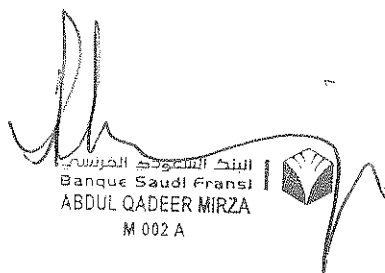
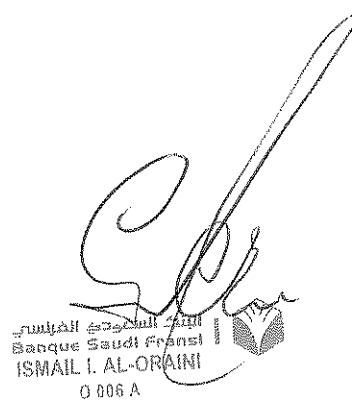
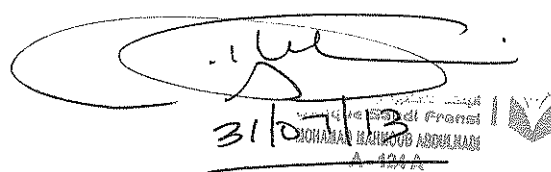


INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED
June 30, 2013


البنك السعودي الفرنسي
Banque Saudi Fransi
ABDUL QADEER MIRZA
M 002 A


البنك السعودي الفرنسي
Banque Saudi Fransi
ISMAIL I. AL-ORAINI
O 006 A


البنك السعودي الفرنسي
Banque Saudi Fransi
31/07/13
MOHAMED MAHMOUD ABDULNABI
A 424 A

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Banque Saudi Fransi
(A Saudi Joint Stock Company)

Introduction

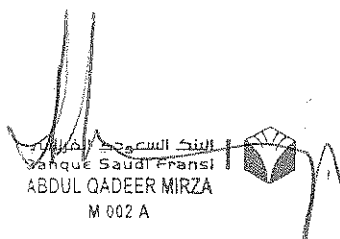
We have reviewed the accompanying interim condensed consolidated statement of financial position of Banque Saudi Fransi (the "Bank") and its subsidiaries as of June 30, 2013, and the related interim condensed consolidated statement of income and the interim condensed consolidated statements of comprehensive income for the three-month and six-month period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and the notes from (1) to (15) for the six-month period then ended. We have not reviewed note 15 (b), nor the information related to "Basel II 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.

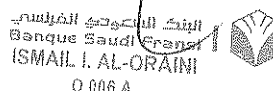
Scope of Review

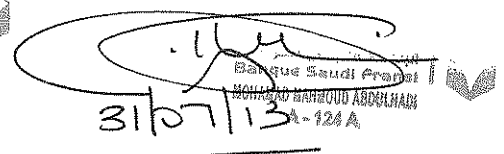
We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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.


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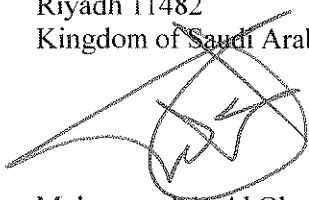

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Banque Saudi Fransi
MOHAMED MAHMOUD ABDULHADI
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31/07/13

Other Regulatory Matters

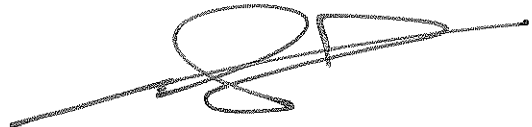
As required by SAMA, certain capital adequacy information has been disclosed in note 15 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers
P O Box 8282
Riyadh 11482
Kingdom of Saudi Arabia



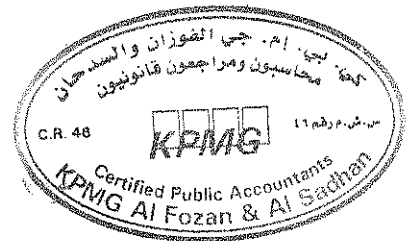
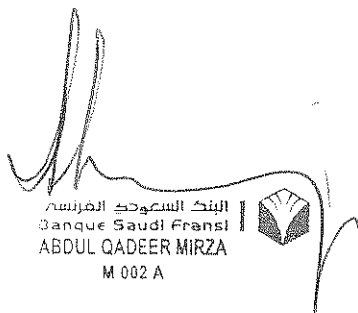
Mohammed A. Al Obaidi
Certified Public Accountant
License Number 367

