



INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**TO: THE SHAREHOLDERS OF
ARAB NATIONAL BANK (SAUDI JOINT STOCK COMPANY)
RIYADH, SAUDI ARABIA**

We have audited the statement of financial position of Arab National Bank as of December 31, 2000 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, including the related notes. These financial statements, which have been derived from computerized accounting records maintained in Arabic in the Kingdom of Saudi Arabia, are the responsibility of the Bank's management and have been prepared in accordance with the provisions of the Regulations for Companies and the Banking Control Law and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- Present fairly, in all material respects, the financial position of Arab National Bank as of December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Commercial Banks issued by the Saudi Arabian Monetary Agency and with International Accounting Standards.
- Comply with the requirements of the Regulations for Companies, the Banking Control Law and the Bank's Articles of Association with respect to the preparation and presentation of financial statements.

BAKR ABULKHAIR & CO.



Bakr A. Abulkhair
(License No. 101)

Riyadh, Shawal 26, 1421H
(January 21, 2001G)

ARTHUR ANDERSEN & CO.



Arfan K. Ayass
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STATEMENTS OF FINANCIAL POSITION

December 31, 2000 and 1999

(Saudi Riyals in Thousands)

	Notes	2000	1999
ASSETS			
Cash and balances with			
Saudi Arabian Monetary Agency	3	2,658,677	1,783,742
Due from banks	4	3,231,543	5,310,703
Loans and advances to customers, net	5	13,915,091	12,906,067
Investment portfolio, net	6	16,375,263	14,065,980
Fixed assets, net	7	283,204	303,366
Other real estate		254,894	267,855
Other assets	8	1,172,150	1,233,138
Total assets	14,19	37,890,822	35,870,851
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Customer Deposits:	9		
Customers' demand, saving and time		20,584,158	21,948,854
Other		4,342,357	2,494,916
Total customer deposits		24,926,515	24,443,770
Due to banks	10	7,713,398	6,825,113
Other liabilities	11	2,090,488	1,536,263
Total liabilities	19	34,730,401	32,805,146
SHAREHOLDERS' EQUITY			
Share capital	12	1,500,000	1,500,000
Statutory reserve	13	1,500,000	1,483,000
General reserve	13	155,000	80,000
Retained earnings		5,421	2,705
Total shareholders' equity		3,160,421	3,065,705
Total liabilities and shareholders' equity	14	37,890,822	35,870,851
CONTRA ACCOUNTS			
2000 : 44,065,117			
1999 : 38,719,859	14		

The accompanying notes form an integral part of these financial statements



STATEMENTS OF INCOME

For the years ended December 31, 2000 and 1999

(Saudi Riyals in Thousands except earnings per share)

	Notes	2000	1999
OPERATING INCOME			
Special commission income		1,321,494	1,164,886
Gains on exchange		57,612	67,639
Investment securities		1,047,215	945,427
Banking services		233,004	173,753
Loan and banking risk provision recoveries	22	3,184	56,108
Total operating income		2,662,509	2,407,813
OPERATING EXPENSES			
Special commission expense		1,258,346	1,194,114
Provision for loan losses and bad debts	5	283,102	219,832
Salaries and employee related expenses		365,429	342,141
Rent and premises related expenses		39,394	38,921
Depreciation and amortization	7	66,463	76,313
General and administrative expenses		246,895	218,959
Directors' remuneration		1,794	2,009
Total operating expenses		2,261,423	2,092,289
Net income from operations		401,086	315,524
OTHER INCOME			
Gains on disposal of investment securities		2,744	12,675
Other		1,132	1,980
Net income for the year		404,962	330,179
Earnings per share	15	SR13.50	SR11.01

The accompanying notes form an integral part of these financial statements



STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2000 and 1999

(Saudi Riyals in Thousands)

	Notes	Share Capital	Statutory Reserve	General Reserve	Retained Earnings
2000					
Balance at the beginning of the year		1,500,000	1,483,000	80,000	2,705
Net income for the year		-	-	-	404,962
Transfer to statutory reserve	13	-	17,000	-	(17,000)
Transfer to general reserve	13	-	-	75,000	(75,000)
Proposed dividends	16	-	-	-	(310,246)
Balance at the end of the year		1,500,000	1,500,000	155,000	5,421
1999					
Balance at the beginning of the year		1,500,000	1,400,000	80,000	2,549
Net income for the year		-	-	-	330,179
Transfer to statutory reserve	13	-	83,000	-	(83,000)
Proposed dividends	16	-	-	-	(247,023)
Balance at the end of the year		1,500,000	1,483,000	80,000	2,705

