

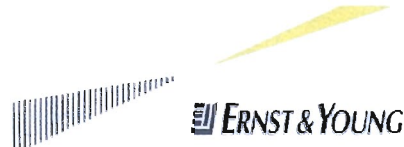
**AL RAJHI BANKING AND  
INVESTMENT CORPORATION**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
NINE-MONTH PERIOD ENDED  
SEPTEMBER 30, 2012**

**(UNAUDITED)**



P.O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia



P.O. Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF  
AL RAJHI BANKING AND INVESTMENT CORPORATION  
(Saudi Joint Stock Company)**

**Introduction**

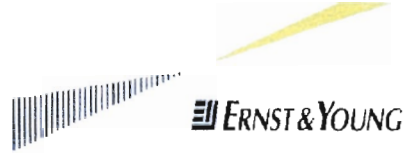
We have reviewed the accompanying interim consolidated statement of financial position of Al Rajhi Banking and Investment Corporation (the "Bank") and its subsidiaries (collectively referred to as "the Group") as of 30 September 2012, and the related interim consolidated statement of comprehensive income for three-month and nine-month periods then ended, and the related interim consolidated statements of changes in shareholders' equity, cash flows and the related notes from (1) to (14) for the nine-month period then ended. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

### Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (12) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in the aforementioned note to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

### PricewaterhouseCoopers

Mohammed A. Al Obaidi  
Registration No. 367

### Ernst & Young

Rashid S. Al Rashoud  
Registration No. 366



19 Dhul Hijjah 1433H  
(4 November 2012)



**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
**(Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(SR'000)

	Notes	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		22,611,379	20,419,467	16,265,917
Due from banks and other financial institutions		17,277,040	14,599,787	12,707,797
Investments	3	34,551,264	38,802,492	43,194,798
Financing, net	4	165,551,312	140,395,619	134,697,549
Customer debit current accounts, net		533,954	375,941	312,233
Property and equipment, net		3,713,783	3,623,522	3,480,173
Other assets, net		<u>3,009,440</u>	<u>2,596,584</u>	<u>2,228,539</u>
<b>TOTAL ASSETS</b>		<b><u>247,248,172</u></b>	<b><u>220,813,412</u></b>	<b><u>212,887,006</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES:</b>				
Due to banks and other financial institutions		10,808,525	7,020,781	6,528,730
Customer deposits	5	195,154,969	173,429,465	166,804,534
Other liabilities		<u>6,645,967</u>	<u>6,792,109</u>	<u>7,881,801</u>
<b>TOTAL LIABILITIES</b>		<b><u>212,609,461</u></b>	<b><u>187,242,355</u></b>	<b><u>181,215,065</u></b>
<b>SHAREHOLDERS' EQUITY:</b>				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		13,956,451	13,956,451	12,111,884
Other reserve	7	1,469,048	750,000	750,000
Retained earnings		4,213,212	114,606	3,810,057
Proposed gross dividends and zakat		<u>-</u>	<u>3,750,000</u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>34,638,711</u></b>	<b><u>33,571,057</u></b>	<b><u>31,671,941</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>247,248,172</u></b>	<b><u>220,813,412</u></b>	<b><u>212,887,006</u></b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
**(Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

(SR'000)

	Three-month period ended September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
<b>INCOME:</b>				
Gross financing and investment income	2,489,348	2,357,821	7,301,500	6,991,169
Income paid to customers on time investments	<u>(80,753)</u>	<u>(64,584)</u>	<u>(221,079)</u>	<u>(191,927)</u>
<b>Net financing and investment income</b>	<b>2,408,595</b>	<b>2,293,237</b>	<b>7,080,421</b>	<b>6,799,242</b>
Fees from banking services, net	785,265	663,654	2,348,273	1,693,357
Exchange income, net	217,186	198,153	671,468	596,593
Other operating income	<u>227,592</u>	<u>36,906</u>	<u>393,067</u>	<u>90,067</u>
<b>Total operating income</b>	<b><u>3,638,638</u></b>	<b><u>3,191,950</u></b>	<b><u>10,493,229</u></b>	<b><u>9,179,259</u></b>
<b>EXPENSES:</b>				
Salaries and employees' related benefits	532,349	480,725	1,588,556	1,433,421
Rent and premises' related expenses	55,637	44,118	161,346	128,409
Impairment charge for financing and other	829,722	408,434	1,674,775	1,104,553
Other general and administrative expenses	252,451	223,923	785,884	731,511
Depreciation and amortization	98,494	98,254	307,003	300,156
Board of directors' remunerations	<u>684</u>	<u>693</u>	<u>2,059</u>	<u>2,057</u>
<b>Total operating expenses</b>	<b><u>1,769,337</u></b>	<b><u>1,256,147</u></b>	<b><u>4,519,623</u></b>	<b><u>3,700,107</u></b>
<b>Net income for the period</b>	<b>1,869,301</b>	<b>1,935,803</b>	<b>5,973,606</b>	<b>5,479,152</b>
<b>Comprehensive income items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net comprehensive income for the period</b>	<b><u>1,869,301</u></b>	<b><u>1,935,803</u></b>	<b><u>5,973,606</u></b>	<b><u>5,479,152</u></b>
Weighted average number of outstanding shares (Note 11)	<u>1,500 Million</u>	<u>1,500 Million</u>	<u>1,500 Million</u>	<u>1,500 Million</u>
Earnings per share for the period (SR) (Note 11)	<u>1.25</u>	<u>1.29</u>	<u>3.98</u>	<u>3.65</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
**(Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN**  
**SHAREHOLDERS' EQUITY (UNAUDITED)**

