

**AL RAJHI BANKING AND  
INVESTMENT CORPORATION**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
SIX-MONTH PERIOD ENDED  
JUNE 30, 2011**

**(UNAUDITED)**

**PRICEWATERHOUSECOOPERS** 

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



**ERNST & YOUNG**

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

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

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Al Rajhi Banking and Investment Corporation (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as of 30 June 2011, and the related interim consolidated statement of comprehensive income for three-month and six-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 (13) for the six-month period then ended. We have not reviewed note (14), 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 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 (11) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in the aforementioned note to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**PricewaterhouseCoopers**



Mohammed A. Al Obaidi  
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17 Shaaban1432H  
(18 July 2011)



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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(SR'000)

|   | Notes | At June<br>30, 2011<br>(Unaudited) | At December<br>31, 2010<br>(Audited) | At June<br>30, 2010<br>(Unaudited) |
|---|-------|------------------------------------|--------------------------------------|------------------------------------|
| <b>ASSETS</b>   |       |                                    |                                      |                                    |
| Cash and balances with Saudi Arabian Monetary Agency ("SAMA") |       | 17,749,200                         | 19,475,196                           | 12,671,385                         |
| Due from banks and other financial institutions               |       | 20,069,283                         | 11,117,539                           | 9,489,661                          |
| Financing, net  | 3     | 127,810,376                        | 120,347,714                          | 118,946,351                        |
| Investments, net  | 4     | 43,696,505                         | 28,604,395                           | 30,492,547                         |
| Customer debit current accounts, net                          |       | 262,012                            | 312,062                              | 542,580                            |
| Property and equipment, net                                   |       | 3,465,860                          | 3,394,863                            | 3,292,138                          |
| Other assets, net   |       | <u>1,593,202</u>                   | <u>1,589,141</u>                     | <u>1,853,244</u>                   |
| <b>TOTAL ASSETS</b>   |       | <b><u>214,646,438</u></b>          | <b><u>184,840,910</u></b>            | <b><u>177,287,906</u></b>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                   |       |                                    |                                      |                                    |
| <b>LIABILITIES:</b>   |       |                                    |                                      |                                    |
| Due to banks and other financial institutions                 |       | 7,170,841                          | 5,414,181                            | 3,956,073                          |
| Customer deposits   |       | 166,397,355                        | 143,064,037                          | 137,220,461                        |
| Other liabilities   |       | <u>10,217,104</u>                  | <u>6,044,903</u>                     | <u>6,485,240</u>                   |
| <b>TOTAL LIABILITIES</b>                                      |       | <b><u>183,785,300</u></b>          | <b><u>154,523,121</u></b>            | <b><u>147,661,774</u></b>          |
| <b>SHAREHOLDERS' EQUITY:</b>                                  |       |                                    |                                      |                                    |
| Share capital   |       | 15,000,000                         | 15,000,000                           | 15,000,000                         |
| Statutory reserve   |       | 12,111,884                         | 12,111,884                           | 10,419,177                         |
| General reserve   | 8     | -                                  | -                                    | 366,465                            |
| Retained earnings   |       | 3,749,254                          | 205,905                              | 3,840,490                          |
| Proposed gross dividends                                      |       | <u>-</u>                           | <u>3,000,000</u>                     | <u>-</u>                           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                             |       | <b><u>30,861,138</u></b>           | <b><u>30,317,789</u></b>             | <b><u>29,626,132</u></b>           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>             |       | <b><u>214,646,438</u></b>          | <b><u>184,840,910</u></b>            | <b><u>177,287,906</u></b>          |

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

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

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

(SR'000)

