National Commercial Bank

Qualitative and Quantitative Pillar 3 Disclosures
As of 31 December 2014

Contents

1.0 Scope of Application

1.1 Introduction

The Pillar 3 disclosures and the related regulations apply to the National Commercial Bank (the Bank) at a consolidated level. Please refer to note 1.1 of the *Audited Financial Statements for the year ended 31 December 2014* for details on the incorporation and activities of the Bank.

1.2 Basis of Consolidation

The Bank does not have any subsidiaries other than banking, securities and financial entities, accordingly, there is no difference in the basis of consolidation used in the *Audited Financial Statements for the year ended 31 December 2014* and that used for regulatory purposes.

SCOPE OF APPLICATION (SAMA reference table 1)	
Capital Deficiencies (Table 1, (e))	
Particulars	**Amount (SR '000)**
The aggregate amount of capital deficiencies in subsidiaries not included in the consolidation i.e. that are deducted:	Nil

(i) Entities (within the group) fully consolidated for regulatory purposes

Following is a list of the consolidated subsidiaries of the Bank.

(1) NCB Capital Company (NCBC)

(1.1) Eastgate Capital Holdings Inc. (Eastgate)

(1.2) NCBC Investment Management Umbrella Company Plc

(2) Türkiye Finans Katılım Bankası A.Ş.(TFK) and its special purpose entities

(3) Real Estate Development Company (Redco)

(4) Alahli Insurance Services Marketing Company

Please refer to note 1.2 of the *Audited Financial Statements for the year ended 31 December 2014* for details on the incorporation and activities of the subsidiaries of the Bank.

(ii) Significant investments in banking, financial and insurance entities that are outside the scope of regulatory consolidation

Capital investment in banking, financial and insurance entities where NCB owns more than 10% of its issued common share capital are subject to certain thresholds of both NCB and the entities' capital set by Basel III. Thus the aggregate of all NCB's investments does not trigger any deduction adjustment; and therefore they are risk weighted ate 250%. Following is a list of significant investments in banking, financial and insurance entities that are outside the scope of regulatory consolidation:

(1) Al-Ahali Takaful Company

The Bank has a 30% ownership in Al-Ahali Takaful Company. Al-Ahali Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171573 dated 21 Rajab 1428H, corresponding to 4 August 2007. The object of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 18 August 2007. The Company commenced its commercial operations on 4 February 2008.

(2) Arabian Financial Services Company

The Bank has 13% ownership in Arabian Financial Services (AFS) company. It is the region's leading provider of electronic-payments and consumer-finance outsourcing services.

(3) Saudi Traveler Cheques Company

The Bank has 25% ownership in the Saudi Travelers Cheques Company (STCC). Saudi Riyal Travelers Cheques are issued by the company which was jointly established by the banks of Saudi Arabia.

(4) The Saudi Credit Bureau

The Bank has 11% ownership in the Saudi Credit Bureau (SIMAH). It is the first and sole licensed national credit bureau offering consumer and commercial credit information services to respective members in the Kingdom of Saudi Arabia.

(iii) Entities (within the group) neither consolidated nor deducted

All other equity investments are risk weighted at 100%.

1.3 Transferability of Capital

There are no restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

2.0 Capital Structure

The capital of the bank consists of the following:

(1) Eligible paid-up share capital

The authorized, issued and fully paid share capital of the Bank excluding Treasury shares[1] consists of 1,995 million shares of SR 10 each. All these shares carry equal voting rights and are not redeemable. These shares rank junior to all other claims on the Bank.

(2) Eligible reserves

Eligible reserves comprise statutory reserves, other reserves, retained earnings, minority interest and eligible portfolio (collective) allowances. Eligible reserves are mainly created by accumulated appropriations of profit and are maintained for future growth.

Goodwill, intangible assets and other prescribed deductions are deducted from eligible capital.

(3) Debt Securities Issued

The National Commercial Bank issued Non- convertible unlisted Sukok on February 2014. The tenure is 10 years, callable on the 5th anniversary of the issue date and carrying profit payable semi-annually.

[1] The bank acquired its own equity shares from a customer as a result of partial set-off of debt. Treasury shares are deducted from equity and accounted for at cost, being the value of set-off.

Following tables give the balance sheet and capital structure of the Bank.

TABLE 2: CAPITAL STRUCTURE			
Balance sheet - Step 1 (Table 2(b))	*All figures are in SAR'000*		
	Balance sheet in Published financial statements	**Adjustment of banking associates / other entities (*)**	**Under regulatory scope of consolidation**
	(C)	**(D)**	**(E)**
Assets			
Cash and balances at central banks	28,818,569		28,818,569
Due from banks and other financial institutions	19,863,020		19,863,020
Investments, net	152,903,040		152,903,040
Financing and advances, net	220,722,363		220,722,363
Investment in associates, net	407,835		407,835
Other real estate, net	858,520		858,520
Goodwill	493,270		493,270
Other intangible assets	200,028		200,028
Property and equipment, net	3,427,399		3,427,399
Other assets	7,184,040		7,184,040
Total assets	**434,878,084**		**434,878,084**
Liabilities			
Due to Banks and other financial institutions	35,449,488		35,449,488
Customer deposits	333,095,491		333,095,491
Debt securities in issue	9,550,496		9,550,496
Other liabilities	9,861,718		9,861,718
Subtotal	**387,957,193**		**387,957,193**
Paid up share capital	20,000,000		20,000,000
Treasury Shares	(190,510)		(190,510)
Statutory reserves	17,172,081		17,172,081
Other reserves	1,617,888		1,617,888
Retained earnings	7,371,935		7,371,935
Minority Interest	1,707,254		1,707,254
Proposed dividends	1,296,512		1,296,512
Foreign currency translation reserve	(2,054,269)		(2,054,269)
Total liabilities and equity	**434,878,084**		**434,878,084**