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P O Box 92876
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Kingdom of Saudi Arabia

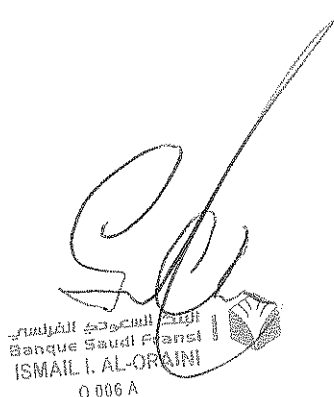


Tareq A. Al Sadhan
Certified Public Accountant
License Number 352

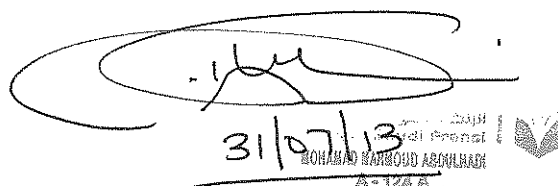
July 29, 2013
21 Ramadan 1434H

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البنك السعودي الفرنسي
Banque Saudi Fransi
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31/07/13
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BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at


Page 2

SAR '000	Notes	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
ASSETS				
Cash and balances with SAMA		9,304,394	15,233,244	6,940,094
Due from banks and other financial institutions		6,577,607	5,435,376	11,956,863
Investments, net	3	34,336,272	27,497,999	20,947,434
Loans and advances, net	4	110,235,400	102,785,372	100,515,672
Investment in associates	5	173,407	171,948	170,915
Property and equipment, net		629,460	641,305	629,844
Other assets		4,525,970	6,012,058	5,927,840
Total assets		165,782,510	157,777,302	147,088,662
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		5,600,543	5,662,468	4,627,247
Customers' deposits	6	124,575,237	115,571,767	108,942,202
Term loans		1,282,500	1,778,306	1,748,700
Debt Securities and Sukuks		7,129,757	7,130,041	5,229,649
Other liabilities		4,200,061	4,947,902	5,189,008
Total liabilities		142,788,098	135,090,484	125,736,806
Equity				
Share capital	12	9,040,179	9,040,179	9,040,179
Statutory reserve		7,553,621	7,553,621	6,799,837
General reserve		982,857	982,857	982,857
Other reserves		563,475	892,378	1,026,444
Retained earnings		4,854,280	3,407,783	3,502,539
Proposed dividend		-	810,000	-
Total equity		22,994,412	22,686,818	21,351,856
Total liabilities and equity		165,782,510	157,777,302	147,088,662

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


البنك السعودي الفرنسي
Banque Saudi Fransi
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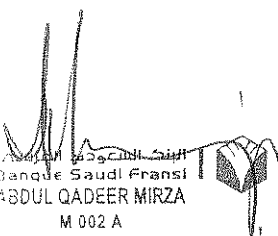

البنك السعودي الفرنسي
Banque Saudi Fransi
HOVHANNES KHUDABEKYAN
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31/07/13


BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
Unaudited


Page 3

SAR '000	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Special commission income	1,052,041	1,008,640	2,085,757	1,972,594
Special commission expense	221,540	164,708	456,015	326,850
Net special commission income	830,501	843,932	1,629,742	1,645,744
Fee and commission income, net	315,671	311,889	610,448	619,235
Exchange income, net	71,384	61,724	139,374	113,929
Trading income, net	24,733	37,151	12,766	82,758
Dividend income	11,193	10,367	11,193	10,547
Gain on non trading investments, net	10,998	4,177	54,781	4,177
Other operating income	18,165	13,555	29,387	26,614
Total operating income	1,282,645	1,282,795	2,487,691	2,503,004
Salaries and employee related expenses	237,005	209,945	464,157	416,912
Rent and premises related expenses	41,755	34,614	79,050	67,137
Depreciation and amortization	32,748	32,507	65,020	64,234
Other general and administrative expenses	106,273	106,291	213,824	204,884
Impairment charge for credit losses, net	107,593	141,653	235,436	202,920
Impairment charge for investments	(5,625)	-	(16,875)	-
Other operating expenses	1,059	1,246	2,041	1,578
Total operating expenses	520,808	526,256	1,042,653	957,665
Net income from operating activities	761,837	756,539	1,445,038	1,545,339
Share in earnings of associates, net	805	673	1,459	769
Net income for the period	762,642	757,212	1,446,497	1,546,108
Weighted average number of outstanding shares	904,018	904,018	904,018	904,018
Basic and diluted earnings per share for the period (SAR) - Note 12	0.84	0.84	1.60	1.71

