

**AL RAJHI BANKING AND
INVESTMENT CORPORATION**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2011**

(UNAUDITED)

PRICEWATERHOUSECOOPERS 

P.O. Box 8282
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 **ERNST & YOUNG**

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**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 2011, 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 and 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



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14 Thul Quada 1432H
(12 October 2011)



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SR'000)

	Notes	At September 30, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		16,265,917	19,475,196	15,850,905
Due from banks and other financial institutions		12,707,797	11,117,539	9,256,689
Financing, net	3	134,697,549	120,347,714	119,913,619
Investments, net	4	43,858,625	28,604,395	30,878,706
Customer debit current accounts, net		312,233	312,062	556,971
Property and equipment, net		3,480,173	3,394,863	3,267,089
Other assets, net		<u>1,564,712</u>	<u>1,589,141</u>	<u>1,799,469</u>
TOTAL ASSETS		<u>212,887,006</u>	<u>184,840,910</u>	<u>181,523,448</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Due to banks and other financial institutions		6,528,730	5,414,181	5,100,693
Customer deposits	5	166,804,534	143,064,037	141,604,507
Other liabilities		<u>8,631,801</u>	<u>6,044,903</u>	<u>5,802,122</u>
TOTAL LIABILITIES		<u>181,965,065</u>	<u>154,523,121</u>	<u>152,507,322</u>
SHAREHOLDERS' EQUITY:				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		12,111,884	12,111,884	10,419,177
General reserve	9	-	-	366,465
Retained earnings		3,810,057	205,905	3,230,484
Proposed gross dividends		<u>-</u>	<u>3,000,000</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY		<u>30,921,941</u>	<u>30,317,789</u>	<u>29,016,126</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>212,887,006</u>	<u>184,840,910</u>	<u>181,523,448</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 COMPREHENSIVE INCOME
(UNAUDITED)

(SR'000)

	Three-month period ended September 30		Nine-month period ended September 30	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
INCOME:				
Gross financing income	2,248,970	2,333,640	6,709,316	6,881,594
Income paid to customers on time investments	<u>(64,584)</u>	<u>(53,476)</u>	<u>(191,927)</u>	<u>(169,674)</u>
Net financing income	2,184,386	2,280,164	6,517,389	6,711,920
Investments income	127,918	91,575	307,381	180,558
Fees from banking services, net	663,654	373,149	1,693,357	1,219,849
Exchange income, net	198,153	159,656	596,593	471,120
Other operating income	<u>17,839</u>	<u>61,583</u>	<u>64,539</u>	<u>213,619</u>
Total operating income	<u>3,191,950</u>	<u>2,966,127</u>	<u>9,179,259</u>	<u>8,797,066</u>
EXPENSES:				
Salaries and employees' related benefits	480,725	448,967	1,433,421	1,379,098
Rent and premises' related expenses	44,118	38,124	128,409	113,484
Impairment charge for financing and other, net	408,434	581,297	1,104,553	1,362,281
Other general and administrative expenses	223,923	169,753	731,511	578,545
Depreciation and amortization	98,254	87,299	300,156	258,900
Board of directors' remunerations	<u>693</u>	<u>693</u>	<u>2,057</u>	<u>2,057</u>
Total operating expenses	<u>1,256,147</u>	<u>1,326,133</u>	<u>3,700,107</u>	<u>3,694,365</u>
Net income for the period	1,935,803	1,639,994	5,479,152	5,102,701
Comprehensive income items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net comprehensive income for the period	<u>1,935,803</u>	<u>1,639,994</u>	<u>5,479,152</u>	<u>5,102,701</u>
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 (SR) (Note 11)	<u>1.29</u>	<u>1.09</u>	<u>3.65</u>	<u>3.40</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)

	Share capital	Statutory reserve	General reserve	Retained earnings	Proposed gross dividends	Total
For the nine-month period ended						
September 30, 2011						
Balance at the beginning of the period	15,000,000	12,111,884	-	205,905	3,000,000	30,317,789
Transfer to accrued zakat	-	-	-	-	(750,000)	(750,000)
Dividends paid for the second half of 2010 (Note 13)	-	-	-	-	(2,250,000)	(2,250,000)
Interim dividends paid in 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
Balance at the end of the period	15,000,000	12,111,884	-	3,810,057	-	30,921,941
For the nine-month period ended						
September 30, 2010						
Balance at the beginning of the period	15,000,000	10,419,177	-	744,248	2,577,459	28,740,884
Transfer to accrued zakat	-	-	-	-	(327,459)	(327,459)
Transfer to general reserve (Note 9)	-	-	366,465	(366,465)	-	-
Dividends paid for the second half of 2009 (Note 13)	-	-	-	-	(2,250,000)	(2,250,000)
Interim dividends paid in the first half of 2010 (Note 13)	-	-	-	(2,250,000)	-	(2,250,000)
Net comprehensive income for the period	-	-	-	5,102,701	-	5,102,701
Balance at the end of the period	15,000,000	10,419,177	366,465	3,230,484	-	29,016,126