TABLE 2: CAPITAL STRUCTURE

Balance sheet - Step 2 (Table 2(c)) *All figures are in SAR'000*

	Balance sheet in Published financial statements (C)	Adjustment of banking associates / other entities (D)	Under regulatory scope of consolidation (E)	Reference*
Assets				
Cash and balances at central banks	28,818,569		28,818,569	
Due from banks and other financial institutions	19,863,020		19,863,020	
Investments, net	152,903,040		152,903,040	
Financing and advances, net	220,722,363		220,722,363	
of which Collective provisions	(2,755,499)		(2,755,499)	A
Investment in associates, net	407,835		407,835	
Other real estate, net	858,520		858,520	
Goodwill	493,270		493,270	B
Other intangible assets	200,028		200,028	C
Property and equipment, net	3,427,399		3,427,399	
Other assets	7,184,040		7,184,040	
Total assets	**434,878,084**		**434,878,084**	
Liabilities				
Due to Banks and other financial institutions	35,449,488		35,449,488	
Customer deposits	33,309,549		33,309,549	
Debt securities in issue	9,550,496		9,550,496	
Other liabilities	9,861,718		9,861,718	
Subtotal	**387,957,193**		**387,957,193**	
Paid up share capital	20,000,000		20,000,000	
Treasury Shares	(190,510)		(190,510)	D
Statutory reserves	17,172,081		17,172,081	
Other reserves	1,617,888		1,617,888	
Retained earnings	7,371,935		7,371,935	
Minority Interest	1,707,254		1,707,254	
of which Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	1,541,447		1,541,447	E
Proposed dividends	1,296,512		1,296,512	
Foreign currency translation reserve	(2,054,269)		(2,054,269)	
Total liabilities and equity	**434,878,084**		**434,878,084**	

*Please refer to pages 7 and 8 for the impact of these adjustments on the capital structure

TABLE 2: CAPITAL STRUCTURE

Common template (transition) - Step 3 (Table 2(d)) i

(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment

All figures are in SAR'000

	Components of regulatory capital reported by the bank	Amounts subject to Pre - Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2*(see page 6)*
Common Equity Tier 1 capital: Instruments and reserves			
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	20,000,000		
Retained earnings	8,668,447		
Accumulated other comprehensive income (and other reserves)	16,735,700		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group Common Equity Tier 1 - CET1)	1,541,447		E
Common Equity Tier 1 capital before regulatory adjustments	**46,945,594**		
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related tax liability)	493,270		B
Other intangibles other than mortgage-servicing rights (net of related tax liability)	200,028		C
Cash-flow hedge reserve	(204)		
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	190,510		D
Total regulatory adjustments to Common equity Tier 1	883,604		
Common Equity Tier 1 capital (CET1)	46,061,990		
Tier 1 capital (T1 = CET1 + Additional Tier 1 CapitalAT1)	46,061,990		

TABLE 2: CAPITAL STRUCTURE

Common template (transition) - Step 3 (Table 2(d)) ii

(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment

All figures are in SAR'000

	Components of regulatory capital reported by the bank	Amounts subject to Pre - Basel III treatment	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2*(see page 6)*
Tier 2 capital: instruments and provisions			
Directly issued qualifying Tier 2 instruments plus related stock surplus	5,000,000		
Provisions	2,755,499		A
Tier 2 capital before regulatory adjustments	**7,755,499**		
Tier 2 capital: regulatory adjustments			
Tier 2 capital (T2)	7,755,499		
Total capital (TC = T1 + T2)	53,817,489		
Total risk weighted assets	312,781,888		
Capital ratios			
Common Equity Tier 1 (as a percentage of risk weighted assets)	14.7%		
Tier 1 (as a percentage of risk weighted assets)	14.7%		
Total capital (as a percentage of risk weighted assets)	**17.2%**		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	2,755,499		
Cap on inclusion of provisions in Tier 2 under standardized approach	3,464,277		

TABLE 2: CAPITAL STRUCTURE		
Main features template of regulatory capital instruments - (Table 2(e))		
1	Issuer	National Commercial Bank (NCOMBK)
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	ISIN No. SA13HFK0IEJ4
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group & solo	Group and Solo
7	Instrument type	Subordinated Sukuk
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	SAR 5,000mil
9	Par value of instrument	SAR 5,000mil
10	Accounting classification	Liability - amortized cost
11	Original date of issuance	25th February 2014
12	Perpetual or dated	Dated
13	Original maturity date	25th February 2024
14	Issuer call subject to prior supervisory approval	Yes
15	Option call date, contingent call dates and redemption amount	Call option only available after 5 years or for a regulatory or tax event, 25th February 2019 as the date for redemption, NCB shall be entitled to redeem in whole, but not in part, by giving not less than thirty (30) days' nor more than sixty (60) days' notice to the Sukukholders
16	Subsequent call dates if applicable	As above
	Coupons / dividends	

TABLE 2: CAPITAL STRUCTURE		
Main features template of regulatory capital instruments - (Table 2(e))		
17	Fixed or Floating dividend/coupon	Floating
18	Coupon rate and any related index	6 months SIBOR + 110bps
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non - convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of contract of the instrument provide the legal basis for SAMA to trigger write-down (a contractual approach)
32	If write-down, full or partial	Written down fully or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of the write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated. Senior bondholders are immediately senior to this instrument
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

3.0 Capital Adequacy

The bank defines capital as the resources necessary to cover unexpected losses and thus NCB, at all times, maintains a sufficient capital to cover risks inherent in its business operations and to maintain a strong credit rating.

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) by which it examines its risk profile from both regulatory and economic capital point of view and ensures that the level of capital supply:

- remains sufficient to support the Bank's risk profile;
- exceeds the Bank's formal, minimum regulatory capital requirements by a predefined buffer;
- is capable of withstanding stressed scenarios;
- remains consistent with the Bank's strategic and operational plans.

Within the framework of the ICAAP, an annual Capital Plan is prepared. The Capital Plan is reviewed by the Senior Management and approved by the Board of Directors of the Bank and is submitted to SAMA in accordance with their directives.

Regulatory and economic capital assessments are used for the management of risk and capital within the Bank. The economic capital assessment is the more risk-sensitive measure and it takes into account the correlation between different risks.

The economic capital models employed at the Bank are calibrated to quantify the level of capital that is sufficient to absorb potential losses over a one-year time horizon at a 99.9 percent degree of confidence.