(SR'000)

	<u>Share capital</u>	<u>Statutory reserved</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Proposed gross dividends</u>	<u>Total</u>
<b>For the nine-month period ended</b>						
<b>September 30, 2012</b>						
Balance at the beginning of the period	15,000,000	13,956,451	750,000	114,606	3,750,000	33,571,057
Transfer to reserves (Note 7)	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2011 (Note 13)	-	-	-	-	(3,000,000)	(3,000,000)
Dividends paid for the first half of 2012 (Note 13)	-	-	-	(1,875,000)	-	(1,875,000)
Employees' share plan (Note 7)	-	-	3,758	-	-	3,758
Transfer to zakat provision	-	-	(34,710)	-	-	(34,710)
Net comprehensive income for the period	-	-	-	5,973,606	-	5,973,606
<b>Balance at the end of the period</b>	<b><u>15,000,000</u></b>	<b><u>13,956,451</u></b>	<b><u>1,469,048</u></b>	<b><u>4,213,212</u></b>	<b><u>-</u></b>	<b><u>34,638,711</u></b>
<b>For the nine-month period ended</b>						
<b>September 30, 2011</b>						
Balance at the beginning of the period	15,000,000	12,111,884	-	205,905	3,000,000	30,317,789
Transfer to reserves (Note 7)	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2010 (Note 13)	-	-	-	-	(2,250,000)	(2,250,000)
Dividends paid for the first half of 2011 (Note 13)	-	-	-	(1,875,000)	-	(1,875,000)
Net comprehensive income for the period	-	-	-	5,479,152	-	5,479,152
<b>Balance at the end of the period</b>	<b><u>15,000,000</u></b>	<b><u>12,111,884</u></b>	<b><u>750,000</u></b>	<b><u>3,810,057</u></b>	<b><u>-</u></b>	<b><u>31,671,941</u></b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
**(Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

(SR'000)

	For the nine-month period ended September 30	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income for the period	5,973,606	5,479,152
<b>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</b>		
Depreciation and amortization	307,003	300,156
Gain on sale of property and equipment	(143)	(6,422)
Impairment charge for financing and other	1,674,775	1,104,553
Expenses of employees' share plan	3,758	-
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	(882,401)	(1,463,913)
Due from banks and other financial institutions	(497,357)	(4,290,034)
Investments held as FVIS	66,772	(823,463)
Financing	(26,810,691)	(15,713,824)
Customer debit current accounts	(158,013)	(171)
Other assets	(412,856)	1,162
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	3,787,744	1,114,549
Customer deposits	21,725,504	23,740,497
Other liabilities	(180,852)	1,836,898
<b>Net cash provided by operating activities</b>	<b><u>4,596,849</u></b>	<b><u>11,279,140</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(400,269)	(392,185)
Proceeds from sale of property and equipment	3,147	13,141
Investments recorded at amortized cost	4,164,679	(14,148,064)
<b>Net cash provided by (used in) investing activities</b>	<b><u>3,767,557</u></b>	<b><u>(14,527,108)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(4,875,000)	(4,125,000)
<b>Net cash used in financing activities</b>	<b><u>(4,875,000)</u></b>	<b><u>(4,125,000)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>3,489,406</b>	<b>(7,372,968)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>18,622,071</u></b>	<b><u>20,224,680</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 8)</b>	<b><u>22,111,477</u></b>	<b><u>12,851,712</u></b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

**AL RAJHI BANKING AND INVESTMENT CORPORATION**  
**(Saudi Joint Stock Company)**

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012 (UNAUDITED)**

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**1. GENERAL**

**Incorporation and operations**

Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, (the "Bank") was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qada 1407H (corresponding to June 29, 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawwal 1407H (corresponding to June 23, 1987).

