

**AL RAJHI BANKING AND INVESTMENT
CORPORATION**
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2013 (UNAUDITED)**

Report on Review of Interim Condensed Consolidated Financial Statements

**TO THE SHAREHOLDERS OF AL RAJHI BANKING AND INVESTMENT CORPORATION
(A 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 at June 30, 2013, and the related interim consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the interim consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, and the notes from (1) to (15). We have not reviewed note (16), nor the information related to "Basel III Pillar III Disclosures" cross-referenced therein, which is not required to be within the scope of our review. 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 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.

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 (13) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (13) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Deloitte and Touche
Bakr Abulkhair & Co
P. O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia



Ehsan A. Makhdoum
Certified Public Accountant
Registration No. 358



PricewaterhouseCoopers

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



Mohammed A. Al Obaidi
Certified Public Accountant
Registration No. 367

21 Ramadan 1434H
(29 July 2013)



AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2013	December 31, 2012	June 30, 2012
Notes	SR'000	SR'000	SR'000
	(Unaudited)	(Audited)	(Unaudited)
ASSETS			
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")	22,729,920	30,804,122	19,483,603
Due from banks and other financial institutions	18,438,983	16,557,189	19,895,511
Investments	3 40,004,078	40,880,061	33,726,652
Financing, net	4 184,889,341	171,941,478	158,217,963
Customers debit current accounts, net	193,437	292,138	327,656
Property and equipment, net	4,051,023	3,817,980	3,717,735
Other assets, net	2,968,972	3,089,594	2,842,810
TOTAL ASSETS	273,275,754	267,382,562	238,211,930
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	5,221,743	2,234,915	5,057,513
Customers deposits	5 223,662,412	221,342,916	191,379,055
Other liabilities	7,004,464	7,335,994	7,097,494
Total liabilities	235,888,619	230,913,825	203,534,062
Shareholders' equity			
Share capital	15,000,000	15,000,000	15,000,000
Statutory reserve	15,000,000	15,000,000	13,956,451
Other reserves	7 2,064,294	1,470,301	1,502,506
Retained earnings	5,322,841	1,148,436	4,218,911
Proposed gross dividends and zakat	-	3,850,000	-
Total shareholders' equity	37,387,135	36,468,737	34,677,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	273,275,754	267,382,562	238,211,930

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)

	Note	For the three –month period ended June 30		For the six-month period ended June 30	
		2013 SR'000	2012 SR'000	2013 SR'000	2012 SR'000
INCOME					
Gross financing and investment income		2,508,931	2,361,466	5,006,917	4,740,320
Income paid to customers on time investments		(114,441)	(71,371)	(252,544)	(140,326)
Net financing and investment income		2,394,490	2,290,095	4,754,373	4,599,994
Fees from banking services, net		760,639	819,543	1,524,613	1,563,008
Exchange income, net		246,145	240,735	478,312	454,282
Other operating income		113,216	76,780	283,428	237,308
Total operating income		3,514,490	3,427,153	7,040,726	6,854,592
EXPENSES					
Salaries and employees' related benefits		575,802	528,148	1,147,680	1,056,207
Rent and premises' related expenses		58,808	53,121	116,217	105,709
Impairment charge for financing and other		387,819	378,304	869,657	845,053
Other general and administrative expenses		266,982	265,125	528,370	533,434
Depreciation and amortization		101,685	108,787	203,033	208,509
Board of Directors' remunerations and fees		679	690	1,364	1,375
Total operating expenses		1,391,775	1,334,175	2,866,321	2,750,287
Net income for the period		2,122,715	2,092,978	4,174,405	4,104,305
Other comprehensive income items		-	-	-	-
Net comprehensive income for the period		2,122,715	2,092,978	4,174,405	4,104,305
Weighted average number of outstanding shares	12	1,500,000	1,500,000	1,500,000	1,500,000
Basic and diluted earnings per share for the period (SR)	12	1.42	1.40	2.78	2.74

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)