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>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	5,479,152	5,102,701
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	300,156	258,900
Loss (gain) on sale of property and equipment	(6,422)	402
Impairment charge for financing and other, net	1,104,553	1,362,281
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(1,463,913)	(1,249,687)
Banks mutajara	(4,290,034)	(3,225,295)
Financing	(15,430,777)	(9,128,241)
Investments	(15,277,841)	(3,739,650)
Customer debit current accounts	(171)	138,820
Other assets	24,429	17,817
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	1,114,549	(1,001,380)
Customer deposits	23,740,497	18,742,667
Other liabilities	1,836,898	(7,550,269)
Net cash used in operating activities	<u>(2,868,924)</u>	<u>(270,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(392,185)	(352,834)
Proceeds from sale of property and equipment	13,141	8,600
Net cash used in investing activities	<u>(379,044)</u>	<u>(344,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(4,125,000)	(4,500,000)
Net cash used in financing activities	<u>(4,125,000)</u>	<u>(4,500,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,372,968)	(5,115,168)
Cash and cash equivalents at the beginning of the period	<u>20,224,680</u>	<u>17,784,205</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 7)	<u>12,851,712</u>	<u>12,669,037</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
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011 (UNAUDITED)

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, 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, 2010.

The interim condensed consolidated financial statements were approved on 14 Dhul Qaddah, 1432H (corresponding to October 12, 2011).

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>2011</u>	<u>2010</u>
Al Rajhi Company for Development Limited - Saudi Arabia	100%	100%
Al Rajhi Corporation Limited - Malaysia	100%	100%
Al Rajhi Capital Company - Saudi Arabia	99%	99%
Al Rajhi Bank - Kuwait	100%	-
Al Rajhi Bank - Jordan	100%	-

Al Rajhi Bank - Kuwait was formed during the last quarter of 2010 and Al Rajhi Bank - Jordan was formed during the first 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, 2010, except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim consolidated financial statements of the Bank:

- IAS 24 Related Party Disclosures
- Amendments to IFRIC 14 IAS 19
- Improvements to IFRSs 2010 - IFRS 7 Financial Instruments Disclosures
- Improvements to IFRSs 2010 - IAS 1 Presentation of Financial Statements
- Improvements to IFRSs 2010 - IAS 34 Interim Financial Reporting

3. FINANCING, NET

Financing, net comprise of the following:

	SR'000		
	At September 30, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
Held at amortized cost:			
Corporate mutajara	30,735,746	29,903,272	30,744,557
Installment sale	92,361,354	77,554,075	76,359,591
Murabaha	12,130,614	12,419,441	12,448,747
Istisnaa	133,888	476,897	585,130
Visa	536,078	664,885	653,709
Performing financing	135,897,680	121,018,570	120,791,734
Non-performing financing	<u>2,268,633</u>	<u>2,662,170</u>	<u>4,161,869</u>
Total financing	138,166,313	123,680,740	124,953,603
Provision for financing impairment	<u>(3,468,764)</u>	<u>(3,333,026)</u>	<u>(5,039,984)</u>
Net financing	<u>134,697,549</u>	<u>120,347,714</u>	<u>119,913,619</u>

4. INVESTMENTS, NET

Investments comprise of the following:

	SR'000		
	At September 30, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
Investments held at amortized cost:			
Murabaha with SAMA	<u>39,746,543</u>	<u>25,598,479</u>	<u>27,440,657</u>
Total investments held at amortized cost	<u>39,746,543</u>	<u>25,598,479</u>	<u>27,440,657</u>
Held as fair value through income statement (FVIS):			
Miscellaneous investments	1,512,735	1,169,547	1,211,674
Sukuk	1,441,715	724,492	972,172
Corporate shares	660,395	651,054	658,790
Mutual Funds	<u>445,963</u>	<u>400,537</u>	<u>536,609</u>
Total FVIS	<u>4,060,808</u>	<u>2,945,630</u>	<u>3,379,245</u>
Available for sale investment:			
Corporate shares	<u>51,274</u>	<u>60,286</u>	<u>58,804</u>
Total available for sale investment	<u>51,274</u>	<u>60,286</u>	<u>58,804</u>
Total investments	<u>43,858,625</u>	<u>28,604,395</u>	<u>30,878,706</u>