The Bank operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

**Al Rajhi Bank**  
**Olaya Street**  
**P.O. Box 28**  
**Riyadh 11411**  
**Kingdom of Saudi Arabia**

The objectives of the Bank are to carry out banking and investment activities in accordance with its Memorandum and Articles of Association, Bylaws, and the Banking Control Law and the Council of Ministers Resolution referred to above. The Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia for its own account and on behalf of others. The Bank has established certain subsidiary companies in which it owns all or the majority of their shares.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**a) Basis of preparation**

The Bank prepares these interim condensed consolidated financial statements in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA"), and International Accounting Standard No. 34 - Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all notes required for the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements were approved on 6 Dhul-Hijjah 1433H (corresponding to October 22, 2012).

The interim condensed consolidated financial statements are expressed in Saudi Riyals (SR) and are rounded off to the nearest thousand.



**b) Basis of preparation of the interim condensed consolidated financial statements**

These interim condensed consolidated financial statements include the accounts of the Bank and its subsidiaries in which the Bank's shareholdings exceed 50% of their share capital and where the Bank has the power to govern their financial and operational policies. Significant balances and transactions between the Bank and its subsidiaries and those among subsidiaries are eliminated upon consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Bank till the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

The subsidiaries included in the interim condensed consolidated financial statements comprise the following at September 30:

	<u>Shareholding %</u>	
	<u>2012</u>	<u>2011</u>
Al Rajhi Company for Development Limited - Saudi Arabia	100%	100%
Al Rajhi Corporation Limited - Malaysia	100%	100%
Al Rajhi Capital Company - Saudi Arabia	100%	99%
Al Rajhi Bank - Kuwait	100%	100%
Al Rajhi Bank - Jordan	100%	100%
Al Rajhi Takaful Agency Company - Saudi Arabia	99%	-

Al Rajhi Takaful Agency Company was formed during the last quarter of 2011. All the above-mentioned subsidiaries were consolidated.

**c) Accounting policies**

The accounting policies used in preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2011, as presented at the annual consolidated financial statements of the Bank, except for the change mentioned in Note 7 and for the adoption of the amendment to "IFRS 7 - Financial instruments: Transfers of financial assets" as detailed below which has had no significant impact on the interim condensed consolidated financial statements of the Bank.

The amendment to IFRS 7 is effective from July 1, 2011 and requires additional disclosures with respect to risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount, and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities and the relationship between financial assets and associated liabilities.

The Bank has chosen not to early adopt the following standards, which are effective for the Banks in 2013 financial reporting year:

• IAS 1	Amendments	Presentation of items of other comprehensive income
• IFRS 10		Consolidated financial statements
• IFRS 12		Disclosure of interests in other entities
• IFRS 13		Fair value measurement
• IAS 19	Revised 2011	Employees' benefits
• IAS 28	Revised 2011	Investments in associates and joint ventures
• IAS27		Separate financial statements
• IAS 32 and IFRS 7	Amendments	Financial instruments on asset and liability offsetting

### 3. INVESTMENTS

Investments comprise of the following:

	SR'000		
	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
<b>Investments held at amortized cost:</b>			
Murabaha with SAMA	31,360,244	35,524,923	39,746,543
<b>Total investments held at amortized cost</b>	<b>31,360,244</b>	<b>35,524,923</b>	<b>39,746,543</b>
<b>Held at fair value through income statement (FVIS):</b>			
Sukuk	1,649,815	1,310,097	1,441,715
Corporate shares	628,382	789,841	711,669
Mutual Funds	603,809	482,975	445,963
Miscellaneous investment	309,014	694,656	848,908
<b>Total investments at FVIS</b>	<b>3,191,020</b>	<b>3,277,569</b>	<b>3,448,255</b>
<b>Total investments</b>	<b>34,551,264</b>	<b>38,802,492</b>	<b>43,194,798</b>

### 4. FINANCING, NET

Financing, net comprise of the following:

