

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

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

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-
MONTH PERIOD ENDED SEPTEMBER 30, 2013**

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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 September 30, 2013, and the related interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim consolidated statements of changes in shareholders' equity and cash flows for the nine-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 3 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.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)	September 30, 2012 SR'000 (Unaudited)
Notes			
ASSETS			
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")	25,378,167	30,804,122	22,611,379
Due from banks and other financial institutions	12,005,665	16,557,189	17,277,040
Investments	3 42,483,354	40,880,061	34,551,264
Financing, net	4 185,447,128	171,941,478	165,551,312
Customers' debit current accounts, net	214,667	292,138	533,954
Property and equipment, net	4,138,473	3,817,980	3,713,783
Other assets, net	3,315,674	3,089,594	3,009,440
TOTAL ASSETS	272,983,128	267,382,562	247,248,172
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	3,686,865	2,234,915	4,956,985
Customers' deposits	5 225,481,089	221,342,916	201,006,509
Other liabilities	6,959,081	7,335,994	6,645,967
Total liabilities	236,127,035	230,913,825	212,609,461
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 2,066,232	1,470,301	1,469,048
Retained earnings	4,789,861	1,148,436	4,213,212
Proposed gross dividends and zakat	-	3,850,000	-
Total shareholders' equity	36,856,093	36,468,737	34,638,711
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	272,983,128	267,382,562	247,248,172

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 September 30		For the nine-month period ended September 30	
		2013	2012	2013	2012
		SR'000	SR'000	SR'000	SR'000
INCOME					
Gross financing and investment income		2,522,854	2,448,050	7,529,771	7,188,369
Income paid to customers on time investments		(97,580)	(80,753)	(350,124)	(221,079)
Net financing and investment income		2,425,274	2,367,297	7,179,647	6,967,290
Fees from banking services, net		670,137	785,265	2,194,750	2,348,273
Exchange income, net		245,226	217,186	723,538	671,468
Other operating income		130,671	268,890	414,099	506,198
Total operating income		3,471,308	3,638,638	10,512,034	10,493,229
EXPENSES					
Salaries and employees expenses		581,029	532,349	1,728,709	1,588,556
Rent and premises' related expenses		59,377	55,637	175,594	161,346
Impairment charge for financing and others		739,519	829,722	1,609,176	1,674,775
Other general and administrative expenses		271,551	252,451	799,921	785,884
Depreciation and amortization		102,119	98,494	305,152	307,003
Board of Directors' remunerations		693	684	2,057	2,059
Total operating expenses		1,754,288	1,769,337	4,620,609	4,519,623
Net income for the period		1,717,020	1,869,301	5,891,425	5,973,606
Other comprehensive income items		-	-	-	-
Net comprehensive income for the period		1,717,020	1,869,301	5,891,425	5,973,606
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	1.14	1.25	3.93	3.98

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 SR'000	Total SR'000
For the nine month period ended							
September 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)
Dividends paid for the first half of 2013	14	-	-	-	(2,250,000)	-	(2,250,000)
Employees' share plan	7	-	-	5,813	-	-	5,813
Transfer to zakat provision		-	-	(259,882)	-	-	(259,882)
Net comprehensive income for the period		-	-	-	5,891,425	-	5,891,425
Balance at the end of the period		15,000,000	15,000,000	2,066,232	4,789,861	-	36,856,093
For the nine month period ended							
September 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)
Dividends paid for the first half of 2012	14	-	-	-	(1,875,000)	-	(1,875,000)
Employees' share plan	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
Balance at the end of the period		15,000,000	13,956,451	1,469,048	4,213,212	-	34,638,711

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30,

	For the nine- months period ended September 30, 2013 SR'000	For the nine- months period ended September 30, 2012 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	5,891,425	5,973,606
Adjustments to reconcile net income to net cash flow (used in)		
from operating activities:		
Depreciation and amortization	305,152	307,003
Gain on sale of property and equipment	-	(143)
Impairment charge for financing and others	1,609,176	1,674,775
Employee share plan expenses	5,813	3,758
Net (increase) decrease in operating assets		
Statutory deposit with SAMA	(1,603,894)	(882,401)
Due from banks and other financial institutions	3,736,635	(497,357)
Investments held at fair value through income statement	(584,146)	66,772
Financing	(14,688,783)	(26,810,691)
Customers' debit current accounts	77,471	(158,013)
Other assets	(226,080)	(412,856)
Net increase (decrease) in operating liabilities		
Due to banks and other financial institutions	1,451,950	2,239,691
Customers' deposits	4,138,173	23,273,557
Other liabilities	(636,795)	(180,852)
Net cash (used in) / from operating activities	<u>(523,903)</u>	<u>4,596,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(625,645)	(400,269)
Proceeds from sale of property and equipment	-	3,147
Investments recorded at amortized cost	(1,445,190)	4,164,679
Net cash (used in) / from investing activities	<u>(2,070,835)</u>	<u>3,767,557</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(5,250,000)	(4,875,000)
Net cash used in financing activities	<u>(5,250,000)</u>	<u>(4,875,000)</u>
Net change in cash and cash equivalents	(7,844,738)	3,489,406
Cash and cash equivalents, beginning of the period	26,414,617	18,622,071
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		
(Note 8)	<u>18,569,879</u>	<u>22,111,477</u>
Supplemental non-cash transactions:		
Transfer of zakat provision from other reserves	<u>259,882</u>	<u>34,710</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)

