff to promote a culture of compliance, and provide advisory services to the various divisions and departments about the rules and instructions issued by the regulators, as well as, the Bank's internal policies and rules on professional conduct and ethics.

Credit Rating

The Bank has consistently maintained its high credit rating with international credit rating agencies. Riyad Bank has succeeded in maintaining its credit rating of (A+) rating by the Standard & Poor's rating agency for long-term liabilities, and an (A-1) rating for short-term liabilities - the highest rating available. The international Fitch rating agency also maintained its (A+) rating for long-term liabilities and the (F1) rating for short-term liabilities. Capital Intelligence rating agency has awarded the Bank an (AA-) rating for long-term liabilities and an (A1+) for short-term liabilities, the highest rating available.All the rating agencies have maintained their stable outlook of the Bank given its financial soundness, which reflects the strength and durability of Riyad Bank's financial position.

Bank Borrowings

The Bank successfully completed its primary sukuk offering of SAR 4 bilion on 6th November, 2013. The maturity is up to seven years with a call option by the bank by the end of the fifth year. The yield on the sukuk is 3 month SAIBOR +0.68%. The Bank's aim in this issuance is to diversify its sources of funding and maturities and support the loan portfolio.

Strategy and Objectives

The Bank's strategic plan aims to concentrate on the local Saudi market in order to increase banking assets. The plan focuses on core banking activities while maintaining asset quality and capital strength to provide the highest returns on equity, by continuously developing products and services and achieving excellence in risk management.

The Bank is focusing on enriching the customer experience as the cornerstone of its strategic plan, due to its considerable effect on growth and profitability. The Bank will implement a Retail Banking Strategy, adopted in 2013, as a natural progression to its customer experience enrichment goals, the development of alternative distribution channels and updating the channels of communication with customers to gain access to and focus on the targeted customers. The creation, development and consolidation of electronic transactions and the expansion of electronic services, including updating and developing the RiyadOnline website and the Riyad Bank website, are also part of the strategic plan.

The Bank will continue to focus on generating greater growth rates and will direct particular efforts at the insurance, commercial transactions, and mortgage markets, as well as banking services for the SME sector and wealth management market. Moreover, the Bank continues to focus on corporate service products and transactions, such as commercial finance, cash and payroll management. It also aims to become the best bank in trade finance in the Kingdom, increasing its ability to complete transactions and enhancing its advisory capacities in this area. The Bank will continue its policy to maintain market leadership in the area of asset management. It will also continue its leadership role in syndicated financing and enriching the relationships with customers, based on its substantial experience in this field.

In 2013, the Bank made huge strides in performance growth and development through strategic projects intended to develop relationships with its customers and improve its products. The Bank is also attempting to diversify its electronic banking channel to maintain its leading edge in this area, along with restructuring the Bank's online website. Furthermore, its retail banking operations have been restructured to meet the needs of individuals and to enable them to communicate via sophisticated digital e-services.

The Bank also aims to improve productivity and apply performance standards at local branch level in order to reach the highest level of banking performance for income and profit growth, through developing and diversifying services to meet the evolving requirements of customers.

Community Service

Riyad Bank has a long, diverse and proud tradition of serving the community through a variety of social, educational, health, environmental, athletic and recreational activities and events held throughout the Kingdom. These are clear indications of, Riyad Bank's commitment to, and understanding of, the need for community service, as well as its contributions to providing long-lasting developmental service and awareness initiatives.

Prominent Initiatives Supported in 2013

The renowned Charitable Transportation Project, through which the Bank aims to identify the needs of the community and provide help in overcoming obstacles, thus offering more hope for leading better lives. The Bank has provided nine specially equipped modern buses to meet the needs of users in various parts of the Kingdom via a number of charitable organizations, including: the King Khalid Charitable Association for Women in Tabuk, the Al-Ahsa Disabled Association, Disabled Children Association and the Saut: The Voice of the Down's Syndrome Society.

The Bank also continued its leadership role in promoting the concept of social responsibility, one of its core values, for the fifth consecutive year through the Ramadan Convoy, with dedicated Bank staff volunteering to help distribute food packages to needy families from various regions across the Kingdom. Through the Riyad Bank Family, involving both male and female employees, the Bank has continued its humanitarian initiatives and volunteer work by organizing an integrated program of visits to hospitalized children in 26 cities across the Kingdom, distributing gifts, spending time with the children and bringing them much joy.

In a unique humanitarian initiative that embodies the Bank's community values and strategies, the Bank continued its annual support of the "Al-Wafa' Program". This program helps the families of deceased employees throughout the Kingdom by providing them with pre-paid e-cards with a cash limit, enabling them to purchase necessities. This arises from the Bank's belief in the principle of loyalty and in fulfilling its social responsibility and promoting the concept of social solidarity.

In its efforts to bring joy to those with special needs, to encourage them to be proud of themselves and use their energy constructively, the Bank continued to sponsor the agricultural training program for the mildly mentally handicapped in cooperation with the Al-Ahsa Disabled Association. This program trains and prepares participants for agricultural occupations. In addition, for the seventh consecutive year, the Bank sponsored a summer camp for young people with special needs. This camp helps Saudi youth to develop their own interests, discover the associated benefits and become integrated into their surrounding community. The Bank also resumed its support and sponsorship of the "Yadawi" handicraft program, created by a talented group of community women with special needs, in order to demonstrate their skills and their ability to be productive and overcome challenges. The Bank exhibited their handmade products in its pavilion in Janadriyah.

In addition, Riyad Bank has a keen interest in supporting conferences and symposia. The Bank sponsored the Second Investment Seminar in Najran and the Jeddah Economic Forum and it also participated in the Euromoney Conference. As one of the Bank's priorities is ensuring the Kingdom's financial and banking environment is free from corruption, it actively participated in the Anti-Money Laundering Conference to develop professional standards and practices, supporting the concept of "compliance" in order to minimize illegal transactions.

Concerning cultural and recreational festivals, the Bank continued its role in preserving the Kingdom's identity, spreading awareness of its noble traditions and rich humanitarian history, by being a sponsor and partner of the 28th Janadriyah Heritage and Culture Festival. In addition, it continued its support for the Qassim Region's Corner and the 9th Al-Dokhalah Festival in Al-Qatif Province for the fifth consecutive year. It also sponsored the Sharqiya Festival for 1434 AH [2013 A.D.].

The Bank also established many avenues to support innovative social programs that serve the community, it signed an agreement of understanding with the Et'aam Charity Association in the Eastern Province. The Bank and the Association also launched an app for smart phones to spread the message about saving food and avoiding waste. As part of the Bank's extensive support of charitable associations, it created a website for the Mawada Charity Association aiming to reduce divorce and minimize its effects.

The Bank also continued its charity and volunteer work by adopting the winter clothing campaign for the fourth consecutive year. Teams of volunteering Bank employees distributed essential supplies to targeted families in the cold northern regions, as well as, remote villages.

Literary and cultural creativity likewise, did not escape the Bank's attention. The Bank has established a lucrative, fully funded prize, with the aim of strengthening literary and cultural values and promoting literary output throughout the Kingdom. The prize, in its sixth session, was awarded this year to Dr. Salah Abdullah Bin Hameed for his book "*The History of a Nation through the careers of Imams.*"

The Bank is also paying great attention to awareness raising campaigns: for the sixth consecutive year it sponsored the national awareness campaign on the importance of early breast cancer screening, organized by the Zahra Breast Cancer Society, to raise women's awareness of the risks of developing breast cancer and the importance of early preventative screening. The Bank also participated in an awareness campaign about the dangers of drugs, as well as the International AIDS Day Campaign and the Saudi Attention Deficit Hyperactivity Disorder Society Campaign.

Subsidiaries and Associates

Riyad Capital

Riyad Capital is a Saudi limited liability company, a subsidiary of Riyad Bank. It is registered in the Kingdom of Saudi Arabia and has a capital SAR 200 million. It is wholly owned by the Bank and headquartered in Riyadh. It is licensed by the Capital Market Authority (CMA) to provide transaction services as a principal and as an agent, to provide underwriting, arranging, advising, and custody services. In 2013, the company moved to its new headquarters on Takhassusi Street in Riyadh.

Riyad Capital is working on designing and developing investment products to meet the needs of its various investment customer groups through its Asset Management Department (AMD), which worked in 2013 to expand its Private Investment Portfolio management services, attract more investment from high net worth customers, corporations and public organizations, and increase its market share in the Saudi and international capital fund market, representing one of the largest investment companies operating in this field in the Arab Gulf region.

In 2013, with regard to corporate investment banking, Riyad Capital invested in its human resources by recruiting more talented Saudis with extensive experience in specialized financial consulting for all investment banking activities, including stock and sukuk offerings, as well as consulting services in the areas of mergers, acquisitions and structured finance operations. The company's most important achievements in 2013 included organizing and offering Sadara Chemical Company sukuk worth SAR 7.5 billion, along with organizing and offering Riyad Bank sukuk worth SAR 4 billion. In addition, it is acting as a financial advisor, underwriter and manager for the public offering of the National Medical Care Company (Re'ia) worth SAR 364.5 million.

Riyad Capital also increased its share in the local and international stock markets in 2013 by launching initiatives aimed at improving customer service and satisfaction. It launched promotional campaigns and offered competitive products such as online trading in international markets.

Adopting the wealth management concept, intended to promote an investment culture among customers and satisfy their investment needs and objectives, Riyad Capital established an integrated wealth management team that was trained and equipped with the technical and professional capabilities needed to provide value added investment consulting services, helping customers to identify their investment options. This had a tangible impact on the growth of the company's activities in the asset management and brokerage service fields in 2013. The Wealth Management Department offers its services through a wide network of 26 investment centers throughout the Kingdom, including four centers for high net worth customers.

AJIL Financial Services Company

The AJIL Financial Services Company is a closed joint stock company, regulated by SAMA, with a paid-up capital of SAR 500 million. Riyad Bank, in conjunction with Mitsubishi and some local businesses, has made a 35% capital contribution. It is headquartered in Jeddah. The AJIL Financial Services Company is one of the leading corporations operating in the area of financing capital assets and leasing finance. It delivers distinct and innovative financing solutions to its customers in many economic sectors in Saudi Arabia, including construction, transportation, services, trade and manufacturing.

Ithraa Al-Riyad Real Estate Company

This is a limited liability company, wholly owned by Riyad Bank and registered in the Kingdom of Saudi Arabia, with a paid-up capital of SAR 10 million. This subsidiary is responsible for providing services for real estate owners and others. It also has the right to buy and sell real estate and similar assets in pursuit of the financing purposes for which it was established.

Al-Alamiya Cooperative Insurance Company

Al-Alamiya Cooperative Insurance Company, a joint stock company, was founded by Riyad Bank. It has shares traded on the Saudi Stock Market (Tadawul), with a paid-up capital of SAR 200 million, in partnership with Royal Sun Alliance Insurance (Middle East) in Bahrain. The Company is regulated by the Saudi Arabian Monetary Agency (SAMA). It operates in the Kingdom of Saudi Arabia. Riyad Bank owns 30% of its capital, directly or indirectly, directly owning 19.92%. The Bank owns 21.42% of shares in Royal Sun Alliance Insurance (Middle East). There is a long relationship between Riyad Bank and Royal Sun Alliance Insurance (UK) of over thirty years. 30% of Al-Alamiya Cooperative Insurance Company equity was offered in an IPO. The Company is engaged in the commercial insurance and reinsurance business in the Kingdom, including general insurance, medical insurance, and protection insurance.

The company continues to further refine and develop its growth strategy by focusing on four key areas: large and complex risks, medium and small retail risks, banking insurance and key account management.

It is also working on the development and modernization of its operational and organizational structure to reduce inefficient use of company resources and shift the focus from direct sales to businesses and customers, by focusing on distribution channels through intermediaries. This initiative also aims to provide a cost-effective base through a central support and backup unit.

Riyad Company for Insurance Agency

Riyad Company for Insurance Agency is a limited liability company, wholly owned by Riyad Bank, with a paid-up capital of SAR 500,000. It is registered in the Kingdom of Saudi Arabia and has its headquarters in Riyadh. It aims to market and sell insurance products offered by Al-Alamiya Cooperative Insurance Company to Riyad Bank and its retail and corporate customers in Saudi Arabia.

Riyad Company for Insurance Agency has entered into an insurance agreement with Al-Alamiya Cooperative Insurance Company and an agreement on the distribution of insurance products with Riyad Bank. It has obtained all the necessary approvals from the Saudi Arabian Monetary Agency (SAMA) to start operations.

Riyad Company for Insurance Agency is looking ahead to become one of the top insurance agents in Saudi Arabia, providing distinct insurance services and products in collaboration with Al-Alamiya Cooperative Insurance Company to meet the insurance needs of Riyad Bank and its retail and corporate customers.

SUMMARY - RESULTS OF THE BANK'S OPERATIONS FOR THE PAST FIVE YEARS

SAR' Million

Description		2012	2011	2010	2009
Assets					
Cash and balances with banks and SAMA	25,367	29,462	23,708	27,867	32,124
Loans and advances, net	131,191	117,471	112,973	106,035	106,515
Investments, net	43,538	36,254	36,616	33,822	32,308
Property, equipment, other real estate and investment in associates	2,542	2,606	2,588	2,294	2,236
Other assets	2,608	4,388	5,002	3,538	3,216
Total assets	205,246	190,181	180,887	173,556	176,399
Liabilities					
Balances with banks	7,578	6,163	6,242	10,637	16,163
Customer deposits	153,200	146,215	139,823	126,945	125,278
Other liabilities	10,598	5,840	4,664	6,741	6,723
Shareholders' equity	33,870	31,963	30,158	29,233	28,235

SAR' Million

Description	2013	2012	2011	2010	2009
Total operating income including share in earnings of associates	7,130	6,866	6,321	5,981	5,960
Total operating expenses	3,183	3,400	3,172	3,156	2,930
Net income	3,947	3,466	3,149	2,825	3,030
Earnings per share (SAR)	2.63	2.31	2.10	1.88	2.02

Financial Results

The Bank achieved a net profit of SAR 3,947 million during the year ended 31 December 2013, with 13.9% growth over the last year. The Bank's net profit totaled SAR 1,030 million during the fourth quarter compared to SAR 810 million for the corresponding quarter in the previous year, an increase of 27.2%.

The total operating income for the year ended 31 December 2013 increased to SAR 7,074 million, compared to SAR 6,786 million in the previous year, an increase of 4.2%. The Bank continued its focus on core banking activities and further developed its financial position. Loans and advances as of 31 December 2013 increased to SAR 131,191 million, compared to SAR 117,471 million in the previous year, an increase of 11.7%. Furthermore, investments rose to SAR 43,538 million, compared to SAR 36,254 million in the previous year, an increase of 20.1%. Customer deposits as of 31 December 2013 increased to SAR 153,200 million, compared to SAR 146,215 million in the previous year, an increase of 4.8%, while total assets grew to SAR 205,246 million, compared to SAR 190,181 million in the previous year, an increase of 7.9%.

The results indicate that the Bank's core banking activities have achieved continued growth, while assets achieved good growth. EPS for the current year reached SAR 2.63, compared to SAR 2.31 in the previous year. This contributed to higher profit for the Bank during tyear ended 31 December 2013, with an increase in net special commission, improvements in income from banking services and lower total operating expenses.

The results also reflect the strength and durability of the financial position of the Bank and its ability to achieve steady and continuous growth rates. It shows the Bank's compliance to the strategies adopted by its Board of Directors, which respond to shareholder aspirations, the growth of equity returns and the ongoing support for the Bank's leading position in the banking sector.

Geographical Analysis of the Total Income of the Bank

Total income for the year ended 31 December 2013 was SAR 8,173 million from domestic operations, and 1,106 million from international operations. The following table illustrates the geographical analysis of the total revenue:

SAR' Million

Year	Domestic Operations			International Operations	Total **
	Western Province	Central Province*	Eastern Province		
2013	1,424	5,652	1,097	1,106	9,279

*The amount allocated for the Central Province includes income from investments related to the Treasury and Investment Division, which totaled SAR 2,693 million. This income is not related to any specific geographic sector domestically. It also includes inseparable revenues related to other regions.

** The above mentioned total income is in gross term. In calculating the net amount, each income item is handled according to its category in the financial statements.

Geographical Analysis of the Total Income of the Bank's International Operations

SAR' Million

Year	International Operations					Total
	GCC & Middle East	Europe	North & Latin America	South East Asia	Other Regions	
2013	206	366	481	9	44	1,106

Appropriation of Earnings

The Bank follows the relevant, applicable rules and regulations and observes the following policies in distributing dividends to its shareholders:

a) Transfers 25% of the net profit to statutory reserve. Such transfers may discontinue when the total statutory reserve is equal to the paid-up capital.

b) Distributes a specified percentage among shareholders, each in proportion to their shareholdings, based upon the recommendation of the Board of Directors and approval of the Annual General Assembly Meeting.

c) The Bank's strategic direction determines the distribution of the interim and annual dividends. The dividends proposed for the second half of the year are included in the shareholders' equity, until the Annual General Assembly Meeting approves the Board of Directors' recommendation.

The Board of Directors recommended the appropriation of earnings as follows:

	SAR' 000
Retained earnings at the beginning of the year	1,372,055
Net income of the year 2013	3,947,105
Total	5,319,160
Appropriation as follows:	
Zakat as per the Sharia'	200,000
Cash dividends, distributed to shareholders for the first half of 2013	975,000
Cash dividends, proposed for distribution to shareholders for the second half of 2013	1,200,000
Transfer to statutory reserve	986,776
Retained earnings at the end of the year 2013	1,957,384

For the first half of the year, in July 2013, the Bank distributed an amount of 65 Halalas per share, as an interim dividend. The proposed dividend for the second half of the year 2013, amounting to 65 Halalas per share, will be distributed after the approval of the General Assembly, thus bringing the total dividend for the year 2013 to SAR 2,175 million, or SAR 1.45 per share.

Board of Directors

The Bank is managed by a Board of Directors composed of ten member, and elected by the General Assembly every three years and who may be re-elected for a similar term at the end of their term. The Board of Directors includes six independent members and four non-executive members, as defined in Article II of the Corporate Governance Guidelines issued by the Capital Market Authority (CMA). The current members of the Board of Directors were re-elected at the end of October 2013. The Board of Directors held nine meetings in 2013, with 100% quorum in person or by proxy, with an attendance rate of 94.4%.

The following table depicts the Board of Directors meetings during the year 2013:

Riyad Bank's Board Members	Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7	Meeting 8	Meeting 9	Total
Rashed Abdulaziz Al-Rashed (Independent) **	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Dr. Khaled Hamza Nahas (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdulrahman Hassan Sharbatly (Non-Executive)	By Proxy	✓	✓	By Proxy	✓	✓	By Proxy	✓	✓	6
Dr. Abdulaziz Saleh Al-Jarbou (Independent) **	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdullah Ibrahim Al-Ayadhi * (Non-Executive) **	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Eng. Abdullah Mohammed Al-Issa (Independent) **	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Dr. Faris Abdullah Abaalkhail (Independent) **	✓	✓	✓	✓	✓	✓	✓	✓	By Proxy	8
Mohammed Abdulaziz Al-Afaleq (Independent)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Nader Ibrahim Al-Wehibi* (Non-Executive)	✓	✓	✓	✓	By Proxy	✓	✓	✓	✓	8
Waleed Abdulrahman Al-Eisa* (Non-Executive)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

* Members representing the Public Investment Fund (PIF), General Organization for Social Insurance (GOSI) and Public Pension Agency (PPA) respectively.

** A specially convened committee of five members of the Board of Directors met twice in 2013.

The Board of Directors executes its duties through its main committees consisting of Board members, with the exception of the Audit Committee, which in addition to two members from the Board of Director, includes three, external independent non-Board members. The Board of Directors' Committee's main responsibilities are as follows:

The Executive Committee

The Executive Committee exercises the credit, banking, financial and administrative authorities in the Bank, as determined by the Board of Directors. The Committee held twenty-two meetings in 2013, with 100% attendance.

The Audit Committee

The Audit Committee oversees the operations of financial reporting, compliance operations and compliance to laws and relevant regulations, along with monitoring the effectiveness and efficiency of the internal control system, risk management, and recommending the selection of external auditors. The Committee held five meetings in 2013, with an attendance rate of 96%. The Bank's Audit Committee consists of five members, three of whom are external, non-Board members namely: Dr. Ibrahim Al Ali Al-Khudair, Dr. Abdullah Hasan Al-Abdulqader and Eng. Abdullah Abdullatif Al-Saif.

The Nomination & Compensation Committee

The Nomination & Compensation Committee oversees the design and application of the compensation system on behalf of the Board of Directors and the preparation of compensation policy submitted to the Board of Directors for approval. It also manages the review and assessment of the adequacy and effectiveness of the compensation policy on a regular basis to ensure the accomplishment of set objectives, submitting its recommendations to the Board of Directors for policy updates or amendments. The Committee also evaluates the ways and methods for compensation payments, makes recommendations to the Board of Directors with respect to the level and structure of salaries, benefits and compensation for the Bank's senior executives, and ensures compliance of the compensation policy with SAMA regulations.

In addition, the Committee recommends to the Board of Directors the nomination of new members to the Board as per approved policies and standards, as well as, ensuring compliance to regulatory requirements for Board membership in accordance with the Banking Control regulations, the Capital Market Authority (CMA), and Corporate Law. The Committee held four meetings during the year 2013, with 100% attendance.

The Strategic Planning Group

The Group oversees the preparation of the strategic direction of the Bank and monitors and evaluates steps taken to accomplish these objectives. It also reviews the major projects initiated by the Bank, and the Bank's financial and operational performance, compared to the set strategic objectives. The Committee held two meetings in 2013, with 100% attendance.

The following table lists the names of Riyad Bank's Board of Directors, committees and committee members, along with the attendance rate of members at the Board of Director's meetings and its permanent and temporary committees, both in person or by proxy, totaling 260 meetings, with 100% attendance. The table also shows other joint stock companies, that include board members from Riyad Bank, in their Board of Directors.