The accompanying notes form an integral part of these financial statements



STATEMENTS OF CASH FLOWS

For the years ended December 31, 2000 and 1999

(Saudi Riyals in Thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	404,962	330,179
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Provision for loan losses and bad debts	283,102	219,832
Depreciation and amortization	66,463	76,313
Loss (Gain) on sale of fixed assets and other real estate	5,160	(482)
Gains on disposal of investment securities	(2,744)	(12,675)
	756,943	613,167
Net decrease (increase) in operating assets		
Due from banks	2,079,160	2,490,507
Loans and advances to customers	(1,292,126)	(3,042,776)
Other real estate	12,961	(402)
Other assets	60,988	103,171
Net increase (decrease) in operating liabilities		
Customer deposits	482,745	1,425,535
Due to banks	888,285	(574,635)
Other liabilities	489,895	200,684
Net cash flows from operating activities	3,478,851	1,215,251
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment portfolio, net	(2,306,539)	(756,948)
Fixed assets, net	(51,461)	(48,554)
Net cash flows used in investing activities	(2,358,000)	(805,502)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid during the year	(245,916)	(218,000)
Net cash flows used in financing activities	(245,916)	(218,000)
Net increase in cash and balances with Saudi Arabian Monetary Agency	874,935	191,749
Cash and balances with Saudi Arabian Monetary Agency at beginning of the year	1,783,742	1,591,993
Cash and balances with Saudi Arabian Monetary Agency at end of the year	2,658,677	1,783,742

The accompanying notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000 and 1999

(Saudi Riyals in Thousands)

1. GENERAL

Arab National Bank (a Saudi Joint Stock Company) was formed pursuant to Royal Decree No. M/38 dated 18/7/1399H (June 13, 1979G). The Bank commenced business on February 2, 1980, when it took over the operations of Arab Bank Limited in the Kingdom of Saudi Arabia. The Bank operates under commercial registration No. 1010027912 dated 1/3/1400H (January 19, 1980G) through a network of 116 branches in the Kingdom of Saudi Arabia and one branch in the United Kingdom. The bank employed 1,863 staff as at December 31 2000 (1999: 1,696 staff).

The objectives of the Bank are to provide a full range of banking services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Regulatory and accounting convention

The Bank follows the accounting standards for commercial banks promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standards. The Bank also prepares its financial statements to comply with the Banking Control Regulations, Regulations for Companies in the Kingdom of Saudi Arabia and the financial statements presentation and disclosure requirements of the Saudi Arabian Ministry of Commerce.

b) Reserve for loan losses

Allocations to the reserve for loan losses are based on management's assessment of the adequacy of this reserve on a periodic basis. Such assessment takes into account the composition and volume of the portfolio, the general economic conditions and the collectibility of outstanding loans and advances.

The net required allocations are charged to operating expenses. Loans and advances are written off only in circumstances where effectively all possible means of recovery have been exhausted.

The reserve for loan losses is netted against loans and advances to customers for financial statement presentation purposes.

c) Investment portfolio

The Bank maintains a separate portfolio for securities acquired for investment purposes. These securities are stated at actual cost, net of accumulated amortization of premiums and accretion of discounts computed using the straight-line method over the remaining maturity period. Provision is made for other than temporary decline in value and adjusted against the actual cost.

Income from these investments is included in operating income. Gains or losses on the sale of investment securities are credited or charged to other income.

d) Fixed assets

Fixed assets are stated at cost net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, based on the following annual rates:

Buildings owned by the bank	3%
Furniture, fixtures and equipment	2.5% to 25%
Preoperating expenses and leasehold improvements	Shorter of 10% - 20% or the lease period

e) 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 is stated at the lower of net realizable value of due loans and advances or the current fair market value of the related properties.

Gains or losses on disposal and unrealized losses on revaluation of other real estate are credited or charged to operating income.

f) Investment services

The Bank offers certain investment management services and mutual funds to its customers. The financial statements of these funds are not consolidated with the financial statements of the Bank.

g) Income recognition

Income is recognized on the accrual basis except for certain loans and advances classified as non-performing, where income is not recognized after a predetermined period, but is transferred to a suspense account. Income on such loans and advances is recognized on cash basis until they are reclassified as performing, when income is again recognized on the accrual basis.

Accumulated commission in suspense account is netted against loans and advances to customers, for financial statement presentation purposes.

h) Foreign currencies

The financial statements are denominated in Saudi Riyals. Transactions in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at transaction dates. Assets and liabilities at year end, denominated in foreign currencies, are translated into Saudi Riyals at the exchange rates prevailing at the balance sheet date.

Forward foreign exchange contracts outstanding at year end are revalued using the forward rate for the remaining maturity of the contract.

Realized and unrealized gains or losses on exchange are credited or charged to operating income.

i) Financial Instruments

Financial instruments include both on-and off-balance sheet instruments.

On-balance sheet financial instruments

On-balance sheet financial instruments comprise of cash, balances with SAMA, due from banks, loans and advances to customers, investment securities, certain other assets, deposits from customers, due to banks and certain other liabilities.

The fair values of on-balance sheet financial instruments, except for investment securities and loans and advances to customers, are not significantly different from the carrying values included in the financial statements. The estimated fair value of the investment securities is based on quoted market prices when available, or pricing models in the case of certain fixed rate bonds. Such fair value approximates the market value as disclosed in note 6. It is not practical to determine the fair value on loans and advances to customers with sufficient reliability.

The maximum credit risk from on-balance sheet financial instruments is equal to the carrying value disclosed in the financial statements excluding fair values of collateral received.