	SR'000		
	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
<b>Held at amortized cost:</b>			
Retail	111,616,386	93,705,537	87,069,673
Corporate	54,539,240	47,293,360	48,291,929
Visa	455,788	556,400	536,078
Performing financing	166,611,414	141,555,297	135,897,680
Non-performing financing	3,534,033	2,395,954	2,268,633
<b>Total financing</b>	<b>170,145,447</b>	<b>143,951,251</b>	<b>138,166,313</b>
Provision for financing impairment	(4,594,135)	(3,555,632)	(3,468,764)
<b>Net financing</b>	<b>165,551,312</b>	<b>140,395,619</b>	<b>134,697,549</b>

## 5. CUSTOMER DEPOSIT

Customer deposit comprise of the following:

	SR'000		
	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
Current deposits	177,286,386	164,817,558	160,376,240
Time investments	14,971,656	5,726,461	4,095,295
Other customers' accounts	2,896,927	2,885,446	2,332,999
<b>Total</b>	<b><u>195,154,969</u></b>	<b><u>173,429,465</u></b>	<b><u>166,804,534</u></b>

## 6. MUDARABA FUNDS AND CONTINGENT LIABILITIES AND LITIGATIONS

Mudaraba funds and contingent liabilities comprise the following:

	SR'000		
	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
<b>a) Mudaraba funds:</b>			
Murabaha and customers' investments	10,015,878	8,166,802	9,031,434
Current accounts - metals	5,640	5,642	5,642
<b>Total</b>	<b><u>10,021,518</u></b>	<b><u>8,172,444</u></b>	<b><u>9,037,076</u></b>
<b>b) Contingent liabilities:</b>			
Letters of credit and acceptances	3,732,042	3,797,759	3,757,643
Letters of guarantee	6,122,831	5,879,969	5,872,738
Irrevocable commitments to extend credit	4,904,611	5,706,419	8,339,614
<b>Total</b>	<b><u>14,759,484</u></b>	<b><u>15,384,147</u></b>	<b><u>17,969,995</u></b>
<b>Grand Total</b>	<b><u>24,781,002</u></b>	<b><u>23,556,591</u></b>	<b><u>27,007,071</u></b>

On September 30, 2012, there were a number of litigations raised against the Bank within the normal course of business, some of which related to contingent liabilities for granting of credit. These litigations are still under review by the concerned authorities.

Provisions have only been made against certain litigations, apart from others, as the Bank's management believes that the Bank has a positive position on the remaining litigations.

## 7. OTHER RESERVES

During the period ended March 31, 2012, the Bank changed its accounting policy relating to zakat, where the zakat calculated by the Bank was recorded as part of other liabilities and any subsequent differences in zakat calculation were to be covered from the general reserve.

Effective January 1, 2012 and in accordance with the Bank's new accounting policy, the Bank records the amount of zakat calculated by the Bank in other reserves until such time that the final amount of zakat payable can be determined at which time the amount of zakat payable is transferred from other reserves to other liabilities. Hence, comparative figures have been

reclassified. According to the old and new accounting policies, zakat is still considered as distributions and not as expense to the Bank.

The Bank grants its shares to certain eligible employees, through share-based incentive programs after obtaining the necessary approval. The shares granting is subject to the completion of the agreed upon service period.

The calculated amounts are recorded on the accrual basis during the period under other reserves.

## 8. CASH AND CASH EQUIVALENTS

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

	SR'000		
	At September 30, 2012 <u>(Unaudited)</u>	At December 31, 2011 <u>(Audited)</u>	At September 30, 2011 <u>(Unaudited)</u>
Cash	6,009,920	6,186,518	5,295,494
Balances with SAMA (current accounts)	5,040,597	3,554,488	145,238
Due from banks and other financial institutions (current accounts and murabaha)	<u>11,060,960</u>	<u>8,881,065</u>	<u>7,410,980</u>
<b>Total</b>	<b><u>22,111,477</u></b>	<b><u>18,622,071</u></b>	<b><u>12,851,712</u></b>

## 9. BUSINESS SEGMENTS

For management purposes, the Bank is categorized into the following four main banking segments:

<b>Retail segment:</b>	Includes individual customer deposits, credit facilities, customer debit current accounts (overdrafts), fee from banking services and remittance business.
<b>Corporate segment:</b>	Incorporates deposits of VIP, corporate customer deposits, credit facilities, and debit current accounts (overdrafts).
<b>Treasury segment:</b>	Incorporates treasury services, murabaha with SAMA and international trading portfolios.
<b>Investments services and brokerage segment:</b>	Incorporates investments of individuals and corporate in mutual funds, local and international shares trading services and investment portfolios.