Dr. Ibrahim Al Ali Al-Khudair

External Member of Audit Committee

Dr. Abdullah Hasan Al-Abdulqader

External Member of Audit Committee

Eng. Abdullah Abdullatif Al-Saif

External Member of Audit Committee

Board of Directors, up to 29/10/2013		% Atten-dance	Names of joint stock companies where Board Members hold membership on their Boards
Name	Committee Membership		
Rashed Abdulaziz Al-Rashed	Chairman of The Executive Committee and Chairman of The Strategic Planning Group	100%	Saudi Arabian Investment Company (SANABIL INVESTMENTS)
Dr. Khaled Hamza Nahas	Chairman of the Audit Committee and member of the Strategic Planning Group	100%	National Water Company Saudi Arabian Investment Company (SANABIL INVESTMENTS) Hasana Investment Company Saudi Basic Industries Corporation (SABIC)
Abdulrahman Hassan Sharbatly	Member of the Strategic Planning Group	100%	Saudi Company for Tools and Equipment (SACO) Saudi Arabian Marketing Company (SAMACO) Al Sagr Cooperative Insurance Company Golden Pyramids Plaza Company – Cairo
Dr. Abdulaziz Saleh Al-Jarbou	Member of the Strategic Planning Group	100%	Saudi Paper Manufacturing Company (WARAQ) Amiantit Company Gulf Chemicals and Industrial Oils Company General Lighting Company
Abdullah Ibrahim Al-Ayadhi	Chairman of the Nomination & Compensation Committee and member of the Executive Committee	100%	Saudi Technology Development and Investment Company
Eng. Abdullah Mohammed Al-Issa	Member of the Audit Committee and member of the Strategic Planning Group	100%	Arabian Cement Company Saudi Basic Industries Corporation (SABIC) Saudi Hotels & Resorts Company National Medical Care Company
Dr. Faris Abdullah Abaalkhail	Member of the Executive Committee and member of the Nomination & Compensation Committee	100%	Fawaz Abdulaziz Alhokair & Company
Mohammed Abdulaziz Al-Afaleq	Member of the Executive Committee and member of the Nomination & Compensation Committee	100%	None
Nader Ibrahim Al-Wehibi	Member of the Nomination & Compensation Committee	100%	None
Waleed Abdulrahman Al-Eisa	Member of the Executive Committee and member of the Nomination & Compensation Committee	100%	Taawuniya Insurance Company

Committees were re-established after the election of the Board of Directors to begin a new three-year term starting on 30/10/2013. A new committee, the Risk Committee, was established. The following table shows the names of the members of the Board of Directors, its committees and committee membership for the current term.

Riyad Bank Board of Directors, from 30/10/2013	
Name	Committee Membership
Rashed Abdulaziz Al-Rashed	Chairman of The Executive Committee Chairman of the Strategic Planning Group Member of the Nomination & Compensation Committee
Dr. Abdulaziz Saleh Al-Jarbou	Member of the Strategic Planning Group
Abdullah Ibrahim Al-Ayadhi	Chairman of the Nomination & Compensation Committee Member of the Executive Committee Member of the Risk Committee
Eng. Abdullah Mohammed Al-Issa	Chairman of the Audit Committee Member of the Strategic Planning Group
Dr. Faris Abdullah Abaalkhail	Member of the Executive Committee Member of the Strategic Planning Group Member of the Nomination & Compensation Committee
Mohammed Abdulaziz Al-Afaleq	Chairman of the Risk Committee Member of the Executive Committee Member of the Nomination & Compensation Committee
Nader Ibrahim Al-Wehibi	Member of the Audit Committee Member of the Strategic Planning Group Member of the Nomination & Compensation Committee
Waleed Abdulrahman Al-Eisa	Member of the Executive Committee Member of the Risk Committee Member of the Nomination & Compensation Committee

Riyad Bank Board's Committee Members (Non-Board Members)		% Atten-dance	Names of joint stock companies where Board Members hold a position on their Board of Directors
Name	Committee Membership		
Dr. Ibrahim Al Ali Al-Khudair	Member of the Audit Committee (Non-Board Member)	100%	None
Dr. Abdullah Hasan Al-Abdulqader	Member of the Audit Committee (Non-Board Member)	100%	Saudi Technology Development and Investment Company Allianz Saudi Fransi for Cooperative Insurance Company Gulf International Bank (Bahrain)
Eng. Abdullah Abdullatif Al-Saif	Member of the Audit Committee (Non-Board Member)	80%	Qassim Cement Company Herfy Food Services Company Saudi Printing and Packaging Company Saudi Specialized Laboratory Company

Remuneration of Directors and Senior Executives during the year 2013

SAR '000

Description	Members of the Board	Senior Executives *
Salaries	-	8,477
Allowances	750	1,253
Annual and Periodic Remuneration	3,600	3,715
Incentive Plans	-	143
Compensation & Other Benefits	61	320
End of Service Benefits	-	1,778

* Includes remuneration of the five senior executives from the executive management, including CEO and CFO.

Changes in major shareholdings

The following tables show details of any interest relating to Board of Directors and Senior Executives, including their spouses and minor children, in the shares or credit instruments of the company or any of its subsidiaries, in accordance with the provisions of Article 43 of the CMA Listing Rules, and any change thereof during the year:

Major Shareholders, Non-Board Members and Senior Executives including their Spouses and Minor Children							
Name	Beginning of the year			End of the year			
	Number of Shares	Credit Instru-ments	Ownership % *	Number of Shares	Credit Instru-ments	Net Change	Ownership % *
Public Investment Fund (PIF)	326,304,000	-	21.7536%	326,304,000	-	-	21.7536%
General Organization for Social Insurance (GOSI)	324,378,600	-	21.6252%	324,378,600	-	-	21.6252%
Public Pension Agency (PPA)	137,712,337	-	9.1808%	137,712,337	-	-	9.1808%
Al-Nahla Trading and Construction Company	136,569,006	-	9.1046%	136,569,006	-	-	9.1046%
MASC Holding Company	120,000,000	-	8.0000%	120,000,000	-	-	8.0000%

* To the nearest four decimal points

Chairman, Board Members and Senior Executives including their Spouses and Minor Children							
Name	Beginning of the year			End of the year			
	Number of Shares	Credit Instruments	Ownership % *	Number of Shares	Credit Instruments	Net Change	Ownership % *
Rashed Abdulaziz Al-Rashed	14,892,853	-	0.9929%	14,906,653	-	13,800	0.9938%
Dr. Khaled Hamza Nahas	2,400	-	0.0002%	2,400	-	-	0.0002%
Abdulrahman Hassan Sharbatly	144,736,966	-	9.6491%	143,988,301	-	(748,665)	9.5992%
Dr. Abdulaziz Saleh Al-Jarbou	1,600	-	0.0001%	1,600	-	-	0.0001%
Abdullah Ibrahim Al-Ayadhi	11,000	-	0.0007%	-	-	(11,000)	-
Eng. Abdullah Mohammed Al-Issa	625,000	-	0.0417%	625,000	-	-	0.0417%
Dr. Faris Abdullah Abaalkhail	1,230,000	-	0.0820%	1,230,000	-	-	0.0820%
Mohammed Abdulaziz Al-Afaleq	33,500	-	0.0022%	34,000	-	500	0.0023%
Nader Ibrahim Al Al-Wehibi	-	-	-	-	-	-	-
Waleed Abdulrahman Al-Eisa	-	-	-	-	-	-	-
Talal Ibrahim Al-Qudaibi	33,432	-	0.0022 %	33,432	-	-	0.0022%

* To the nearest four decimal points

Accrued Regulatory Payments

There are no regulatory payment(s) due by the Bank for the year 2013, as illustrated below:

SAR' 000

Description	2013	2012
Zakat – Department of Zakat and Income Tax	200,000	150,000
Taxes payable by the Bank on behalf of non-resident bodies (in accordance with the terms and conditions of the contract)	9,615	6,848
Taxes payable by the Bank's overseas branches to official bodies	25,875	7,939

Penalties, Sanctions and Preventative Provisions

There are no regulatory restrictions imposed on the Bank by the CMA or by any other supervisory, regulatory or judicial authority. Total penalties and fines paid by the Bank in conducting its operational activities amounted to 4.1 million, mostly, related to ATM operations and other operational fines.

Applicable Accounting Standards

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

In line with its role and responsibility towards the safeguarding and protection of the Banks' assets and customer deposits, the Board of Directors confirms that:

• There is no contract in which the Bank is a party and that is or was of substantial interest to any of the Chairman and members of the Board of Directors, or to the Chief Executive Officer or Chief Financial Officer, or to any person having a direct relationship with any of them, except as stated in Note No. 32, to the consolidated financial statements.

• All accounting records are properly prepared and maintained.

• There is no doubt about the Bank's ability to continue its activities as a going concern.

With regard to the Internal Control System, and taking into account the nature of an internal control system, as described below, the Board confirms that the Internal Control System is well founded and is being implemented effectively. The Bank has an organized process for the design of internal controls related to its business and then putting them into practice. The essential elements of the Bank's system of internal control comprise; defined roles and responsibilities for the Board of Directors and Executive Management, delegated financial and administrative authorities to different levels of Management, proper segregation of duties and responsibilities in order to achieve an effective internal control.

The Board of Directors, through its Audit Committee, has access to Internal Audit Reports and findings of the various internal control systems' evaluation, as well as, risk management and other reports on a regular periodic basis, so as to provide an ongoing assessment of the internal control system and its effectiveness. In addition to this, the Internal Audit Department follows up its recommendations regularly, and files reports to the Audit Committee on what has been achieved. No significant observation affecting the fairness of financial statements has emerged/arisen. This accords with the Board of Directors' objectives to obtain reasonable assurance on the safe design and an effective implementation of the internal control system, noting that any internal control system, no matter how soundly designed and effectively implemented, cannot provide absolute assurance.

Saudi Corporate Governance Regulations

The Bank applies the provisions contained in the Corporate Governance Regulations of the Kingdom of Saudi Arabia, issued by the Capital Market Authority (CMA), except as disclosed in Form (8) regarding the extent of compliance to the Corporate Governance Regulations, summarized as follows:

Article 6 – Voting Rights – The Bank has not adopted accumulative voting until its final approval by the regulatory bodies and according to what the Saudi Arabian Monetary Agency (SAMA) may enact.

Generally, Riyad Bank has been a leader in the adoption and implementation of many aspects of governance regulations and continues to keep abreast of developments in this important area. The Bank is in the process of updating and finalizing related policies and procedures.

Human Resources

The Human Resources (HR) Division continues to support all divisions at Riyad Bank, to achieve its 2013 objectives and strategic initiatives. The Division is focusing on developing and training administrative personnel at the Bank, and improving employee output by monitoring and assessing performance.

The Bank is also proud of its Saudization rate: 93% of its personnel are Saudi, with Saudi women comprising 100% of female employees and 22% of the Bank's total employees. In addition, the Bank's executive management team is comprised entirely of Saudi citizens.

The Bank also continued to motivate and train its staff by offering training aimed at raising the level of professional performance. In 2013, more than 10,000 training opportunities were available both inside and outside the Kingdom. It is worth noting that a series of development and succession programs, coupled with special recruitment programs to attract talented and competent personnel, have also been created.

The Bank's management is seeking to encourage and motivate its staff by boosting their confidence and identification with the Bank, ensuring work stability and career development through staff incentive programs such as, the Incentive and Bonus Program and the Investment Savings Program for Employees. Details of these programs are included in the Notes to the Consolidated Financial Statements. The balances of the staff incentive programs and movements in 2013 are shown below:

Description	Staff Incentive Program		
	Investment Saving		
	Staff's Share	Bank's Share	Total
Balance at the beginning of the year	39,653	14,313	53,966
Provided during the year 2013	709	229	938
Charged during the year 2013	(2,874)	(803)	(3,677)
Balance at the end of the year	37,488	13,739	51,227

External Auditors

The Annual General Assembly Meeting of the Bank's Shareholders held on 28 March 2013 approved the appointment of Messrs. Deloitte & Touche (Bakr Abulkhair & Co.) and Messrs. KPMG (Al Fozan & Al Sadhan) as joint external auditors for the financial year ending 31 December 2013. The General Assembly, however, will decide in its upcoming meeting, whether to reappoint the current auditors or replace them; the General Assembly will also approve their fees for reviewing the Bank's financial statements for the financial year ending 31 December 2014, after reviewing the recommendations of the Audit Committee and the Board of Directors in these respects.

Acknowledgements

We would like to take this opportunity to extend our profound thanks and gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz Al Saud (May Allah protect him), HRH Crown Prince Salman Bin Abdulaziz Al Saud (May Allah protect him), the Deputy Prime Minister and Minister of Defense, HRH Prince Muqrin Bin Abdulaziz (May Allah Protect him), the second Deputy Prime Minister and Chancellor and Special Envoy for the Custodian of the Two Holy Mosques, as well as, the government. Much is owed to the Ministry of Finance, the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority (CMA) for their continued assistance and support to the banking and financial institutions sector.

Our appreciation also goes to our shareholders, customers and correspondents for their valued support and confidence which motivates us to exert more efforts and commitment. Finally, we extend our thanks and appreciation to the Bank's staff for their dedication, loyalty and outstanding performance that were and are directed to achieve Riyad Bank's goals and objectives.

The Board of Directors
Riyadh, February 3, 2014 - Rabi Al Thani 3, 1435H

03

Summary Of Accomplishments In 2013

Summary of Accomplishments in 2013

Retail Banking Services:

Over the past three years, the retail banking strategy developed in 2010 has shown considerable progress in many areas, which has led to improvement in market share and profitability, and asset quality.

The most notable achievements in 2013 included the following:

In the field of retail banking, the bank has obtained the first license issued by SAMA for mortgage lending and financial lease. This achievement recognized the Bank's activities and its considerable experience in the mortgage and leasing finance fields, which form an integral part of the products and services offered by the Bank. These products and services reflect the Bank's leadership in this important and growing sector;to assist people in obtaining adequate housing.

In addition, the Bank's mortgage portfolio achieved one of the highest growth rates in the banking sector during the year, which positively affected both the portfolio and the Bank's market share. The high quality performance of the portfolio was also maintained, reflecting the Bank's focus on balanced growth.

FIFA World Cup Visa Credit Card

In the field of credit cards, the Bank was rewarded by MasterCard for selling over 100,000 Titanium MasterCard credit cards in record time, as the Bank's credit card portfolio achieved the highest growth rate compared to other banks operating in the Middle East.

The Bank also launched the World Elite credit card, which is the first of its kind in the Kingdom. It is specifically designed for a select group of customers. This card offers its holders unique experiences and services such as privileged access at international airports, concierge services for travel, tourism and other legal matters, and special offers at the best restaurants and boutiques.

In 2013, the Bank also had the unique honor of launching the FIFA World Cup Visa credit card in preparation for the upcoming World Cup in Brazil.

With the increasing need for safe and easy money transfer services, the Bank launched its "EZTRANSFER" money remittance services in cooperation with the international company, Western Union. EZTRANSFER Centers aim to provide customers with high-quality, innovative and efficient banking services. The Bank has now opened several centers as a result of the big customer turnout at its first center established a few months ago.

The Bank also enhanced its auto leasing product in 2013,and developed a new automated mechanism that enables customers to obtain preliminary financing approval within minutes. The Bank also focused on building and strengthening strategic relations with the most prominent car dealerships in the Kingdom, which led to a 51% increase in Auto leasing loans.

In terms of personal finance, the Bank achieved satisfying results due to its considerable loan size and value within the Kingdom's banking sector. It also has the fastest growing market share in personal finance when compared to average market growth.

In the field of remote banking, Riyad Bank ranked first in providing ATMs in offsite locations. It also launched its smart phone app, RiyadMobile, significantly facilitating customers' banking transactions.

Islamic Banking:

The Bank continued to provide a special range of Shari'a compliant products and services, including daily banking transactions customers, as well as, financing and investment solutions for its retail and corporate customers. These products and services are based on a clear methodology approved by the Bank's Islamic Shari'a Committee.

The Islamic Banking Department held special workshops to train 350 Bank employees to explain and introduce Islamic banking products, as well as how to best present those products to customers and answer their questions accurately.

The Bank also continued to introduce these products to the public, by conducting 3 Islamic forums in the Western, Eastern and Central regions. The Bank organized these seminars in order to communicate with its customers and address their inquiries concerning the products approved by the Shari'a Committee.

It is worth mentioning that the Islamic Banking Department approved many innovative products, such as the Riyad Income Fund, the Wa'ad Foreign exchange contract, Wa'ad Conditional Foreign Currency, Structured Murabaha Investment which have all been well-received by customers.

Private Banking and Golden Service:

The Bank continued to provide the best new and advanced services to Private Banking and Golden Service customers. There are now 56 Private Banking and Golden Service centers, which employ specialized account managers who provide round-the-clock services. There are also four private banking centers throughout the Kingdom, which operate round-the-clock and provide valuable services that fulfill client expectations.

Ladies Banking:

Riyad Bank continued to provide the best new and advanced services to its female customers, which in turn increased the number of female customers when compared to the previous year.

To continue this trend, the Bank opened a number of ladies' branches and departments. There are now 76 branches distributed throughout the Kingdom, as well as, two ladies self-service centers in Jeddah and Khobar.

In 2013, the Ladies Banking services focused on its strategic relationship with Princess Nora Bint Abdul Rahman University by opening two ladies branches and 18 ATM locations within University City, thus serving all of the University's female staff and its 38,000 female students. It also supported and sponsored many educational activities and programs, as well as the university annual graduation ceremony.

Overseas Branches:

Through an overseas banking network represented by our branch in London, the Houston agency, and the Singapore Representative Office, Riyad Bank provides banking products abroad, serving the corporate customer base, and allowing the Bank to provide its customers with tailored services to meet their various needs. In addition, the Bank provides advice on investment and business in the Kingdom of Saudi Arabia.

The London Branch plays an active role in supporting the rapid growth of commercial activities carried out by the leading European multinational companies with the Kingdom. This support ranges from providing letters of guarantee and stand-by L/Cs, as well as assisting in the provision of financing for their business in Saudi Arabia. In addition to this, the London Branch also provides tailored banking services to the Bank's

Prize for Best Saudi Bank

customers in the Kingdom and their affiliated companies in order to support their European investments in industry and other sectors.

Riyad Bank is the only window for Saudi banks in the Americas, where the Houston Agency plays an important role in attracting investments to the region, as well as helping U.S. and multinational companies to support their commercial activities in the Kingdom of Saudi Arabia, especially in the fields of power, electricity, engineering, construction and aviation. In addition, supporting Saudi companies in business in North America through providing banking facilities and necessary advice.

Riyad Bank is also present in the Far East, where its Singapore Representative Office helps Riyad Bank customers to take advantage of investment opportunities in Asia, and to develop relationships with correspondents and Asian corporations who have business activities in Saudi Arabia.

Corporate Banking Services:

Corporate banking is one of the largest sectors contributing to income and asset growth at Riyad Bank. In 2013, Corporate Banking focused on improving customer service and expanding corporate offerings in order to transform these relationships into an integrated banking experience.

The Bank continues to be one of the largest providers of trade financing solutions to corporate banking customers in the Kingdom. This sector represents one of the targeted areas of growth for next year.

The Bank is also one of the largest financial institutions in terms of financing and supporting industrial sectors. The Bank provides a broad range of credit facilities to its large customers and was selected by EMEA Finance as the Best Local Bank in the Kingdom for 2013.

The Bank played a major role in financing the phosphate and aluminum industries, including the first aluminum refinery and the first bauxite mine in the Arab Gulf region.

The Bank also maintained its leadership role in financing building and construction companies, infrastructure projects, and large-scale commercial projects.

Moreover, the Bank was the financial advisor to Saudi Aramco and Dow Chemical, sponsors of the Sadara Chemical Company, which is the largest petrochemical project ever built in one phase in the world.

The Bank also benefited from the relationships of its international branches with international companies. On the local level, the Bank effectively participated in financing three of Riyadh Metro consortia. In addition, the Bank provided banking offers, including money management services, foreign exchange services, payroll services and integrated banking service packages to Riyadh Metro employees.

The RiyadOnline for Corporate was very well-received by customers. The Bank specifically developed this service for its corporate customers in order to facilitate their banking transactions and ensure they are easy to carry out with high levels of confidentiality and security. These transactions include financial operations, bill payments, inquiries and report extraction.

This service is supported by a specialized team that focuses on helping corporate customers with any transaction executed on RiyadOnline for corporate customers. The service was developed using the best technologies and security standards in order to enhance the customers experience and provide added value.

Regarding Riyad Trade Finance, this online service enables our corporate customers to submit their requests via the system. It also enables them to make inquiries and retrieve trade finance data. In addition, the specially generated reports enable customers to easily monitor their transactions.

Support for business startups seeking to grow

For Small and Medium Enterprises, the Bank continued to support this important sector in order to strengthen the role of emerging businesses in the local economy. The Bank mainly focused on providing quality services to its current and potential small and medium enterprise customers. For example, it provided a package of financing, consulting and banking services, as well as essential credit and investment guidance. The Unit also played a key role in informing the small and medium enterprise sector about methods that can help to make their projects successful.

The Bank is one of the banks most actively involved in the Kafalah Program for Small and Medium Enterprises in terms of the size of guarantees issued, total financing, and the number of beneficiary enterprises, thus affirming its leadership role. The Bank's leading position is a natural result of its tireless efforts to support this vital sector and create a stimulating environment that enables enterprises to flourish and grow.

In addition to financing support, The Bank also contributes to many awareness and education channels aimed at educating new business owners on how to set up projects and evaluate their feasibility, whether from an administrative or credit and financial perspective. It does so by holding several seminars and courses for small and medium enterprise owners. Moreover, in cooperation with the Chamber of Commerce and Industry, the Bank has had a considerable presence at many events related to small and medium enterprise activities throughout the Kingdom.

The Bank has also set up an integrated electronic portal, the SME TOOLKIT, on its website. This portal provides information and guidelines on everything needed by small and medium enterprises to manage their activities, including feasibility studies, marketing, financing, operations, and other financial and administrative issues.

Treasury and Investment Division:

The Treasury and Investment Division plays a crucial role by managing the Bank's liquidity and funding requirements; managing the interest rate and foreign exchange risk exposure within the limits approved by the Bank; managing the investment portfolio; and providing financial hedging products and solutions to Bank customers.

As part of its operating strategy, the Division continued to focus on cross-selling to corporate banking customers, in particular, as well as the development and diversification of products offered to customers. Over the course of the year, the Division also created and provided new products to meet customer needs in the area of hedging against fluctuation risks in interest rate and foreign exchange rates. To meet customer demand for Shari'a compliant services, the Treasury Division added three new approved products: Wa'ad Foreign exchange contract, and Wa'ad Conditional Foreign exchange, and Structured Murabaha Investment. This strategy successfully expanded the customer base, satisfied various needs, and increased the Treasury's customer market share.

As per the approved operating plan, in the coming year, the Division will continue to increase cross-selling by focusing on available cross-selling opportunities, while continuing to develop and offer a broad range of hedging products and solutions that meet the customers' increasing and varied needs. Work is currently underway to replace the Treasury's Back-Office systems with a new state-of-the-art system that supports the Treasury's future expansion strategy.

During 2013, under the supervision of the Assets and Liabilities Committee, the Division supervised the issuance of a seven-year medium term Sukuk in the amount of SAR 4 billion in order to diversify financing sources and maturity dates, as well as, strengthen liquidity to support the Bank's lending activities. This offering was well-received by investors. The offering was covered more than twice and achieved a record price reflecting

Personal Financing

investor confidence in the Bank and its strong financial position.