|  | Three-month period<br>ended June 30 |                         | Six-month period<br>ended June 30 |                         |
|--|-------------------------------------|-------------------------|-----------------------------------|-------------------------|
|  | <u>2011</u>                         | <u>2010</u>             | <u>2011</u>                       | <u>2010</u>             |
| <b>INCOME:</b>   |                                     |                         |                                   |                         |
| Gross financing income                                     | 2,238,749                           | 2,283,112               | 4,460,346                         | 4,547,954               |
| Income paid to customers<br>on time investments            | <u>(64,473)</u>                     | <u>(54,281)</u>         | <u>(127,343)</u>                  | <u>(116,198)</u>        |
| <b>Net financing income</b>                                | <b>2,174,276</b>                    | <b>2,228,831</b>        | <b>4,333,003</b>                  | <b>4,431,756</b>        |
| Investments income   | 104,163                             | 34,396                  | 179,463                           | 88,983                  |
| Fees from banking services, net                            | 544,925                             | 437,577                 | 1,029,703                         | 846,700                 |
| Exchange income, net                                       | 211,261                             | 165,013                 | 398,440                           | 311,464                 |
| Other operating income                                     | <u>15,929</u>                       | <u>132,958</u>          | <u>46,700</u>                     | <u>152,036</u>          |
| <b>Total operating income</b>                              | <b><u>3,050,554</u></b>             | <b><u>2,998,775</u></b> | <b><u>5,987,309</u></b>           | <b><u>5,830,939</u></b> |
| <b>EXPENSES:</b>   |                                     |                         |                                   |                         |
| Salaries and employee related benefits                     | 477,286                             | 463,923                 | 952,696                           | 930,131                 |
| Rent and premises related expenses                         | 46,005                              | 37,088                  | 84,291                            | 75,360                  |
| Impairment charge for financing<br>and other, net          | 346,752                             | 422,129                 | 696,119                           | 780,984                 |
| Other general and administrative<br>expenses               | 228,317                             | 209,607                 | 507,588                           | 408,792                 |
| Depreciation and amortization                              | 108,444                             | 86,733                  | 201,902                           | 171,601                 |
| Board of directors' remuneration                           | <u>686</u>                          | <u>686</u>              | <u>1,364</u>                      | <u>1,364</u>            |
| <b>Total operating expenses</b>                            | <b><u>1,207,490</u></b>             | <b><u>1,220,166</u></b> | <b><u>2,443,960</u></b>           | <b><u>2,368,232</u></b> |
| <b>Net income for the period</b>                           | <b>1,843,064</b>                    | <b>1,778,609</b>        | <b>3,543,349</b>                  | <b>3,462,707</b>        |
| <b>Comprehensive income items</b>                          | <b><u>-</u></b>                     | <b><u>-</u></b>         | <b><u>-</u></b>                   | <b><u>-</u></b>         |
| <b>Net comprehensive income<br/>for the period</b>         | <b><u>1,843,064</u></b>             | <b><u>1,778,609</u></b> | <b><u>3,543,349</u></b>           | <b><u>3,462,707</u></b> |
| Weighted average number of<br>outstanding shares (Note 10) | <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 10)                          | <u>1.23</u>                         | <u>1.19</u>             | <u>2.36</u>                       | <u>2.31</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<br>capital  | Statutory<br>reserve | General<br>reserve | Retained<br>earnings | Proposed gross<br>dividends | Total             |
|---|-------------------|----------------------|--------------------|----------------------|-----------------------------|-------------------|
| <b>For the six-month period ended<br/>June 30, 2011</b> |                   |                      |                    |                      |                             |                   |
| Balance at the beginning of the period                  | 15,000,000        | 12,111,884           | -                  | 205,905              | 3,000,000                   | 30,317,789        |
| Transfer to accrued zakat                               | -                 | -                    | -                  | -                    | (750,000)                   | (750,000)         |
| Dividends (Note 12)                                     | -                 | -                    | -                  | -                    | (2,250,000)                 | (2,250,000)       |
| Net comprehensive income for the period                 | -                 | -                    | -                  | 3,543,349            | -                           | 3,543,349         |
| <b>Balance at the end of the period</b>                 | <b>15,000,000</b> | <b>12,111,884</b>    | <b>-</b>           | <b>3,749,254</b>     | <b>-</b>                    | <b>30,861,138</b> |
| <b>For the six-month period ended<br/>June 30, 2010</b> |                   |                      |                    |                      |                             |                   |
| 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 8)                    | -                 | -                    | 366,465            | (366,465)            | -                           | -                 |
| Dividends (Note 12)                                     | -                 | -                    | -                  | -                    | (2,250,000)                 | (2,250,000)       |
| Net comprehensive income for the period                 | -                 | -                    | -                  | 3,462,707            | -                           | 3,462,707         |
| <b>Balance at the end of the period</b>                 | <b>15,000,000</b> | <b>10,419,177</b>    | <b>366,465</b>     | <b>3,840,490</b>     | <b>-</b>                    | <b>29,626,132</b> |

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

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

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

(SR'000)