Business segments identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the Board of Directors in its capacity as a decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the above different segments are based on normal commercial terms and conditions. There are no material revenues or expenses between the above business segments.

Assets and liabilities for the segments comprise operating assets and liabilities, which represent the majority of the Bank's assets and liabilities.

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has six subsidiaries of which three is registered outside the Kingdom of Saudi Arabia as of September 30, 2012 (2011: Five subsidiaries of which three is register outside the Kingdom of Saudi Arabia).

The total assets, liabilities, and results of operations of these subsidiaries are not material to the Bank's interim condensed consolidated financial statements taken as a whole.

The Bank's total assets and liabilities as at September 30, 2012 and 2011 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each business segment, are analyzed as follows:

	SR'000 (Unaudited)				Total
	Retail segment	Corporate segment	Treasury segment	Investment services and brokerage segment	
<b>2012</b>					
Total assets	<u>122,148,106</u>	<u>54,831,614</u>	<u>68,494,699</u>	<u>1,773,753</u>	<u>247,248,172</u>
Capital expenditure for the period	<u>394,054</u>	<u>134</u>	<u>13</u>	<u>6,068</u>	<u>400,269</u>
Total liabilities	<u>162,868,720</u>	<u>42,764,532</u>	<u>6,834,589</u>	<u>141,620</u>	<u>212,609,461</u>
Gross financing and investments income	<u>5,834,935</u>	<u>991,282</u>	<u>86,013</u>	<u>389,270</u>	<u>7,301,500</u>
Income paid to customers on time investments	<u>(39,642)</u>	<u>(8,694)</u>	<u>(171,424)</u>	<u>(1,319)</u>	<u>(221,079)</u>
Total operating income	<u>7,421,302</u>	<u>1,466,188</u>	<u>992,489</u>	<u>613,250</u>	<u>10,493,229</u>
Impairment charge for financing and other	<u>(956,028)</u>	<u>(718,595)</u>	<u>-</u>	<u>(152)</u>	<u>(1,674,775)</u>
Depreciation and amortization	<u>(177,792)</u>	<u>(7,187)</u>	<u>(1,082)</u>	<u>(120,942)</u>	<u>(307,003)</u>
Other operating expenses	<u>(2,202,684)</u>	<u>(174,630)</u>	<u>(34,341)</u>	<u>(126,190)</u>	<u>(2,537,845)</u>
Total operating expenses	<u>(3,336,504)</u>	<u>(900,412)</u>	<u>(35,423)</u>	<u>(247,284)</u>	<u>(4,519,623)</u>
Net income for the period	<u>4,084,798</u>	<u>565,776</u>	<u>957,066</u>	<u>365,966</u>	<u>5,973,606</u>

	SR'000 (Unaudited)				
	Retail segment	Corporate segment	Treasury segment	Investment services and brokerage segment	Total
<b>2011</b>					
Total assets	<u>96,504,578</u>	<u>48,040,309</u>	<u>65,636,652</u>	<u>2,705,467</u>	<u>212,887,006</u>
Capital expenditure for the period	<u>392,155</u>	<u>7</u>	<u>23</u>	<u>-</u>	<u>392,185</u>
Total liabilities	<u>148,790,052</u>	<u>28,754,255</u>	<u>3,182,560</u>	<u>488,198</u>	<u>181,215,065</u>
Gross financing and investments income	<u>5,427,447</u>	<u>841,367</u>	<u>368,355</u>	<u>354,000</u>	<u>6,991,169</u>
Income paid to customers on time investments	<u>(97,571)</u>	<u>(34,818)</u>	<u>(59,429)</u>	<u>(109)</u>	<u>(191,927)</u>
Total operating income	<u>6,467,745</u>	<u>1,399,928</u>	<u>958,955</u>	<u>352,631</u>	<u>9,179,259</u>
Impairment charge for financing and other, net	<u>(605,231)</u>	<u>(499,067)</u>	<u>(255)</u>	<u>-</u>	<u>(1,104,553)</u>
Depreciation and amortization	<u>(173,816)</u>	<u>(5,655)</u>	<u>(493)</u>	<u>(120,192)</u>	<u>(300,156)</u>
Other operating expenses	<u>(1,879,476)</u>	<u>(164,043)</u>	<u>(31,500)</u>	<u>(220,379)</u>	<u>(2,295,398)</u>
Total operating expenses	<u>(2,658,523)</u>	<u>(668,765)</u>	<u>(32,248)</u>	<u>(340,571)</u>	<u>(3,700,107)</u>
Net income for the period	<u>3,809,222</u>	<u>731,163</u>	<u>926,707</u>	<u>12,060</u>	<u>5,479,152</u>