Investment Portfolio:

The Bank's investment policy focuses on quality, diversification and liquidity for asset allocation purposes under the supervision of the Bank's Investment Committee. The Bank's investment portfolio consists of diversified local and international assets, with fixed income (government and corporate bonds) representing most of the assets. In 2013, the portfolio performed well and achieved rewarding returns.

Risk Management:

The Bank believes risk management is one of the main pillars of banking. The Risk Management Division is an independent body that reports directly to the Chief Risk Officer and includes Credit Risk Management, Market Risk Management and Operational Risk Management departments. The responsibilities and activities of these departments are performed under the risk frameworks and policies approved by the Board of Directors. These departments submit periodic reports to the Board of Directors and its committees, on asset quality, market value at risk, liquidity risk, and net interest income at risk.

The Bank continues to implement corporate governance standards to meet the relevant rules and regulations. It also monitors international developments in corporate governance principles and practices.

Credit Risk:

The Bank's Credit Risk Management process focuses on the principles, infrastructure, tools and activities necessary to manage credit risk at all levels within the Bank. The Risk Management department also works on supporting the Bank's efforts to improve asset quality, consistent with the rules and regulations established by official regulatory authorities, which the Bank systematically monitors as part of the "Credit Strategy" and "Risk Appetite Statement " adopted by the Bank's Board of Directors. There is a clear mechanism for monitoring and supervising the department's compliance with the credit risk standards and levels specified by the Board of Directors, and the department submits periodic reports on this subject.

The Bank uses an advanced automated system to manage credit transactions thereby helping it to manage credit limits and related requirements and guarantees effectively. In addition, the Bank applies an advanced credit rating system, according to standards approved internationally, to rate corporate credit customers in accordance with the credit rating standards approved by the Bank's Board of Directors. The Bank also uses an advanced credit rating system in order to manage risks for its retail customers.

In accordance with Saudi Arabian Monetary Agency (SAMA) instructions, the Bank currently complies with all Basel 2, 2.5 and 3 requirements in respect to the Capital Adequacy calculation using a "Standardized Approach" to credit risk management.

Moreover, the Bank is currently taking rapid steps to apply the "Internal Rating Based (IRB)" approach for measuring the capital required to cover credit risks.

During the course of the year, the Bank also made more progress towards improving and strengthening the capabilities of its credit rating models so they comply with the Basel 2 Accord's "IRB Approach." The Bank is at an advanced stage of applying this approach, as it successfully developed internal credit rating systems by segmenting customers into groups, based upon their risk level. It is worth noting that these systems, and all policies and procedures associated with them, are periodically reviewed to test their level of compliance and efficiency in evaluating credit risk as per this standard.

Fast financing solutions

The Bank successfully conducted several internal tests to verify the accuracy of the models and standards. Furthermore, it hired an independent specialist to conduct tests and verify the accuracy of these models and standards in order to ensure optimum performance. This entailed reviewing the risk policies implemented on the systems to verify their compliance with the requirements of the Basel IRB Approach.

Retail Banking Risk Management, an independent department that reports to the Chief Risk Officer, is in the process of applying the final stages of the Basel Advanced Internal Rating Based (AIRB) Approach, as required by SAMA. This includes defining the oversight and governance structure, as well as, most of the developed credit policies. On the quantitative level, work is currently underway to strengthen and modernize the information technology infrastructure and related components. Credit risk evaluation models are also being developed.

Retail Banking Risk Management also evaluates the systems and tools currently used to assess credit risks within the risk frameworks adopted by the Bank. The evaluation provides a good basis for quantitative assessment of the likely return on investment from the risk. It is intended to enrich the customer experience and entails a digital strategy to facilitate and accelerate customer access to the communication channels associated with the Bank's services.

Market Risk:

Financial Risk Management, which is part of the Risk Management Division, assesses and manages market, assets and liabilities, and liquidity risks resulting from fluctuations in the fair value of financial investments or the future cash flows of financial investments due to changes in market prices. It does so as part of the risk frameworks and policies approved by the Board of Directors. It also submits periodic reports to the relevant areas within the Bank.

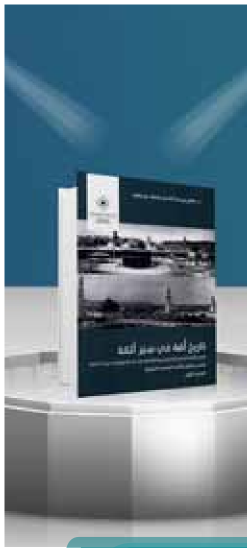
The "Value at Risk" approach is the main measure used to assess market risks at Riyad Bank. It entails monitoring market price changes and fluctuations and the correlation among these changes. The Bank also implemented several advanced standards and approaches in order to enhance its analytical ability to manage financial risks. They include stress (tolerance) and sensitivity tests. Furthermore, the Bank is preparing for the implementation of the Internal Model Approach (IMA) on market risk.

Over the course of the year, the Bank has taken steps to benefit from systems it had previously implemented to develop assets and liabilities management policy framework. It did so in order to update this policy per the latest regulatory developments and best international practices. In addition, the Bank reviews all frameworks, policies, procedures and requisite reports to ensure they are updated and ready for any new regulatory requirements applicable to its internal capital market risk assessment system.

Operational Risk:

The Operational Risk Management department is responsible for identifying, assessing and monitoring risks arising from deficiencies in work procedures, the systems used and/or human errors; submitting recommendations to address these risks; and working with Bank departments to identify responsibilities, monitor risk reductions resulting from operations, improve internal monitoring procedures, create an operational risk database and spread awareness about operational risks in the Bank.

In an effort to enhance Operational Risk Management's capabilities, the Bank continued to develop an approach for examining and auditing the operational risks of branches and support departments. It also improved its methods for assessing how well this approach is applied, as well as training and supporting the Examination and Investigation Department's team. The



2013 Book Prize

Bank's efforts to improve the Operational Risk Management's efficacy included the following:

- Updating the analytical systems by using state-of-the-art programs such as SAS-GRC; implementing the Key Risk Indicators (KRI) program as a forecasting indicator; and reporting on operational risks for all Bank divisions and departments.
- Implementing the Risk Control Self-Assessment (RCSA) approach, an advanced approach to self-assessing risks and revealing any gaps in the internal control system, in all Bank departments and divisions.
- The Bank also applied an advanced approach to manage money laundering risks, which is risk based and is aimed at improving the efficacy of monitoring and assessing operational risks. In addition, the fraud risk assessment program was completed.
- In respect to internal control systems, and in line with best practices, the Bank comprehensively assessed the general framework of its internal control system including the elements of the control environment: assessing and managing risk, assessing the efficacy of the controls, accounting, information and communications, as well as conducting self-assessment, tracking and follow-up.

In addition, the Bank is preparing and analyzing reports on capital adequacy for operational risk purposes, using the "Standardized Approach" under the Basel 2 requirements. Furthermore, the Bank is currently preparing to use the Advanced Measurement Approach (AMA) using "Value at Risk."

Stress Tests:

The Bank conducted stress tests on all aspects of its banking activities for all types of risks which are approved by Board of Directors. It did so after developing the frameworks, policies, and governance rules for these tests.

The Bank is also actively participating in the activities of the Saudi banks working groups created by the Saudi Arabian Monetary Agency to implement the Basel 3 Accord rules and regulations.

Credit Rating:

The Bank maintained its credit ratings obtained from the international credit rating agencies. Specifically, it maintained Standard & Poor's (A+) credit rating on long-term liabilities and its highest available rating of (A-1) on short-term liabilities. The international Fitch Rating Agency maintained its (A+) rating on long-term liabilities and its highest available rating of (F1) on short-term liabilities for the bank. Moreover, the Bank maintained Capital Intelligence Agency's (AA-) rating on long-term liabilities and its highest available rating of (A1+) on short-term liabilities. All of these agencies maintained their stable assessment of the Bank as a result of their stable expectations concerning the Bank's future, which reflects the strength and stability of the Bank's financial standing.

Information Technology:

In late 2013, the Information Technology Division made crucial progress in the area of customer services in branches. It redesigned the process flow for opening, managing and maintaining customer accounts, which clearly improved efficiency and reduced the time required for these activities.

The Information Technology Division also enhanced the RiyadMobile app for Android and IOS devices, as well as many other services and benefits, and improved the level of security.

The Division's assistance in completing the Consumer Finance Excellence Program by converting all manual operations into automated operations, sped up financing approvals and reduced potential problems. This also enabled the Bank to monitor and track all operations and KPIs.

Zahra Breast Cancer Association Campaign

The Bank was one of the first to launch the pilot wage protection system, which was followed by its registration of targeted enterprises in the mandatory application created by the Ministry of Labor in cooperation with the Saudi Arabian Monetary Agency. The program monitors wage payments to private sector employees by creating and updating databases that contain wage payment operations as per the timeframe and amount agreed upon under the Labor Law.

In 2013, as per SAMA instructions obliging customers to update bank data and personal information, the Information Technology Division created a system to help customers easily update their personal data via the RiyadOnline website, in order to avoid having their accounts frozen. This contributed to accelerating customer services and increasing customer satisfaction.

As part of the strategy to enrich the customer experience, the Division will upgrade the interactive telecommunications system with the latest available technologies, adding Text to Speech (TTS) and Automatic Speech Recognition (ASR) software programs, which are technical support programs that convert text into natural sounding voices and voice recognition. The system will also provide a menu of services tailored to each customer based upon his/her transaction history. This change will improve operational continuity, reduce operating costs, and limit potential errors.

The Division also commenced its strategic project to build a state-of-the-art data center as part of an integrated program to set up a main data center and a secondary supporting one. In cooperation with Electronic Banking department, the Division completed the first phase of redesigning and improving RiyadOnline, which will be launched following completion of the next phase in early 2014, providing a qualitative shift in customer service and fulfilling many customers' expectations. In 2013, the Division also improved "darkroom operations." This concept and its application reduce the reliance on manual processing of day-to-day operations and increase automated operations to reduce human error.

The Division replicated all Bank technology applications available at the Main Data Center in Riyadh and sent them to the Disaster Recovery in Dammam. It also increased the communication speed between both centers from 100 megabytes per second to 200 megabytes per second, which will reduce data recovery time from 30 minutes to 15 minutes in case of any incident at the Main Data Center in Riyadh.

IT Governance:

The Information Security Department pursued several initiatives to reduce potential risks related to internet attacks. Accordingly, a special program was implemented to protect the Bank from such attacks. The Department also increased the level of protection for ATM machines to avoid possible cloning of ATM cards, and implemented solutions to protect Bank customers from internet viruses.

The IT Governance Department worked diligently to strengthen the Bank's security infrastructure. The department also developed the security infrastructure of the Main Data Center and the Backup Center. In addition, the Information Security Department is diligently working to control and protect the Bank's internal network.

The IT Governance Department has conducted a comprehensive review of the risks that could affect a host of important Bank systems, and all findings are being studied to ensure the requisite control mechanisms are available and applied.

The Business Continuity Unit, which is part of the IT Governance Department, is working on a project that encompasses all divisions and departments to ensure the Bank is able to continue operating, during and following, any emergency, crisis or catastrophe that may disrupt or suspend operations. The Change Management Department coordinated the fulfillment of technology change requests related to the Bank's systems (ATM,

Car Leasing Campaign

foreign exchange system, etc.) in cooperation with the Configuration and Release Management in order to ensure smooth implementation of changes and updates. The department also verified business continuity and analyzed any potential impact on the systems. This activity is a key step to ensuring the Bank's customer service systems continue operating during emergencies and unexpected events.

The IT Governance Department also verified that all systems or changes comply with the Bank's infrastructure policy and requirements before the systems or changes are actually implemented.

Compliance Department:

The rapid organizational changes and developments in the financial and banking sector have resulted in an increase in organizational requirements that must be implemented and fulfilled by banks and financial institutions. Accordingly, the Compliance Department's role is to support and perform those tasks and duties associated with verifying that the Bank has developed policies, procedures and mechanisms that fulfill these requirements. The Compliance Department verifies that all Bank divisions comply with all local and international laws and regulations in force.

During the first quarter of 2013, the results of the compliance transformation program began to be implemented with the help of an international consulting firm. This improved the Compliance Department's performance during the year., The program adhered to internal standards and used a method based on assessing risk to determine the monitoring frameworks and assess their efficacy via an approved plan to monitor non-compliance risks. Periodic reports were also prepared for the Board of Directors' Audit Committee, as well as the Operational Risk Management and Compliance Committee, in order to monitor compliance by Bank's divisions. The Compliance Department also works on strengthening the culture of compliance within the Bank by organizing regular training and awareness sessions for all bank employees aimed at increasing compliance efficacy and efficiency based upon the leading practices.

Human Resources:

The Human Resources Division continued to help all Riyad Bank divisions to achieve their goals and strategic initiatives in 2013.The Division maintained its focus on developing and training management staff at the Bank as well as improving employee output by monitoring and assessing performance.

The Bank is also proud of its Saudization rate: 93% of its personnel are Saudi, with Saudi women comprising 100% of female employees and 22% of the Bank's total employees. In addition, the Bank's executive management team is comprised entirely of Saudi citizens.

The Bank continued to motivate and train its employees by offering training aimed at improving professional performance. In 2013, it offered over 10,000 training opportunities in the Kingdom and abroad. It is worth noting that the Division instituted development and succession programs, as well as recruitment programs to attract talented and competent personnel.

Marketing and Communications:

In 2013, the Marketing and Communications Division focused on supporting the Bank's products as well as preparing and launching innovative marketing campaigns tailored to customer needs. This enabled the Bank to expand its customer base and market share.

The Marketing and Communication Division also successfully strengthened its communication with customers by launching specially designed and executed marketing campaigns in a number of key areas, including credit cards, mortgage, personal loans, and auto leasing, as well as other campaigns.

To effectively execute these campaigns, the Division pursued a comprehensive multimedia strategy strengthening the Bank's presence in traditional and non-traditional media outlets. In addition, advertising increasingly focused on electronic and digital channels, such as the internet and LED screens, due to the growing popularity of these methods. This improved access to the target audience, generally strengthened the Bank's presence among its competitors in the banking sector.

Due to this effective communication strategy, the Division increased the Bank's name recognition (as the first bank to come to customers' minds) by 18%. This helped the Bank maintain its position as a marketing leader in the Saudi banking market. The Bank also ranks second in "the first to come to mind" category in the ladies sector, which validates the Bank's efforts to provide high quality services and products to Saudi women.

In 2013, the Bank's Public Relations Unit focused on performing its supporting role by enhancing the image of the Bank and its products and services in local media outlets. The monetary value of these activities was worth SAR 10 million media campaign via articles and news coverage. Bank news press releases focused on products, services, social responsibility programs and interviews with several Bank executives. This provides a glimpse of the good relations between the Bank and local media, including daily newspapers and news websites, and reflected the various media outlets' appreciation of and respect for the Bank's management.

In addition, the marketing activities undertaken by the division for the bank's customers, the Internal Communication Unit plans and implement various awareness campaigns targeting Bank employees. These campaigns cover a range of issues including anti-money laundering, information security and customer protection principles that comply with the Saudi Arabian Monetary Agency's requirements. The Internal Communication Unit also redesigned the Bank's e-magazine based on the changing needs of staff.

Quality Assurance Department:

One of the Bank's most important strategic goals is satisfying customers and exceeding their expectations, which is the Quality Assurance Department's main focus. The Department implemented advanced techniques to ensure quality, improvement and continuous development. It did so using customer satisfaction surveys in order to enrich the customer experience, analyzing and using the data to improve operations and functionalities that fulfill customer needs.

The Quality Assurance Department consists of three main units: the Research and Field Survey Unit, the Quality Improvement Unit, and the Quality Control Unit.

During 2013, the Research and Field Survey Unit successfully conducted over 54 research projects, including external and internal studies and reports serving the Bank's various departments. The Unit also made over 37,925 calls to customers to ascertain their views and level of satisfaction when using various banking channels.

The Quality Assurance Department periodically issues key reports that help the Bank's management to make appropriate decisions in a timely manners. These reports include: the Customer Experience Report, the Customer Complaint Analysis Report, and the Internal Customer Satisfaction Report.

Community Service:

The Bank has a very long and proud tradition of serving the community through a variety of social, educational, health, environmental, athletic and recreational activities and events held throughout the Kingdom. These are clear indications of the Bank's understanding of the need for, and commitment to, community service,

as well as its contribution to providing long-lasting developmental service and awareness initiatives.

In 2013, some of the Bank's most prominent initiatives and support included the following:

The Charitable Transportation Project: The Bank donated 9 new buses, specially equipped to meet user needs throughout the Kingdom, to a number of charitable organizations, including the King Khalid Foundation for Women in Tabuk, the Al-Ahsa Disabled Association, the Disabled Children's Association, and the Voice of Down's Syndrome Society "Saut".

The Bank also continued its leadership role in promoting the concept of social responsibility, as one of its core values. The Charitable Ramadan Caravan in 1434 A.H. [2013 A.D.] continued for the fifth consecutive year, throughout the Kingdom, with the assistance of staff volunteers. The Bank also continued its humanitarian initiatives and volunteer work by organizing a comprehensive program to visit and give gifts to children being treated in many of the Kingdom's hospitals across 26 cities, including Al-Qaryat, Ha'il, Turaif, Unaizah and Buraidah, Yanbu', Sabya, Beljurashi, Sharurah, Jizan, Al-Majama'a and Medinah, bringing much joy to the children.

In its efforts to bring joy to those with special needs, to encourage them to be proud of themselves and use their energy constructively, the Bank continued to sponsor the agricultural training program for the simply mentally handicapped in cooperation with the Al-Ahsa Disabled Association. This program trains participants for agricultural occupations. For the seventh consecutive year, the Bank sponsored the summer camp for youth with special needs. This camp helps Saudi youth to develop their own interests, discover the associated benefits, and become integrated into their surrounding community. The Bank also continued to support and sponsor the "Yadawi" handicraft program, created by a talented group of community women with special needs in order to demonstrate their skills and their ability to be productive and overcome challenges. The Bank exhibited their handmade products at its branch in Janadriyah.

The Bank also took a keen interest in conferences and symposia. The Bank sponsored the Second Investment forum in Najran and the Jeddah Economic Forum. and also participated in the Euromoney Conference. Because one of Riyad Bank's priorities is ensuring the Kingdom's financial and banking environment is free from corruption, a goal it works tirelessly to achieve, the Bank actively participated in the Anti-Money Laundering Conference to develop professional standards and practices, supporting the concept of "compliance" in order to reduce illegal transactions.

In respect to cultural and recreational festivals, the Bank continued its role in preserving the Kingdom's identity, spreading awareness of its noble traditions and enriching humanitarian history. Indeed, the Bank continued its role as a sponsor and partner of the 28th Janadriyah Heritage and Culture Festival. In addition, it continued its support for the Qaseem Region's Wing and the Ninth Al-Dokhalah Festival in Al-Qatif Area for the fifth consecutive year. It also sponsored the Sharqiya Festival for 1434 A.H. [2013 A.D.].

The Bank also established many avenues to support innovative social programs serving the community. It signed an agreement of understanding with the Et'aam Charity Association in the Eastern Province. The Bank and the Association also launched an application for smart phones to spread the message about saving food and avoiding waste. As part of the Bank's extensive support of charitable associations, it created a website for the Mawada Charity Association aiming to reduce divorce and minimize its effects.

The Bank also continued its charity and volunteer work by implementing its winter clothing campaign for the fourth consecutive year. Teams of volunteer Bank employees distributed essential supplies to the targeted families in the cold northern regions, as well as, remote villages.

Literary and cultural creativity likewise did not escape Riyad Bank's attention. It established a lucrative cultural prize, fully funded by the Bank, aimed at strengthening literary and cultural values and promoting literary production throughout the

Kingdom. Now in its sixth year the Bank awarded the prize this year to Dr. Saleh Bin Abdullah Bin Hamaid for his book, "*The History of a Nation through the Footsteps of Imams*."

The Bank also places great significance on awareness campaigns. For the sixth consecutive year, it sponsored the national awareness campaign on the importance of early breast cancer screening, organized by the Zahra Breast Cancer Society, to raise women's awareness of the risks of developing breast cancer and the importance of early preventative screening. The Bank also participated in an awareness campaign about the dangers of drugs, as well as the International AIDS Day Campaign and the Hyperactivity and Attention Deficit Disorder "AFTA" Campaign.

In a unique humanitarian initiative embodying the Bank's values and community service strategy, the Bank continued its annual support of the "Al-Wafa' Program." This program helps the families of deceased employees throughout the Kingdom by providing those in need with pre-paid e-cards enabling them to buy necessities. The Bank does so out of a belief in the principle of loyalty and in fulfilling its social responsibility.

Riyad Capital:

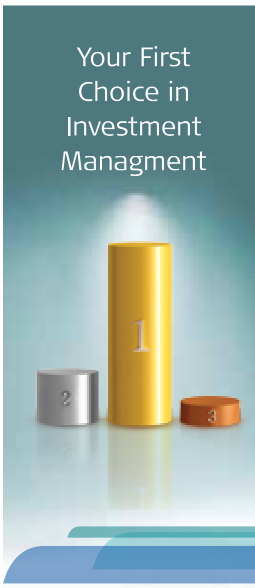
Riyad Capital is a Saudi company wholly owned by Riyad Bank, and is licensed by the Saudi Capital Market Authority to deal (as a principal, an agent, an underwriter) for arranging, advising, and custody. In 2013, the company moved to its new headquarters to Takhassusi St. in Riyadh.

Riyad Capital designs and develops investment products to meet the needs of its diverse investment customers through its Asset Management department, which worked, in 2013, to expand its "Private Investment Portfolio" Management services. As a result, it attracted more investments from high net worth customers, companies and public institutions, and increased the company's market share in the Saudi and international capital fund market. It is considered one of the largest investment companies operating in this field in the Arab Gulf region.

With regard to corporate investment banking, Riyad Capital invested in its human resources by recruiting more talented Saudis with extensive experience in specialized financial consulting on all investment banking activities, including stock and sukuk offerings, as well as consulting services in the areas of mergers & acquisitions and structured finance operations. The company's most important achievements in 2013 included organizing and offering Sadara Chemical Company sukuk worth SAR 7.5 billion, as well as offering Riyad Bank's sukuk in the amount of SAR 4 billion. In addition, it performed the role of financial advisor, underwriter and manager for the public offering of the National Medical Care Company (CARE) in the amount of SAR 364.5 million.

Riyad Capital also worked on increasing its share in the local and international trading market in 2013 by launching some initiatives aimed at improving customer service and satisfaction. It launched promotional campaigns and offered competitive products such as online trading in international markets.