(Saudi Riyals in Thousands)

Off-balance sheet financial instruments (contra accounts)

Off-balance sheet financial instruments are comprised of letters of guarantee and credit, irrevocable commitments to extend credit, and derivative products such as futures, forwards, swap and option transactions undertaken by the Bank in the foreign exchange and equity markets. The notional amounts of these financial instruments are included in the accompanying statements of financial position under contra accounts.

Accounting for derivative financial instruments is dependent upon whether the financial instruments are for trading or non-trading purposes. Off-balance sheet trading financial instruments include transactions undertaken to service customers' needs and also for the Bank's own trading purposes. Off-balance sheet non-trading financial instruments are undertaken for hedging purposes and are part of the Bank's risk management strategy.

Off-balance sheet trading financial instruments are marked-to-market. Realized and unrealized gains and losses from such instruments are included under special commission income or expense in the statements of income.

Off-balance sheet non-trading financial instruments are accounted for on the accrual basis, equivalent to the basis for the underlying assets, liabilities or net positions being hedged. Commission receivable/payable from such instruments is included in special commission income/expense or income from investment securities as appropriate in the statements of income.

The fair value of off-balance sheet financial instrument is determined on the basis of market values.

The maximum credit risk from off-balance sheet financial instrument is not significantly different from the carrying values in the statements of financial position excluding fair values of collateral received.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the accompanying statements of financial position when a legally enforceable right to set off the amount exists or when the Bank intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Risk management

Management controls risks associated with financial instruments by hedging risk exposures, avoidance of undue concentration of risk and requirements for collateral to mitigate credit risks.

j) End of service indemnities

Indemnities payable to employees of the Bank at the end of their services are provided for as required by the Saudi Arabian Labor Law using actuarial valuation. Provision for indemnities is included under other liabilities.

3. CASH AND BALANCES WITH SAUDI ARABIAN MONETARY AGENCY

These are comprised of the following:

	2000	1999
a) Cash on Hand	490,800	650,535
b) Balances with Saudi Arabian Monetary Agency:		
Demand deposits	2,563	822
Other deposits	1,255,765	246,222
Statutory deposit	909,549	886,163
	2,167,877	1,133,207
Total	2,658,677	1,783,742

In accordance with the Banking Control Regulations, the Bank is required to maintain a statutory deposit with the Saudi Arabian Monetary Agency (SAMA) at stipulated percentages of its demand, time and other deposits, calculated at the end of each Gregorian month.

4. DUE FROM BANKS

These are comprised of the following:

	2000	1999
a) Domestic:		
Time deposits	1,473,750	1,435,700
b) International:		
Demand deposits	324,276	208,973
Time deposits	1,433,517	3,666,030
	1,757,793	3,875,003
Total	3,231,543	5,310,703

5. LOANS AND ADVANCES TO CUSTOMERS, NET

a) Loans and advances to customers are comprised of the following:

	2000	1999
Loans and advances to customers	15,420,400	14,121,207
Less: Accumulated commission		
in suspense	(593,898)	(472,529)
Reserve for loan losses	(911,411)	(742,611)
Loans and advances to customers, net	13,915,091	12,906,067

NOTES TO THE FINANCIAL STATEMENTS

(Saudi Riyals in Thousands)

5. LOANS AND ADVANCES TO CUSTOMERS, NET (continued)

b) Gross loans and advances are comprised of the following sectors:

	2000	1999
Domestic		
Agriculture	234,797	453,211
Manufacturing	2,863,864	2,790,834
Utilities and Health Services	597,085	554,794
Building and Construction	2,287,118	2,334,027
Commerce	2,246,228	2,456,226
Transportation and Communication	775,757	1,409,298
Finance	334,012	540,914
Services	304,364	364,531
Miscellaneous	4,398,599	2,242,219
	14,041,824	13,146,054
International		
Manufacturing	157,073	103,680
Commerce	252,607	273,834
Finance	888,193	559,571
Services	42,236	37,769
Miscellaneous	38,467	299
	1,378,576	975,153
	15,420,400	14,121,207

As at the end of the year, non-performing loans and advances, net of accumulated commission suspended, amounted to SR1,223 million (1999: SR1,389 million). Commission suspended during the year ended December 31, 2000, increased by SR121 million (1999: SR147 million) from SR473 million as at December 31, 1999, to SR594 million as at December 31, 2000.

c) The following is an analysis of the movement in the reserve for loan losses account during the year:

	2000	1999
Balance, beginning of the year	742,611	597,272
Loans and advances written-off and released	(104,313)	(21,869)
Additions during the year	273,113	167,208
Balance, end of the year	911,411	742,611

d) Charges to income against provision for loan losses and write-offs are comprised of the following:

	2000	1999
Additions to provision	273,113	167,208
Amounts written-off directly and charged to income	9,989	52,624
Charge to income	283,102	219,832

6. INVESTMENT PORTFOLIO, NET

The major categories of the investment portfolio are comprised of the following:

	2000	1999
a) Domestic:		
Shares	9,337	9,367
Fixed rate bonds and payment certificates	11,833,896	9,770,886
Floating rate notes	3,200,000	3,500,000
Other investments	10,042	10,042
Total	15,053,275	13,290,295
b) International:		
Shares	1,287	1,421
Fixed Rate Bonds	308,539	—
Floating rate notes	665,287	774,264
Other investments	346,875	—
Total	1,321,988	775,685
Investment portfolio, net	16,375,263	14,065,980

The market value of the investment portfolio at December 31, 2000 amounted to SR16,514 million (1999: SR14,039 million). Except for shares, the cost of these investments would be recovered at maturity with no losses upon redemption.