	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Proposed gross dividends and zakat SR'000	Total SR'000
For the six month period ended June 30, 2013							
Balance at the beginning of the period		15,000,000	15,000,000	1,470,301	1,148,436	3,850,000	36,468,737
Transfer to other reserves	7	-	-	850,000	-	(850,000)	-
Dividends paid for the second half of 2012	14	-	-	-	-	(3,000,000)	(3,000,000)
Employees' share plan	7	-	-	3,876	-	-	3,876
Transfer to zakat provision		-	-	(259,883)	-	-	(259,883)
Net comprehensive income for the period		-	-	-	4,174,405	-	4,174,405
Balance at the end of the period		15,000,000	15,000,000	2,064,294	5,322,841	-	37,387,135
For the six month period ended June 30, 2012							
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 other reserves	7	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2011	14	-	-	-	-	(3,000,000)	(3,000,000)
Employees' share plan	7	-	-	2,506	-	-	2,506
Net comprehensive income for the period		-	-	-	4,104,305	-	4,104,305
Balance at the end of the period		15,000,000	13,956,451	1,502,506	4,218,911	-	34,677,868

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)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,

	2013	2012
Note	SR'000	SR'000
OPERATING ACTIVITIES		
Net income for the period	4,174,405	4,104,305
Adjustments to reconcile net income to net cash (used in) / from operating activities:		
Depreciation and amortization	203,033	208,509
Gain on sale of property and equipment	-	(141)
Impairment charge for financing and other	869,657	845,053
Employee share plan expenses	3,876	2,506
Net (increase) decrease in operating assets		
Statutory deposit with SAMA	(1,680,832)	(819,845)
Due from banks and other financial institutions	(1,874,038)	3,157,513
Investments held at fair value through income statement	(296,106)	240,893
Financing	(13,632,520)	(18,647,620)
Customer debit current accounts	98,701	48,285
Other assets	120,622	(246,226)
Net increase (decrease) in operating liabilities		
Due to banks and other financial institutions	2,986,828	2,340,219
Customer deposits	2,319,496	13,646,103
Other liabilities	(591,413)	305,385
Net cash (used in) / from operating activities	(7,298,291)	5,184,939
INVESTING ACTIVITIES		
Purchase of property and equipment	(436,076)	(305,731)
Proceeds from sale of property and equipment	-	3,150
Investments recorded at amortized cost	987,089	4,815,170
Net cash from investing activities	551,013	4,512,589
FINANCING ACTIVITIES		
Dividends paid	(3,000,000)	(3,000,000)
Net cash used in financing activities	(3,000,000)	(3,000,000)
Net (decrease) increase in cash and cash equivalents	(9,747,278)	6,697,528
Cash and cash equivalents, beginning of the period	26,414,617	18,622,071
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	8 16,667,339	25,319,599
Non-cash transactions:		
Transfer of zakat provision from other reserves	259,883	-

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

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

1. GENERAL

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.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as "the Group"). As at June 30, the financial statements of the following subsidiaries were consolidated:

	Shareholding %	
	2013	2012
Al Rajhi Company for Development Limited - Saudi Arabia	100%	100%
Al Rajhi Corporation Limited – Malaysia	100%	100%
Al Rajhi Capital Company - Saudi Arabia	100%	100%
Al Rajhi Bank – Kuwait	100%	100%
Al Rajhi Bank – Jordan	100%	100%
Al Rajhi Takaful Agency Company - Saudi Arabia	99%	99%

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Continued)
FOR THE FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2013

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The Bank prepares these interim condensed consolidated financial statements in accordance with the Accounting Standards for Financial Institutions promulgated by the 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 as of and for the year ended December 31, 2012.

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2012.

The interim condensed consolidated financial statements were approved on Ramadan 2, 1434 H (corresponding to July 10, 2013).