The Bank identifies and manages the risks it faces through defined internal control procedures and stress testing. It assesses and manages the following risks via the capital planning process:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Interest rate risk
- Concentration risk
- Macroeconomic and business cycle risk
- Strategic risk
- Reputation risk
- Settlement and Pre-settlement Risks

Scenario analysis and stress testing

The Bank regularly assesses eligible capital supply against stressed losses under a range of scenarios. Stress scenarios are developed using historical losses, qualitative and quantitative techniques, and are employed to estimate the impact on capital requirements. The Senior Management and the Board are regularly informed of the results of the stress tests to ensure that the Bank has sufficient capital and that any unacceptable risks are mitigated. These scenarios are regularly reviewed and updated to account for the changing market conditions.

The Bank's Capital Plan examines that the Bank's current and projected capital is adequate to bear any stressed losses and to support its current activities and future strategies and operational plans.

Following table gives the Bank's Capital Adequacy Ratios (CAR) as of 31st of December 2014.

CAPITAL ADEQUACY – CAR (SAMA reference table 3)		
Capital Adequacy Ratios (TABLE 3, (f))		
Particulars	Total capital ratio	Tier 1 capital ratio
	%	
Top consolidated level	17.2%	14.7%

4.0 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit exposures arise principally in credit-related risk that is embedded in financing and advances and investments. There is also credit risk in foreign exchange and derivative transactions, as well as off-balance sheet financial instruments, such as trade-finance related products derivatives and financing commitments. Among the risks the Bank engages in, credit risk generates the largest regulatory capital requirement.

Following table gives exposures subject to credit risk and related capital charges as of 31st of December 2014.

CAPITAL ADEQUACY – Credit Risk (SAMA reference table 3)						
Amount of Exposures Subject To Standardized Approach of Credit Risk and related Capital Requirements (TABLE 3, (b))						
Portfolios	Amount of exposures (On Balance Sheet) (SAR '000)	Capital requirements (SAR '000)	Amount of exposures (Off Balance Sheet + Derivatives) (SAR '000)	Capital requirements (SAR '000)	Total Amount of Exposure (SAR '000)	Total Capital requirements (SAR '000)
Sovereigns and central banks:	102,645,244	331,221	-	-	102,645,244	331,221
SAMA and Saudi Government	64,917,551	-	-	-	64,917,551	-
Others	37,727,693	331,221	-	-	37,727,693	331,221
Multilateral Development Banks (MDBs)	7,815,040	-	-	-	7,815,040	-
Public Sector Entities (PSEs)	107,332	8,359	12,292	893	119,624	9,252
Banks and securities firms	25,961,198	898,017	8,654,107	401,061	34,615,305	1,299,079
Corporates	168,156,411	10,222,412	32,662,972	2,299,870	200,819,383	12,522,282
Retail non-mortgages	68,288,176	4,065,407	3,939,113	167,712	72,227,289	4,233,118
Small Business Facilities Enterprises(SBFE's)	6,483,118	356,709	2,392,464	137,749	8,875,582	494,457
Mortgages	25,428,789	1,574,794	984,744	39,380	26,413,533	1,614,173
Residential	16,629,480	1,073,746	393,502	15,740	17,022,982	1,089,486
Commercial	8,799,309	501,048	591,242	23,640	9,390,551	524,687
Securitized assets	8,122,520	129,960	-	-	8,122,520	129,960
Equity	1,443,774	123,292	-	-	1,443,774	123,292
Others	22,927,501	1,451,625	2,808	457,369	22,930,309	1,908,994
Total	**430,895,984**	**18,805,086**	**46,256,035**	**3,366,285**	**477,152,019**	**22,171,371**

Following tables give exposures subject to credit risk as of 31st of December 2014 and the average exposure during the year then ended.

CREDIT RISK (SAMA reference table 4)		
Credit Risk Exposure (Table 4, (b))		
Portfolios	**Total gross credit risk exposure (SAR '000)**	**Average gross credit risk exposure over the period * (SAR '000)**
Sovereigns and central banks:	102,645,244	119,200,724
SAMA and Saudi Government	64,917,551	80,335,195
Others	37,727,693	38,865,529
Multilateral Development Banks (MDBs)	7,815,040	7,853,391
Public Sector Entities (PSEs)	119,624	67,293
Banks and securities firms	34,615,305	30,147,007
Corporates	200,819,383	189,936,251
Retail non-mortgages	72,227,289	68,620,981
Small Business Facilities Enterprises (SBFE's)	8,875,582	7,588,641
Mortgages	26,413,533	23,404,616
Residential	17,022,982	15,209,226
Commercial	9,390,551	8,195,390
Securitized assets	8,122,520	8,241,246
Equity	1,443,774	2,152,467
Others	22,930,309	22,454,808
Total	**477,152,019**	**472,078,785**

* The average is calculated on a quarterly basis

4.1 Strategies

The principal objective of credit risk management is to ensure a high quality credit portfolio and the minimization of losses. This objective is accomplished by:

- maintaining a strong culture of responsible lending, supported by a robust risk policy and control framework;
- challenging business originators effectively in defining and implementing risk appetite within individual obligor and industry concentration limits; and
- ensuring independent, expert scrutiny and approval of credit risks and their mitigation.

4.2 Organization Structure

Corporate Sector

The Head of Corporate Risk Management (HCRM) within the Credit Risk function supports the Chief Risk Officer (CRO), as head of the Risk function, in overseeing credit risks at the highest level. The Credit Risk function primarily comprises: undertaking independent reviews and approval of larger and higher-risk credit proposals, setting a risk appetite framework and developing and maintaining the Bank's credit policy and credit programs.

The credit risk function includes Senior Credit Officers based regionally and with industry specialization Kingdom-wide. These officers including the HCRM, fulfill an essential role as independent risk control and approving units as distinct from business line management. They objectively scrutinize and approve credit proposals within the limits set by the credit policy of the Bank.

Approval of the Credit and Remedial Management Committee, Executive Committee and/or Board is required to extend facilities to customers above certain risk-based thresholds.

Retail Sector

The Head of Retail Risk Management within the Credit Risk function supports the Chief Risk Officer (CRO), and is comprised of three departments, Credit Policy, Portfolio Management & Risk Analytics, and Collections to manage the overall risk profile of the consumer lending business.