Through the adoption of the "Wealth Management" concept, which is intended to promote an investment culture among customers and satisfy their investment needs and goals, Riyad Capital established an integrated wealth management team. The team was trained and equipped with the technical and professional capabilities needed to provide value added investment consulting services, helping customers to identify their investment options carefully and accurately. This had a tangible impact on the growth of the company's activities in the asset management and brokerage service fields in 2013. The Wealth Management Department offers its services through a wide network of 26 investment centers spread throughout the Kingdom, including four centers for high net worth customers.



04

Economic and Financial Outlook

Economic and Financial Outlook

Introduction

The global economy continued to be weak during the year 2013. However, the drivers of growth and dynamics have switched directions and roles. Advanced economies have been gradually strengthening, while growth in emerging economies has been slowing. The economy in the United States has seen several quarters of solid private demand that constitutes around two-thirds of the economic activities in the country. Public sector demand, on the other hand, has been pushing in the opposite direction with excessive fiscal consolidation. Disagreement among American legislators on both the nature and the strength of the fiscal adjustment and the conflicts around increasing the debt ceiling imposed major uncertainty on the economy.

Non-major government activities faced partial shut down for 16 days before coming to an agreement on the budget. However, the debt ceiling debate has not been resolved: the counterforce of fiscal adjustment is diminishing and the economy is expected to start a faster growth pattern stage.

Japan's economy also enjoyed a vigorous rebound spurred by Abenomics, but it is expected to lose steam in the second half of 2014 after the imposition of the consumption tax and the application of other measures to tighten the fiscal policy. The Euro Area has lately begun to crawl out of recession: this is the not the result of recent major policy changes but due to a change in mood, which nonetheless could be largely self-fulfilling if consumers and firms decide to increase spending. Southern periphery countries are still struggling, however. Progress on improving competitiveness and increasing exports is not yet strong enough to offset the depressed internal demand. In both the core and the periphery, there is lingering uncertainty about bank balance sheets, which should be reduced by the promised review of the banks' asset quality. In these three advanced economies, much slack remains and inflation pressure is expected to stay subdued.

Major emerging economies in different areas in the world are coming off cyclical peaks. Their growth rates are projected to remain above those of the advanced economies but below the elevated levels seen in recent years. With differences between the countries, the slowdown reflects both cyclical factors and a decrease in potential output growth. In Russia and South Africa cyclical factors have played significant role in the slowdown, while in China and India the slowdown is a reflection of a slowdown in potential output. High commodity prices and rapid financial market development have improved potential growth prospects in many emerging economies during the 2000s. But, as commodity prices stabilize and financial conditions tighten, potential growth has slowed in those countries generally, and some of them have been through cyclical adjustments.

Two factors are likely to shape the path of the global economy in the near term First, the decision taken by the Federal Reserve to start tapering its quantitative easing measures that led to a large increase in long-term yields in the United States and many other economies, although the Fed announced that it will keep the Federal Fund rate close to zero up to 2015. This policy change by the U.S. could pose risks for emerging economies, where activity is slowing and asset quality weakening. The increase in U.S. long rates and other advanced economies will increase funding costs in the global market. It also likely to lead to a partial reversal of capital flows from emerging economies to advance economies. This will further reduce the funding available for countries with weaker fiscal positions. Second there is strengthening conviction that China will grow more slowly over the medium term than in the recent past, which will affect many other economies, notably the commodity exporters among the emerging market and developing economies. In addition to the two new challenges above that are facing the global economy, old problems still remain unresolved and could trigger new crises to the world economy; namely the fragmented financial system in the Euro Area and the worrisomely high public debt in all major advanced economies.

In light of the above conditions, the IMF lowered its estimate of global economy growth in 2013 by 0.3 percentage points to 2.9 percent. Real GDP in advanced economies expanded at a weak pace of 1.2 percent in 2013. For emerging and developing economies, the IMF reduced its estimation of growth in these countries by 0.5 percent in 2013 to 4.5 percent. The instability in commodity prices and the weakness in world trade and capital flows were the major factors that led to downgrading the growth rates.

Looking ahead, global activity is expected to strengthen moderately but the risks to the forecast remain on the downside. The stimulus is projected to come from the advanced economies, where output is expected to expand at a pace of about 2 percent in 2014, about ¾ percentage points more than in 2013 . Drivers of the projected upturn are a stronger U.S. economy, an appreciable reduction in fiscal tightening (except in Japan), and highly accommodative monetary conditions. Growth in the Euro Area will not exceed 1 percent as it will be held back by the very weak economies in the periphery. Emerging markets and developing economies are projected to expand by about 5 percent in 2014, as fiscal policy is forecast to stay broadly neutral and real interest rates to remain relatively low. Unemployment will remain unacceptably high in many advanced economies as well as in various emerging market economies.

According to the top officials of the IMF, the Fund's top priority in the coming months is to break the cycle of subdued growth and recurrent market jitters and move toward securing strong, sustainable, balanced, and inclusive growth, otherwise the global economy may settle into a subdued medium-term growth trajectory. The United States and Japan must develop and implement strong plans with concrete measures for medium-term fiscal adjustment and entitlement reform, and the Euro Area must develop a stronger banking union and clean up its financial systems. China should provide a permanent boost to private consumption spending to rebalance the growth of demand away from exports and investment. Other emerging market economies need a new round of structural reforms including removing barriers to investment in Brazil and India.

Oil Markets

Oil prices in 2013 averaged at levels that are not far from those in 2012. However, prices were much less volatile than those witnessed during 2012. Although speculation in the commodities markets and geopolitical tensions impacted price movements, the market fundamentals continued to be the main driver for the direction of prices throughout the year. From the demand side, weak economic recovery in the industrial countries and the slowdown of economic growth in the main emerging countries created major pressures on prices in the first half of the year. On the supply side, the increase in oil stockpiles, mainly in the U.S., added to the pressures on prices throughout the year. Crude oil inventories and stockpiles of gasoline and distillate fuels reached high levels, while the U.S. domestic output rose to 8.08 million barrels a day, the highest level since 1988. However, a glut in U.S. stockpiles will be reduced after establishing a new pipeline, which is expected to open in early 2014. TransCanada's Keystone Gulf Coast Pipeline is expected to start pumping oil from Cushing, Oklahoma to Port Arthur, Texas, as early as January 2014. The pipeline has the capacity to carry 700k bbl/d.

A combination of better-than-expected economic data and a continuation of supply outages buoyed international crude oil prices during the last quarter of the year. These factors have been represented in the emergence of economic data that was better than expected, and the repetition of the interruption of the supply of some oil-exporting countries due to the political situation. Manufacturing data for the United States and China were above expectations, supporting demand for petroleum products by the world's two largest consumers. On the supply side, the results of the latest OPEC meeting signaled no change in member countries' perspectives or behavior. Production outages in some OPEC countries, particularly Libya and Nigeria, necessitated other OPEC producers not to cut production as much as in previous years after coming out of the peak summer demand. This resulted in a continued low spare production capacity and that kept oil prices moving in a tight margin.

Giving the above developments concerning the factors affecting both the supply and demand for oil, WTI prices and Brent crude averaged at $97.99/bbl and $108.63/bbl respectively in 2013. For 2014, the U.S. Energy Information Agency (EIA) expects WTI price to average at $95/bbl and Brent to average at $104.08/bbl.

The WTI started the year 2013 at $93.12/bbl, $2.32 higher than its closing price for 2012. Prices touched a year high at $110.53 on September 6, due to tighter global supplies and fears of oil supply disruptions from other sources. It reached as low as $86.68 a barrel on April 17. Prices tumbled in April due to a fragile global economy with the prospect of weakening demand growth, rising production and high commercial crude stocks. Crude oil also lost ground amid cross-commodity and equity markets' herd behavior, as momentum trading led to a sell-off that sent commodity prices plunging by record levels in that period. Brent crude, from its side, started the year 2013 at $112.47/bbl passing its closing price for 2012 by $1.85. It also plunged to its lowest level during the year to $97.67/bbl on April 17. The Brent crude price touched a record of $118.90/bbl on February 8, 2013, spurred by positive economic sentiment, a bullish U.S. gasoline market, output glitches, and expectations of higher global oil demand growth in 2013.

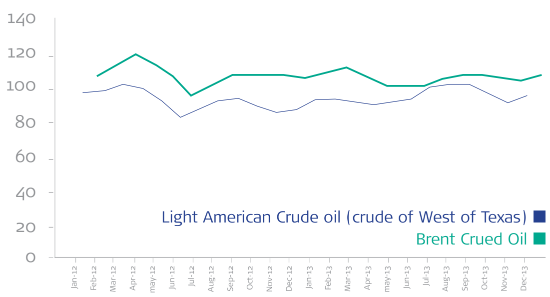
The global economy continued to be the most important driver of oil consumption growth. Both EIA and IEA (the International Energy Agency) lowered their estimates for oil demand in 2013 as global economic expansion remains tepid and the weakness in the global economy is causing a great deal of uncertainty when forecasting the world oil demand, especially in the first half of the year. A large amount of this risk can be attributed not only to the Organization for Economic Cooperation and Development (OECD), but also to China and India.

Nevertheless, recent estimates show that global consumption of crude oil and liquid fuels grew from a record of 89.2 million bbl/d in 2012 to 90.3 million bbl/d in 2013 and it is expected to grow by 1.2 million bbl/d to 91.5 million bbl/d in 2014. China, the Middle East, Central & South America, and other countries outside of the Organization for Economic Cooperation and Development (OECD) will account for nearly all consumption growth over the forecast period. Consumption by the OECD in 2013 remained at its 2012 level of 45.95 million bbl/d, however, it is expected to decline by 0.1 million bbl/d in 2014 to 45.82 million bbl/d. Non-OECD Asia, particularly China, is the leading contributor to projected global consumption growth. China's economic growth after 2011 remains strong, but more moderate in comparison with the preceding decade, leading to smaller increases in liquid fuel consumption in 2013 and most of 2014. Estimates show that China's liquid fuel consumption increased by 380 thousand bbl/d to 10.66 million bbl/d in 2013. It is projected to increase by 390 thousand bbl/d to reach 11.05 million bbl/d in 2014.

On the supply side, world oil supply increased by 1.22 percent or 730 thousand bbl/d during 2013 to 90.4 million bbl/d, and it is expected to rise to around 91.23 million bbl/d in 2014. OPEC oil production in 2013 decreased to 30.05 million bbl/d compared with 930.8 million bbl/d in 2012. The declines in 2013 mostly reflect supply outages among some OPEC producers, along with lower production by Saudi Arabia during the first half of the year. EIA expects an additional cut of 870 thousand bbl/d from the OPEC supply in 2014 to reach 29.18 million bbl/d. The supply disruptions in Libya are expected to persist through 2014, remaining at around 1 million bbl/d off the global oil market. Additionally, the November 24 announcement of a Joint Plan of Action between Iran and the five permanent members of the United Nations Security Council (the United States, United Kingdom, France, Russia, and China) plus Germany on Iran's nuclear program is not expected to affect OPEC's output, as the sanctions affecting Iran's oil sector remain in place. The expectations for Iran's crude oil production to remain unchanged because of the agreement does not directly allow for additional Iranian oil sales; it only suspends sanctions on the associated insurance and transportation services.

According to the EIA, non-OPEC oil supply averaged 54.2 million bbl/d in 2013 and will increase to 55.9 million bbl/d in 2014 Growing non-OPEC liquid fuel production contributes to a declining call on OPEC crude oil, as mentioned above. According to these estimates, the greatest non-OPEC supply growth will be in North America, where projected liquid fuel production increased by 1.5 million bbl/d in 2013 and will increase by another 1.3 million bbl/d in 2014. The majority of the production growth is from U.S. onshore tight oil formations and Canadian oil sands. The EIA expects smaller production growth from a number of other areas, including Africa, Central & South America, and Asia & Oceania.

Development of Oil Prices in 2013:



*Source: EIA, the Energy Information Administration

The Gulf Region

The continuous strong economic growth in the Gulf States in 2013 is largely underpinned by the relatively high oil prices, especially during the second half of the year, and increasing production to substitute for the shortage of supply caused by the political situation in some Middle Eastern countries. In addition, activities in the non-oil sector have also been spurred by expansionary fiscal policies and accommodative monetary conditions. Governments in the region are seizing the opportunity presented by high oil prices to move toward sustainable and more diversified economies, through adopting large-scale spending and investment programs, especially in infrastructure and manufacturing. So, over the medium term, fiscal policy in the GCC countries is expected to stay expansionary, boosting domestic demand in the region. Monetary policy also is expected to remain accommodative, aiming at facilitating access for the private sector to the source of credit, as long as inflation rates stay at the current moderate levels. On the other hand, the reliability of the GCC banking systems has strengthened over the past few years, putting them in a stronger position to withstand external financial pressures. Capital adequacy ratios have increased for most countries in the GCC since 2009 and are currently above the recommended minimum international standards.

The GDP in current prices is estimated to reach $1,632 billion in 2013, and it is expected to reach around $1,675 billion in 2014. The real GDP in the GCC countries grew by around 3.8 percent in 2013 and it is expected to grow by roughly the same rate in 2014. The average yearly inflation rate (calculated as the weighted average of the annual change in the consumer price index in the six countries) remained around 3 percent during the year 2013 and it is expected to increase to 3.3 percent in 2014. The overall current account surplus for the GCC countries has reached around $332 billion or 20.4 percent of the total GDP of the region in 2013; however, it is expected to decline to around $287 billion or 17.2 percent of the GDP in 2014 due to the stabilization of oil prices and oil production.

Amid significant oil price uncertainty, there are both upside and downside risks for the GCC countries. On the upside, increased geopolitical tensions could push oil prices higher and prompt OPEC producers with spare capacity (mainly the GCC countries) to increase production. However, any spike in oil prices would probably be temporary, which might impact the external and fiscal balances, but the impact on the non-oil GDP would be less obvious.

On the downside, the most important risk stems from the possibility of excess supply in the global oil market. A combination of weak global oil demand growth and strong supply growth from unconventional sources in non-OPEC countries could reduce demand for OPEC oil. Oversupply in the global oil market may induce some OPEC countries, particularly the GCC countries, to scale back production to preserve equilibrium in the global oil market. If the forecasts for unconventional sources continue to be revised upward, or if growth disappoints in emerging economies, oil prices and production may be subject to further downward pressure to keep the markets in balance, but at lower levels of production and prices.

Generally speaking, tightening global financial conditions are likely to exert only a small impact on economic activity in the GCC economies. The tapering of unconventional monetary policy in the U.S. by reducing the Federal Reserve purchases of government bonds could tighten global financial conditions. This may weaken the economic outlook in the emerging economies because of the increase in the external cost of financing and the increase in domestic interest rates in these markets. However, the effect on global demand on oil and on oil prices is not expected to be significant and extended. Most GCC countries would still be able to conduct a countercyclical policy in response to a temporary or mild fall in oil revenues. However, we have to note that the fiscal stance in the GCC countries is shrinking, especially for Bahrain. The IMF estimates the price of oil that balances the government budget in Bahrain at $120/bbl.

In the same context, tapering will impact the cost of external financing for many emerging markets. However, a moderate rise in external funding costs would not be a concern for most GCC countries because of their limited external financial exposure, small financing needs, sound financial sectors, and large accumulated oil surpluses. Higher interest rates would raise funding costs for governments borrowing from international markets for countries like Bahrain and some of Dubai's government-related entities which could face difficulties in rolling over their debts.

For some of the GCC countries, the medium-term challenge is to generate more jobs and housing for the younger generations. However, the actual challenge for all GCC countries remains the ability to successfully diversify the economy away from the hydrocarbon sector. Also, they need to increase the saving rate to speed up the accumulation of national wealth to maintain the same spending pattern for future generations.

Financial markets in the region posted an impressive performance over the year 2013, especially the UAE markets. The Dubai Financial Market gained more than 107 percent, while the Abu Dhabi Securities Exchange increased by 63 percent. The Kuwait Stock Exchange advanced by almost 27 percent, and the Saudi market (Tadawul) posted gains of 25.5 percent. The Qatar Exchange yielded more than 24 percent. The Muscat Securities Market increased by almost 19 percent and the Bahrain Bourse increased the least, by 17 percent.

The Saudi Economy:

In 2013, the Saudi economy posted a growth rate of 3.8 percent, with the private non-oil GDP growing by 5.5 percent following a 4.9 percent growth rate in 2012. The solid growth rates in the private sector during the last two years showed the benefits of positive development in the oil sector and the expansion in the fiscal programs transmitting to private sector activities within a short lag period. Recent history shows that this transmission channel seems to be asymmetric. The private sector continued energizing and spurring economic growth, even during the relatively low oil price era during the peak of the global financial crisis and global recession in 2009.

This feature, which gives the Saudi economy the ability to cushion the impact of exogenous shocks, together with the overall friendly business environment, made Saudi Arabia one of the most desirable countries to receive long-term foreign direct investments (FDI). In 2012, Saudi Arabia ranked among the largest recipient of FDI in the world as it attracted around $12.2 billion of new FDI inflows, which account for more than 46 percent of the total FDI in the GCC. Also, the Kingdom ranked at 26 among 185 economies in the Ease of Doing Business Ranking of the International Finance Corporation (IFC) for the year 2014.

In addition to the above, Standard & Poor's Ratings Services affirmed Saudi Arabia's Sovereign Rating at 'AA-' and has upgraded its credit rating outlook to "positive" from "stable". The decision was supported by the government's very strong external and fiscal positions, which have been built over a number of years. The Ratings Agency also said that continued growth would help to reduce the country's social challenges, including unemployment, and enhance productivity and competitiveness

In its 2013 report, the IMF report acknowledged that Saudi Arabia has been one of the best-performing G-20 economies in recent years, and has supported the global economy through its stabilizing role in the global oil market.

Continuing at the same pace, Saudi Arabia unveiled another expansionary budget for 2014 (1435H-1436H), with government expenditure showing an annual increase of 4.3 percent to reach SR 855 billion. The 2014 budget allocates SR 248 billion, or 30 percent of the total expenditure, to new projects and is proceeding with new phases of existing projects. The main allocations include SR 210 billion for education and manpower training, SR 108 billion for health services and social development, SR 61 billion for water, agriculture and infrastructure services, SR 66.6 billion for infrastructure and transport, and SR 39 billion for municipalities. This is in addition to the generous allocations for the specialized credit institutions.

Financial Markets

During the year of 2013, SAMA continued to implement a balanced monetary policy that aimed at providing sufficient liquidity and achieving financial and price stability by keeping up with domestic and international economic developments. As a result, money markets in Saudi Arabia continued to have an adequate liquidity that enabled the economy to continue its robust growth pace, with favorable conditions of low interest rates and a stable inflation rate.

The 3-month SIBOR ended 2013 at 0.96 percent to average at 0.97 percent, 6 basis points above its average in 2012 at 0.91 percent. The 12-month SIBOR ended the year at 1.10 percent to average at 1.11 percent throughout the year, the same as its average in 2012. The rates continued to be in the favor of Riyal deposits across the year. The average spread of the 3-month SIBOR over the

3-month LIBOR was 70 basis points. Regarding inflation, the data from the Central Department of Statistics and Information indicate that the consumer price index for the base year 2007, increased for 2013 by 3.5 percent compared with an increase by 2.9 percent for 2012.

Concerning liquidity, the latest available weekly data from SAMA shows that broad money supply (M3), reached a record of SR 1567.7 billion at the end of December 26, 2013, which is 12.5 percent above its level at the end of December 2012. Total deposits also grew 12.7 percent with a growth rate in demand deposits reaching 15.1 percent.

Total lending from commercial banks continued to pick up consistently starting from December 2010. By the end of November 2013, total claims on the private sector for Saudi banks increased by 13.8 percent reaching SR 1,123.8 billion compared to SR 999.1 billion at the end December 2012. As a result, the loan-to-deposit ratio stabilized at 82.3 percent in November 2013, up from 79.3 percent in December 2012.

The Saudi stock market (TADAWUL) gathered strength and ended the year reaching 8,536 points compared to 6,801 points at the end of 2012: higher by 1,735 points or 25.15 percent. The index (TASI) reached as high as 8,562 points on December 23, the highest close level for the index during the year. The P/E ratio increased to 15.13 at the end of 2013, up from 12.75 at the end of 2012, while the market capitalization as a percentage of GDP increased to 61 percent in 2013 compared to 51.0 percent at the end of 2012. However, the market is currently very attractive as it is expected that market capitalization and trading values (as a percent of GDP) will return to their high historical averages.

Macroeconomic Performance in 2013 and Outlook for 2014

Preliminary estimates show that the GDP, at current market prices, increased by 1.54 percent in 2013 to reach SR 2,794.8 billion. In real terms, the GDP grew by 3.8 percent compared to a growth rate of 5.81 percent in 2012. The oil sector is estimated to decline by 0.61 percent. while the government sector is estimated to grow by 3.73 percent and the private sector by 5.5 percent in 2013 The private sector's contribution to GDP is set to reach 58.8 percent. All non-oil GDP components recorded positive and healthy growth in 2013. The private sector's contribution to GDP is set to reach 58.8 percent. All non-oil GDP components recorded positive and healthy growth in 2013. Specifically, the non-oil industrial sector grew by 4.72 percent. The private sector's contribution to GDP is set to reach 58.8 percent. All non-oil GDP components recorded positive and healthy growth in 2013. Specifically, the non-oil industrial sector grew by 4.72 percent; construction by 8.11 percent; the transport, storage and communication sector by 7.20 percent; wholesale, retail, restaurants, and hotels by 6.16 percent; and finance, insurance and real estate by 4.86 percent.

Concerning the external sector, the total value of goods exported decreased in 2013 by 5.5 percent to reach SR 1,376.2 billion. Non-oil goods exported increased by 3.9 percent to reach SR 195.6 billion, accounting for 14.4 percent of total goods exported. On the other hand, imported goods increased by 8 percent to SR 574.1 billion. As a result, in 2013, the trade balance registered a surplus of SR 802.1 billion or 28.7 percent of the GDP, while the current account achieved a surplus of SR486.8 billion or 17.4 percent of the GDP.

Regarding the government budget, total revenues in 2013 reached SR 1,131 billion while total expenditure increased to SR 925 billion. As a result, in 2013, the government budget achieved a surplus of SR 206 billion or 7.4 percent of the GDP. In line with the budget achievement, the government debt decreased to 2.7 percent of the GDP in 2013, down from 3.6 percent in 2012.