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


 Banque Saudi Fransi
 ABDUL QADEER MIRZA
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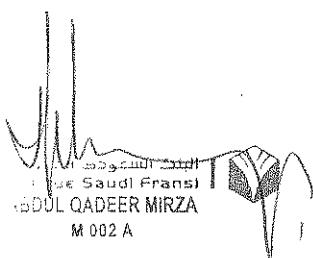

 31/07/13
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 MOHAMMAD MAHMOUD ABDULKHADER
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BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

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SAR '000	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net income for the period	762,642	757,212	1,446,497	1,546,108
Other comprehensive income (loss):				
<u>Available for sale investments</u>				
Net change in the fair value	32,041	(93,396)	34,421	15,077
Income transferred to interim condensed consolidated statement of income	(10,998)	(4,177)	(50,378)	(4,177)
<u>Cash flow hedge</u>				
Net change in the fair value	(205,378)	253,708	(48,874)	434,500
Income transferred to interim condensed consolidated statement of income	(133,322)	(148,935)	(264,072)	(294,979)
Total comprehensive income for the period	444,985	764,412	1,117,594	1,696,529

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


Banque Saudi Fransi
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MOHAMAD HANMOUD ABDULKHALIQ
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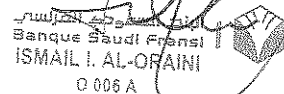
BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited

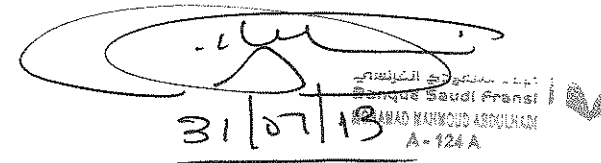
Page 5

SAR '000	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves		Proposed dividend	Total
					Available for sale investments	Cash flow hedge		
<u>For the six months period ended June 30, 2013</u>								
Balance at the beginning of the period	9,040,179	7,553,621	982,857	3,407,783	(27,877)	920,255	810,000	22,686,818
Final dividend paid for 2012	-	-	-	-	-	-	(810,000)	(810,000)
Total comprehensive income for the period	-	-	-	1,446,497	(15,957)	(312,946)	-	1,117,594
Balance at the end of the period	9,040,179	7,553,621	982,857	4,854,280	(43,834)	607,309	-	22,994,412
<u>For the six months period ended June 30, 2012</u>								
Balance at the beginning of the period	7,232,143	6,799,837	982,857	3,764,467	(63,846)	939,869	-	19,655,327
Total comprehensive income for the period	-	-	-	1,546,108	10,900	139,521	-	1,696,529
Stock Dividend	1,808,036	-	-	(1,808,036)	-	-	-	-
Balance at the end of the period	9,040,179	6,799,837	982,857	3,502,539	(52,946)	1,079,390	-	21,351,856

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


البنك السعودي الفرنسي
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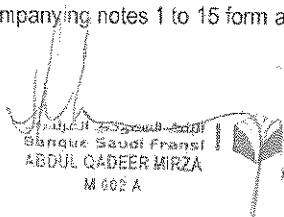

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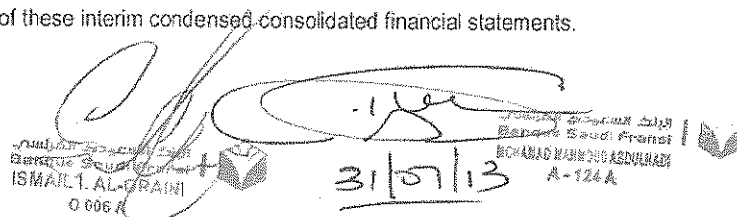
BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
Unaudited