The Credit Policy Department is responsible for consumer credit risk management including setting the risk appetite framework and developing and maintaining the Bank's credit policies. The Consumer Lending business is governed by Consumer Finance Islamic Credit Policy (CFICP) Manual which is approved by the Board of Directors, and defines the policies and procedures for the handling of all activities related to consumer lending.

The Retail Portfolio Management & Risk Analytics Department handles all portfolio and risk analytic activities, including application and behavioural scoring models related to the consumer portfolio.

The Collections Department is responsible for centrally managing Delinquent Accounts and Recoveries of Written-off accounts.

Enterprise Risk Management

Enterprise Risk Management Department, as part of Risk Group, is responsible for reporting on risk matters to Senior Management, Board and to regulator, providing credit analytics, calculating and reporting the Bank's regulatory and economic capital and performing stress tests. It owns and develops risk models. It prepares quarterly risk reports for the Senior Management and the Risk Committee of the Board.

4.3 Risk reporting and monitoring – risk rating systems

The Bank's exposure to credit risk arises from a wide range of asset classes, customers and product types. A breakdown of the Bank's financing and advances to major economic sectors is provided in note 7.5 of the *Audited Financial Statements for the year ended 31 December 2014*.

To measure and manage the risk in these exposures, both to individually assessed customers and to those aggregated into portfolios, the Bank employs risk rating systems and other methodologies (such as analysis of past dues). The main characteristics of the Bank's credit risk rating system are set out in notes 7.4 and 31 of the *Audited Financial Statements for the year ended 31 December 2014*.

Following table gives a geographic breakdown of exposures as of 31st of December 2014.

TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES								
Geographic Breakdown (Table 4, (c))								
Portfolios	Geographic Area (SAR '000)							
	Saudi Arabia	Other GCC & Middle East	Europe	North America	South East Asia	Turkey	Other Countries	Total
Sovereigns and central banks:	64,917,551	11,973,433	762,993	7,916,411	1,521,863	13,323,356	2,229,638	102,645,244
SAMA and Saudi Government	64,917,551							64,917,551
Others		11,973,433	762,993	7,916,411	1,521,863	13,323,356	2,229,638	37,727,693
Multilateral Development Banks (MDBs)	3,534,375		656,250	3,188,925	435,490			7,815,040
Public Sector Entities (PSEs)						119,624		119,624
Banks and securities firms	5,562,609	6,544,990	4,328,370	4,115,938	1,796,902	2,429,870	9,836,625	34,615,305
Corporate	134,269,155	23,005,906	4,801,826	14,935,128	775,882	20,256,438	2,775,047	200,819,383
Retail non-mortgages	60,897,370					11,329,918		72,227,288
Small Business Facilities Enterprises (SBFE's)						8,875,582		8,875,582
Mortgages	13,940,802					12,472,731		26,413,533
Residential	10,847,806					6,175,176		17,022,982
Commercial	3,092,996					6,297,555		9,390,551
Securitized assets				8,122,520				8,122,520
Equity	1,425,715	18,059						1,443,774
Others	13,589,444	129,330	4,314,552	1,837,311		2,923,041	136,631	22,930,309
Total	**298,137,021**	**41,671,719**	**14,863,991**	**40,116,233**	**4,530,137**	**62,854,978**	**14,977,940**	**477,152,019**

Following table gives an industry sector breakdown of exposures as of 31st of December 2014.

TABLE 4 (STA): CREDIT RISK: GENERAL DISCLOSURES													
Industry Sector Breakdown (Table 4, (d))													
Portfolios	Industry sector (SAR '000)												
	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commerce	Transportation and communication	Services	Consumer loans and credit cards	Others	Total
Sovereigns and central banks:	102,645,244												102,645,244
SAMA and Saudi Government	64,917,551												64,917,551
Others	37,727,693												37,727,693
Multilateral Development Banks MDBs)		7,815,040											7,815,040
Public Sector Entities (PSEs)				129	95,241	3,901				20,018		335	119,624
Banks and securities firms		34,594,330										20,975	34,615,305
Corporates	7,027,333	18,461,072	1,136,303	35,562,164	5,458,129	21345259	28,683,516	41,553,263	17,913,446	20,337,684	501,010	2,840,202	200,819,383
Retail non-mortgages		10,661	152,538	2,444,841	83,212	23,366	1,351,455	3,861,882	272,905	541,990	61,028,335	2,456,103	72,227,289
Small Business Facilities Enterprises (SBFE's)		10,644	152,520	2,444,709	83,199	23,366	1,350,848	3,858,255	272,870	541,730	130,911	6,530	8,875,582
Mortgages		4,796	136,246	1,610,424	68,242	79,918	2,513,621	2,537,150	227396	691,249	14,283,425	4,261,066	26,413,533
Residential		3,292	45,030	460,243	17,078	29,805	864,181	837,528	113,729	208,117	10,925,388	3,518,591	17,022,982
Commercial		1,504	91,216	1,150,181	51,164	50,113	1,649,440	1,699,621	113,667	483,132	3,358,037	742,475	9,390,551
Securitized assets												8,122,520	8,122,520
Equity		1,056,422		11,050				368,302		8,000			1,443,774
Others		8,108,353	10,630	97,334	3,461	1,509	53,313	115,155	6,599	5,220	9,035	14,519,699	22,930,309
Total	**109,672,577**	**70,050,675**	**1,435,717**	**39,725,943**	**5,708,285**	**21,453,953**	**32,601,905**	**48,435,751**	**18,420,346**	**21,604,162**	**75,821,805**	**32,220,900**	**477,152,019**

Following table gives a maturity breakdown of exposures as of 31st of December 2014.