In 2014, Saudi oil prices are expected to average at $99/bbl, and Saudi oil production is expected to remain at around 9.5 million bbl/day. With these assumptions, oil sector growth is expected to slightly deteriorate to 0.2 percent in 2014, while the, non-oil sector is expected to grow by 4.4 percent. The Government sector is expected to continue growing at a rate of 3.7 percent, while the private sector is expected to grow by 4.6 percent. Accordingly, the overall GDP is expected to grow by 3.5 percent in 2014. The nominal GDP in 2014 is expected to reach SR 2,845 billion. The inflation rate (calculated as the annual percentage change in the consumer price index for the base year 2007) is expected to remain at around 3.6 percent in 2014 and the unemployment rate (among Saudis) is expected to decline to 10.5 percent with the new measures to boost employment.

Based on the above oil prices and production in 2014, the current account is expected to register a surplus of SR 338 billion or 11.9 percent of the GDP. The fiscal figures, on the other hand, are expected to again deviate from the conservative budget figures. Accordingly, we expected the budget to record a surplus of SR 161 billion in 2014 or 5.7 percent of the GDP.

05

FINANCIAL STATEMENTS 2013

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG Al Fozan & Al Sadhan

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Riyad Bank (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 38. We have not audited note 39, nor the information related to "Basel III Pillar 3 Disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG
KPMG Al Fozan & Al Sadhan

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

Opinion

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

- present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions in the Kingdom of Saudi Arabia issued by SAMA and with International Financial Reporting Standards; and

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

Deloitte & Touche
Bakr Abulkhair & Co.

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Financial Statements 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2013 and 2012

SAR'000	Notes	2013	2012
ASSETS			
Cash and balances with SAMA	4	20,928,549	26,270,523
Due from banks and other financial institutions	5	4,438,656	3,190,989
Investments, net	6	43,538,091	36,253,852
Loans and advances, net	7	131,190,557	117,470,654
Investment in associates	8	442,297	410,172
Other real estate		437,368	458,385
Property and equipment, net	9	1,662,650	1,737,902
Other assets	10	2,608,311	4,388,361
Total assets		205,246,479	190,180,838
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	12	7,577,980	6,162,968
Customer deposits	13	153,199,880	146,214,567
Debt securities in issue	14	4,000,000	-
Other liabilities	15	6,598,295	5,839,793
Total liabilities		171,376,155	158,217,328
Shareholders' equity			
Share capital	16	15,000,000	15,000,000
Statutory reserve	17	14,328,376	13,341,600
Other reserves	18	1,184,564	1,124,855
Retained earnings		1,957,384	1,372,055
Proposed dividends	24	1,400,000	1,125,000
Total shareholders' equity		33,870,324	31,963,510
Total liabilities and shareholders' equity		205,246,479	190,180,838

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT
For the years ended December 31, 2013 and 2012

SAR'000	Notes	2013	2012
Special commission income	20	5,517,436	5,163,301
Special commission expense	20	820,436	781,830
Net special commission income		4,697,000	4,381,471
Fee and commission income, net	21	1,821,121	1,777,485
Exchange income, net		226,118	245,583
Trading losses, net		(3,557)	(5,585)
Dividend income		67,264	65,969
Gains on non-trading investments, net		144,935	207,248
Other operating income		121,141	114,094
Total operating income		7,074,022	6,786,265
Salaries and employee-related expenses	22	1,311,460	1,185,504
Rent and premises-related expenses		260,293	239,150
Depreciation of property and equipment	9	268,668	285,255
Other general and administrative expenses		721,615	624,530
Impairment charge for credit losses, net		627,418	1,179,659
Impairment charge for investments		(22,000)	(130,000)
Other operating expenses		16,247	15,536
Total operating expenses		3,183,701	3,399,634
Income from operating activities		3,890,321	3,386,631
Share in earnings of associates, net	8	56,784	79,418
Net income for the year		3,947,105	3,466,049
Basic and diluted earnings per share (in SAR)	23	2.63	2.31

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2013 and 2012

SAR' 000	2013	2012
Net income for the year	3,947,105	3,466,049
Other comprehensive income:		
- Available for sale investments		
Net changes in fair value (note 18)	181,391	929,926
Net changes in fair value transferred to consolidated income statement (note 18)	(119,419)	(333,985)
	61,972	595,941
- Cash flow hedges		
Effective portion of net changes in fair value (note 18)	(1,529)	(6,395)
Net changes in fair value transferred to consolidated income statement (note 18)	(734)	(440)
	(2,263)	(6,835)
Other comprehensive income for the year	59,709	589,106
Total comprehensive income for the year	4,006,814	4,055,155

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2013 and 2012

SAR'000				Other reserves				
2013	Notes	Share capital	Statutory reserve	Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividends	Total
Balance at the beginning of the year		15,000,000	13,341,600	1,122,592	2,263	1,372,055	1,125,000	31,963,510
Total comprehensive income		-	-	61,972	(2,263)	3,947,105	-	4,006,814
Final dividend paid - 2012	24	-	-	-	-	-	(1,125,000)	(1,125,000)
Interim dividend paid -2013	24	-	-	-	-	(975,000)	-	(975,000)
Transfer to statutory reserve	17	-	986,776	-	-	(986,776)	-	-
2013 final proposed dividend	24	-	-	-	-	(1,400,000)	1,400,000	-
Balance at the end of the year		15,000,000	14,328,376	1,184,564	-	1,957,384	1,400,000	33,870,324

SAR'000				Other reserves				
2012	Notes	Share capital	Statutory reserve	Available for sale investments	Cash flow hedges	Retained earnings	Proposed dividends	Total
Balance at the beginning of the year		15,000,000	12,475,088	526,651	9,098	872,518	1,275,000	30,158,355
Total comprehensive income		-	-	595,941	(6,835)	3,466,049	-	4,055,155
Final dividend paid - 2011	24	-	-	-	-	-	(1,275,000)	(1,275,000)
Interim dividend paid -2012	24	-	-	-	-	(975,000)	-	(975,000)
Transfer to statutory reserve	17	-	866,512	-	-	(866,512)	-	-
2012 final proposed dividend	24	-	-	-	-	(1,125,000)	1,125,000	-
Balance at the end of the year		15,000,000	13,341,600	1,122,592	2,263	1,372,055	1,125,000	31,963,510

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2013 and 2012

SAR'000	Notes	2013	2012
OPERATING ACTIVITIES			
Net income for the year		3,947,105	3,466,049
Adjustments to reconcile net income for the year to net cash from (used in) operating activities:			
(Accretion of discounts) on non-trading investments, net		(64,915)	(40,342)
Gains on non-trading investments, net		(144,935)	(207,248)
Depreciation of property and equipment		268,668	285,255
Share in earnings of associates, net		(56,784)	(79,418)
Impairment charge for investments		(22,000)	(130,000)
Impairment charge for credit losses, net		627,418	1,179,659
		4,554,557	4,473,955
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA	4	(676,971)	66,759
Due from banks and other financial institutions maturing after three months from date of acquisition		(1,228,439)	1,705,179
Loans and advances		(14,347,321)	(5,677,549)
Other real estate		21,017	(17,489)
Other assets		1,780,050	613,912
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,415,012	(78,980)
Customer deposits		6,985,313	6,392,067
Other liabilities		678,738	1,085,441
Net cash (used in) from operating activities		(818,044)	8,563,295
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non-trading investments		17,488,543	32,732,289
Purchase of non-trading investments		(24,456,564)	(31,394,075)
Purchase of property and equipment, net		(193,416)	(216,324)
Net cash (used in) from investing activities		(7,161,437)	1,121,890
FINANCING ACTIVITIES			
Debt securities issued	14	4,000,000	-
Dividend and Zakat paid		(2,020,236)	(2,160,235)
Net cash from (used in) financing activities		1,979,764	(2,160,235)
Net (decrease) / increase in cash and cash equivalents		(5,999,717)	7,524,950
Cash and cash equivalents at beginning of the year		22,008,689	14,483,739
Cash and cash equivalents at end of the year	25	16,008,972	22,008,689
Special commission received during the year		5,573,752	5,169,696
Special commission paid during the year		754,196	754,905
Supplemental non-cash information			
Net changes in fair value and transfer to consolidated income statement		59,709	589,106

The accompanying notes 1 to 39 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

1. GENERAL

Riyad Bank (The "Bank") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, formed pursuant to the Royal Decree and the Council of Ministers' Resolution No. 91 dated 1 Jumad Al-Awal 1377H (corresponding to November 23, 1957G). The Bank operates under commercial registration No. 1010001054 dated 25 Rabi Al-Thani 1377H (corresponding to November 18, 1957G) through its 252 branches (2012: 252 branches) in the Kingdom of Saudi Arabia, a branch in London-United Kingdom, an agency in Houston-United States, and a representative office in Singapore. The Bank's Head Office is located at the following address: (Riyad Bank – P.O. Box 22622)

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

During the year, the Bank's wholly owned subsidiary "Riyad Company for Insurance Agency", a Saudi limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010305632 issued on 22 Jumada II 1432 H (corresponding to March 27, 2011 G) commenced operations after receiving necessary approvals from SAMA. The objective of the new subsidiary is limited to act as an agent for selling insurance products owned and managed by another principal insurance company. Effective this year, the Bank has consolidated the financial statements of the subsidiary.

The consolidated financial statements comprise the financial statements of Riyad Bank and its wholly owned subsidiaries; Riyad Capital ,Ithra Al-Riyad Real Estate Company and Riyad Company for Insurance Agency (collectively referred to as "the Group").

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and Available for Sale financial assets. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of the risk being hedged.

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

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

i) Impairment for credit losses on loans & advances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (Continued)

2. BASIS OF PREPARATION (continued)
d) Critical accounting judgements, estimates and assumptions (continued)

ii) Fair value measurement

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

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

The principal or the most advantageous market must be accessible to by the Group.The fair value of an asset or a liability is measured using the assumptions, that market participants would use, when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

iii) Impairment of available-for-sale investments

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

The Bank reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired. This requires similar judgement as applied to individual assessment of loans and advances.

iv) Classification of held-to-maturity investments

The Bank 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 judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

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 annual consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant financial impact on the annual consolidated financial statements of the Group.

i) New standards

- IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'Special Purpose Entities'). IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures. The Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

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

ii) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: the amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.
- IAS 27 Separate Financial Statements (2011): The Standard now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of Joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.

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

- IFRS 1 - First time adoption of IFRS: Repeated application of IFRS 1 and borrowing cost exemption;
- IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
- IAS 16 – Property, plant and equipment: Classification of servicing equipment;
- IAS 32 – Financial instruments presentation: Income tax consequences of distributions;
- IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Riyad Bank and its subsidiaries drawn upto 31 December each year. 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 the consolidated financial statements from the date that control commences until the date that control ceases.

Balances between the Bank and its subsidiaries, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The Bank is party to certain special purpose entities (SPEs), primarily for the purpose of facilitation of certain Shariah compliant financing arrangements.

c) Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date. The Bank accounts for any change in fair value between the trade and the reporting date in the same way as it accounts for the acquired assets. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (Continued)

d) Investments in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee. Distribution received from the investee reduces the carrying amount of the investment.

e) Derivative financial instruments and hedge accounting

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

(i) Derivatives held for trading

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

(ii) Hedge accounting

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

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

a) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect income statement, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated income statement. The related portion of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement. For hedged items measured at amortised cost, where the fair value hedge of a special commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective yield basis. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

b) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of a variability of cash flows attributable to a particular risk associated with a recognised asset or a liability or a highly probable forecasted transaction that could affect income statement, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is immediately recognised in the consolidated income statement. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the consolidated income statement in the same period in which the hedged transaction affects the consolidated income statement. Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Bank revokes the designation. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income is retained until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated income statement for the period.

f) Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at spot exchange rates prevailing on the transaction dates. Monetary assets and liabilities at the year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined. Translation gains or losses on non-monetary items carried at fair value are included as part of the fair value adjustment either in the consolidated income statement or in equity, depending on the underlying financial asset.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of the initial transactions.

The assets and liabilities of overseas branch are translated at the spot exchange rate at the reporting date. The income and expenses of overseas branch are translated at the average exchange rates for the year. All exchange differences, if significant, are recognised in other comprehensive income. These differences are transferred to consolidated income statement at the time of disposal of foreign operations. All insignificant differences are included in the consolidated income statement.

g) Offsetting financial instruments

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

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

h) Revenue recognition

i) Special commission income and expenses

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

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

If the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, special commission income continues to be recognised using the original effective yield applied to the new carrying amount.

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

ii) Fee and commission income

Fees and commissions are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and, together with the related direct cost, are recognised as an adjustment to the effective yield on the loan. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Fee received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognised over the period when the service is being provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue recognition (continued)

iii) Others

Dividend income is recognised when the right to receive payment is established. Exchange income/ loss is recognised when earned/ incurred. Results arising from trading activities include gains and losses from changes in fair value and related special commission income or expense for financial assets and financial liabilities held for trading.

i) Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for investments held as FVIS, Available for sale, Held to maturity and Other investments held at amortised cost. The counterparty liability for amounts received under these agreements is included in "Due to banks and other financial institutions" or "Customers' deposits", as appropriate. The difference between sale and repurchase prices is treated as special commission expense and is accrued over the life of the repo agreement on an effective special commission rate basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognised in the consolidated statement of financial position, as the Bank does not obtain control over the assets.

Amounts paid under these agreements are included in "Cash and balances with SAMA" or "Due from banks and other financial institutions" as appropriate. The difference between purchase and resale prices is treated as special commission income and accrued over the life of the reverse repo agreement on an effective yield basis.

j) Investments

All investment securities are initially recognised at fair value, including incremental direct transaction cost except for investments held as Fair Value through Income Statement (FVIS) and are subsequently accounted for depending on their classification as either held to maturity, FVIS, Available for sale or other investments held at amortised cost. Premiums are amortised and discounts accreted using the effective yield basis and are taken to special commission 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. 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 determined using a variety of valuation techniques that include the use of mathematical models if possible. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Following recognition, subsequent transfers between the various classes of investments are not ordinarily permissible except in accordance with amendments in IAS 39 (refer note 6). 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 FVIS

Investments in this category are classified at initial recognition as either investment held for trading or those upon initial recognition designated as FVIS. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term.

After initial recognition, investments at FVIS are measured at fair value and any change in the fair value is recognised in the consolidated income statement for the period in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments. Special commission income and dividend income on investment securities held as FVIS are reflected as trading income.

ii) Available for sale

Available for sale investments are non-derivative financial instruments and include equity and debt securities that are either designated as AFS or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available for sale investments are those equity and debt securities intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices. Investments, which are classified as “Available for sale”, are subsequently measured at fair value. For an Available for sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognised directly in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated income statement.

iii) Other investments held at amortised cost

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

iv) Held to maturity

Investments having fixed or determinable payments and fixed maturity and that the Bank has the positive intention and ability to hold to maturity, are classified as held to maturity.

Held to maturity investments are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised or impaired.

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

k) Loans and advances

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

All loans and advances are initially measured at fair value, including directly attributable transaction costs associated with the loans and advances. Loans and advances originated or acquired by the Bank that are not quoted in an active market, are stated at amortised cost. For presentation purposes, allowance for credit losses is deducted from loans and advances.

l) Impairment of financial assets

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

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

It may also include instances where Bank considers that the obligor is unlikely to pay its credit obligations to the Bank, in full, without recourse by the Bank to actions such as realizing the security, if held. When a financial asset is uncollectible, it is written off against the related provision for impairment either directly by a charge to consolidated income statement or through impairment allowance account. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Once a financial asset has been written down to its estimated recoverable amount, special commission income is thereafter recognised based on the rate of special commission that was used to discount the future cash flows for the purpose of measuring the recoverable amount. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement in impairment charge for credit losses.

Loans whose terms have been renegotiated are no longer considered to be past due. Restructuring policies and practices are based on indicator or criteria, which indicate that payment will most likely continue. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective yield rate. Consumer loans are charged off when they become 180 days past due.

i) Impairment of financial assets held at amortised cost

In case of financial instruments held at amortised cost or held to maturity, the Bank assesses individually whether there is objective evidence of impairment based on same criteria as explained above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of financial assets (continued)

ii) Impairment of Available for sale financial assets

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

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

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

m) Other real estate

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

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

n) Property and equipment

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

Buildings	33 years
Improvements and decoration of premises	over the lower of the lease period or 5 years
Furniture, fixture and equipment	5 to 20 years
Computer hardware	5 years
Software programs and automation projects	3 to 5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in consolidated income statement.

o) Financial liabilities

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

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

p) Guarantee contracts

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

q) Provisions

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

r) Accounting for leases

Leases entered into by the Group as a lessee, are operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

s) Cash and cash equivalents

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

t) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to receive the cash flows from the financial asset expires. In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognised if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Bank has not retained control of the financial asset. The Bank recognises separately as assets or liabilities any rights and obligations created or retained in the process.

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

u) End of service benefits

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

v) Zakat

Under Saudi Arabian Zakat and Income Tax Laws, Zakat is the liabilities of shareholders. Zakat is computed on the shareholders' equity or net income using the basis defined under the Zakat regulations. Zakat is not charged to the Group's consolidated income statement as they are deducted from the dividends paid to the shareholders.

w) Investment management services

The Group offers investment services to its customers, which include management of certain investment funds. Fees earned are disclosed under related party transactions. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly, are not included in the consolidated financial statements.

x) Non-interest based banking products

In addition, to the conventional banking, the Bank offers its customers certain non-interest based banking products, which are approved by its Shariah Board. These products include Murabaha, Tawaraq, Istisna'a and Ijara. These banking products are accounted for using IFRS and are in conformity with the accounting policies described in these consolidated financial statements.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

4. CASH AND BALANCES WITH SAMA

SAR'000	2013	2012
Cash in hand and other balances	3,486,750	2,847,695
Statutory deposit	7,573,799	6,896,828
Reverse repos with SAMA	9,868,000	16,526,000
Total	20,928,549	26,270,523

In accordance with the Banking Control Law and regulations issued by the Saudi Arabian Monetary Agency (SAMA), the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its demand, savings, 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 (note 25).

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

SAR'000	2013	2012
Current accounts	211,380	359,916
Money market placements	4,227,276	2,831,073
Total	4,438,656	3,190,989

6. INVESTMENTS, NET

a) Investment securities are classified as follows:

i) Held as FVIS

On September 1, 2008, the Group reclassified investments held in trading portfolio reported under its investments at fair value through income statement ("FVIS") category to the available for sale category.

The carrying and fair value of these reclassified investments as at December 31, 2013 was SAR 3,715 million (December 31, 2012: SAR 3,794 million).Had the reclassification not occurred, the consolidated income statement for the year ended December 31, 2013, would have included unrealised fair value gain on such reclassified investments amounting to SAR 221 million (31 December 2012: unrealised fair value gain SAR 369 million).

ii) Available for sale

SAR'000	Domestic 2013	Domestic 2012	International 2013	International 2012	Total 2013	Total 2012
Fixed rate securities	-	23,972	11,417,605	11,424,917	11,417,605	11,448,889
Floating rate securities	-	-	1,596,282	1,699,530	1,596,282	1,699,530
Mutual funds	373,765	235,498	1,875,083	1,982,354	2,248,848	2,217,852
Equities	1,385,232	1,173,749	114,426	75,490	1,499,658	1,249,239
Available for sale, net	1,758,997	1,433,219	15,003,396	15,182,291	16,762,393	16,615,510

International investments above includes investment portfolios of SAR 11.5 billion (2012: SAR 12.3 billion) which are externally managed.

iii) Other investments held at amortised cost

SAR'000	Domestic 2013	Domestic 2012	International 2013	International 2012	Total 2013	Total 2012
Fixed rate securities	20,031,824	10,568,837	2,180,787	2,137,120	22,212,611	12,705,957
Floating rate securities	3,328,278	2,836,162	548,867	-	3,877,145	2,836,162
Other investments held at amortised cost	23,360,102	13,404,999	2,729,654	2,137,120	26,089,756	15,542,119

iv) Held to maturity

SAR'000	Domestic 2013	Domestic 2012	International 2013	International 2012	Total 2013	Total 2012
Fixed rate securities	142,424	187,779	509,720	3,908,444	652,144	4,096,223
Floating rate securities	-	-	33,798	-	33,798	-
Held to maturity	142,424	187,779	543,518	3,908,444	685,942	4,096,223
Investments, net	25,261,523	15,025,997	18,276,568	21,227,855	43,538,091	36,253,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

6. INVESTMENTS, NET (continued)

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

	2013			2012		
SAR'000	Quoted	Unquoted*	Total	Quoted	Unquoted*	Total
Fixed rate securities	15,347,948	18,934,412	34,282,360	13,593,765	14,657,304	28,251,069
Floating rate securities	5,507,225	-	5,507,225	4,236,492	299,200	4,535,692
Equities	1,366,649	173,690	1,540,339	1,119,429	170,335	1,289,764
Mutual funds	2,248,848	-	2,248,848	2,217,852	-	2,217,852
Allowance for impairment	-	(40,681)	(40,681)	-	(40,525)	(40,525)
Investments , net	24,470,670	19,067,421	43,538,091	21,167,538	15,086,314	36,253,852

*Unquoted fixed rate securities include Treasury Bills of SAR 17.3 billion (2012: SAR 8.7 billion)

c) The analysis of unrealised gains and losses and the fair values of other investments held at amortised cost, and held to maturity investments, is as follows:

i) Other investments held at amortised cost

	2013				2012			
SAR'000	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value	Carrying value	Gross unrealised gain	Gross unrealised loss	Fair value
Fixed rate securities	22,212,611	221,836	(128,486)	22,305,961	12,705,957	193,101	(33,683)	12,865,375
Floating rate securities	3,877,145	250,418	-	4,127,563	2,836,162	119,584	-	2,955,746
Total	26,089,756	472,254	(128,486)	26,433,524	15,542,119	312,685	(33,683)	15,821,121

ii) Held to maturity

SAR'000	2013 Carrying value	2013 Gross unrealised gain	2013 Gross unrealised loss	2013 Fair value	2012 Carrying value	2012 Gross unrealised gain	2012 Gross unrealised loss	2012 Fair value
Fixed rate securities	652,144	8,854	-	660,998	4,096,223	21,055	-	4,117,278
Floating rate securities	33,798	222	-	34,020		-	-	-
Total	685,942	9,076	-	695,018	4,096,223	21,055	-	4,117,278

d) Credit quality of investments

SAR'000	2013 Fixed rate securities	2013 Floating rate securities	2013 Others	2013 Total	2012 Fixed rate securities	2012 Floating rate securities	2012 Others	2012 Total
Grade A- and above	29,015,618	3,006,073	-	32,021,691	23,114,882	3,150,591	-	26,265,473
Lower than A-	4,771,161	525,575	-	5,296,736	3,893,964	491,595	-	4,385,559
Unrated	495,581	1,975,577	3,748,506	6,219,664	1,242,223	893,506	3,467,091	5,602,820
Total	34,282,360	5,507,225	3,748,506	43,538,091	28,251,069	4,535,692	3,467,091	36,253,852