7. FIXED ASSETS, NET

These are comprised of the following:

	2000	1999
Cost:		
Land	57,125	57,125
Buildings, owned by the bank	202,253	202,055
Furniture, fixtures and equipment	473,893	509,656
Preoperating expenses and leasehold improvements, net	52,584	56,420
	785,855	825,256
Less: Accumulated depreciation	(502,651)	(521,890)
Net book value	283,204	303,366

Depreciation and amortization charged during 2000 and 1999 amounted to SR66.5 million and SR76.3 million, respectively.

8. OTHER ASSETS

These are comprised of the following:

	2000	1999
Customers' acceptance liabilities	240,234	458,243
Accrued commission	646,387	453,236
Other	285,529	321,659
Total	1,172,150	1,233,138



(Saudi Riyals in Thousands)

9. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

	2000	1999
a) Domestic:		
Private sector		
Demand and current	9,474,248	9,061,363
Saving	153,722	149,776
Time	5,633,912	7,258,132
Other	3,159,677	2,061,839
	<u>18,421,559</u>	<u>18,531,110</u>
Government, Government Agencies, Quasi Government and other public Institutions		
Demand and current	186,584	271,112
Time	4,932,050	5,043,020
Other	978,227	261,650
	<u>6,096,861</u>	<u>5,575,782</u>
b) Foreign:		
Private sector		
Demand and current	18,794	6,743
Saving	2,170	7,476
Time	182,678	151,231
Other	438	667
	<u>204,080</u>	<u>166,117</u>
c) Accrued Commission	<u>204,015</u>	<u>170,761</u>
Total Customer Deposits	<u>24,926,515</u>	<u>24,443,770</u>

The above deposits include foreign currency deposits of SR4,961 million (1999: SR5,018 million) and deposits against REPO sale of fixed rate bonds of SR2,813 million (1999: SR836 million).

10. DUE TO BANKS

These are comprised of the following:

	2000	1999
a) Domestic:		
Time deposits	3,361,250	3,706,750
Accrued commission	68,799	59,588
	<u>3,430,049</u>	<u>3,766,338</u>
b) Foreign branches of domestic banks:		
Time deposits	145,000	425,000
c) International:		
Demand deposits	279,342	223,525
Time deposits	3,800,526	2,375,013
Accrued commission	58,481	35,237
	<u>4,138,349</u>	<u>2,633,775</u>
Total	<u>7,713,398</u>	<u>6,825,113</u>

11. OTHER LIABILITIES

These are comprised of the following:

	2000	1999
Acceptances outstanding	240,234	458,243
Dividends payable	343,093	278,762
Provision for indemnities	117,777	101,528
Unearned discounts	704,668	222,015
Other	684,716	475,715
	<u>2,090,488</u>	<u>1,536,263</u>

12. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 30 million shares of SR50 each. The ownership of the Bank's share capital is as follows:

	2000	1999
Saudi shareholders'	60%	60%
Arab Bank Plc - Jordan	40%	40%

13. STATUTORY RESERVE

a) Statutory reserve:

In accordance with Saudi Arabian Banking Control Regulations and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SR17 million have been transferred from 2000 net income (1999: SR83 million). This reserve is not available for dividend distribution.

b) General reserve:

The Board of Directors proposed to transfer from 2000 net income SR 75 million to general reserve.

14. FINANCIAL INSTRUMENTS

On-balance sheet financial instruments - commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets, liabilities and off-balance sheet positions which are subject to commission rate adjustment within a specified period. The most important source of such rate risk is the Bank's lending, funding and investment activities, where fluctuations in commission rates are reflected in commission margins and earnings.

Commission rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets during a prescribed period of time. The commission rate gap position and terms to maturity for on-balance sheet and off balance sheet financial instruments, as of December 31, 2000 and 1999, are as follows:



NOTES TO THE FINANCIAL STATEMENTS

(Saudi Riyals in Thousands)