CREDIT RISK (SAMA reference table 4)									
Residual Contractual Maturity Breakdown (Table 4, (e))									
Portfolios	Maturity breakdown (SAR '000)								
	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	Over 5 years	Total
Sovereigns and central banks:	12,097,052	3,003,921	7,719,651	12,980,333	14,517,727	4,544,083	7,370,013	40,412,465	102,645,244
SAMA and Saudi Government	3,294,403	2,000,000	7,107,242	12,390,346	14,022,718	718,421	3,583	25,380,839	64,917,551
Others	8,802,649	1,003,921	612,409	589,988	495,009	3,825,662	7,366,430	15,031,627	37,727,693
Multilateral Development Banks (MDBs)			187,500		345,000	1,745,625	1,768,165	3,768,750	7,815,040
Public Sector Entities (PSEs)	53,097			47,524	1,018	12,051	26	5,908	119,624
Banks and securities firms	7,934,630	1,213,711	2,509,121	4,839,716	6,760,879	4,574,164	3,940,030	2,843,054	34,615,305
Corporates	8,708,094	9,609,213	24,651,932	21,763,703	15,046,966	33,947,632	18,071,620	69,020,223	200,819,383
Retail non-mortgages	4,865,152	2,287,989	5,024,970	7,184,851	10,054,892	26,418,257	14,342,731	2,048,448	72,227,289
Small Business Facilities Enterprises (SBFE's)	446,193	330,227	1,005,251	1,757,432	2,204,293	2,220,179	471,377	440,629	8,875,582
Mortgages	174,006	190,809	656,365	1,263,938	2,152,714	6,077,519	4,886,942	11,011,240	26,413,533
Residential	94,719	94,939	261,502	520,986	999,737	2,890,806	2,774,101	9,386,193	17,022,982
Commercial	79,287	95,870	394,864	742,952	1,152,977	3,186,713	2,112,841	1,625,047	9,390,551
Securitized assets						53,324	542,625	7,526,570	8,122,520
Equity								1,443,774	1,443,774
Others	11,396,559		3,336	4,545	16,835	727,356	123,132	10,658,545	22,930,309
Total	**45,228,589**	**16,305,643**	**40,752,875**	**48,084,610**	**48,896,030**	**78,100,011**	**51,045,283**	**148,738,977**	**477,152,019**

4.4 Internal methodologies for calculating economic capital requirements

The Bank's credit risk rating framework incorporates probability of default (‘PD’) of an obligor and loss severity expressed in terms of exposure-at-default (‘EAD’) and loss-given-default (’LGD’). These measures are used to calculate expected loss and capital requirements.

For Corporate business, obligor PD is estimated using a 16-grade Customer Risk Rating scale for performing customers. These grades represent varying degrees of strength of financial condition and qualitative factors. The Customer Risk Ratings are mapped to a PD value range.

For retail business, the portfolios are analyzed by pools and models are available to provide PD and LGD estimates based on historical experience.

4.5 Credit risk management policy, past due and impaired, specific and general allowances

A discussion on the bank's credit risk management policy is included in note 31 of the *Audited Financial Statements for the year ended 31 December 2014*.

The bank considers all the facilities for a counterparty to be defaulted if any one of the facilities of the counterparty is past due more than 90 days.

The approaches followed for specific and general allowances (collective allowances) are explained in note 2.5 of the *Audited Financial Statements for the year ended 31 December 2014*.

Following table gives an industry sector breakdown of impaired and past due loans and related allowances as of 31st December 2014.

CREDIT RISK (SAMA reference table 4)										
Impaired Loans, Past Due Loans and Allowances (Table 4, (f))										
Industry sector	Impaired loans (SR '000)	Defaulted (SR '000)	Aging of Past Due Loans (days) (SR '000)				Specific allowances (SR '000)			General allowances (SR '000)
			Less than 90	90-180	180-360	Over 360	Charges during the period	Charge-offs during the period	Balance at the end of the period	
Government and quasi government	-	-	-	-	-	-	-	-	-	-
Banks and other financial institutions	3,211	3,211	2,487	1,424	64	1,723	(879)	(4)	2,997	-
Agriculture and fishing	25,776	25,776	25,058	11,432	511	13,832	8,575	(2,632)	17,846	-
Manufacturing	484,610	484,610	426,886	109,319	4,671	370,619	123,787	(48,942)	421,329	-
Mining and quarrying	5,265	5,265	25,908	2,335	104	2,825	2,597	(1,602)	2,739	-
Electricity, water, gas and health services	8,531	8,531	54,389	2,702	2,561	3,269	3,513	-	7,875	-
Building and construction	559,573	559,573	441,124	82,490	33,157	443,926	(12,593)	(15,001)	512,413	-
Commerce	1,044,017	1,044,017	741,791	296,178	65,403	682,435	407,485	(547,912)	936,016	-
Transportation and communication	42,951	42,951	60,081	4,388	196	38,367	19,365	(5,010)	38,070	-
Services	37,146	37,146	343,518	16,475	737	19,933	(7,399)	-	32,769	-
Consumer loans and credit cards	549,360	549,360	3,357,617	446,975	50,342	52,045	955,371	(937,467)	346,984	-
Others	90,816	90,816	-	15,353	687	74,776	21,545	(19,959)	57,728	-
Total	**2,851,256**	**2,851,256**	**5,478,860**	**989,072**	**158,433**	**1,703,750**	**1,521,367**	**(1,578,529)**	**2,376,766**	**2,755,499**

Following table gives a geographic breakdown of impaired and past due loans and related allowances as of 31st December 2014.

CREDIT RISK (SAMA reference table 4)							
Impaired Loans, Past Due Loans And Allowances (Table 4, (g))							
Geographic area (SR '000)	Impaired loans (SR '000)	Aging of Past Due Loans (days) (SR '000)				Specific allowances (SR '000)	General allowances (SR '000)
		Less than 90	90-180	180-360	Over 360		
Saudi Arabia	1,889,278	3,915,757	562,404	139,352	1,187,522	1,682,341	2,559,051
Other GCC & Middle East							
Turkey	961,978	1,563,103	426,668	19,081	516,228	694,425	196,448
Others Countries							
Total	**2,851,256**	**5,478,860**	**989,072**	**158,433**	**1,703,750**	**2,376,766**	**2,755,499**

Following table gives the movement in specific and general allowances for the year ended 31st December 2014.