Lower than A- comprises mainly of bonds rated BBB and BB. The unrated investments category mainly comprises of mutual funds and equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

6. INVESTMENTS, NET (continued)

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

SAR' 000	2013	2012
Government and quasi Government	25,401,932	16,526,723
Corporate	8,700,072	8,847,365
Banks and other financial institutions	9,436,087	10,879,764
Total	43,538,091	36,253,852

Investments include SAR 1,148 million (2012: SAR 1,648 million), which have been pledged under repurchase agreements with banks and customers (note 19 d). The market value of such investments is SAR 1,149 million (2012: SAR 1,647 million).

f) Movements of allowance for impairment on available for sale equity investments:

SAR' 000	2013	2012
Balance at beginning of the year	40,525	40,452
Other movements	156	73
Balance at end of the year	40,681	40,525

7) LOANS AND ADVANCES, NET

a) Loans and advances held at amortised cost

These comprise the following:

2013						
SAR' 000	Overdrafts	Credit cards	Consumer loans	Commercial loans	Others	Total
Performing loans and advances, gross	8,560,075	886,824	33,301,278	88,820,236	289,317	131,857,730
Non-performing loans and advances, net	174,149	-	-	1,076,212	14,161	1,264,522
Total Loans and advances	8,734,224	886,824	33,301,278	89,896,448	303,478	133,122,252
Allowance for impairment	(96,154)	-	-	(755,136)	(8,056)	(859,346)
Total	8,638,070	886,824	33,301,278	89,141,312	295,422	132,262,906
Portfolio provision	-	-	-	-	-	(1,072,349)
Loans and advances held at amortised cost, net	-	-	-	-	-	131,190,557

2012						
SAR' 000	Overdrafts	Credit Cards	Consumer loans	Commercial loans	Others	Total
Performing loans and advances, gross	8,796,369	754,682	29,857,170	78,134,827	432,164	117,975,212
Non-Performing loans and advances, gross	160,339	-	-	1,845,786	31,009	2,037,134
Total Loans and advances	8,956,708	754,682	29,857,170	79,980,613	463,173	120,012,346
Allowance for impairment	(61,165)	-	-	(1,386,621)	(21,557)	(1,469,343)
Total	8,895,543	754,682	29,857,170	78,593,992	441,616	118,543,003
Portfolio provision	-	-	-	-	-	(1,072,349)
Loans and advances held at amortised cost, net	-	-	-	-	-	117,470,654

Loans and advances, net include Islamic products of SAR 63,913 million (2012: SAR 56,818 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

7. LOANS AND ADVANCES, NET (continued)

b) Movements in allowance for impairment are as follows:

2013	Allowances for impairment					
SAR' 000	Credit cards	Consumer loans	Commercial loans*	Total	Portfolio provision	Total
Balance at beginning of the year	-	-	1,469,343	1,469,343	1,072,349	2,541,692
Provided during the year	72,395	361,326	681,549	1,115,270	-	1,115,270
Bad debts written off	(72,395)	(361,326)	(1,176,593)	(1,610,314)	-	(1,610,314)
Recoveries of previously provided amounts	-	-	(78,064)	(78,064)	-	(78,064)
Other movements	-	-	(36,889)	(36,889)	-	(36,889)
Balance at end of the year	-	-	859,346	859,346	1,072,349	1,931,695

2012	Allowances for impairment					
SAR' 000	Credit cards	Consumer loans	Commercial loans*	Total	Portfolio provision	Total
Balance at beginning of the year	-	-	926,195	926,195	1,072,349	1,998,544
Provided during the year	63,464	335,635	1,159,635	1,558,734	-	1,558,734
Bad debts written off	(63,464)	(335,635)	(465,269)	(864,368)	-	(864,368)
Recoveries of previously provided amounts	-	-	(103,297)	(103,297)	-	(103,297)
Other movements	-	-	(47,921)	(47,921)	-	(47,921)
Balance at end of the year	-	-	1,469,343	1,469,343	1,072,349	2,541,692

*Including overdrafts and other loans

c) Credit Quality of Loans and Advances

i) Neither past due nor impaired

2013				
SAR' 000	Credit Cards	Consumer loans	Commercial loans*	Total
Standard category	764,360	31,653,819	96,664,202	129,082,381
Special Mention category	-	-	965,221	965,221
Total	764,360	31,653,819	97,629,423	130,047,602

2012				
SAR' 000	Credit Cards	Consumer loans	Commercial loans*	Total
Standard category	665,929	28,308,691	86,526,245	115,500,865
Special Mention category	-	-	537,580	537,580
Total	665,929	28,308,691	87,063,825	116,038,445

Above includes past due but not impaired loans with upto 30 days ageing amounting to SAR 2,227 million as at Dec. 31,2013 (2012: SAR 4,988 million).

Standard category

A credit with very strong to satisfactory credit quality and repayment ability, where regular monitoring is carried out.

Special Mention Category

A credit that requires close monitoring by management due to deterioration in the borrowers' financial condition.

Standard Category as at Dec. 31, 2013 includes Commercial loans* of Very Strong Quality SAR 28,251 million (2012: SAR 25,249 million), Good Quality SAR 56,127 million (2012: SAR 49,720 million) and Satisfactory Quality SAR 12,286 million (2012: SAR 11,558 million).

*Including overdrafts and other loans

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

7. LOANS AND ADVANCES, NET (continued)
c) Credit Quality of Loans and Advances (continued)

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

2013				
SAR' 000	Credit Cards	Consumer loans	Commercial loans*	Total
From 31 - 90 days	53,255	1,016,639	28,228	1,098,122
From 91 - 180 days	69,209	630,821	11,193	711,223
More than 180 days	-	-	783	783
Total	122,464	1,647,460	40,204	1,810,128

2012				
SAR' 000	Credit cards	Consumer loans	Commercial loans*	Total
From 31 - 90 days	51,636	952,346	15,256	1,019,238
From 91 - 180 days	37,117	596,133	391	633,641
More than 180 days	-	-	283,888	283,888
Total	88,753	1,548,479	299,535	1,936,767

*Including overdrafts and other loans

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

SAR' 000	2013 Performing	2013 Non Performing, net	2013 Allowance for impairment	2013 Loans and advances, net	2012 Performing	2012 Non Performing, net	2012 Allowance for impairment	2012 Loans and advances, net
Government and quasi Government	120,000	-	-	120,000	148,194	-	-	148,194
Banks and other financial institutions	8,222,343	-	-	8,222,343	6,071,968	-	-	6,071,968
Agriculture and fishing	978,856	17,590	(7,017)	989,429	1,125,607	19,221	(3,442)	1,141,386
Manufacturing	20,634,406	69,749	(42,403)	20,661,752	17,130,966	57,800	(30,342)	17,158,424
Mining and quarrying	4,702,138	-	-	4,702,138	3,655,486	-	-	3,655,486
Electricity, water, gas and health services	2,547,208	-	-	2,547,208	2,372,032	-	-	2,372,032
Building and construction	11,946,878	85,096	(60,738)	11,971,236	11,088,289	438,552	(341,152)	11,185,689
Commerce	37,900,253	1,056,985	(734,400)	38,222,838	34,688,503	1,441,778	(1,042,235)	35,088,046
Transportation and communication	6,127,773	10,326	(7,421)	6,130,678	6,849,406	966	(515)	6,849,857
Services	3,939,569	11,228	(6,498)	3,944,299	3,443,155	20,645	(13,712)	3,450,088
Consumer loans and credit cards	34,188,102	-	-	34,188,102	30,611,852	-	-	30,611,852
Others	550,204	13,548	(869)	562,883	789,754	58,172	(37,945)	809,981
Total	131,857,730	1,264,522	(859,346)	132,262,906	117,975,212	2,037,134	(1,469,343)	118,543,003
Portfolio provision				(1,072,349)				(1,072,349)
Loans and advances, net				131,190,557				117,470,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

e) Collateral

The Bank in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time and demand and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. Management monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement when deemed necessary.

8) INVESTMENT IN ASSOCIATES

Investment in associates represents the Bank's share of investment in entities where the Bank has significant influence. These investment are accounted for using the equity method of accounting.

Investment in associates represents 35% (2012: 35%) share ownership in Ajil Financial Services Company incorporated in Kingdom of Saudi Arabia, 21.4% (2012: 21.4%) share in ownership in Royal and Sun Alliance Insurance (Middle East) Limited E.C., incorporated in Bahrain and 19.9% (2012: 19.9%) share ownership and Board representation in Al-Alamiya for Cooperative Insurance Company incorporated in Kingdom of Saudi Arabia.

9) PROPERTY AND EQUIPMENT, NET

SAR' 000	Land and buildings	Improvements and decoration of premises	Furniture, fixtures and equipment	Computer hardware, software programs and automation projects	Motor vehicles	Total 2013	Total 2012
Cost							
Balance at beginning of the year	1,362,180	708,381	361,418	1,991,292	2,830	4,426,101	4,217,166
Additions	717	46,606	15,193	131,904	-	194,420	216,388
Disposals	(950)	(4,317)	(3,297)	(2,173)	(1,917)	(12,654)	(7,453)
Balance at end of the year	1,361,947	750,670	373,314	2,121,023	913	4,607,867	4,426,101
Accumulated depreciation and amortisation							
Balance at beginning of the year	444,651	581,733	294,864	1,364,121	2,830	2,688,199	2,410,333
Charge for the year	21,335	53,321	25,108	168,904	-	268,668	285,255
Disposals	-	(4,288)	(3,272)	(2,173)	(1,917)	(11,650)	(7,389)
Balance at end of the year	465,986	630,766	316,700	1,530,852	913	2,945,217	2,688,199
Net book value As at December 31, 2013	895,961	119,904	56,614	590,171	-	1,662,650	-
As at December 31, 2012	917,529	126,648	66,554	627,171	-	-	1,737,902

Land and buildings; and improvements and decoration of premises include work in progress as at December 31, 2013 amounting to SAR nil (2012: SAR 5.8 million); and SAR 17.6 million (2012: SAR 3.4 million), repectively.

10. OTHER ASSETS

SAR' 000	2013	2012
Accrued special commission receivable		
- banks and other financial institutions	4,886	2,477
- investments	194,533	218,305
- loans and advances	333,329	363,583
- other	469	5,168
Total accrued special commission receivable	533,217	589,533
Accounts receivable	171,334	255,184
Positive fair value of derivatives (note 11)	365,346	2,398,422
Other	1,538,414	1,145,222
Total	2,608,311	4,388,361

11. DERIVATIVES

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

a) Swaps

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

b) Forwards and futures

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

c) Options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

11. DERIVATIVES (continued)

Held for trading purposes

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

Held for hedging purposes

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

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

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

Fair value hedges

The Bank uses special commission rate swaps to hedge against the special commission rate risk arising from specifically identified fixed special commission rate exposures.

Cash flow hedges

The Bank is exposed to variability in future special commission cash flows on non-trading assets and liabilities which bear special commission rate at a variable rate. The Bank uses special commission rate swaps as cash flow hedges of these special commission rate risks.

There were no cash flow hedges as at 31 December 2013. Below is the schedule indicating as at 31 December 2012, the periods when the cash flows arising from the hedged item are expected to occur and when they are expected to affect profit or loss:

2012 SAR '000	Within 1 year	1-3 years	3-5 years
Cash inflows (assets)	546	-	-
Cash outflows (liabilities)	-	-	-
Net cash inflow	546	-	-

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

2013				Notional amounts by term to maturity			
SAR' 000	Positive fair value	Negative fair value	Notional amount total	Within 3 months	3-12 months	1-5 years	Monthly average
Held for trading:							
Special commission rate swaps	137	(133)	390,096	351,310	38,786	-	564,950
Forward foreign exchange contracts	364,096	(89,473)	66,398,305	42,371,779	24,026,526	-	69,149,500
Currency options	1,113	(1,044)	4,617,891	1,057,297	2,884,649	675,945	13,300,384
Commodity options	-	-	-	-	-	-	-
Held as fair value hedges:							
Special commission rate swaps	-	-	-	-	-	-	-
Held as cash flow hedges:							
Special commission rate swaps	-	-	-	-	-	-	33,333
Total	365,346	(90,650)	71,406,292	43,780,386	26,949,961	675,945	83,048,167

2012				Notional amounts by term to maturity			
SAR' 000	Positive fair value	Negative fair value	Notional amounts Total	Within 3 months	3-12 months	1-5 years	Monthly average
Held for trading:							
Special commission rate swaps	372	(551)	589,852	437,916	75,011	76,925	905,314
Forward foreign exchange contracts	2,191,422	(118,078)	67,515,005	57,984,049	9,377,353	153,603	88,821,049
Currency options	205,099	(204,962)	32,472,428	15,492,638	13,300,891	3,678,899	32,647,014
Commodity options	-	-	-	-	-	-	11,061
Held as fair value hedges:							
Special commission rate swaps	-	-	-	-	-	-	250,000
Held as cash flow hedges:							
Special commission rate swaps	1,529	-	100,000	-	100,000	-	472,250
Total	2,398,422	(323,591)	100,677,285	73,914,603	22,853,255	3,909,427	123,106,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

11. DERIVATIVES (continued)

There were no cash or fair value hedges as at 31 December 2013. The table below shows a summary of hedged items, the nature of the risk being hedged, the hedging instrument and its fair value as at 31 December 2012:

2012 SAR' 000 Description of hedged items	Fair value	Hedge inception value	Risk	Hedging instrument	Positive fair value	Negative fair value
Floating rate notes	100,000	100,000	Cash flow	Special commission rate swaps	1,529	-
Fixed special commission rate loans	-	-	Fair value	Special commission rate swaps	-	-

The net gains on the hedging instruments for fair value hedge is SAR nil (2012: net gain of SAR 3.87 million). The net losses on the hedged item attributable to the hedged risks is SAR nil (2012: net loss of SAR 6.81 million).

Reconciliation of movements in the other reserve of cash flow as hedges:

SAR' 000	2013	2012
Balance at beginning of the year	2,263	9,098
Losses from changes in fair value recognised directly in equity	(1,529)	(6,395)
Gains removed from equity and included in consolidated income statement	(734)	(440)
Balance at end of the year	-	2,263

12. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

SAR' 000	2013	2012
Current accounts	834,343	1,103,220
Money market deposits	6,743,637	5,059,748
Total	7,577,980	6,162,968

Money market deposits include deposits against sales of fixed rate bonds of SAR 245 million (2012: SAR nil) with agreement to repurchase the same at fixed future dates.

13. CUSTOMER DEPOSITS

SAR' 000	2013	2012
Demand	67,555,265	67,525,144
Saving	281,760	301,758
Time	75,175,644	71,035,977
Other	10,187,211	7,351,688
Total	153,199,880	146,214,567

Time deposits include deposits against sales of bonds of SAR 908 million (2012: SAR 1,500 million) with agreement to repurchase the same at fixed future dates. Other customers' deposits include SAR 2,667 million (2012: SAR 2,427 million) of margins held for irrevocable commitments.

Time deposits include non-interest based deposits of SAR 30,402 million (2012: SAR 22,706 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

13. CUSTOMER DEPOSITS (continued)

The above include foreign currency deposits as follows:

SAR' 000	2013	2012
Demand	2,436,216	3,322,914
Saving	172	228
Time	19,626,623	19,152,189
Other	432,032	374,362
Total	22,495,043	22,849,693

14. DEBT SECURITIES IN ISSUE

During November 2013, the Bank issued SAR 4,000 million Senior debt (Sukuk). These are SAR denominated and have maturity date of Nov 11, 2020 and are callable after 5 years, subject to the terms and conditions of the agreement.

15. OTHER LIABILITIES

SAR' 000	2013	2012
Accrued special commission payable		
- banks and other financial institutions	4,044	3,483
- customer deposits	298,313	241,920
- debt securities in issue	9,286	-
Total accrued special commission payable	311,643	245,403
Accounts payable	1,690,436	1,510,401
Negative fair value of derivatives (note 11)	90,650	323,591
Other*	4,505,566	3,760,398
Total	6,598,295	5,839,793

*Includes items in transit which are cleared in the normal course of business

16. SHARE CAPITAL

The authorised, issued and fully-paid share capital of the Bank consist of 1,500 million shares of SAR 10 each (2012: 1,500 million shares of SAR 10 each).

On January 29, 2014, the Board of Directors has decided to approach the relevant regulatory authorities for their approval to double the Bank's share capital from SAR 15,000 million to SAR 30,000 million, by issuing additional 1,500 million bonus shares to its shareholders (one bonus share for each existing share), so that total shares will accordingly increase from 1,500 million shares to 3,000 million shares, by transferring all of the statutory reserve at December 31, 2013, and a part of the retained earnings as of that date. This is subject to the approval of the relevant authorities and the Bank's shareholders in an Extra ordinary General Assembly.

17. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 986.8 million has been transferred from 2013 net income (2012: SAR 866.5 million). The statutory reserve is not currently available for distribution.

18. OTHER RESERVES

2013			
SAR' 000	Cash flow hedges	Available for sale	Total
Balance at beginning of the year	2,263	1,122,592	1,124,855
Net change in fair value	(1,529)	181,391	179,862
Transfer to consolidated income statement	(734)	(119,419)	(120,153)
Net movement during the year	(2,263)	61,972	59,709
Balance at end of the year	-	1,184,564	1,184,564

2012			
SAR' 000	Cash flow hedges	Available for sale	Total
Balance at beginning of the year	9,098	526,651	535,749
Net change in fair value	(6,395)	929,926	923,531
Transfer to consolidated income statement	(440)	(333,985)	(334,425)
Net movement during the year	(6,835)	595,941	589,106
Balance at end of the year	2,263	1,122,592	1,124,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2013 there were legal proceedings of routine nature outstanding against the Bank. No provision has been made as management and in-house legal adviser believes that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2013 the Bank had capital commitments of SAR 83.9 million (2012: SAR 66.4 million). This includes computer hardware, software, automation projects, construction and equipment purchases.

c) Credit related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

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

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

2013 SAR' 000	Within 3 months	3-12 month	1-5 years	Over 5 years	Total
Letters of credit	12,683,180	4,308,638	856,544	-	17,848,362
Letters of guarantee	10,833,290	22,527,789	27,948,631	3,838,905	65,148,615
Acceptances	2,338,655	121,786	5,144	-	2,465,585
Irrevocable commitments to extend credit	388,876	1,014,033	6,021,710	6,866,099	14,290,718
Total	26,244,001	27,972,246	34,832,029	10,705,004	99,753,280

2012 SAR' 000	Within 3 months	3-12 month	1-5 years	Over 5 years	Total
Letters of credit	8,816,039	4,218,435	466,398	-	13,500,872
Letters of guarantee	12,283,364	25,431,476	17,287,737	375,582	55,378,159
Acceptances	2,491,548	146,971	4,898	-	2,643,417
Irrevocable commitments to extend credit	1,103,229	639,794	4,155,290	2,665,152	8,563,465
Total	24,694,180	30,436,676	21,914,323	3,040,734	80,085,913

The outstanding unused portion of non-firm commitments as at December 31, 2013 which can be revoked unilaterally at any time by the Bank, amounts to SAR 87,427 million (2012: SAR 72,449 million).

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

SAR' 000	2013	2012
Government and quasi government	3,262,575	1,125,000
Corporate	72,797,390	59,518,177
Banks and other financial institutions	23,693,315	19,442,736
Total	99,753,280	80,085,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

19. COMMITMENTS AND CONTINGENCIES (continued)

d) Assets pledged

Assets pledged as collateral with other financial institutions and customers are as follows:

	2013		2012	
SAR' 000	Assets	Related liabilities	Assets	Related liabilities
Other investment held at amortised cost and available for sale (note: 6, 12, and 13)	1,148,026	1,152,403	1,648,185	1,500,000

These transactions are conducted under the terms that are usual and customary to standard lending and securities borrowing and lending activities.

e) Operating lease commitments

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

SAR' 000	2013	2012
Less than 1 year	9,497	12,886
1 to 5 years	28,894	30,321
Over 5 years	9,036	14,155
Total	47,427	57,362

20. SPECIAL COMMISSION INCOME AND EXPENSE

SAR' 000		2013	2012
Special commission income			
Investments	- Available for sale	405,479	408,191
	- Other investments held at amortised cost	305,023	238,754
	- Held to maturity	15,314	96,821
		725,816	743,766
Due to banks and other financial institutions		31,549	43,585
Loans and advances		4,760,071	4,375,950
Total		5,517,436	5,163,301

SAR' 000	2013	2012
Special commission expense		
Due to banks and other financial institutions	29,108	46,090
Customer deposits	782,042	735,740
Debt securities in issue	9,286	-
Total	820,436	781,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

21. FEE AND COMMISSION INCOME, NET

SAR' 000	2013	2012
Fee and commission income:		
- share brokerage and fund management	348,985	365,262
- trade finance and corporate finance and advisory	1,322,698	1,253,310
- other banking services	576,578	568,821
Total fee and commission income, net	2,248,261	2,187,393
Fee and commission expense:		
- banking cards and share brokerage	329,601	325,557
- other banking services	97,539	84,351
Total fee and commission expense	427,140	409,908
Fee and commission income, net	1,821,121	1,777,485

22. STAFF COMPENSATION

The following table summarizes the Bank's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the year ended Dec 31, 2013 and 2012, and the forms of such payments.

Categories	Numbers of employee		Fixed compensation		Variable compensation		Total compensation	
SAR' 000	2013	2012	2013	2012	2013	2012	2013	2012
Senior executives requiring SAMA no objections	25	29	27,753	30,708	8,095	8,468	35,848	39,176
Employees engaged in risk taking activities	426	290	99,556	75,755	21,217	18,864	120,773	94,619
Employees engaged in control functions	431	375	81,815	74,015	8,358	7,211	90,173	81,226
Outsourced employees	284	165	18,487	8,458	-	-	18,487	8,458
Others	4,511	4,475	575,211	546,237	78,280	75,458	653,491	621,695
Total	5,677	5,334	802,822	735,173	115,950	110,001	918,772	845,174
Variable Compensation accrued in 2013 (2012) and other employee related benefits*			508,638	450,331				
Total Salaries and employee-related expenses as per consolidated statement of income.			1,311,460	1,185,504				

*Other employee benefits include; Insurance, GOSI, Relocation Expenses, Recruitment Expenses, Training and Development and Other Employee benefits.

Compensation policy is based on the job profile requirements, market practices, nature and level of involvement in risk taking process. It applies to the Bank's senior management and all employees and aims to link individual performance to the Bank's overall achievements and soundness. Compensation includes fixed and variable components. Salary revision, performance bonus and other performance linked incentives are decided based on the performance evaluation process outcome as well as the Bank's financial performance and strategic goals.