5. CUSTOMER DEPOSIT

Customer deposit comprise of the following:

	SR'000		
	At September 30, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
Current deposits	160,376,240	130,902,994	126,256,525
Time investments	4,095,295	9,527,096	13,225,545
Other customers' accounts	2,332,999	2,633,947	2,122,437
Total	<u>166,804,534</u>	<u>143,064,037</u>	<u>141,604,507</u>

6. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

	SR'000		
	At September 30, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
a) Mudaraba funds:			
Murabaha and customers' investments	13,649,269	17,079,401	12,565,429
Current accounts - metals	5,642	5,678	5,679
Total	<u>13,654,911</u>	<u>17,085,079</u>	<u>12,571,108</u>
b) Contingent liabilities:			
Letters of credit and acceptances	3,757,643	4,633,730	4,415,212
Letters of guarantee	5,872,738	6,363,594	7,047,325
Irrevocable commitments to extend credit	8,339,614	7,167,869	13,762,371
Total	<u>17,969,995</u>	<u>18,165,193</u>	<u>25,224,908</u>
Grand Total	<u>31,624,906</u>	<u>35,250,272</u>	<u>37,796,016</u>

7. 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, 2011 (Unaudited)	At December 31, 2010 (Audited)	At September 30, 2010 (Unaudited)
Cash	5,295,494	5,329,888	4,599,033
Balances with SAMA (current accounts)	145,238	4,784,036	2,038,610
Due from banks (current accounts and murabaha having original maturity of three months or less)	7,410,980	10,110,756	6,031,394
Total	<u>12,851,712</u>	<u>20,224,680</u>	<u>12,669,037</u>

8. 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.

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 five subsidiaries of which three is registered outside the Kingdom of Saudi Arabia as of September 30, 2011 (2010: Three subsidiaries of which one 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, 2011 and 2010 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each segment, are analyzed as follows:

	SR'000 (Unaudited)				
<u>2011</u>	<u>Retail segment</u>	<u>Corporate segment</u>	<u>Treasury segment</u>	<u>Investment services and brokerage segment</u>	<u>Total</u>
Total assets	<u>95,907,100</u>	<u>49,020,131</u>	<u>67,080,741</u>	<u>879,034</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>131,516,149</u>	<u>46,381,318</u>	<u>3,982,883</u>	<u>84,715</u>	<u>181,965,065</u>
Gross financing and investments income	<u>4,959,087</u>	<u>1,661,384</u>	<u>373,791</u>	<u>22,435</u>	<u>7,016,697</u>
Income paid to customers on time investments	<u>(22,564)</u>	<u>(13,425)</u>	<u>(155,938)</u>	<u>-</u>	<u>(191,927)</u>
Total operating income	<u>6,374,503</u>	<u>1,600,092</u>	<u>894,280</u>	<u>310,384</u>	<u>9,179,259</u>
Impairment charge for financing and other, net	<u>(592,023)</u>	<u>(512,530)</u>	<u>-</u>	<u>-</u>	<u>(1,104,553)</u>
Depreciation and amortization	<u>(271,400)</u>	<u>(5,218)</u>	<u>(23,065)</u>	<u>(473)</u>	<u>(300,156)</u>
Other operating expenses	<u>(1,905,449)</u>	<u>(184,019)</u>	<u>(80,605)</u>	<u>(125,325)</u>	<u>(2,295,398)</u>
Total operating expenses	<u>(2,768,872)</u>	<u>(701,767)</u>	<u>(103,670)</u>	<u>(125,798)</u>	<u>(3,700,107)</u>
Net income for the period	<u>3,605,631</u>	<u>898,325</u>	<u>790,610</u>	<u>184,586</u>	<u>5,479,152</u>