CREDIT RISK (SAMA reference table 4)		
Reconciliation Of Changes In The Allowances For Loan Impairment (Table 4, (h))		
Particulars	**Specific allowances (SAR '000)**	**General allowances (SAR '000)**
Balance, beginning of the year	2,433,927	2,408,255
Charge-offs taken against the allowances during the period	(1,578,529)	
Amounts set aside (or reversed) during the period	1,595,030	360,724
Other adjustments:		
- exchange rate differences	(73,662)	(13,480)
- business combinations		
- acquisitions and disposals of subsidiaries		
- etc.		
Transfers between allowances		
Balance, end of the year	2,376,766	2,755,499

Charge-offs and recoveries that have been recorded directly to the income statement are SAR 3,070K and SAR (1,060,739)K respectively.

4.6 Application of the standardized approach for credit risk

The Bank uses the Standardized approach of Basel III to calculate the risk weighted assets and required Regulatory Capital for Pillar -1 (including credit risk, market risk and operational risk). It requires banks to use risk assessments prepared by External Credit Assessment Institutions (ECAI) to determine the risk weightings applied to rated counterparties. For counterparties not rated externally the assigned risk weightings are in accordance with SAMA guidelines.

Following table gives a breakdown by risk weightings (buckets) of the Bank's exposures after the impact of credit risk mitigation (CRM), as of 31st December 2014.

CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH (SAMA reference table 5)										
Allocation Of Exposures To Risk Buckets (Table 5, (b))										
Particulars	Risk buckets (SAR '000)									Deducted
	0%	20%	35%	50%	75%	100%	150%	Other risk weights	Unrated	(SAR '000)
Sovereigns and central banks:	108,264,837	1,203,140		7,741,419		28,921				
SAMA and Saudi Government	76,167,551									
Others	32,097,286	1,203,140		7,741,419		28,921				
Multilateral Development Banks (MDBs)	7,815,040									
Public Sector Entities (PSEs)	3,071	675		739		115,139				
Banks and securities firms	791,147	4,869,736		27,380,993		1,084,724	370,350			
Corporates	651,157	28,494,160		12,326,096		141,021,020	462,416			
Retail non-mortgages	387,584	358,317		1,166	71,135,177	17,243				
Small Business Facilities Enterprises (SBFE's)	351,482	127,396		658	8,191,057	11,618				
Mortgages				12,472,731		13,940,801				
Residential				6,175,176		10,847,805				
Commercial				6,297,555		3,092,996				
Securitized assets		8,122,520								
Equity						1,378,858		64,916		
Others	6,729,950	57		121,788		16,150,575	3,235,097	410,463		

4.7 Credit Risk Mitigation

Risk mitigation is an important aspect of the Bank's effective credit risk management and it takes many forms.

The Bank in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the financing and advances. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realizable values. The Bank monitors the market value of collateral obtained periodically and requests additional collateral in accordance with the terms of the underlying agreements.

These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets

The Bank’s policy is set out in note 31 of the *Audited Financial Statements for the year ended 31 December 2014*.

In terms of the regulatory guidelines, not all forms of collateral currently used by the Bank are recognized for the purposes of the calculation of the credit risk capital requirement. The bank uses the Basel III 'comprehensive method' for the treatment of financial collaterals which requires a standard supervisory haircut to be applied to the collateral to account for currency and maturity mismatches between the underlying exposure and the collateral applied.

Eligible financial collaterals under the Standardised Approach as per SAMA guidelines is restricted to:

a. Cash (as well as certificates of deposit or comparable instruments);
b. Gold; and
c. Debt Securities

Non-financial collaterals mainly include guarantees.

Following table gives the eligible collateral held by the bank as of 31st December 2014.

CREDIT RISK MITIGATION (CRM): DISCLOSURES FOR STANDARDIZED APPROACH (SAMA reference table 7)		
Credit Risk Exposure Covered By CRM (Table 7, (b) and (c))		
Portfolios	Covered by	
	Eligible financial collateral (SAR '000)	Guarantees / credit derivatives (SAR '000)
Sovereigns and central banks:	886,337	
SAMA and Saudi Government		
Others	886,337	
Multilateral Development Banks (MDBs)		
Public Sector Entities (PSEs)	2,844	
Banks and securities firms	980,666	
Corporates	4,287,446	14,214,048
Retail non-mortgages	605,670	202,996
Small Business Facilities Enterprises (SBFE's)	366,202	202,996
Mortgages		
Residential		
Commercial		
Securitized assets		
Equity		
Others	19,304	
Total	**6,782,267**	**14,417,044**

4.8 Use of External Credit Assessment Institutions (ECAIs)

The Bank uses the following External Credit Assessment Institutions (ECAIs)

i) Standards and Poor's Rating Group
ii) Moody's Investor Service
iii) Fitch Group

External Credit Assessment Institutions risk assessments are used by the Bank as part of the determination of risk weightings for the following classes of exposure:

- Sovereign and Central Banks;
- Banks and Securities Firms; and
- Corporates.

The process used to transfer credit assessment ratings to the banks' counterparties is as follows. A data file containing external ratings is downloaded from a specialist third party supplier (Bloomberg). The rating records from the External Credit Assessment Institutions specified above are then linked with the Bank's counterparty records. As the majority of the bank's corporate borrowers are not rated by external agencies, for regulatory capital calculations under the Basel III 'Standardised Approach' these are treated as 'unrated' exposures. The use of external ratings within the Corporate exposure class mainly relates to its investments in corporate bonds.

The alignment of the alphanumerical scale of agencies used with risk buckets is based on the guidance issued by SAMA.

4.9 Exposure related to counterparty credit risk

Economic and Regulatory Capital is calculated for counterparty credit exposures on the Bank's derivatives portfolio using the 'Current Exposure Method' within the Basel III Standardised Approach. Limits for corporate and banking counterparty credit exposures including derivatives are approved by the relevant authority. Risk Group of the Bank is responsible for monitoring adherence to these limits on a daily basis.

Following table gives the exposures to counterparty credit risk for derivatives as of 31st of December 2014.

GENERAL DISCLOSURES FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK (CCR) (SAMA reference table 8)	
General Disclosures (Table 8, (b) and (d))	
Particulars	**Amount (SAR '000)**
Gross positive fair value of contracts	1,039,048
Netting Benefits	
Netted Current Credit Exposure*	
Collateral held:	
-Cash	
-Government securities	
-Others	
Exposure amount (under the applicable method)	2,872,287
-Current Exposure Method (CEM)	2,872,287
Notional value of credit derivative hedges	
Current credit exposure (by type of credit exposure):	2,872,287
-Interest rate contracts	456,967
-FX contracts	2,415,319
-Equity contracts	
-Credit derivatives	
-Commodity/other contracts	

* Currently, netting for credit exposure measurement purposes not permitted in KSA.