TERM TO MATURITY 2000					
	Commission Sensitive			Non - Commission Sensitive	Total
	within 3 months	4 to 12 months	over 1 year		
ASSETS					
Cash and balances with SAMA	1,255,765	0	0	1,402,912	2,658,677
Due from banks	2,904,267	3,000	0	324,276	3,231,543
Loans and advances, net	8,597,404	2,422,022	2,435,684	459,981	13,915,091
Investment securities, net	5,888,502	938,196	9,526,527	22,038	16,375,263
Fixed assets, net	0	0	0	283,204	283,204
Other real estate	0	0	0	254,894	254,894
Other assets	0	0	0	1,172,150	1,172,150
Total assets	18,645,938	3,363,218	11,962,211	3,919,455	37,890,822
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	9,176,368	4,598,968	233,207	10,917,972	24,926,515
Due to banks	5,803,382	1,503,396	0	406,620	7,713,398
Other liabilities	0	0	0	2,090,488	2,090,488
Shareholders' equity	0	0	0	3,160,421	3,160,421
Total liabilities and shareholders' equity	14,979,750	6,102,364	233,207	16,575,501	37,890,822
On balance sheet gap position	3,666,188	(2,739,146)	11,729,004	(12,656,046)	-
Off-balance sheet gap position	(1,699,660)	1,823,904	(124,244)	-	-
Combined on and off-balance sheet gap position	1,966,528	(915,242)	11,604,760	(12,656,046)	-
Cumulative gap position	1,966,528	1,051,286	12,656,046	-	-

(Saudi Riyals in Thousands)

TERM TO MATURITY 1999					
	Commission Sensitive			Non - Commission Sensitive	Total
	within 3 months	4 to 12 months	over 1 year		
ASSETS					
Cash and balances with SAMA	250,000	-	-	1,533,742	1,783,742
Due from banks	5,100,857	1,000	-	208,846	5,310,703
Loans and advances, net	9,218,212	2,306,023	875,868	505,964	12,906,067
Investment securities, net	5,804,652	550,257	7,694,435	16,636	14,065,980
Fixed assets, net	-	-	-	303,366	303,366
Other real estate	-	-	-	267,855	267,855
Other assets	-	-	-	1,233,138	1,233,138
Total assets	20,373,721	2,857,280	8,570,303	4,069,547	35,870,851
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	9,198,668	4,547,453	75,410	10,622,239	24,443,770
Due to banks	5,487,581	1,019,174	-	318,358	6,825,113
Other liabilities	-	-	-	1,536,263	1,536,263
Shareholders' equity	-	-	-	3,065,705	3,065,705
Total liabilities and shareholders' equity	14,686,249	5,566,627	75,410	15,542,565	35,870,851
On balance sheet gap position	5,687,472	(2,709,347)	8,494,893	(11,473,018)	-
Off-balance sheet gap position	(1,926,326)	2,008,743	(82,417)	-	-
Combined on and off-balance sheet gap position	3,761,146	(700,604)	8,412,476	(11,473,018)	-
Cumulative gap position	3,761,146	3,060,542	11,473,018	-	-

The maturities set out in the above tables are based on contractual re-pricing or maturity dates whichever is earlier.



(Saudi Riyals in Thousands)

The table below summarizes the effective commission rates for outstanding balances as at December 31, 2000:

FINANCIAL INSTRUMENT

	2000	1999
Assets		
Cash and balances with SAMA	6.75%	7.69%
Due from banks	6.65%	6.13%
Loans and advances	8.71%	8.26%
Investment securities	7.02%	6.55%
Liabilities		
Deposits from customers	6.56%	6.08%
Due to banks	6.89%	6.50%

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

Off-balance sheet financial instruments (contra accounts)

Terms to maturity for off-balance sheet items, as of December 31, 2000 and 1999, are as follows:

MATURITY FOR OFF-BALANCE SHEET ITEMS FOR 2000 (Notional amount)

FINANCIAL INSTRUMENT	Within 3 months	4 to 12 months	over 1 year	Total
Letters of Credit	1,074,733	96,719	260,400	1,431,852
Letters of Guarantee	1,281,960	1,426,989	627,480	3,336,429
Forward foreign exchange contracts	10,588,095	4,980,629	75,946	15,644,670
Commission rate contracts	5,126,824	7,964,401	2,771,778	15,863,003
Commitment to extend credit	935,071	4,252,629	1,303	5,189,003
Other contingent liabilities	4,565	16,065	2,579,530	2,600,160
Total	19,011,248	18,737,432	6,316,437	44,065,117

MATURITY FOR OFF-BALANCE SHEET ITEMS FOR 1999 (Notional amount)

FINANCIAL INSTRUMENT	Within 3 months	4 to 12 months	over 1 year	Total
Letters of Credit	1,269,858	151,111	315,274	1,736,243
Letters of Guarantee	1,351,890	883,711	1,037,761	3,273,362
Forward foreign exchange contracts	7,308,194	6,992,189	-	14,300,383
Commission rate contracts	6,552,712	6,391,445	82,417	13,026,574
Commitment to extend credit	804,497	3,611,688	570,607	4,986,792
Other contingent liabilities	20,559	50,198	1,325,748	1,396,505
Total	17,307,710	18,080,342	3,331,807	38,719,859

The maturities set out in the above tables are based on contractual re-pricing or maturity date whichever is earlier.

The fair value of off-balance sheet financial instruments is equal to their book value.

In respect of commitments for forward foreign exchange and commission rate related contracts, the amounts recorded are gross values and do not reflect the extent to which positions may offset one another. The amounts subject to market and credit risks are substantially smaller than gross values. Management does not anticipate any material loss as a result of these contingencies and commitments.