	SR'000 (Unaudited)				
<u>2010</u>	<u>Retail segment</u>	<u>Corporate segment</u>	<u>Treasury segment</u>	<u>Investment services and brokerage segment</u>	<u>Total</u>
Total assets	<u>80,400,771</u>	<u>48,803,194</u>	<u>51,576,032</u>	<u>743,451</u>	<u>181,523,448</u>
Capital expenditure for the period	<u>352,437</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>352,834</u>
Total liabilities	<u>102,432,228</u>	<u>45,779,961</u>	<u>2,640,331</u>	<u>1,654,802</u>	<u>152,507,322</u>
Gross financing and investments income	<u>4,956,697</u>	<u>1,843,847</u>	<u>246,498</u>	<u>15,110</u>	<u>7,062,152</u>
Income paid to customers on time investments	<u>(36,518)</u>	<u>(9,869)</u>	<u>(123,287)</u>	<u>-</u>	<u>(169,674)</u>
Total operating income	<u>5,836,022</u>	<u>1,882,737</u>	<u>853,527</u>	<u>224,780</u>	<u>8,797,066</u>
Impairment charge for financing and other, net	<u>(456,061)</u>	<u>(906,220)</u>	<u>-</u>	<u>-</u>	<u>(1,362,281)</u>
Depreciation and amortization	<u>(229,012)</u>	<u>(4,750)</u>	<u>(14,159)</u>	<u>(10,979)</u>	<u>(258,900)</u>
Other operating expenses	<u>(1,709,845)</u>	<u>(167,576)</u>	<u>(51,673)</u>	<u>(144,090)</u>	<u>(2,073,184)</u>
Total operating expenses	<u>(2,394,918)</u>	<u>(1,078,546)</u>	<u>(65,832)</u>	<u>(155,069)</u>	<u>(3,694,365)</u>
Net income for the period	<u>3,441,104</u>	<u>804,191</u>	<u>787,695</u>	<u>69,711</u>	<u>5,102,701</u>

9. GENERAL RESERVE

At the general meeting held on 13 Rabie Al Awal 1431H (corresponding to February 27, 2010), the shareholders approved the transfer of SR 366.5 million from retained earnings to general reserve. During the year ended December 31, 2010, the Bank used this amount to meet the zakat obligations.

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 as at September 30 are as follows:

Related party	<u>SR'000 (Unaudited)</u>	
	<u>2011</u>	<u>2010</u>
<u>Board of directors:</u>		
Mutajara financing	2,296,438	3,652,888
Commitments and contingent liabilities*	1,107,079	1,050,411
Current accounts	41,648	45,813
<u>Companies and establishments guaranteed by members of board of directors:</u>		
Mutajara financing	710,788	478,986
Commitments and contingent liabilities*	56,330	35,801
<u>Mudaraba funds:</u>		
Current accounts	279,572	420,148
Mudaraba*	7,388,421	6,234,971
Investments in mutual funds	445,963	536,609
<u>Other major shareholders (above 5% equivalent):</u>		
Mutajara financing	120,597	120,597
Direct investment	-	1,190,232
Current accounts	-	38,801
Investments in mutual funds	12,477	32,159
Other liabilities	15,529	13,408

* off balance sheet items

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

	<u>SR'000 (Unaudited)</u>	
	<u>For the nine-month period ended September 30</u>	
	<u>2011</u>	<u>2010</u>
Income from investments	93,370	98,452
Salaries and employees' related benefits	8,543	8,306
Rent and premises' related expenses	1,160	1,144
Board of Directors' remunerations	2,057	2,057

The amounts of compensations recorded in favor of or paid to the executive management personnel are as follows:

	<u>SR'000 (Unaudited)</u>	
	<u>For the nine-month period</u>	
	<u>ended September 30</u>	
	<u>2011</u>	<u>2010</u>
Short-term benefits	17,994	15,558
Provision for end of service benefits	1,013	987

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, 2011 and 2010 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 in 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:

	<u>SR'000</u>		
	<u>At September</u> <u>30, 2011</u> <u>(Unaudited)</u>	<u>At December</u> <u>31, 2010</u> <u>(Audited)</u>	<u>At September</u> <u>30, 2010</u> <u>(Unaudited)</u>
Credit risk RWA	141,662,215	127,166,653	132,576,858
Operational risk RWA	19,207,023	19,207,023	18,678,531
Market risk RWA	<u>10,118,175</u>	<u>8,262,400</u>	<u>8,060,108</u>
Total RWA	<u>170,987,413</u>	<u>154,636,076</u>	<u>159,315,497</u>
Tier I capital	25,442,788	23,546,960	23,535,642
Tier II capital	<u>7,249,931</u>	<u>8,360,412</u>	<u>6,759,912</u>
Total tier I & II capital	<u>32,692,719</u>	<u>31,907,372</u>	<u>30,295,554</u>
Capital adequacy ratio %			
Tier ratio	14.88%	15.23%	14.77%
Tier I + II ratio	19.12%	20.63%	19.02%

13. PAID DIVIDENDS

At the General Assembly held on 2 Rabie Al Awal 1432H (corresponding to March 7, 2011), the shareholders approved the distribution of dividends amounting to SR 2,250 million for the second half of the year ended December 31, 2010, net of SR 1.5 riyal per share as zakat deduction on shareholder (during the first quarter of 2010, SR 2,250 million of dividend were approved for the second half of the year ended December 31, 2009, net of SR 1.50 per share as zakat deduction on shareholders).

On July 11, 2011 the Board of Director approved 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 Monday July 18, 2011.

14. COMPARATIVE FIGURES

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