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

Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments are made to the interim condensed consolidated financial statements of the subsidiaries, where necessary, to align with the Bank's interim financial statements.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, and the subsidiaries are the entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control transferred from the Bank. The results of subsidiaries acquired or disposed of during the period are included in the interim statements of comprehensive income from the date at the acquisition or up to the date of disposal, as appropriate.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of the following new standards and amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Group:

IAS 1 – Amendments	- Presentation of items of other comprehensive income - Clarification of the requirement for comparative information (Amendment)
IFRS 10	- Consolidated financial statements
IFRS 12	- Disclosure of interests in other entities
IFRS 13	- Fair value measurement
IAS 19 - Revised 2011	- Employee benefits
IAS 28 - Revised 2011	- Associates and joint ventures
IAS 27 - Revised 2011	- Separate financial statements
IFRS 7 - Revised 2011	- Disclosures on offsetting financial assets and liabilities
Amendments to the basis for conclusions on IAS 1, 16, 32, and 34 (annual improvements 2011)	

In addition to the above, the Group has chosen not to early adopt IFRS 9 (2010) – Financial instruments, and the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2015 and January 1, 2014, respectively.

The Bank is currently evaluating the effect of the above new standards and amendments on the Bank and time of adoption.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

3. INVESTMENTS

Investments are classified as follows:

	June 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	June 30, 2012 (Unaudited) SR'000
Investments held at amortized cost			
Murabaha with SAMA	37,289,287	38,276,376	30,709,753
Total investments held at amortized cost	37,289,287	38,276,376	30,709,753
Investments held at fair value through income statement (FVIS)			
Sukuk	1,079,085	1,045,289	1,251,507
Corporate shares	704,920	646,073	609,353
Mutual funds	558,819	574,791	552,957
Others	371,967	337,532	603,082
Total investments at FVIS	2,714,791	2,603,685	3,016,899
Total investments	40,004,078	40,880,061	33,726,652

4. FINANCING, NET

Financing, are comprised of the following:

	June 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	June 30, 2012 (Unaudited) SR'000
Held at amortized cost			
Retail	128,744,137	117,953,867	106,746,128
Corporate	57,045,593	54,709,871	52,295,260
Visa	342,800	580,151	450,881
Performing financing	186,132,530	173,243,889	159,492,269
Non-performing financing	2,302,078	3,530,220	2,803,231
Total financing	188,434,608	176,774,109	162,295,500
Provision for financing impairment	(3,545,267)	(4,832,631)	(4,077,537)
Net financing	184,889,341	171,941,478	158,217,963

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

5. CUSTOMER DEPOSITS

Customer deposits are comprised of the following:

	June 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	June 30, 2012 (Unaudited) SR'000
Customers current deposits	200,859,094	189,817,668	175,600,758
Customers time investments	19,235,035	27,893,521	12,646,232
Other customers' accounts	3,568,283	3,631,727	3,132,065
Total	223,662,412	221,342,916	191,379,055

6. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities are comprised of the following:

	June 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	June 30, 2012 (Unaudited) SR'000
Mudaraba funds			
Mudaraba and customers' investments	13,566,657	11,279,365	10,763,818
Current accounts – metals	5,636	5,640	5,641
Total mudaraba funds	13,572,293	11,285,005	10,769,459
Contingent liabilities			
Letters of credit and acceptances	4,438,617	3,991,400	4,249,314
Letters of guarantee	6,735,074	5,989,273	6,028,533
Irrevocable commitments to extend credit	9,393,449	3,918,774	5,300,419
Total contingent liabilities	20,567,140	13,899,447	15,578,266
Total	34,139,433	25,184,452	26,347,725

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

7. OTHER RESERVES

During the year 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. The exercise price of the stock option is the market value of these shares at the date of granting the program to these employees. The condition for granting these options is the completion of two years of employment at the Bank. Exercising these stock options by the employees is subject to fulfillment of some requirements for profitability and growth in the Bank. The Bank has no legal or expected commitment to repurchase or settle these options in cash.