Page 6

SAR '000	Note	For the six months ended	
		Jun 30, 2013	Jun 30, 2012
<u>OPERATING ACTIVITIES</u>			
Net income for the period		1,446,497	1,546,108
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discounts on non trading investments, net		(65,439)	(20,163)
(Gains) on non trading investments, net		(54,781)	(4,177)
Depreciation and amortization		65,020	64,234
Gain on disposal of property and equipment, net		(112)	(102)
Impairment charge for credit losses, net		235,436	202,920
Share in earnings of associates, net		(1,459)	(769)
Change in fair value of financial instruments		65,895	(26,434)
Operating income before changes in operating assets and liabilities		1,691,057	1,761,617
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(570,980)	(449,448)
Investments held as FVIS, trading		(15,293)	70,839
Loans and advances		(7,723,229)	(8,387,212)
Other assets		1,145,744	(185,547)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(61,925)	2,563,499
Customers' deposits		9,002,285	(1,036,390)
Other liabilities		(741,578)	603,351
Net cash from operating activities		2,726,081	(5,059,291)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales and maturities of non trading investments		10,150,594	4,644,457
Purchase of non trading investments		(16,869,311)	(8,714,165)
Investment in subsidiaries		-	(247,600)
Purchase of property and equipment		(53,175)	(113,682)
Proceeds from sale of property and equipment		112	699
Net cash used in investing activities		(6,771,780)	(4,430,291)
<u>FINANCING ACTIVITIES</u>			
Term loan and Sukuk		(501,900)	2,812,500
Dividends paid		(810,000)	-
Net cash (used in) / from financing activities		(1,311,900)	2,812,500
Decrease in cash and cash equivalents		(5,357,599)	(6,677,082)
Cash and cash equivalents at the beginning of the period		14,351,151	19,468,881
Cash and cash equivalents at the end of the period	9	8,993,552	12,791,799
Special commission received during the period		2,139,014	1,897,119
Special commission paid during the period		406,314	393,875
<u>Supplemental non-cash information</u>			
Net changes in fair value and transferred to interim condensed consolidated statement of income		(328,903)	150,421

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


 Banque Saudi Fransi
 ABDUL QADEER MIRZA
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 Banque Saudi Fransi
 ISMAIL AL-GRANI
 31/07/13 A-124 A
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1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977). The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 4, 1410H (corresponding to September 5, 1989), through its 86 branches (June 30, 2012: 84 branches) in the Kingdom of Saudi Arabia, employing 2,834 people (June 30, 2012: 2,606). The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at Al Maa'ther Street, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The Bank owns a subsidiary, Saudi Fransi Capital (99% direct share in equity and 1% indirect share beneficially held by a director of the Bank) engaged in brokerage, asset management and corporate finance business. The Bank owns Saudi Fransi Insurance Agency (SAFIA) having 100% share in equity. The Bank also owns Saudi Fransi leasing and Sakan real estate financing having 100% share in equity. These subsidiaries are incorporated in the Kingdom of Saudi Arabia. The Bank also owns BSF Sukuk Limited having 100% share in equity, incorporated in the Cayman Islands.

The Bank has investments in associates and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria, 32.5% shareholding in Saudi Fransi Corporate Insurance Company (Allianz Saudi Fransi) and 50% in Sofinco Saudi Fransi incorporated in the Kingdom of Saudi Arabia.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 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 information and disclosures 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 accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2012 as described in the annual consolidated financial statements for the year ended December 31, 2012 except for the adoption of amendments to the existing standards as mentioned below which has had no financial impact on the financial statements of the Bank:

New standards

-IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

-IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures

-IFRS 12 Disclosure of Interests in Other Entities

-IFRS 13 Fair value measurements

2. Basis of preparation (continued)

Amendments to existing standards

-IFRS 7 Financial Instruments

-IAS 19 Employee Benefits

-IAS 27 Separate Financial Statements (2011):

-IAS 28 Investments in Associates and Joint Ventures (2011)

The new standards, amendments to standards and interpretations to International Financial Reporting Standards which are mandatory for the first time for the financial year beginning January 2013 did not result in material amendments to the presentation and disclosure of the accompanying interim condensed consolidated financial statements.

Other amendments resulting from the improvements to the IFRSs to the following standards did not have any material impact on the accounting policies, financial position and performance of the Bank.

- IFRS 1
- IAS 1
- IAS 16
- IAS 32
- IAS 34

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries; Saudi Fransi capital, Saudi Fransi Insurance Agency, Saudi Fransi Leasing ,Sakan real estate financing and BSF Sukuk Limited. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments are been made wherever necessary in the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

Subsidiaries are the entities that are controlled by the Bank. The Bank 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 the control is transferred from the Bank. The results of subsidiaries acquired or disposed off during the period, if any, are included in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

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

3. Investments, net

Investment securities are classified as follows:

SAR '000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Held as FVIS	326,074	310,781	422,264
Available for sale	8,065,898	6,737,661	6,838,799
Held to maturity	305,380	709,587	764,615
Other investments held at amortised cost	25,638,920	19,739,970	12,921,756
Total	34,336,272	27,497,999	20,947,434

Investments held as FVIS represent investments held for trading.