Specific wrong-way risk arises, if future exposure to a specific counterparty is expected to be high when the counterparty's probability of default is also high. The Bank's Treasury Products Approval Committee (TPAC) approves all new products. As part of its approval process the TPAC ensures that any new treasury product will not result in specific wrong-way risk.

The Bank usually does not take collateral nor is it required to provide collateral in connection with its over-the-counter derivatives activity. Credit reserves are created in accordance with impairment of financial assets policy stated in note 3.14 of the *Audited Financial Statements for the year ended 31 December 2014*.

4.10 Securitization

The Bank is not involved in any securitization activities which transfer credit risk away from the Bank to other entities.

5.0 Market Risk

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor's / issuer's credit standing), equity prices and foreign exchange rates, will affect the Bank's income or the value of its holdings of financial instruments.

For risk capital computations, the Bank separates its exposure to market risk between trading and banking books. Trading book is mainly held by the Treasury division and includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

5.1 Strategies

The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

5.2 Organization Structure

Overall authority for market risk is vested in the Board of Directors. Risk Group is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day-to-day review of their implementation.

The Group has an independent market risk management and control function which is responsible for measuring, monitoring and reporting market risk exposures according to defined policies and limits on a regular basis.

5.3 Risk reporting and monitoring

The Bank uses tools such as Value-at-Risk (VaR) and other measures to monitor and limit market risk exposures. The scope and nature of risk reporting and measurement systems used are explained in detail in note 32 of the *Audited Financial Statements for the year ended 31 December 2014*.

Stress testing

As VaR is a measure based on historical volatilities and correlations, which may break down during stressed market conditions, the Bank also performs stress testing to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. Consideration is given to the actual market risk exposures, along with market events, in determining the stress scenarios.

Stress testing is performed by the Risk Group at a portfolio level, based on historical and stressed scenarios which are regularly reviewed and updated. The stress testing results are regularly reported to the Senior Management and the Risk Management Committee of the Board and provide them with an assessment of the financial impact such events would have on the capital and profitability of the Group.

5.4 Risk Mitigation – Hedging

The Bank's hedging and risk mitigation strategies primarily comprise the use of traditional market instruments, such as swaps and cash instruments, to address risk factors arising at portfolio level. The Market Risk Management function is responsible for monitoring the continuing effectiveness of the hedges.

5.5 Internal methodologies for calculating economic capital requirements

The main principal tool used by the Bank to calculate Economic Capital requirements for market risk is Value at Risk (VaR). The key assumptions used in the VaR model are explained in note 32.1 of the *Audited Financial Statements for the year ended 31 December 2014*.

5.6 Application of the standardized approach for market risk

The Bank uses the Standardized approach of Basel III to calculate the required Regulatory Capital for market risk which covers general market and specific risks. Brief descriptions of the risk items covered by market risk are given below:

a. Interest rate risk is the impact on Bank's earnings and equity of changes in interest rates; the risk is two-fold:
- Specific Risk: risk of loss caused by an adverse price movement of a debt instrument or security due principally to factors related to the issuer.
- General Market Risk: risk of loss arising from adverse changes in market conditions.

b. Equity risk is the risk that the Bank's investments will depreciate due to equity market dynamics.

c. Foreign exchange risk is the risk arising from a change in exchange-rates on the Bank net asset / liability positions.

d. Commodity risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities.

The primary market risks to which the Bank is exposed are foreign exchange risk and interest rate risk associated with its trading book that is marked-to-market daily (mainly derivatives).

Following table gives the capital requirement for market risk as of 31st of December 2014.

CAPITAL ADEQUACY – Market Risk (SAMA reference table 3)					
Capital Requirements For Market Risk (822, Table 3, (d) & Table 10, (b))					
	Interest rate risk (SAR '000)	Equity position risk (SAR '000)	Foreign exchange risk (SAR '000)	Commodity risk (SAR '000)	Total (SAR '000)
Standardized approach	370,663	-	322,674	-	693,338

6.0 Operational risk

The Bank defines operational risk as the risk of loss resulting from inadequate or failed processes, people, systems or external events. Operational risks are inherent in the Bank's operations and are typical of all banking and financial institutions. Operational risk management is a primary duty of the business units.

The operational risk management function is established as a department of the Risk Group that primarily coordinates the implementation and maintenance of the framework.

The Operational risk strategy for managing the effectiveness of the operational risk framework is as follows:

- Proactive approach through Risk & Control Self-Assessment process.
- Reactive approach through Loss & Events Data Collection, and Analysis.
- Maintaining culture and awareness programs.
- Introducing comprehensive monitoring and reporting tools.
- Developing supportive practices for managing Operational Risk exposures.

6.1 Operational Risk Framework

The main elements comprising the operational risk framework are:

- Governance
- Loss data collection
- Risk and control self-assessment
- Key risk indicators
- Stress testing & scenario analysis
- Monitoring and reporting

6.2 Operational Risk Assessment

6.2.1 Governance

The Board of Directors approves, monitors and reviews the operational risk appetite, framework, policies and practices; ensuring proper developing, implementing and maintaining a framework that is fully integrated into the bank's overall risk management processes.

Business Group Heads are actively involved in evaluating exposure to operational risks associated with their business through the Operational Risk Committee. A network of Divisional Operational Risk Managers (DORMs) within the business units assists management with the monitoring and mitigation of operational risks. Material operational risks are addressed to the senior management of the individual business units, escalated to the Operational Risk department and to the Operational Risk Committee -when necessary.

6.2.2 System and Loss Data Collection

The SAS Operational Risk Monitor is being used for collecting operational risk losses that occurs within the bank. The tool is considered to be the industry's prime tool for operational risk losses collection. From this system, NCB is able to record and consider major operational risks/incidents and effectively determine the appropriate measures to mitigate and manage the exposure to these risks. Recorded events are rigorously monitored and analyzed for further escalation. As a result, a comprehensive loss data collection for managing, tracking and reporting of risk information is effectively in place.