8. CASH AND CASH EQUIVALENTS

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

	June 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	June 30, 2012 (Unaudited) SR'000
Cash	7,042,031	5,880,149	7,312,279
Balances with SAMA (current accounts)	1,731,902	12,648,818	673,018
Due from banks (current accounts and murabaha*)	7,893,406	7,885,650	17,334,302
Total	16,667,339	26,414,617	25,319,599

*Murabaha due from other banks maturing within three months, or less, from the date of issuance and not according to the remaining period from the date of the financial statements till maturity.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)**
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

9. BUSINESS SEGMENTS

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

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

Business segments are identified on the basis of internal reports about activities of the Bank that are regularly reviewed by the 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 are registered outside the Kingdom of Saudi Arabia as at June 30, 2013 and 2012.

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.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

9. BUSINESS SEGMENTS (Continued)

The Bank's total assets and liabilities as at June 30, 2013 and 2012 together with the total operating income and expenses, and net income for the six-month periods then ended, for each business segment, are analyzed as follows:

2013 (Unaudited)	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
Total assets	140,094,036	56,647,319	73,675,055	2,859,344	273,275,754
Capital expenditures for the period	425,863	-	-	10,213	436,076
Total liabilities	181,865,382	52,622,112	1,029,418	371,707	235,888,619
Gross financing and investments income	3,906,942	829,842	216,317	53,816	5,006,917
Income paid to customers on time investments	(46,324)	(189,566)	(15,124)	(1,530)	(252,544)
Total operating income	5,081,081	877,392	662,321	419,932	7,040,726
Impairment charge for financing and other	(544,407)	(325,250)	-	-	(869,657)
Depreciation and amortization	(114,907)	(4,078)	(376)	(83,672)	(203,033)
Other operating expenses	(1,515,906)	(123,682)	(22,690)	(131,353)	(1,793,631)
Total operating expenses	(2,175,220)	(453,010)	(23,066)	(215,025)	(2,866,321)
Net income for the period	2,905,861	424,382	639,255	204,907	4,174,405

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

9. BUSINESS SEGMENTS (Continued)

<u>2012 (Unaudited)</u>	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
Total assets	118,235,619	52,388,517	64,921,004	2,666,790	238,211,930
Capital expenditures for the period	301,845	9	-	3,877	305,731
Total liabilities	163,204,634	32,564,535	7,701,994	62,899	203,534,062
Gross financing and investments income	3,739,747	772,867	213,611	14,095	4,740,320
Income paid to customers on time investments	(37,012)	(34,348)	(68,628)	(338)	(140,326)
Total operating income	4,868,510	952,820	625,174	408,088	6,854,592
Impairment charge for financing and other	(560,095)	(284,868)	-	(90)	(845,053)
Depreciation and amortization	(118,419)	(4,894)	(765)	(84,431)	(208,509)
Other operating expenses	(1,480,002)	(115,940)	(13,635)	(87,148)	(1,696,725)
Total operating expenses	(2,158,516)	(405,702)	(14,400)	(171,669)	(2,750,287)
Net income for the period	2,709,994	547,118	610,774	236,419	4,104,305

10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Assets at fair values are as follows:

June 30, 2013	Level 1	Level 2	Level 3	Total
	SR'000			
<u>Financial assets</u>				
Financial assets at FVIS	1,217,213	-	1,497,578	2,714,791
December 31, 2012	Level 1	Level 2	Level 3	Total
	SR'000			
<u>Financial assets</u>				
Financial assets at FVIS	1,173,198	-	1,430,487	2,603,685

The third level of investments represents investments recoded at cost as its fair value cannot be measured reliably.

Fair value is the amount for which an asset could be exchanged for or a liability be settled between knowledgeable, willing parties in an arm's length transactions.