The Bank had a net open foreign exchange position, principally in US Dollars, of SR742 million as of December 31, 2000 (1999: SR484 million).

NOTES TO THE FINANCIAL STATEMENTS

(Saudi Riyals in Thousands)

15. EARNINGS PER SHARE

Earnings per share are calculated based on the net income which amounted to SR404.9 million (1999: SR330.2 million) divided by the total number of outstanding shares (30 million).

16. PROPOSED DIVIDENDS, ZAKAT AND INCOME TAX

The proposed dividends for 2000 amounted to SR310.2 million (1999: SR247.0 million) included in other liabilities. Net Zakat relating to the Saudi shareholders amounting to SR6.1 million (1999: SR4.2 million), is deducted from their share of the dividends.

Under the provisions of Ministry of Finance and National Economy Resolution No. 918/3 dated 20/5/1412H (26/11/1991 G) as subsequently amended by Resolution No. 1399/3 dated 27/5/1413H (23/10/1992 G), the non-Saudi shareholder is required to settle his income tax liability on his share of adjusted net income, in addition to a fixed installment relating to previously deferred income taxes, subject to a maximum of 75% of dividends declared. Taxes in excess of this percentage are deferred to the following year. The 2000 income tax and deferred tax payable of SR69 million (1999: SR72 million) will be deducted from his share of dividends.

17. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank transacts business with related parties. The balances resulting from such transactions as of December 31, are as follows:

	2000	1999
Non-Saudi shareholder:		
Due from banks	789,307	1,080,169
Due to banks	1,649,198	1,070,304
Foreign exchange contracts	96,525	202,096
Letters of credit	115,661	115,030
Letters of guarantee	206,792	242,907
Directors, major shareholders' and their affiliates:		
Loans and advances	342,168	380,270
Customer deposits	193,525	38,582
Other assets - Customers' acceptance liabilities	4,778	421,134
Foreign exchange contracts	43,739	19,860
Letters of credit	89,732	94,068
Letters of guarantee	121,598	122,627
Investment funds:		
Investments	10,042	10,042
Customer deposits	58,648	58,388

Total special commission income, income from banking services and foreign exchange transactions conducted with related parties during 2000 amounted to SR28.9 and SR19.5 million (1999: SR79.8 million and SR18.5 million). Correspondingly, special commission expense incurred on similar transactions amounted to SR16 million (1999: SR52.4 million).

18. COMMITMENTS

Aggregate commitments under non-cancellable operating leases expiring:

	2000	1999
Within one year	25,108	21,733
One to five years	46,908	42,574
Over five years	1,482	1,699
Total	73,498	66,006

19. MATURITIES OF ASSETS AND LIABILITIES

The maturities of assets and liabilities as at December 31, were as follows:

	Total	In Million Saudi Riyals			
		Up to 3 months	4-6 months	7-12 months	Over 12 months
2000					
Total assets	36,181	14,602	763	1,778	19,038
Total liabilities	32,640	26,305	1,207	4,895	233
		Up to 3 months	4-6 months	7-12 months	Over 12 months
1999					
Total assets	34,066	16,092	1,439	1,043	15,492
Total liabilities	31,269	25,627	2,082	3,485	75

The above reflects the contractual maturities of assets and liabilities and as such does not take into account the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

The above mentioned total assets and liabilities do not include fixed assets, other real estate, other assets and other liabilities, due to the nature of these accounts.



(Saudi Riyals in Thousands)

20. SEGMENTAL INFORMATION

For management purposes the Bank is organized into three major business segments:

RETAIL

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

CORPORATE AND SYNDICATIONS

Loans and other credit products for corporate and institutional customers.

TREASURY AND CAPITAL MARKETS

Money market, trading and treasury services.

Commission is charged/credited to business segments based on a pool rate which approximates to the marginal cost of funds.

Year ended December 31, 2000	Retail	Corporate and syndications	Treasury and capital markets	Inter- segment elimination	Total
Total operating income, less special commission expense	1,072,316	227,460	104,387	-	1,404,163
Net income for the year	237,603	93,099	74,260	-	404,962
Total assets	20,144,745	10,485,274	21,907,923	(14,647,120)	37,890,822
Total liabilities	18,765,216	9,135,116	21,477,189	(14,647,120)	34,730,401

Year ended December 31, 1999	Retail	Corporate and syndications	Treasury and capital markets	Inter- segment elimination	Total
Total operating income, less special commission expense	904,734	219,428	89,537	-	1,213,699
Net income for the year	164,175	96,189	69,815	-	330,179
Total assets	18,836,177	10,409,889	20,261,313	(13,636,528)	35,870,851
Total liabilities	17,714,667	8,898,440	19,828,567	(13,636,528)	32,805,146

21. GEOGRAPHIC SEGMENTATION

The Bank's primary business is conducted in Saudi Arabia with one international branch. However, the total assets, liabilities, commitments and results of operations of this branch are not material to the Bank's overall financial statements.

Notes 4, 5, 6, 9 and 10 describe the Bank's geographical market exposure.