4. Loans and advances, net

SAR'000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Consumer loans	9,886,032	9,924,664	9,865,520
Commercial loans and overdrafts	92,313,186	85,666,487	83,604,533
Credit cards	652,533	681,805	715,007
Others	7,878,733	7,020,022	6,676,171
Performing loans and advances	110,730,484	103,292,978	100,861,231
Nonperforming loans and advances ,net	1,171,671	1,044,689	1,067,778
Gross loans and advances	111,902,155	104,337,667	101,929,009
Allowance for impairment	(1,666,755)	(1,552,295)	(1,413,337)
Loans and advances, net	110,235,400	102,785,372	100,515,672

5. Investment in associates

SAR '000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Cost	201,644	201,644	201,645
Share of earnings / (losses), net	(28,237)	(29,696)	(30,730)
Total	173,407	171,948	170,915

6. Customers' deposits

SAR'000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Demand	75,563,105	61,805,382	60,242,845
Saving	437,914	448,802	433,175
Time	44,821,654	50,236,494	44,573,419
Other	3,752,564	3,081,089	3,692,763
Total	124,575,237	115,571,767	108,942,202

7. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments held, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk (which is generally limited to the positive fair value of the derivatives) nor to market risk.

SAR '000	Jun 30, 2013 (Unaudited)			Dec 31, 2012 (Audited)			Jun 30, 2012 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading									
Special commission rate swaps	1,882,408	1,701,324	125,271,134	2,699,878	2,395,956	123,007,139	2,758,846	2,251,739	126,802,129
Special commission rate futures and options	3,866	4,791	28,256,952	10,301	2,757	42,786,669	8,459	2,871	35,869,527
Forward rate agreements	-	1,035	1,000,000	-	2,525	1,000,000	-	-	-
Forward foreign exchange contracts	157,901	37,495	39,085,917	268,635	98,637	45,664,030	133,565	77,140	51,489,128
Currency options	19,466	-	32,831,830	27,035	-	46,586,105	26,800	-	79,114,517
Others	25,077	-	2,673,156	12,295	-	1,340,675	14,054	-	2,721,317
Held as fair value hedges									
Special commission rate swaps	-	12,023	5,631,500	19,460	24,027	5,665,052	109,308	23,820	7,202,186
Held as cash flow hedges									
Special commission rate swaps	1,011,919	64,208	49,758,263	1,455,988	17,635	45,170,454	1,395,501	-	39,146,504
Total	3,100,627	1,820,876	284,508,752	4,493,582	2,541,537	311,220,124	4,446,533	2,355,570	342,345,308
Value of netting arrangements	(777)	(777)	(47,500)	(1,540)	(1,540)	(52,500)	(12,523)	(12,523)	(491,488)
Total after netting	3,099,850	1,820,099	284,461,252	4,492,042	2,539,997	311,167,624	4,434,010	2,343,047	341,853,820

Special commission rate swaps include the notional amount of SAR 48 million (December 31, 2012: SAR 53 million and, June 30, 2012: SAR 491 million), with an aggregate positive fair value and a negative fair value of SAR 1 million (December 31, 2012: SAR 2 million and June 30, 2012: SAR 13 million) which are netted off for credit exposure purposes, as the Bank intends to settle these on a net basis.

8. Credit related commitments and contingencies

The Bank's credit related commitments and contingencies are as follows:

SAR '000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Letters of credit	14,572,622	13,035,112	13,090,641
Letters of guarantee	41,426,855	40,706,169	39,743,274
Acceptances	3,107,557	2,207,121	3,037,004
Irrevocable commitments to extend credit	4,685,034	4,740,232	6,267,185
Total	63,792,068	60,688,634	62,138,104

9. Cash and cash equivalents

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

SAR '000	Jun 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)	Jun 30, 2012 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,415,945	8,915,775	834,936
Due from banks and other financial institutions maturing within three months from the date of acquisition	6,577,607	5,435,376	11,956,863
Total	8,993,552	14,351,151	12,791,799

10. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2012.