The Board of Directors has the responsibility to approve and oversee the Bank's compensation policy. The Nomination and Compensation Committee, made up of five non-executive Directors, is in charge of overseeing the compensation system design and effectiveness on behalf of the Board of Directors as well as preparing the Bank's compensation policy and undertaking its periodic assessment and update to ensure achievement of the system objectives and reinforce the Bank's risk management framework. Fixed compensation comprises of salaries and wages and other benefits and allowances. The variable compensation includes sales incentives, product related rewards and performance related payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

23. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2013 and 2012 is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding at end of the year.

24. PROPOSED GROSS DIVIDEND AND ZAKAT

The net cash dividend after deduction of zakat reached SAR 2,175 million (2012: SAR 1,950 million), resulting in a net dividend to the shareholders of SAR 1.45 per share (2012: SAR 1.30 per share). The gross dividends for 2013 include interim net dividends of SAR 975 million paid for the first half of 2013 (2012: SAR 975 million). Final dividends, net of zakat of SAR 1,200 million have been proposed for 2013 (2012: SAR 975 million).

Zakat for the year amounted to approximately SAR 200 million (2012: SAR 150 million).

The Bank has filed its Zakat returns for the years up to and including the financial year 2012 with the Department of Zakat and Income Tax (the "DZIT"). The Bank has received zakat assessments for 2008 and 2009 raising an additional zakat liability and notices, requesting revision in the zakat returns for 2010, 2011 and 2012.

The basis for this additional liability is being contested by all the Banks in Saudi Arabia and the Bank has formally contested these assessments and is awaiting a response from DZIT.

The management believes that the ultimate outcome of the appeals filed and actions taken by the Bank in conjunction with other banks in the Kingdom of Saudi Arabia cannot be determined reliably at this stage.

25. CASH AND CASH EQUIVALENTS

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

SAR' 000	2013	2012
Cash and balances with SAMA excluding statutory deposit (note 4)	13,354,750	19,373,695
Due from banks and other financial institutions maturing within three months from the date of acquisition	2,654,222	2,634,994
Total	16,008,972	22,008,689

26. OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The operating segments are managed separately based on the Group's management and internal reporting structure. The Group's primary business is conducted in Saudi Arabia with one international branch, a representative office and an agency. However, the total assets, liabilities, commitments and results of operations of this branch, representative office and agency are not material to the Group's overall consolidated financial statements and as a result have not been separately disclosed. There are no other material items of income or expense between the operating segments.

The Group's reportable segments under IFRS 8 are as follows:

Retail

Deposit, credit and investment products for individuals and small to medium sized businesses.

Investment banking and brokerage

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

Corporate

Principally handling corporate customers' current accounts, deposits and providing loans, overdrafts and other credit facilities and derivative products.

Treasury and investments

Principally providing money market trading and treasury services as well as the management of the Bank's investment portfolios.

Other

Includes income on capital and unallocated costs pertaining to head office, finance division, human resources, technology services and other support departments and unallocated assets and liabilities.

a) The Group's total assets and liabilities as at December 31, its total operating income and expense and its net income, for the years then ended by operating segments, are as follows:

2013 SAR' 000	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	34,852,809	81,574	97,331,299	68,952,862	4,027,935	205,246,479
Total liabilities	57,272,414	69,679	96,246,225	14,937,593	2,850,244	171,376,155
Total operating income	2,373,354	352,791	3,212,105	1,041,683	94,089	7,074,022
Net special commission income	1,943,359	30,471	2,099,957	636,569	(13,356)	4,697,000
Fee and commission income, net	423,402	323,708	1,081,070	(7,059)	-	1,821,121
Total operating expenses	1,204,279	132,334	643,629	17,147	1,186,312	3,183,701
Depreciation and amortization	96,123	-	1,144	2,013	169,388	268,668
Impairment charge for credit losses, net	253,882	-	373,536	-	-	627,418
Impairment charge for investments	-	-	-	(22,000)	-	(22,000)
Share in earnings of associates, net	-	-	-	-	56,784	56,784
Net income (loss)	1,169,075	220,457	2,568,476	1,024,536	(1,035,439)	3,947,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

26. OPERATING SEGMENTS (continued)

2012 SAR' 000	Retail	Investment banking and brokerage	Corporate	Treasury and investment	Other	Total
Total assets	31,972,505	53,258	86,682,792	67,700,767	3,771,516	190,180,838
Total liabilities	54,103,848	59,825	92,084,229	9,493,629	2,475,797	158,217,328
Total operating income	2,006,642	353,523	2,943,737	1,150,529	331,834	6,786,265
Net special commission income	1,550,782	12,974	1,927,285	672,264	218,166	4,381,471
Fee and commission income, net	451,091	342,011	998,322	(13,939)	-	1,777,485
Total operating expenses	1,093,755	124,055	1,203,288	(95,242)	1,073,778	3,399,634
Depreciation and amortization	128,581	-	3,712	1,595	151,367	285,255
Impairment charge for credit losses, net	218,429	-	961,230	-	-	1,179,659
Impairment charge for investments, net	-	-	-	(130,000)	-	(130,000)
Share in earnings of associates, net	-	-	-	-	79,418	79,418
Net income (loss)	912,887	229,468	1,740,449	1,245,771	(662,526)	3,466,049

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

2013 SAR' 000	Retail	Corporate	Treasury and investment	Total
Consolidated statement of financial position assets	34,504,054	98,293,094	47,442,505	180,239,653
Commitments and contingencies	-	45,754,924	-	45,754,924
Derivatives	-	-	1,383,424	1,383,424

2012 SAR' 000	Retail	Corporate	Treasury and investment	Total
consolidated statement of financial postilion assets	31,369,754	87,658,719	38,959,371	157,987,844
Commitments and contingencies	-	37,314,404	-	37,314,404
Derivatives	-	-	2,643,694	2,643,694

Credit exposure comprises the carrying value of consolidated statement of financial position assets excluding, cash, property and equipment, other real estate and other assets. The credit equivalent value of commitments, contingencies and derivatives are included in credit exposure.

27. CREDIT RISK

Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Bank uses internal credit rating tools to assess credit standing of its counterparties and assigns credit ratings accordingly. Also the Bank uses the external ratings, of the major rating agency, where applicable. A potential credit loss might arise due to lack of proper credit analysis of the borrower's credit worthiness, inability to service the debt, lack of appropriate documentation etc.

The Bank attempts to control credit risk by credit review process, post-disbursal monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank'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 Bank 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. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Bank's credit risk for derivatives, represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Concentration Risk refers to the risk from an uneven distribution of counterparties in credit or in other business relationship or from concentration in business sectors or geographical regions. Accordingly, Concentration risk in the credit portfolios comes into existence through a skewed distribution of financing to:

- (a) individual borrower (name concentration)
- (b) industry / service sector (sector concentration) and
- (c) geographical regions (regional concentration).

Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting any particular category of concentration.

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

Management monitors the market value of collateral recurrently, 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 losses. The Bank regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counterparty is provided in note 6. For details of the composition of loans and advances refer to note 7. Information on credit risk relating to derivative instruments is provided in note 11 and for commitments and contingencies in note 19. The information on Banks maximum credit exposure by business segment is given in note 26. The information on maximum credit risk exposure and their relative risk weights is also provided in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

28. CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE AND FINANCIAL LIABILITIES

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

2013 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	20,928,538	-	10	-	-	1	-	20,928,549
Due from banks and other financial institutions	1,485,000	908,367	1,669,270	320,946	-	43,651	11,422	4,438,656
Investments, net and investment in associates	25,583,184	2,270,632	4,176,071	10,715,789	-	684,126	550,586	43,980,388
Loans and advances, net	127,822,923	2,242,893	219,449	710,954	-	187,513	6,825	131,190,557
Total	175,819,645	5,421,892	6,064,800	11,747,689	-	915,291	568,833	200,538,150
Liabilities								
Due from banks and other financial institutions	67,188	4,063,880	3,188,046	43,199	-	89,801	125,866	7,577,980
Customer deposits	148,281,637	2,548,589	1,289,923	843,806	-	-	235,925	153,199,880
Debt securities in issue	4,000,000	-	-	-	-	-	-	4,000,000
Total	152,348,825	6,612,469	4,477,969	887,005	-	89,801	361,791	164,777,860
Commitments and contingencies	78,294,603	1,241,538	8,151,921	11,145,165	686,296	520	233,237	99,753,280
Maximum credit exposure (stated at credit equivalent amounts according to the SAMA's prescribed methodology)								
Derivatives	312,078	442,967	601,613	25,615	-	-	1,151	1,383,424
Commitments and contingencies	35,817,850	311,919	3,798,435	5,572,583	137,259	260	116,618	45,754,924

2012 SAR' 000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	North America	Latin America	South East Asia	Other countries	Total
Assets								
Cash and balances with SAMA	26,270,517	-	5	-	-	1	-	26,270,523
Due from banks and other financial institutions	329,731	791,230	1,774,851	108,328	-	167,303	19,546	3,190,989
Investments, net and investment in associates	15,317,677	1,827,899	7,070,512	11,610,847	3,617	71,892	761,580	36,664,024
Loans and advances, net	113,328,467	3,514,237	392,145	235,805	-	-	-	117,470,654
Total	155,246,392	6,133,366	9,237,513	11,954,980	3,617	239,196	781,126	183,596,190
Liabilities								
Due from banks and other financial institutions	1,195,417	2,840,103	843,314	915,131	-	-	369,003	6,162,968
Customer deposits	139,429,421	3,004,965	2,460,244	1,312,692	-	-	7,245	146,214,567
Debt securities in issue	-	-	-	-	-	-	-	-
Total	140,624,838	5,845,068	3,303,558	2,227,823	-	-	376,248	152,377,535
Commitments and contingencies	66,515,363	799,702	5,975,154	6,448,137	-	530	347,027	80,085,913
Maximum credit exposure (stated at credit equivalent amounts according to SAMA's prescribed methodology)								
Derivatives	861,892	401,615	1,288,897	86,425	-	-	4,865	2,643,694
Commitments and contingencies	31,085,752	246,749	2,688,292	3,224,069	-	106	69,436	37,314,404

b) The distributions by geographical concentration of non-performing loans and advances and specific allowance for credit losses, which is entirely attributable to Saudi Arabia is as follows:

	Non-performing loans and advances, net		Allowance for credit losses	
SAR' 000	2013	2012	2013	2012
Kingdom of Saudi Arabia	1,264,522	2,037,134	(859,346)	(1,469,343)
Total	1,264,522	2,037,134	(859,346)	(1,469,343)

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For the years ended December 31, 2013 and 2012 (continued)

29. MARKET RISK

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates, commodity and equity prices. The Bank classifies exposures to market risk into either trading or non-trading/ banking-book. The market risk for the trading book is managed and monitored using a VaR methodology. Market risk for the non-trading book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

a) Market Risk - Trading Book

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

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Bank uses variance-covariance approach for calculating VaR for trading book based on historical data (of 1 year). VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The Bank calculates VaR on the basis of the following:

1. 10 days holding period at 99% confidence interval for regulatory capital computation (under IMA approach of Basel II Accord that the Bank plans to adopt in the future)

2. 1 day holding period at 99% confidence interval for internal reporting and for disclosure purposes.

This means that the VaR that the Bank measures is an estimate (using a confidence level of 99% of the potential loss) that is not expected to be exceeded if the current market positions were to be held unchanged for 1 or 10 days. The use of 99% confidence level depicts that within a 1-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

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

To overcome the VaR limitations mentioned above, the Bank also carries out stress tests of both non-trading and trading portfolios to simulate conditions outside normal confidence intervals using six stress scenarios for the entire Bank. The potential losses occurring under stress test conditions are reported regularly to the Bank's Asset Liability Committee (ALCO) for their review.

During the current year, the Bank made further improvements on its VaR model in line with international best practices. However the 31 December 2012 VaR is not restated and is based on the old methodology and hence is not comparable with the current year VaR.

The Bank’s VaR related information for the year ended December 31, 2013 and 2012 using a 1 day holding period at 99% confidence interval is as under. All the figures are in million SAR:

2013 SAR million	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2013	11.71	1.91	-	12.03
Average VaR for 2013	3.77	2.26	-	4.84
Maximum VaR for 2013	19.45	6.32	-	19.61
Minimum VaR for 2013	0.08	0.77	-	1.80

2012 SAR million	Foreign exchange rates risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at December 31, 2012	0.10	5.65	-	5.60
Average VaR for 2012	1.03	2.88	-	3.07
Maximum VaR for 2012	3.22	7.11	-	7.14
Minimum VaR for 2012	0.03	0.74	-	0.76

b) Market Risk - Non-trading or Banking Book

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Bank has established Net special commission Income at Risk and Market Value at Risk (MVaR) limits that are monitored by ALCO. There are gap limits to accommodate Forward FX and Money Market for all currencies. The Bank monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits. The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Bank's consolidated income statement or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, on the non-trading financial assets and financial liabilities held as at December 31, 2013 & 2012, including the effect of hedging instruments.

The sensitivity of equity is calculated by revaluing the fixed rate Available For Sale financial assets, including the effect of any associated hedges as at December 31, 2013 & 2012 for the effect of assumed changes in special commission rates. The sensitivity of equity is analyzed by maturity of the asset or swap. All the banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in SAR million.

2013			Sensitivity of equity				
Currency	Increase in basis	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+100	175.8	-	-	-	-	-
USD	+100	(21.4)	1.04	1.74	54.83	264.98	322.58
EUR	+100	9.0	0.72	0.42	15.51	17.58	34.22
GBP	+100	(13.3)	0.07	0.07	1.64	0.69	2.48
JPY	+100	4.7	-	0.07	0.58	0.01	0.67
Others	+100	0.9	-	0.10	0.74	0.28	1.12

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For the years ended December 31, 2013 and 2012 (continued)

29. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2013			Sensitivity of equity				
Currency	Decrease in basis	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	-100	(174.7)	-	-	-	-	-
USD	-100	7.6	(1.04)	(1.74)	(54.83)	(264.98)	(322.58)
EUR	-100	(10.3)	(0.72)	(0.42)	(15.51)	(17.58)	(34.22)
GBP	-100	11.8	(0.07)	(0.07)	(1.64)	(0.69)	(2.48)
JPY	-100	(4.7)	-	(0.07)	(0.58)	(0.01)	(0.67)
Others	-100	(0.7)	-	(0.10)	(0.74)	(0.28)	(1.12)

2012			Sensitivity of equity				
Currency	Increase in basis	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	+100	159.77	-	-	-	-	-
USD	+100	(56.46)	1.73	2.90	35.01	204.19	243.83
EUR	+100	30.42	0.23	0.21	10.27	3.55	14.26
GBP	+100	(1.45)	0.10	-	1.15	0.42	1.67
JPY	+100	8.94	0.05	0.05	0.43	-	0.53
Others	+100	13.39	0.11	-	1.10	-	1.21

2012			Sensitivity of equity				
Currency	Decrease in basis	Sensitivity of special commission income	6 months or less	1 year or less	1-5 years	Over 5 years	Total
SAR	-100	(119.02)	-	-	-	-	-
USD	-100	5.13	(1.73)	(2.90)	(35.01)	(204.19)	(243.83)
EUR	-100	(2.02)	(0.23)	(0.21)	(10.27)	(3.55)	(14.26)
GBP	-100	(0.21)	(0.10)	-	(1.15)	(0.42)	(1.67)
JPY	-100	(5.40)	(0.05)	(0.05)	(0.43)	-	(0.53)
Others	-100	12.24	(0.11)	-	(1.10)	-	(1.21)

Special Commission sensitivity of assets, liabilities and off statement of financial position items

The Bank manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Bank is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off statement of financial position instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Bank's exposure to special commission rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or the maturity dates.

2013 SAR' 000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special commission bearing	Total
Assets						
Cash and balances with SAMA	9,868,000	-	-	-	11,060,549	20,928,549
Due from banks and other financial institutions	3,410,488	980,202	-	-	47,966	4,438,656
Investments, net and investment in associates	8,687,057	16,344,546	7,696,183	7,061,799	4,190,803	43,980,388
Loans and advances, net	45,960,046	33,113,001	40,956,256	11,161,254	-	131,190,557
Other real estate	-	-	-	-	437,368	437,368
Property and equipment, net	-	-	-	-	1,662,650	1,662,650
Other assets	-	-	-	-	2,608,311	2,608,311
Total assets	67,925,591	50,437,749	48,652,439	18,223,053	20,007,647	205,246,479
Liabilities and shareholders' equity						
Due to banks and other financial institutions	5,993,587	750,050	-	-	834,343	7,577,980
Customer deposits	40,666,458	35,798,458	-	-	76,734,964	153,199,880
Debt securities in issue	4,000,000	-	-	-	-	4,000,000
Other liabilities	-	-	-	-	6,598,295	6,598,295
Shareholders' equity	-	-	-	-	33,870,324	33,870,324
Total liabilities and shareholders' equity	50,660,045	36,548,508	-	-	118,037,926	205,246,479
Special commission rate sensitivity -On statement of financial postion gap	17,265,546	13,889,241	48,652,439	18,223,053	(98,030,279)	
Special commission rate sensitivity -Off statement of financial position gap	-	-	-	-	-	
Total special commission rate sensitivity gap	17,265,546	13,889,241	48,652,439	18,223,053	(98,030,279)	
Cumulative special commission rate sensitivity gap	17,265,546	31,154,787	79,807,226	98,030,279	-	

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For the years ended December 31, 2013 and 2012 (continued)

29. MARKET RISK (continued)

b) Market Risk - Non-trading or Banking Book (continued)

i) Special commission rate risk (continued)

2012 SAR' 000	Within 3 months	3-12 months	1-5 years	Over 5 years	Non special Commission bearing	Total
Assets						
Cash and balances with SAMA	16,526,000	-	-	-	9,744,523	26,270,523
Due from banks and other financial institutions	3,158,236	-	-	-	32,753	3,190,989
Investments, net and investment in associates	11,113,456	7,736,818	7,168,381	6,768,106	3,877,263	36,664,024
Loans and advances, net	44,511,572	27,174,881	37,818,346	7,965,855	-	117,470,654
Other real estate	-	-	-	-	458,385	458,385
Property and equipment, net	-	-	-	-	1,737,902	1,737,902
Other assets	-	-	-	-	4,388,361	4,388,361
Total assets	75,309,264	34,911,699	44,986,727	14,733,961	20,239,187	190,180,838
Liabilities and shareholders' equity						
Due to banks and other financial institutions	4,868,461	191,286	-	-	1,103,221	6,162,968
Customer deposits	50,037,937	23,677,764	-	-	72,498,866	146,214,567
Debt securities in issue	-	-	-	-	-	-
Other liabilities	-	-	-	-	5,839,793	5,839,793
Shareholders' equity	-	-	-	-	31,963,510	31,963,510
Total liabilities and Shareholders' equity	54,906,398	23,869,050	-	-	111,405,390	190,180,838
Special commission rate sensitivity -On statement of financial position gap	20,402,866	11,042,649	44,986,727	14,733,961	(91,166,203)	
Special commission rate sensitivity -Off statement of financial position gap	(100,000)	100,000	-	-	-	
Total special commission rate sensitivity gap	20,302,866	11,142,649	44,986,727	14,733,961	(91,166,203)	
Cumulative special commission rate sensitivity gap	20,302,866	31,445,515	76,432,242	91,166,203	-	

The off statement of financial position gap represents the net notional amounts of derivative financial instruments, which are used to manage the commission rate risk.

ii) Currency risk

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

The table below shows the currencies to which the Bank has a significant exposure as at December 31, 2013 & 2012 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated income statement (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated income statement or equity; whereas a negative effect shows a potential net reduction in consolidated income statement or equity.

Currency Exposures As at December 31, 2013 (SAR million)	Change in currency rate in %	Effect on net income
USD	+1	6.70
EUR	+1	1.24
GBP	+1	(0.12)
JPY	+1	0.25
Others	+1	0.03

Currency Exposures As at December 31, 2012 (SAR million)	Change in currency rate in %	Effect on net income
USD	+1	8.40
EUR	+1	0.79
GBP	+1	0.03
JPY	+1	0.06
Others	+1	0.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

29. MARKET RISK (continued)
b) Market Risk - Non-trading or Banking Book (continued)

iii) Foreign currency risk

The Bank manages exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

SAR' 000	2013 Long (short)	2012 Long (short)
US Dollar	(298,824)	(118,437)
Japanese Yen	34,414	(409,185)
Euro	6,372	(140,891)
Pound	45,918	(407,626)
Other	4,089	(44,995)

iv) Banking Book - Equity Price risk

Equity risk refers to the risk of decrease in fair values of equities in the Bank's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks.

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

Market Indices	December 31, 2013		December 31, 2012	
	Change in equity index %	Effect in SAR millions	Change in equity index %	Effect in SAR millions
Tadawul	+5	45.46	+5	48.91
	+10	90.93	+10	97.82
	-5	(45.46)	-5	(48.91)
	-10	(90.93)	-10	(97.82)

30. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate 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 ALCO. Daily reports cover the liquidity position of the Bank. 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% (2012: 7%) of total demand deposits and 4% (2012: 4%) of saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20% of its deposit liabilities, in the form of cash, gold, Saudi Government Development Bonds or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA upto 75% of the nominal value of bonds held by the Bank.

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date and do not take into account the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not affect the expected cash flows indicated by the Bank's deposit retention history.