6.2.3 Risk and Control Self-Assessment [RCSA]

A qualitative and quantitative risk assessment is conducted within NCB using an identified universe of operational risks contained in the Risk & Control Self-Assessment Framework (RCSA). The assessment of risks and controls is conducted at the business unit level and is subject to treatment and escalation to Group Heads, which sets out the operational risk exposure that NCB is willing to tolerate. In 2014, the Operational Risk department continued conducting the RCSA exercise across NCB covering core and support function divisions in order to ensure active comprehensive operational risk register for NCB is being held.

6.2.4 High level of awareness culture across NCB

Operational risk management continue the training programs (Internal and External) and encourage the participation of all staff mainly those with functions that are assigned with roles and responsibilities that oversee operational risks within their respective areas. Operational Risk Awareness sessions were delivered to officers across the Kingdom regions.

6.2.5 Key Risk Indicator [KRI]

To ensure that NCB is compliant with Basel III requirements, the Operational Risk department uses its risk management and control system to provide a reliable and effective reporting mechanism. Key Risk Indicators (KRIs) are used as a monitoring tool to provide early warnings of operational problems or highlight failures. KRI reports that are generated by the businesses are reviewed on a quarterly basis and monitored by the Operational Risk department for effective management.

6.3 Application of the standardized approach for Operational Risk

The Bank uses the Standardized Approach of Basel III to calculate the required Regulatory Capital as well as Economic Capital for operational risk. This approach requires banks to divide its activities into eight business lines: corporate finance, trading and sales, retail banking, commercial banking, payment and settlement, agency services, asset management, and retail brokerage. A range of beta coefficients (12%-18%) is then applied to the average gross income for the preceding three financial years for each of the eight business lines to calculate the required regulatory capital.

Following table gives the capital requirement for operational risk as of 31st of December 2014.

CAPITAL ADEQUACY – Operational Risk (SAMA reference table 3)	
Capital Requirements for Operational Risk (Table 3, (e))	
Particulars	**Capital requirement (SAR '000)**
Standardized approach	2,157,842
Total	**2,157,842**

7.0 Equities in Banking Book

The Bank's equity investments are intended to be held for an unspecified period of time, and may be sold in response to the Bank's needs. Quoted equity investments are valued based on market prices whereas unquoted equity investments are carried at cost. Impairment allowances, if required, are created in accordance with the accounting policies mentioned in note 3.14 of the *Audited Financial Statements for the year ended 31 December 2014*.The Bank does not actively trade these investments.

Following table gives the value of equity investments as of 31st of December 2014.

EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS (SAMA reference table 13)					
Value Of Investments (Table 13, (b))					
	Un-quoted investments		Quoted investments		
	Value disclosed in Financial Statements (SAR '000)	Fair value (SAR '000)	Value disclosed in Financial Statements (SAR '000)	Fair value (SAR '000)	Publicly quoted share values (if materially different from fair value) (SAR '000)
Investments	456,410	N/A	1,140,746	1,140,746	

Following table gives an industry sector breakdown of equity investments as of 31st of December 2014.

EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS (SAMA reference table 13)		
Types And Nature of Investments (Table 13, (c))		
Investments	Publicly traded (SAR '000)	Privately held (SAR '000)
Government and quasi government		
Banks and other financial institutions	1,140,746	69,057
Agriculture and fishing		
Manufacturing		11,050
Mining and quarrying		
Electricity, water, gas and health services		
Building and construction		
Commerce		368,302
Transportation and communication		
Services		8,000
Others		
Total	**1,140,746**	**456,410**

Following table gives the realized and unrealized gains on equity investments as of 31st of December 2014.

EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS (SAMA reference table 13)	
Gains / Losses Etc. (Table 13, (d) and (e))	
Particulars	**Amount (SAR '000)**
Cumulative realized gains (losses) arising from sales and liquidations in the reporting period	411,849
Total unrealized gains (losses)	987,364
Total latent revaluation gains (losses)	
Unrealized gains (losses) included in Capital	987,364
Latent revaluation gains (losses) included in Capital	

Following table gives an industry sector breakdown of capital requirements on equity investments as of 31st of December 2014.

EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS (SAMA reference table 13)	
Capital Requirements (Table 13, (f))	
Equity grouping	**Capital requirements (SAR '000)**
Government and quasi government	
Banks and other financial institutions	92,304
Agriculture and fishing	
Manufacturing	884
Mining and quarrying	
Electricity, water, gas and health services	
Building and construction	
Commerce	29,464
Transportation and communication	
Services	640
Others	
Total	**123,292**

8.0 Interest Rate Risk in Banking Book

An explanation of the nature of Interest Rate Risk in the Banking Book, the Bank's processes to monitor and manage this risk and a sensitivity analysis is given in the note 32.2.1 of the *Audited Financial Statements for the year ended 31 December 2014*.

Following table gives the impact of a 200 basis points change in interest rates on the bank's earnings by major currencies based on outstanding position as of 31st December 2014.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) (SAMA reference table 14)	
200bp Interest Rate Shocks for currencies with more than 5% of Assets or Liabilities (Table 14, (b))	
Rate Shocks	**Change in earnings (SAR '000)**
Upward rate shocks:	
SAR	1,867,769
USD	68,464
Downward rate shocks:	
SAR	(1,867,769)
USD	(68,464)

Summary of Pillar 3 Qualitative disclosure requirements.

Reference	Description	Section	Page
Table 1	Scope of Application	1.0	1
Table 2	Capital Structure	2.0	4
Table 3	Capital Adequacy	3.0	9
Risk Exposure and Assessment	General Qualitative Disclosure Requirements	4.1 – 4.5, 5.1 – 5.5, 6.1 – 6.2, 7.0 & 8.0	15-23 30-31 33-35 37-41
Risk Exposure and Assessment	Credit Risk	4.3, 4.4& 4.6	16, 20, 23
Table 4	Credit Risk: General Disclosures for All Banks	4.5	20
Table 5	Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach and Supervisory Risk Weights in the IRB Approaches	4.8	27
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