The Bank is organised into the following main operating segments:

Retail banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

10. Segment information (Continued)

Corporate banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

The Bank's total assets and liabilities as at June 30, 2013 and 2012, together with total operating income, total operating expenses and net income for the six months then ended, by operating segments, are as follows:

(Unaudited) SAR '000'	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
June 30, 2013					
Total assets	16,964,531	98,032,371	49,215,518	1,570,090	165,782,510
Total liabilities	57,467,779	67,168,202	16,730,254	1,421,863	142,788,098
Total operating income	722,155	1,266,377	351,649	147,510	2,487,691
Total operating expenses	553,130	320,117	84,883	84,523	1,042,653
Share in earnings of associates, net	-	-	1,459	-	1,459
Net income for the period	169,025	946,260	268,225	62,987	1,446,497
Impairment charges for credit losses, net	101,182	134,254	-	-	235,436
June 30, 2012					
Total assets	16,062,338	88,113,237	41,825,960	1,087,127	147,088,662
Total liabilities	47,176,298	60,957,787	16,665,553	937,168	125,736,806
Total operating income	722,063	1,158,521	431,168	191,252	2,503,004
Total operating expenses	514,015	267,622	105,645	70,383	957,665
Share in earnings of associates, net	-	-	769	-	769
Net income for the period	208,048	890,899	326,292	120,869	1,546,108
Impairment charges for credit losses, net	98,460	104,460	-	-	202,920

11. 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 repacking)

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: and

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

SAR' 000	Level 1	Level 2	Level 3	Total
June 30, 2013				
Financial assets				
Derivative financial instruments	-	3,099,850	-	3,099,850
Financial investments designated at FVIS (trading)	157,190	168,884	-	326,074
Financial investments available for sale	1,914,098	1,487,310	4,664,490	8,065,898
Total	2,071,288	4,756,044	4,664,490	11,491,822
Financial Liabilities				
Derivative financial instruments negative fair value	-	1,820,099	-	1,820,099
Total	-	1,820,099	-	1,820,099
December 31, 2012				
Financial assets				
Derivative financial instruments	-	4,492,042	-	4,492,042
Financial investments designated at FVIS(trading)	230,319	80,462	-	310,781
Financial investments available for sale	1,820,041	1,385,085	3,532,535	6,737,661
Total	2,050,360	5,957,589	3,532,535	11,540,484
Financial Liabilities				
Derivative financial instruments negative fair value	-	2,539,997	-	2,539,997
Total	-	2,539,997	-	2,539,997

The disclosure requirements for fair values of financial assets and liabilities in the interim condensed consolidated financial statements are effective from the beginning of January 2013. Accordingly comparative figures have not been presented for June 2012. Financial investments available for sale comprise Mudarabah SAR 4,440 million (December 31,2012 : 3,263 million) which is classified as level 3.

12. Share capital and Earnings per share

The authorised, issued and fully paid share capital of the Bank consists of 904 million shares of SAR 10 each (December 31, 2012 : 904 million shares of SAR 10 each and June 30, 2012: 904 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended June 30, 2013 and 2012 are calculated by dividing the net income for the period by 904 million shares.

13. Interim dividends

The Board of Directors recommended (4 July 2013) interim gross dividend for the six months period ended June 30, 2013 of SAR 398 million. Zakat attributable to Saudi shareholders for the period amounted to approximately SAR 25 million. This will be deducted from their share of the dividend, resulting in net dividend to Saudi shareholders of SAR 0.40 per share. The income tax liability of the foreign shareholders will be deducted from their share of the dividend.

14. Comparative figures

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

15. Capital Adequacy

a)The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum of 8%.

The capital adequacy ratio as of June 30, 2013 has been calculated as per Basel III accord which is effective from the beginning of 2013. The comparative figures have not been reinstated in line with Basel III accord. Bank's total risk weighted assets and total Tier I & II Capital are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2013 and 2012

SAR' 000	As per Basel III June 30, 2013 (Unaudited)	As per Basel II June 30, 2012 (Unaudited)
Credit Risk RWA	153,037,324	142,651,547
Operational Risk RWA	8,747,688	8,295,137
Market Risk RWA	2,568,025	3,971,775
Total RWA	164,353,037	154,918,459
Tier I Capital	22,663,855	19,405,684
Tier II Capital	2,779,966	2,415,215
Total Tier I & II Capital	25,443,821	21,820,899
Capital Adequacy Ratio %		
Tier I ratio	13.79%	12.53%
Tier I + Tier II ratio	15.48%	14.09%

b) Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be published on the Bank's website (www.Alfransi.com.sa) within 60 business days after June 30, 2013 as required by SAMA.