The undiscounted maturity profile of the liabilities is as follows:

2013 SAR'000 Financial liabilities	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks and other financial institutions	6,834,539	750,071	-	-	7,584,610
Customer deposits	117,851,551	34,839,670	1,037,305	45,195	153,773,721
Debt securities in issue	26,712	52,279	278,819	4,136,892	4,494,702
Derivative financial instruments (gross contractual amounts payable)	93	252	-	-	345
Total undiscounted financial liabilities	124,712,895	35,642,272	1,316,124	4,182,087	165,853,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

30. LIQUIDITY RISK (continued)

2012 SAR'000 Financial liabilities	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks and other financial institutions	5,976,870	191,495	-	-	6,168,365
Customer deposits	122,928,739	22,924,091	834,740	9,385	146,696,955
Debt securities in issue	-	-	-	-	-
Derivative financial instruments (gross contractual amounts payable)	601	718	709	-	2,028
Total undiscounted financial liabilities	128,906,210	23,116,304	835,449	9,385	152,867,348

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

The maturity profile of the Bank's assets and liabilities is as follows:

2013 SAR' 000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	13,354,750	-	-	-	7,573,799	20,928,549
Due from banks and other financial institutions	3,458,454	980,202	-	-	-	4,438,656
Investments, net and investment in associates	4,398,046	16,386,775	9,664,870	9,339,894	4,190,803	43,980,388
Loans and advances, net	38,297,055	22,469,073	46,183,172	24,241,257	-	131,190,557
Other real estate	-	-	-	-	437,368	437,368
Property and equipment, net	-	-	-	-	1,662,650	1,662,650
Other assets	980,783	-	-	-	1,627,528	2,608,311
Total assets	60,489,088	39,836,050	55,848,042	33,581,151	15,492,148	205,246,479
Liabilities and shareholders' equity						
Due to banks and other financial institutions	6,827,930	750,050	-	-	-	7,577,980
Customer deposits	117,401,422	34,719,189	1,034,074	45,195	-	153,199,880
Debt securities in issue	-	-	-	4,000,000	-	4,000,000
Other liabilities	402,292	-	-	-	6,196,003	6,598,295
Shareholders' equity	-	-	-	-	33,870,324	33,870,324
Total liabilities and shareholders' equity	124,631,644	35,469,239	1,034,074	4,045,195	40,066,327	205,246,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

30. LIQUIDITY RISK (continued)

The maturity profile of the Bank's assets and liabilities is as follows (continued):

2012 SAR' 000	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	19,373,695	-	-	-	6,896,828	26,270,523
Due from banks and other financial institutions	3,190,989	-	-	-	-	3,190,989
Investments, net and investment in associates	7,675,413	8,367,154	9,130,300	7,613,894	3,877,263	36,664,024
Loan and advances, net	34,667,126	22,178,953	43,534,471	17,090,104	-	117,470,654
Other real estate	-	-	-	-	458,385	458,385
Property and equipment, net	-	-	-	-	1,737,902	1,737,902
Other assets	3,074,616	-	-	-	1,313,745	4,388,361
Total assets	67,981,839	30,546,107	52,664,771	24,703,998	14,284,123	190,180,838
Liabilities and shareholders' equity						
Due to banks and other financial institutions	5,971,682	191,286	-	-	-	6,162,968
Customer deposits	122,536,803	22,838,798	829,581	9,385	-	146,214,567
Debt securities in issue	-	-	-	-	-	-
Other liabilities	568,992	-	-	-	5,270,801	5,839,793
Shareholders' equity	-	-	-	-	31,963,510	31,963,510
Total liabilities and shareholders' equity	129,077,477	23,030,084	829,581	9,385	37,234,311	190,180,838

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with SAMA, items in the course of collection; loans and advances to banks; and loans and advances to customers. The cumulative maturities of commitments and contingencies is given in note 19 c) (i) of the financial statements.

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1:

Quoted market price: financial instruments with quoted prices for identical instruments in active markets.

Level 2:

Valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3:

Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable. Valuations are based on Net Asset Value (NAV) per unit/share as per the statement provided by custodian for managed funds or the latest available audited financial statements for entities other than managed funds.

Fair value and fair value hierarchy:

2013 SAR' 000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	365,346	-	365,346
Financial investments available for sale	15,167,350	88,373	1,506,670	16,762,393
Financial Liabilities				
Derivative financial instruments	-	90,650	-	90,650

2012 SAR' 000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	2,398,422	-	2,398,422
Financial investments available for sale	14,316,185	612,445	1,686,880	16,615,510
Financial Liabilities				
Derivative financial instruments	-	323,591	-	323,591

There were no transfers between the fair value hierarchy levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Although the Bank believes that its estimates of fair value of Level 3 securities are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. Level 3 consists of local and international unquoted equity securities. Bank uses net assets valuation method based on most recent available audited financial statements to fair value these investments. Other methodology that could be used to value the securities is discounted cash flow model based on expected dividend yield for which no data is available. Therefore potential impact of using reasonably possible alternative assumptions for the valuation techniques is not quantified.

SAR' 000	2013	2012
Reconciliation of movement in Level 3		
Opening balance	1,686,880	1,748,581
Total gains or losses		
- recognised in consolidated income statement	502	419
- recognised in other comprehensive income	114,926	102,623
Redemption	(325,638)	(164,743)
Closing balance	1,506,670	1,686,880

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 values of on-statement of financial position financial instruments, except for other investments held at amortised costs and held-to-maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements. The fair values of loans and advances, special commission bearing customers' deposits, due from and due to banks which are carried at amortised cost, are not significantly different from the carrying values included in the financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

The estimated fair values of held-to-maturity investments and other investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds (respectively). The fair values of these investments are disclosed in note 6. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique.

32. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank transacts business with related parties. Related party transactions are governed by the limits set by the Banking Control Laws and regulations issued by SAMA. The balances at December 31, resulting from such transactions are as follows:

a) Directors, key management personnel, other major shareholders' and their affiliates:

SAR' 000	2013	2012
Loans and advances	4,551,323	4,844,862
Customer deposits	25,815,318	24,618,097
Derivatives assets (at fair value)	-	1,146,248
Commitments and contingencies (irrevocable)	3,543,766	4,013,285
Executive end of service	35,585	43,379

Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. Other major shareholders represent shareholdings of 5% or more of the bank's issued share capital.

b) Bank's mutual funds:

Customer deposits	1,072,035	1,267,548

Income and expenses pertaining to transactions with related parties included in the financial statements are as follows:

SAR' 000	2013	2012
Special commission income	155,976	137,727
Special commission expense	286,582	261,670
Fees from banking services, net	261,482	186,903
Directors and committees remuneration and expenses	4,686	4,660
Executive remuneration and bonus	28,846	32,832
Executive end of service	2,772	7,727
Other expenses	5,198	5,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012 (continued)

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.

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers Group's business plans along with economic conditions which directly and indirectly affects business environment.

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, calculated under the Basel III framework, are as follows:

For the purposes of presentation, the RWAs, total capital and related ratios as at December 31, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 are calculated under Basel II and have not been restated.

SAR' 000	2013		2012	
	Capital	Ratio %	Capital	Ratio %
Top consolidated level				
Tier 1 capital	33,870,324	16.6%	28,288,975	15.3%
Total regulatory capital (Tier 1 + Tier 2)	34,942,673	17.1%	32,618,887	17.7%

SAR' 000	2013	2012
Risk weighted assets		
Credit risk weighted assets	192,606,853	172,477,213
Operational risk weighted assets	11,609,750	11,131,963
Market risk weighted assets	308,800	1,144,763
Total Pillar 1 Risk Weighted Assets	204,525,403	184,753,939

34. STAFF INVESTMENT SAVINGS PLANS

The Group operates a Staff Savings Investment Plan. Under the terms of the Staff Savings Investment Plan, participating employees of the Bank make monthly contributions by way of a deduction from their salary subject to a maximum of 15% of their basic salaries. The Bank also contributes on a monthly basis a pre-determined percentage (subject to a maximum of 6%) of the basic salary of an employee based on the varying service periods. The proceeds are invested in the Bank's existing range of mutual funds for the benefit of the employees. The cost of the above plan is charged to the Bank's consolidated income statement over the term of the plan.

35. INVESTMENT MANAGEMENT SERVICES

The Group offers investment management services to its customers, which include management of certain investment funds with assets totaling of SAR 28.8 billion (2012: SAR 21.6 billion).

The Group's assets under management include non-interest based funds amounting to SAR 6.4 billion (2012: SAR 5.2 billion).

36. ISSUED IFRS BUT NOT YET EFFECTIVE

The Group has chosen not to early adopt the following new standards which have been issued but not yet effective for the Bank's accounting years beginning after 1 January 2014 and is currently assessing their impact.

i) IFRS 10 amendment that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.

ii) IAS 32 amendment applicable from 1 January 2014 clarify that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if an only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

iii) IAS 36 amendment applicable from 1 January 2014 address the disclosure of information about the recoverable amount of impaired assets limiting disclosures requirements if that amount is based on fair value less costs of disposal.

iv) IFRS 9 Financial instruments (2013): This incorporates revised requirements for the classification and measurement of financial liabilities and carries over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. IASB has tentatively decided that the mandatory effective date of IFRS 9 would be no earlier than annual periods beginning on or after 1 January 2017.

37. COMPARATIVE FIGURES

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

38. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved by the Board of Directors on 3 Rabi II 1435H (corresponding to 3 February 2014).

39. BASEL III PILLAR 3 DISCLOSURES

Under Basel III Pillar 3, certain quantitative and qualitative disclosures are required, and these disclosures will be made available on the Bank's website www.riyadbank.com and the annual report, respectively, as required by the Saudi Arabian Monetary Agency. Such disclosures are not subject to review or audit by the external auditors.

06

Summary of Pillar 3 Qualitative Disclosures

Summary of Pillar 3 Qualitative Disclosures

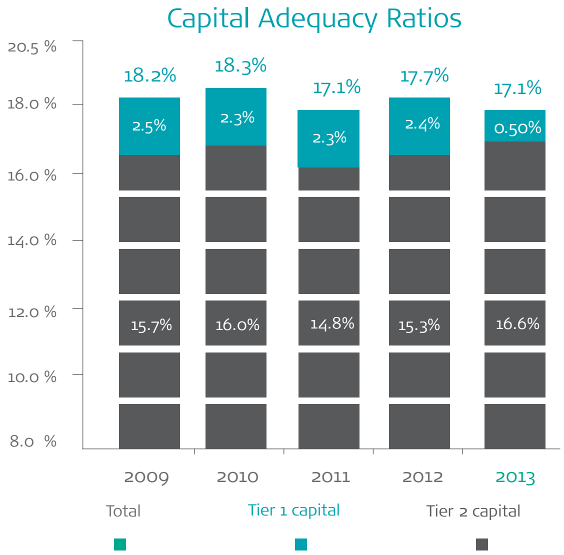
These risk and capital disclosures are consistent with the requirements of the Saudi Arabian Monetary Agency (SAMA) and the Basel III Accord capital adequacy requirements commonly referred to as Pillar 3 disclosure requirements. This is a summarized version of the full Pillar 3 disclosure document, which is available on our website at www.riyadbank.com.

In accordance with SAMA requirements, the Basel III Accord Capital Adequacy Regulations are applicable to Riyad Bank on a consolidated basis; comprising Riyad Bank and its subsidiaries Riyad Capital, Ithra Riyad Real estate Company and Riyad Company for Insurance Agency.

Riyad Bank provides SAMA with quarterly capital adequacy reports which detail its current capital adequacy position, and it submits a forward-looking Internal Capital Adequacy Assessment Plan (ICAAP) on an annual basis. Riyad Bank provides adequate capital, represented by its total equity, for core banking risks (credit, market and operational risk) in accordance with Pillar 1 of the Basel III Accord and provides additional capital for other risks under Pillar 2 including; settlement risk, IT risk and strategic risk, etc.

Under the Pillar 2 Supervisory Review Process (SRP) the Bank's capital position is the total of Pillar 1 and Pillar 2 capital requirements, plus any additional capital requirements determined by the regulator.

The graph below shows the bank's sustained capital adequacy ratios.



* For the purposes of presentation the risk weighted assets (RWA), total capital and related ratios as at December 31, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios for 2012 and earlier years are calculated under Basel II and have not been restated.

To enable the Board of Directors to discharge its risk oversight responsibilities, amongst others, the bank has established the necessary risk frameworks, policies, authorities, procedures and other control activities which constitute the Bank's control environment and determine its adequacy and effectiveness. The Board Audit Committee receives and reviews regular reports on risk and controls across the Bank.

A Board Risk Committee was formed for the Board term starting on 1/11/2013 and comprised of three Board members.

Senior Management Committees in the Bank include the Operational Risk Management & Compliance Committee and the Asset and Liability Committee. These committees oversee market, liquidity, operational and strategic business risks and compliance risk.

The Risk Management function at Riyad Bank is headed by the Chief Risk Officer (CRO) and includes oversight and management of all aspects of the Bank's risk planning, risk modeling, risk measurement and risk methodology development, and implementation of the capital adequacy rules required by SAMA and the Basel Committee. The Credit Risk management mandate is exercised through the Credit Division, covering all aspects of credit risk. The Risk Management Division covers both financial and operational risks. In addition, the Bank's Capital Management Unit, reporting to the CRO, is responsible for overseeing and coordinating the preparation of Internal Capital Adequacy Assessment Plan (ICAAP).

The compliance function, including regulatory compliance, is separately performed by the Bank's Compliance Department, reporting directly to the Bank's Chairman.

Set out below is a commentary on the major risks, and an explanation of how the Bank manages each risk type:

1. Credit Risk:

Credit risk is the potential that a bank obligor or counterparty will fail to meet its obligations in accordance with agreed terms. Based on the organizational structure of the Bank, the business units that perform work with clients are completely independent from the units responsible for controlling, measuring, and monitoring credit risk and which report independently. In addition, the Bank's Credit Strategy and Risk Appetite Statements set out a clear plan for identifying and establishing risk-tolerance parameters, along with monitoring and reporting mechanisms for credit risk in the Bank.

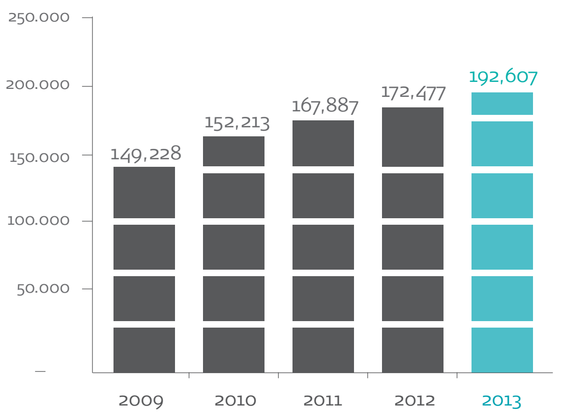
The Board of Directors has approved a Credit Risk Management (CRM) Framework document. The CRM Framework consists of the principles, structures, tools, and activities required for managing credit risk at all levels in the Bank.

The CRM Framework and credit risk governance structure are designed to provide comprehensive controls and continuing management of the credit risk inherent in the Bank's business activities.

The Board is directly involved in risk-appetite determination, policy development, credit authority delegations, approval of large credits and the continuing review of existing credit exposures, review of status and trends in credit quality, and industry and sector credit concentrations.

The graph below shows the Bank's Credit risk weighted assets:

Credit risk weighted assets SAR Millions



* For the purposes of presentation the risk weighted assets (RWA), total capital and related ratios as at December 31, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios for 2012 and earlier years are calculated under Basel II and have not been restated.

The Bank's Credit Committees are responsible for reviewing and approving credit exposures within risk limits, the criteria required for loan documentation and methods of follow-up and supervision. The Main Credit Committee is chaired by the Chief Executive Officer of the Bank. The Credit Division is responsible for managing and controlling credit risk throughout the Bank, and is independent of the business units.

The Internal Audit Department regularly submits its reports to the Board Executive Committee on loan reviews. External Auditors carry out their reviews and submit their reports to the Board Audit Committee and to the Board of Directors on the financial statement.

The Investment Committee, chaired by the Chairman of the Board, oversees the Bank's investment portfolio in accordance with Board-approved asset allocation and investment guidelines and mandates. The Investment Committee sets out the policy framework and investment asset allocation. The Portfolio Managers' performances are reviewed by the Investment Department and independent consultants.

Riyad Bank's credit exposure can be classified in two broad risk categories: Retail Credit Risk and Non-retail Credit Risk.

Retail Credit Risk is the risk of non-payment of the credit facilities offered to retail banking customers. This typically covers risks associated with personal loans, residential mortgage loans, credit cards, and other products offered to individuals. Retail Banking risk acceptance is primarily based on the application of fixed criteria using well-defined scoring methodologies. Portfolio provisions are based on the Bank's provisioning policy. In the event of non-payment for 180 days from the due date, the loan is charged off against profit & loss.

Non-retail lending includes corporate facilities/ loans and overdrafts, inter-bank loans, loans to government entities, small and medium-sized enterprise loans, trade finance, structured and project finance, leasing, syndicated loans and corporate guarantees and overdraft.

Off-shore credit risk is controlled within the country risk limits which are approved by the Board of Directors. The Bank has a specialized unit which is responsible for the credit risk management of financial institutions.

Corporate credit risk is managed by ensuring timely risk identification, quantification, calibration, monitoring, and credit exposure reporting in line with the Bank's credit risk appetite, corporate strategy, and our portfolio and sector strategy. Concentration policy and limits exist for single customer exposure, industry concentration, and segment exposure. Credit to related parties is covered by collateral as per regulatory requirements. Risk is monitored on facility, total exposure, and portfolio basis. The Bank utilizes sophisticated credit administration and limit management software systems to ensure the full lifecycle management of credit applications, limit management, and financial and non-financial collateral management.

The Bank applies a borrower rating assessment using an externally built credit-rating system, which is then mapped to an Obligor Risk Rating based on financial and business analysis criteria. An internal rating is assigned based on a range of definitions and criteria given for each rating grade, taking into account the facility, the collateral offered and other factors. Rating changes are approved by the Credit Rating Committee and/or the Credit Rating Review Committee. The Internal Audit department monitors the ratings and their amendments.

The Bank uses Standard & Poor's, Fitch, Moody's, and Capital Intelligence as External Credit Assessment Institutions for ratings of Sovereigns, Central Banks, Banks, Securities Firms and Corporate exposures.

Collateral is never the principal rationale for lending decisions but is viewed as an alternative source of repayment in the event that a business fails or enters into bankruptcy. Policy guidelines control collateral acceptance, valuation, enforceability, marketability and liquidity.

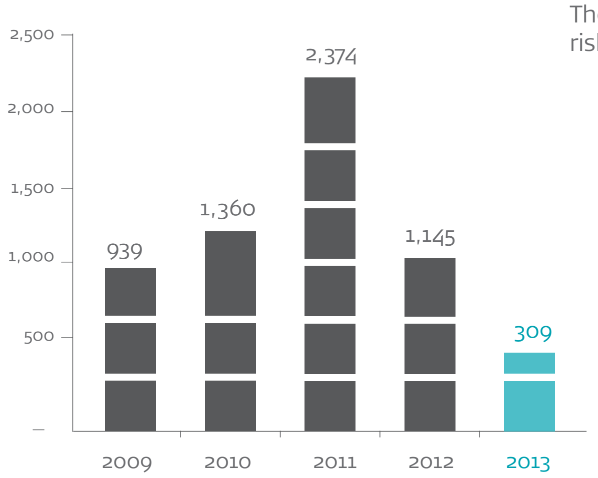
A provisions study is prepared quarterly by a department reporting directly to the Chief Risk Officer then submitted to the Audit Committee and the Board of Directors for approval; additionally the provisions are reviewed quarterly by the Bank's internal and external auditors. Provisions consist of portfolio and specific provisions. Specific provisions are created for non-retail loans classified as non-performing based on individual review on a periodical basis of credit exposures less expected recoverable amounts. Portfolio reserves are calculated to cover corporate, consumer and credit card performing exposures applying a range of reserve ratios which reflect the potential impairment on each portfolio category.

2. Market Risk

Market risks are the risks related to fluctuations in the Value at Risk (V@R), fair value or future cash flows of the financial instruments incurred as a result of various changes in the market elements such as special commission rates, foreign exchange rates/foreign currency exposure, or equity prices.

The graph below shows the Bank's Market risk weighted assets:

Market risk weighted assets SAR Millions



* For the purposes of presentation the risk weighted assets (RWA), total capital and related ratios as at December 31, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios for 2012 and earlier years are calculated under Basel II and have not been restated.

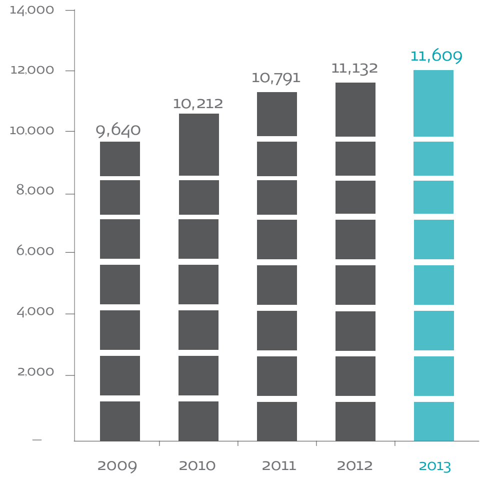
The Bank monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits set and approved by the Board. The Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency. To mitigate liquidity risk, the Bank has diversified funding sources and retains an appropriate balance of cash, cash equivalents and readily marketable securities as liquid assets.

3. Operational Risk:

Riyad Bank's operational risk strategy is to ensure that the Bank is safeguarded against major operational risks while ensuring that losses incurred as a result of operational risk are minimized. The Bank has developed proactive risk-mitigation strategies supported by risk management frameworks, policies and procedures aimed at detecting and controlling risks before they become a threat. A centralized Operational Risk Management Department monitors and manages all operational risks impacting the Bank and submits monthly reports to the Operational Risk Management & Compliance Committee (ORMCC) which is chaired by the CEO as well as submitting a semi-annual Report to the Board Audit Committee. In addition,the Operational Risk Management Department includes Fraud Prevention and Anti-Money Laundering units that assist the Bank in safeguarding it against potential fraud and money-laundering related events.

The graph below shows the bank's Operational risk weighted assets:

Operational risk weighted assets SAR Millions



* For the purposes of presentation the risk weighted assets (RWA), total capital and related ratios as at December 31, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios for 2012 and earlier years are calculated under Basel II and have not been restated.

4. Other Risks

The Bank follows integrated strategies to manage monitor and control other risks such as liquidity risk, IT risk strategic risk, credit concentration risk, interest rate risk in the banking book, macroeconomic and business cycle risk, and settlement risk. Such strategies concentrate on the mitigation of any potential adverse consequences of these risks, and the Bank allocates adequate capital to these risk types.

The Bank also conducts stress tests covering major risks in all aspects of its banking activities in line with related standards and rules.

07

Executive Management

Executive Management

Talal I. Al-Qudaibi
President & Chief
Executive Officer

Abdulaziz S. Al-Furaih
Deputy Chief
Executive Officer

Thalib A. Al-Shamrani
Executive Vice President
Chief Risk Management
Officer

Abdulaziz S. Al-Malki
Executive Vice President
Treasury and Investment

Adel A. Al-Sheikh
Executive Vice President
Retail Banking

Ahmed Y. Al-Tayeb
Executive Vice President
Risk Management

Ossama A. Bukhari
Executive Vice President
Corporate Banking

Adnan S. Al-Joyan
Executive Vice President
Human Resources

Riyadh O. Al-Zahrani
Executive Vice President
Operations

Majid A. Al-Gwaiz
Executive Vice President
Credit

Mohamad A. Al-Rabeah
Executive Vice President
Marketing

Hani A. Abu Al Naja
Executive Vice President
Branches

Aiedh M. Al-Zahrani
Acting Executive Vice
President
Business Technology

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Western Region

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