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

2. SUMMARY OF SIGNIFICANT 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 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The interim condensed consolidated financial statements were approved on _____ 1434 H (corresponding to October ____, 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 have been made to the interim condensed consolidated financial statements of the subsidiaries, where necessary, to align with the Bank's condensed consolidated interim financial statements.

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.

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

Name of subsidiaries	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%

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 new standards and amendments to existing standards as mentioned below, which have had no significant impact on these interim condensed consolidated financial statements of the Group:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The effective date of these standards is January 1, 2015 and January 1, 2014, respectively.

The Group is currently evaluating the effect of the above new standards and amendments on the Group and the timing of adoption.

3. INVESTMENTS

Investments are classified as follows:

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
<u>Investments held at amortized cost</u>			
Murabaha with SAMA	39,721,566	38,276,376	31,360,244
Total investments held at amortized coast	39,721,566	38,276,376	31,360,244
<u>Investments held at fair value through income statement (FVIS)</u>			
Sukuk	1,172,211	1,045,289	1,649,815
Corporate shares	759,349	646,073	628,382
Mutual funds	436,531	574,791	603,809
Others	393,697	337,532	309,014
Total investments at FVIS	2,761,788	2,603,685	3,191,020
Total investments	42,483,354	40,880,061	34,551,264

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

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

4. FINANCING, NET

Financing, are comprised of the following:

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Held at amortized cost			
Corporate Mutajara	37,286,839	33,506,225	33,703,036
Installment sale	136,668,540	126,408,497	119,899,792
Murabaha	12,118,253	12,749,016	12,552,798
Visa cards	448,520	580,151	455,788
Performing financing	186,522,152	173,243,889	166,611,414
Non-performing financing	2,670,824	3,530,220	3,534,033
Total financing	189,192,976	176,774,109	170,145,447
Provision for financing impairment	(3,745,848)	(4,832,631)	(4,594,135)
Net financing	185,447,128	171,941,478	165,551,312

5. CUSTOMERS' DEPOSITS

Customer deposits are comprised of the following:

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Current deposits	198,542,350	189,817,668	177,286,386
Time investments	22,765,489	27,893,521	20,823,196
Other customers' accounts	4,173,250	3,631,727	2,896,927
Total	225,481,089	221,342,916	201,006,509

AL RAJHI BANKING AND INVESTMENT CORPORATION
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

6. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities are comprised of the following:

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Mudaraba funds			
Mudaraba and customers' investments	13,878,274	11,279,365	10,015,878
Current accounts – metals	5,636	5,640	5,640
Total mudaraba funds	13,883,910	11,285,005	10,021,518
	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Contingent liabilities			
Letters of credit and acceptances	4,046,339	3,991,400	3,732,042
Letters of guarantee	6,934,555	5,989,273	6,122,831
Irrevocable commitments to extend credit	5,953,824	3,918,774	4,904,611
Total contingent liabilities	16,934,718	13,899,447	14,759,484
Total	30,818,628	25,184,452	24,781,002

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.

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

8. CASH AND CASH EQUIVALENTS

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

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Cash	8,061,608	5,880,149	6,009,920
Balances with SAMA (current accounts)	3,437,510	12,648,818	5,040,597
Due from banks and other financial institutions (current accounts and murabaha*)	7,070,761	7,885,650	11,060,960
	<u>18,569,879</u>	<u>26,414,617</u>	<u>22,111,477</u>

*Murabaha due from other banks mature within three months, or less, from the date of acquisition.

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 the 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.

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

9. BUSINESS SEGMENTS (Continued)

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 September 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.