22. LOAN AND BANKING RISK PROVISION RECOVERIES

The balance is comprised of the following:

	2000	1999
Loan recoveries	3,184	5,379
Provision no longer required	-	50,729
Total	3,184	56,108

During 1999, the Bank reversed the banking risk provision balance amounting to SR50.7 million as of December 31, 1998, as it is no longer required. This provision was made in the years 1985 through 1989 to cover non-credit banking risks.

23. YEAR 2000 COMPLIANCE

The Bank incurred certain expenditure during 1999 relating to modifications as deemed necessary to deal with the year 2000 issue. Costs relating to these modifications, both internal and external, are not material and have been expensed as incurred.

24. COMPARATIVE FIGURES

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

25. BOARD OF DIRECTORS APPROVAL

The financial statements and notes thereon have been approved by the Board of Directors on January 17, 2001.



BRANCHES

Branch	Region	Telephone No.	Facsimile No.	PO Box	Postal Code
CENTRAL REGION BRANCHES					
Head Office	Riyadh	(1)4029000	(1)4027747	56921	11564
Riyadh	Riyadh	(1)4024111	(1)4024111	26	11411
Sitteen	Riyadh	(1)4771885	(1)4771027	41095	11521
Dhabab	Riyadh	(1)4040365	(1)4043959	6876	11452
Olaya	Riyadh	(1)4659331	(1)4659440	10875	11443
Buraidah		(6)3250872	(6)3250588	1049	-
Industrial Area	Riyadh	(1)4465708	(1)4460781	1006	11431
Hijaz Road	Riyadh	(1)4585512	(1)4585424	4045	11491
Unaiza		(6)3646880	(6)3648662	166	81888
Manfouha	Riyadh	(1)4590064	(1)4583753	40172	11499
Dirah	Riyadh	(1)4114000	(1)4117447	20382	11455
Rawdah	Riyadh	(1)4913612	(1)4914376	21346	11475
Wadi Al-Dawaser		(1)7840312	(1)7840430	98	11991
Al-Zutfi		(6)4222252	(6)4222240	275	11932
Shemeisi	Riyadh	(1)4112703	(1)4112059	52264	11563
Al-Kharj		(1)5441912	(1)5444484	31	11942
Dawadmi		(1)6420900	(1)6421032	206	11911
Hawtat Bani Tamim		(1)5550780	(1)5550784	51	11941
Al-Majma'a		(6)4323840	(6)4323848	229	11952
Akariah, Olaya	Riyadh	(1)4191000	(1)4191803	53055	11583
Rabwa	Riyadh	(1)4910546	(1)4910573	25067	11466
Shaqra		(1)6221206	(1)6221758	153	11961
Al-Rass		(6)3330988	(6)3335225	244	-
Farazdaq St.	Riyadh	(1)4771818	(1)4793394	60312	11545
Shifa	Riyadh	(1)4213111	(1)4223123	61302	11565
Prince Abdullah Qtr.	Riyadh	(1)4765300	(1)4764015	42618	11551
Swaidi	Riyadh	(1)4261200	(1)4261827	61128	11565
Mutanabi St.	Riyadh	(1)4765400	(1)4769294	27035	11417
Dahrat Al-Badia	Riyadh	(1)4258060	(1)4261284	61129	11565
Murabba	Riyadh	(1)4050707	(1)4032349	8667	11492
2nd Industrial City	Riyadh	(1)2652088	(1)2652023	50729	11533
Khashm Al-A'n	Riyadh	(1)2520088	(1)2520088	87139	11642
Al-Oruba St.	Riyadh	(1)4820111	(1)4824997	87735	11472
Diplomatic Qtr.	Riyadh	(1)4880658	(1)4880901	9014	11413
Naseem	Riyadh	(1)2328236	(1)2330291	57504	11584
Ladies' Branch	Riyadh	(1)4191792	(1)4191792	60877	11555
Afif		(1)7223017	(1)7223021	180	11921
Quwaiyah		(1)6521343	(1)6521164	34	11971
Mursalat	Riyadh	(1)4562080	(1)4569177	92161	11653
Takhassusi	Riyadh	(1)4820489	(1)4822090	93095	11673
Land Forces	Riyadh	(1)4787154	-	8667	11492