The fair values of on-statement of financial position financial instruments are not significantly different from the carrying values included in the consolidated financial statements. The fair values of financing due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

The value obtained from the relevant valuation model may differ with the transaction price of a financial instrument. The difference between the transaction price and the model value commonly referred to as 'day one profit and loss' is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the income statement without reversal of deferred day one profits and losses.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

11. 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 June 30, are as follows:

Related party	June 30, 2013 (Unaudited) SR'000	June 30, 2012 (Unaudited) SR'000
<u>Members of the Board of Directors:</u>		
Mutajara financing	1,956,194	2,438,900
Commitments and contingent liabilities*	745,646	950,756
<u>Companies and establishments guaranteed by members of Board of Directors:</u>		
Mutajara financing	1,300,861	61,323
Commitments and contingent liabilities*	25,858	41,722
<u>Mudaraba funds:</u>		
Current accounts	193,282	-
Mudaraba*	13,566,367	10,763,524
Investments in mutual funds	558,819	552,957
<u>Other major shareholders (above 5% of the bank's share capital):</u>		
Investments in mutual funds	-	13,820
Other liabilities	3,335	16,684

* off balance sheet items

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

	For the six-month period ended June 30	
	2013 SR'000 (Unaudited)	2012 SR'000 (Unaudited)
Income from financing	45,808	53,189
Salaries and employees' related benefits (air tickets)	3,836	4,853
Rent and premises' related expenses	1,074	968
Board of Directors' remunerations	1,364	1,375

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)**
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

11. RELATED PARTY TRANSACTIONS (Continued)

The compensation amounts for executive management are summarized as follows:

	For the six-month period ended June 30	
	2013	2012
	SR'000	SR'000
	(Unaudited)	(Unaudited)
Short-term benefits	16,916	19,753
Provision for end-of-service indemnities	489	455

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

12. EARNINGS PER SHARE

Earnings per share for the periods ended June 30, 2013 and 2012 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".

13. 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; whereas 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%.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

13. CAPITAL ADEQUACY (Continued)

The Bank uses the methods established by SAMA for measuring the capital adequacy. These methods measure the capital adequacy by 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:

	June 30, 2013	December 31,	
	(Unaudited)	2012	June 30, 2012
	SR'000	(Audited)	(Unaudited)
		SR'000	SR'000
Credit risk RWA	182,252,932	171,674,934	161,109,072
Operational risk RWA	21,356,963	20,386,578	19,704,783
Market risk RWA	2,299,731	2,683,350	5,705,850
Total RWA	205,909,626	194,744,862	186,519,705
Tier I capital	37,387,134	28,584,031	30,572,309
Tier II capital	2,168,080	10,030,642	6,118,167
Total tier I & II capital	39,555,214	38,614,673	36,690,476
Capital adequacy ratio %			
Tier I ratio	18.16%	14.68%	16.39%
Tier I + II ratio	19.21%	19.83%	19.67%

The Risk Weighted Assets (RWA), Tier I and Tier II capital and the capital adequacy ratio as at June 30, 2013 are calculated as per Basel III – Risk management and guidance of the SAMA updated in this regards. The comparative balances and ratios as at December 31, 2012 and June 30, 2012 are calculated under Basel II - Risk management and guidance of the SAMA that was applicable in this regards.

14. PAID DIVIDENDS AND SUBSEQUENT EVENTS

The General Assembly held on Rabie Al Thani 22, 1434H (corresponding to March 4, 2013), approved the distribution of dividends to shareholders for the second half of the year ended December 31, 2012, amounting to SR 3,000 million as SR 2 per share net of zakat deduction on shareholders (SR 3,000 million during the first quarter of 2012 for the second half of the year ended December 31, 2011, net of SR 2 per share as zakat deduction on shareholders).

The Bank's Board of Directors resolved to distribute dividends to shareholders for the first half of the current year amounting to SR 2,250 million net of SR 1.5 per share as zakat deduction on shareholders. The priority of the first half dividends will be for the shareholders registered in the bank's records till the end of Sunday's trade day dated July 14, 2013.

AL RAJHI BANKING AND INVESTMENT CORPORATION
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (Continued)**
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

15. COMPARATIVE FIGURES

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

16. BASEL III PILLAR 3 DISCLOSURES

Certain additional quantitative disclosures are required under Basel III Pillar 3. These disclosures will be published on the Bank's website www.alrajhibank.com.sa within 60 days after 30 June 2013 as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.