The Group's total assets and liabilities as at September 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:

September 30, 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	140,820,615	57,643,639	71,662,317	2,856,557	272,983,128
Capital expenditures for the period	616,062	-	-	9,583	625,645
Total liabilities	175,748,721	56,211,570	3,952,317	214,427	236,127,035
Gross financing and investments income	5,992,455	1,249,356	251,299	36,661	7,529,771
Income paid to customers on time investments	(70,088)	(239,496)	(38,221)	(2,319)	(350,124)
Total operating income	7,695,598	1,394,651	908,731	513,054	10,512,034
Impairment charge for financing and other	(1,006,740)	(602,436)	-	-	(1,609,176)
Depreciation and amortization	(172,740)	(5,914)	(807)	(125,691)	(305,152)
Other operating expenses	(2,275,444)	(197,058)	(35,039)	(198,740)	(2,706,281)
Total operating expenses	(3,454,924)	(805,408)	(35,846)	(324,431)	(4,620,609)
Net income for the period	4,240,674	589,243	872,885	188,623	5,891,425

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 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	122,047,376	54,853,614	67,471,594	2,875,588	247,248,172
Capital expenditures for the period	394,054	134	13	6,068	400,269
Total liabilities	163,044,725	42,764,532	6,607,115	193,089	212,609,461
Gross financing and investments income	5,721,804	991,282	86,013	389,270	7,188,369
Income paid to customers on time investments	(40,797)	(104,539)	(74,424)	(1,319)	(221,079)
Total operating income	7,141,001	1,500,288	888,589	963,351	10,493,229
Impairment charge for financing and other	(956,028)	(718,595)	-	(152)	(1,674,775)
Depreciation and amortization	(177,792)	(7,187)	(1,082)	(120,942)	(307,003)
Other operating expenses	(2,202,684)	(174,630)	(34,341)	(126,190)	(2,537,845)
Total operating expenses	(3,336,504)	(900,412)	(35,423)	(247,284)	(4,519,623)
Net income for the period	3,804,497	599,876	853,166	716,067	5,973,606

10. FAIR VALUES 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.

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

Assets at fair values are as follows:

September 30, 2013	Level 1	Level 2	Level 3	Total
	SR'000			
<u>Financial assets</u>				
Financial assets at FVIS	1,151,993	-	1,609,795	2,761,788
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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of on-statement of financial position financial instruments 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.

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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 as at and for the period ended September 30, are as follows:

Related party	September 30, 2013 (Unaudited) SR'000	September 30, 2012 (Unaudited) SR'000
<u>Members of the board of directors:</u>		
Mutajara financing	2,881,430	2,544,583
Commitments and contingent liabilities*	579,176	798,607
<u>Companies and establishments guaranteed by members of board of directors:</u>		
Mutajara financing	1,818,793	48,143
Commitments and contingent liabilities*	24,982	27,125
<u>Other major shareholders (above 5% of the bank's share capital):</u>		
Investments in mutual funds	-	12,760
Other liabilities	3,917	16,780

* off balance sheet items

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

	<u>For the three -month period ended September 30</u>		<u>For the nine-month period ended September 30</u>	
	2013 SR'000 (Unaudited)	2012 SR'000 (Unaudited)	2013 SR'000 (Unaudited)	2012 SR'000 (Unaudited)
Income from financing	20,869	24,863	66,677	78,052
Salaries and employees' related benefits (air tickets)	4,872	1,814	8,708	6,667
Rent and premises' related expenses	585	484	1,659	1,452
Board of Directors' remunerations	693	684	2,057	2,059

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11. RELATED PARTY TRANSACTIONS (Continued)

The compensation amounts for executive management are summarized as follows:

	For the three –month period ended September 30		For the nine-month period ended September 30	
	2013 SR'000 (Unaudited)	2012 SR'000 (Unaudited)	2013 SR'000 (Unaudited)	2012 SR'000 (Unaudited)
Short-term benefits	4,027	3,912	20,943	23,665
Provision for end-of-service indemnities	368	221	857	676

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 September 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 base 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%.

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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:

	September 30, 2013 (Unaudited) SR'000	December 31, 2012 (Audited) SR'000	September 30, 2012 (Unaudited) SR'000
Credit risk RWA	192,102,912	171,674,934	172,196,522
Operational risk RWA	21,356,963	20,386,578	19,704,783
Market risk RWA	1,885,913	2,683,350	3,592,500
Total RWA	215,345,788	194,744,862	195,493,805
Tier I capital	36,856,092	28,584,031	28,665,105
Tier II capital	2,241,947	10,030,642	8,126,062
Total tier I & II capital	39,098,039	38,614,673	36,791,167
Capital adequacy ratio %			
Tier I ratio	17.11%	14.68%	14.66%
Tier I + II ratio	18.16%	19.83%	18.82%

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, are calculated under the Basel III framework. For the purposes of presentation, the RWAs, total capital and related ratios as at September 30, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 and September 30, 2012 are calculated under Basel II and have not been restated.

14. PAID DIVIDENDS

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 as SR 1.5 per share net of 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.

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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 disclosures related to the Bank's capital structure are required under Basel III. These disclosures will be made available to the public on the Bank's website (www.alrajhibank.com.sa) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.