Branch	Region	Telephone No.	Facsimile No.	PO Box	Postal Code
WESTERN REGION BRANCHES					
Madina Road	Jeddah	(2)6600272	(2)6611104	9463	21413
Balad	Jeddah	(2)6480112	(2)6484321	344	21411
Gazzah	Makkah	(2)5743455	(2)5747244	238	-
Makkah Road	Jeddah	(2)6873509	(2)6886966	8055	21482
Madina Munawwarah		(4)8237144	(4)8251312	2443	-
Yanbu		(4)3226201	(4)3227626	483	-
Taif		(2)7384122	(2)7381690	1542	-
Sitteen	Makkah	(2)5365912	(2)5364545	3691	-
Wajh		(4)4421283	(2)4421149	44	-
Bab Makkah	Jeddah	(2)6438441	(2)6438654	16060	21464
Aziziyah	Makkah	(2)5570838	(2)5570821	1355	-
Rabigh		(2)4220196	(2)4220816	45	21911
Al-Ula		(4)8840117	(4)8841778	91	-
Hay Al-Salamah	Jeddah	(2)6914404	(2)6912292	14906	21434
Prince Majid St.	Jeddah	(2)6170473	(2)6744533	13304	21493
Makaronah	Jeddah	(2)6700600	(2)6724183	13303	21493
Ma'abdah	Makkah	(2)5735623	(2)5735717	5038	-
Mahjar	Jeddah	(2)6373776	(2)6373783	30411	21477
Hay Al-Jamia'a	Jeddah	(2)6813802	(2)6813806	30577	21487
Otaibiah	Makkah	(2)5423580	(2)5423800	1355	-
Misyal	Makkah	(2)5378431	(2)5381161	238	-
Sharafiah	Jeddah	(2)6515165	(2)6515207	9463	21413
Shohadah	Makkah	(2)5450594	(2)5442008	5927	-
Guba	Madina	(4)8230085	(4)8234003	2443	-
Shohadah Area	Taif	(2)7491008	(2)7491761	1542	-
Al-Safa	Jeddah	(2)6935767	(2)6933460	9463	21413
Hira St.	Jeddah	(2)6550665	(2)6540102	45031	21512
Tahliyah St.	Jeddah	(2)6608576	(2)6612935	51283	21543
EASTERN REGION BRANCHES					
Dammam		(3)8333577	(3)8347309	18	31411
Khobar		(3)8940712	(3)8942752	37	31952
Qatif		(3)8513377	(3)8540759	125	31911
Hofuf		(3)5827806	(3)5877808	1004	31982
Jubail		(3)3620029	(3)3610464	351	31951
Khazzan St.	Damman	(3)8272422	(3)8272911	5767	31432
Mubarraz		(3)5920012	(3)5920016	10187	31982
Buqaiq		(3)5662612	(3)5663856	184	31992
Al-Omran		(3)5963632	(3)5960144	1845	31982
Ras Tannourah		(3)6673339	(3)6673572	242	31941
Thuqba		(3)8952848	(3)8982980	412	31952
Hafr Al-Batin		(3)7224321	(3)7223672	167	31991
Khafji		(3)7661450	(3)7671627	443	31971
King A. Aziz St.	Khobar	(3)8982211	(3)8953289	1573	31952



BRANCHES

Branch	Region	Telephone No.	Facsimile No.	PO Box	Postal Code
EASTERN REGION BRANCHES CONTINUED					
Old Industrial Area	Dammam	(3)8471752	(3)8471732	7589	31472
Sihat		(3)8501516	(3)8503121	31	31972
First St.	Dammam	(3)8344123	(3)8338537	18	31411
Street 42	Dammam	(3)8414474	(3)8414320	18	31411
Mazroueya	Hofuf	(3)5881716	(3)5880561	1004	31982
Rawda	Hofuf	(3)5806263	(3)5803046	1004	31982
Qarah	Hofuf	(3)5963076	(3)5962276	1004	31982
Industrial Area	Khobar	(3)8950598	(3)8981365	37	31952
2nd Industrial Area	Dammam	(3)8121371	(3)8121277	18	31411
Mukhattat 71	Dammam	(3)8202272	(3)8203360	18	31411
Al Rashid Centre	Khobar	(3)8649788	(3)8652304	3933	31952
Maidan Al-Khamis	Hofuf	(3)5867246	(3)5823291	1004	31982
Al-Najah St.	Hofuf	(3)5875038	(3)5876317	1004	31982
Muhammadiyah	Dammam	(3)8178100	(3)8178090	18	31411
NORTHERN REGION BRANCHES					
Hail		(6)5329328	(6)5323848	1146	-
Ar'ar		(4)6622416	(4)6627004	365	-
Al-Jouf		(4)6245188	(4)6247988	353	-
Qurayat		(4)6423904	(4)6423804	208	-
Barzan	Hail	(6)5434870	(6)5434983	1146	-
Tabuk		(4)4232172	(4)4232164	698	-
Tayma		(4)4631028	(4)4630080	49	-
SOUTHERN REGION BRANCHES					
Abha		(7)2249012	(7)2248820	694	-
Najran		(7)5222880	(7)5220868	344	-
Khamis Mushayt		(7)2233334	(7)2234388	934	-
Al-Baha		(7)7252300	(7)7250833	228	-
Baljurashi		(7)7222920	(7)7222916	131	2288
Jizan		(7)3220520	(7)3223751	233	-
Bisha		(7)6221222	(7)6222373	272	-
Dhahran Al-Janoob		(7)2550320	(7)2550516	34	-
Sabya		(7)3261132	(7)3262942	3	-
Al-Qunfudah		(7)7321045	(7)7320932	6	21912
Al-Namas		(7)2821029	(7)2820160	195	-
Mahayl Aseer		(7)2852036	(7)2851493	162	-
Commercial Market	K. Mushayt	(7)2233578	(7)2231890	934	-
OVERSEAS BRANCH					
London Branch, 47 Seymour Street		(020)78785300 Telex: 22368 ARABNT G	(020)78785330	PO Box 2LB	W1A 2LB