## 10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank transacts with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions at September 30 are as follows:

Related party	SR'000 (Unaudited)	
	2012	2011
<u>Members of the board of directors:</u>		
Mutajara financing	2,544,583	2,296,438
Commitments and contingent liabilities*	798,607	1,107,079
Current accounts	-	41,648
<u>Companies and establishments guaranteed by members of board of directors:</u>		
Mutajara financing	48,143	710,788
Commitments and contingent liabilities*	27,125	56,330
<u>Mudaraba funds:</u>		
Current accounts	92,468	279,572
Mudaraba*	10,015,580	9,031,140
Investments in mutual funds	603,809	445,963
<u>Other major shareholders (above 5% equivalent):</u>		
Mutajara financing	-	120,597
Investments in mutual funds	12,760	12,477
Other liabilities	16,780	15,529

\* off balance sheet items

Income and expenses pertaining to transactions with related parties are as follows:

	SR'000 (Unaudited)	
	For the nine-month period ended September 30	
	2012	2011
Income from financing	78,052	93,370
Salaries and employees' related benefits (tickets)	6,667	8,543
Rent and premises' related expenses	1,452	1,160
Board of Directors' remunerations	2,059	2,057

The compensation amounts for executive management are summarized as follows:

	SR'000 (Unaudited)	
	For the nine-month period ended September 30	
	2012	2011
Short-term benefits	23,665	17,994
Provision for end of service benefits	676	1,013

The executive management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly.

## 11. EARNINGS PER SHARE

Earnings per share for the periods ended September 30, 2012 and 2011 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding in accordance with the requirements of IAS 33 - "earnings per share".

## 12. CAPITAL ADEQUACY

The Bank maintains an actively managed capital based to cover risks inherent in its business.

The objective of the Bank's capital management is to comply with SAMA's working capital requirements, where as a daily monitoring to the capital adequacy ratio is performed by the Bank management to ensure that such ratio will not be less than 8%.

The Bank uses the methods established by SAMA for measuring the capital adequacy. These methods measure the capital adequacy by the comparing the eligible capital items with the consolidated financial position, commitments and contingent liabilities to reflect their relative risks as shown in the following table:

	SR'000		
	At September 30, 2012 (Unaudited)	At December 31, 2011 (Audited)	At September 30, 2011 (Unaudited)
Credit risk RWA	172,196,522	146,884,726	141,662,215
Operational risk RWA	19,704,783	19,697,148	19,207,023
Market risk RWA	<u>3,592,500</u>	<u>6,435,113</u>	<u>10,118,175</u>
<b>Total RWA</b>	<b><u>195,493,805</u></b>	<b><u>173,016,987</u></b>	<b><u>170,987,413</u></b>
Tier I capital	28,665,105	25,443,337	25,442,788
Tier II capital	<u>8,126,062</u>	<u>9,214,326</u>	<u>7,249,931</u>
<b>Total tier I &amp; II capital</b>	<b><u>36,791,167</u></b>	<b><u>34,657,663</u></b>	<b><u>32,692,719</u></b>
<b>Capital adequacy ratio %</b>			
Tier ratio	14.66%	14.71%	14.88%
Tier I + II ratio	18.82%	20.03%	19.12%

## 13. PAID DIVIDENDS AND SUBSEQUENT EVENTS

At the General Assembly held on 11 Rabie Al Thani 1433H (corresponding to March 4, 2012), the shareholders approved the distribution of dividends amounting to SR 3,000 million for the second half of the year ended December 31, 2011, net of SR 2 riyal per share as zakat deduction on shareholder (during the first quarter of 2011, SR 2,250 million of dividend were approved for the second half of the year ended December 31, 2010, net of SR 1.50 per share as zakat deduction on shareholders).

On July 10, 2012 the Board of Directors recommended dividends distribution for the first half of the current financial year amounting to SR 1,875 million, net of SR 1.25 per share as zakat deduction on shareholders. These dividends are due to shareholders of record as of the end of the exchange on July 16, 2012.



**14. COMPARATIVE FIGURES**

Certain prior period amounts have been reclassified to conform to the current period presentation.

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