|  | For the six-month period<br>ended June 30 |                    |
|--|---|--------------------|
|  | 2011                                      | 2010               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |   |                    |
| Net income for the period  | 3,543,349                                 | 3,462,707          |
| <b>Adjustments to reconcile net income to net cash<br/>used in operating activities:</b> |   |                    |
| Depreciation and amortization  | 201,902                                   | 171,601            |
| Gain on sale of property and equipment   | (174)                                     | (410)              |
| Impairment charge for financing and other, net   | 696,119                                   | 780,984            |
| <b>Net (increase) decrease in operating assets:</b>                                      |   |                    |
| Statutory deposit with SAMA  | (1,418,827)                               | (834,234)          |
| Mutajarah with banks   | (9,317,026)                               | (4,031,620)        |
| Financing  | (8,136,670)                               | (7,610,087)        |
| Investments  | (15,114,221)                              | (3,353,491)        |
| Customer debit current accounts  | 50,050                                    | 153,211            |
| Other assets   | (4,061)                                   | (35,958)           |
| <b>Net increase (decrease) in operating liabilities:</b>                                 |   |                    |
| Due to banks and other financial institutions  | 1,756,660                                 | (2,146,000)        |
| Customer deposits  | 23,333,318                                | 14,358,621         |
| Other liabilities  | 3,422,201                                 | (6,836,740)        |
| <b>Net cash used in operating activities</b>   | <b>(987,380)</b>                          | <b>(5,921,416)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |   |                    |
| Purchase of property and equipment   | (272,904)                                 | (284,058)          |
| Proceeds from sale of property and equipment   | 179                                       | 2,886              |
| <b>Net cash used in investing activities</b>   | <b>(272,725)</b>                          | <b>(281,172)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |   |                    |
| Dividends paid   | (2,250,000)                               | (2,250,000)        |
| <b>Net cash used in financing activities</b>   | <b>(2,250,000)</b>                        | <b>(2,250,000)</b> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(3,510,105)</b>                        | <b>(8,452,588)</b> |
| <b>Cash and cash equivalents at the beginning of the period</b>                          | <b>20,224,680</b>                         | <b>17,784,205</b>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END<br/>OF THE PERIOD (NOTE 6)</b>                   | <b>16,714,575</b>                         | <b>9,331,617</b>   |

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

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011 (UNAUDITED)**

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**1. GENERAL**

**Incorporation and operations**

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

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

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

The objectives of the Bank are to carry out banking and investment activities in accordance with its Memorandum and Articles of Association, 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 10 Shaaban 1432H (corresponding to June 11, 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 June 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%                  | 100%        |
| Al Rajhi Bank - Jordan                                  | 100%                  | -           |

Al Rajhi Bank - Kuwait was formed during 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 June<br>30, 2011<br>(Unaudited) | At December<br>31, 2010<br>(Audited) | At June<br>30, 2010<br>(Unaudited) |
| <b>Held at amortized cost:</b> |                                    |                                      |                                    |
| Corporate mutajara             | 30,496,834                         | 29,897,814                           | 31,340,221                         |
| Installment sale               | 83,663,677                         | 76,959,797                           | 73,697,610                         |
| Murabaha                       | 12,882,533                         | 12,326,844                           | 12,628,834                         |
| Istisnaa                       | 251,004                            | 476,897                              | 695,156                            |
| Visa                           | 516,328                            | 686,362                              | 584,530                            |
| <b>Total</b>                   | <b><u>127,810,376</u></b>          | <b><u>120,347,714</u></b>            | <b><u>118,946,351</u></b>          |

### 4. INVESTMENTS, NET

Investments, net comprise of the following:

|  | SR'000                             |                                      |                                    |
|--|------------------------------------|--------------------------------------|------------------------------------|
|  | At June<br>30, 2011<br>(Unaudited) | At December<br>31, 2010<br>(Audited) | At June<br>30, 2010<br>(Unaudited) |
| <b>Investments held at amortized cost:</b>                     |                                    |                                      |                                    |
| Murabaha with SAMA   | <u>39,821,031</u>                  | <u>25,598,479</u>                    | <u>27,539,445</u>                  |
| <b>Total Investments held at amortized cost</b>                | <b><u>39,821,031</u></b>           | <b><u>25,598,479</u></b>             | <b><u>27,539,445</u></b>           |
| <b>Held as fair value through income<br/>statement (FVIS):</b> |                                    |                                      |                                    |
| Miscellaneous investment                                       | 1,277,817                          | 1,169,547                            | 1,206,287                          |
| Sukuk  | 1,471,874                          | 724,492                              | 667,766                            |
| Corporate shares   | 660,395                            | 651,054                              | 651,809                            |
| Mutual Funds   | 410,797                            | 400,537                              | 367,078                            |
| <b>Total FVIS</b>  | <b><u>3,820,883</u></b>            | <b><u>2,945,630</u></b>              | <b><u>2,892,940</u></b>            |
| <b>Available for sale investment:</b>                          |                                    |                                      |                                    |
| Corporate shares   | <u>54,591</u>                      | <u>60,286</u>                        | <u>60,162</u>                      |
| <b>Total available for sale investment</b>                     | <b><u>54,591</u></b>               | <b><u>60,286</u></b>                 | <b><u>60,162</u></b>               |
| <b>Total Investments</b>                                       | <b><u>43,696,505</u></b>           | <b><u>28,604,395</u></b>             | <b><u>30,492,547</u></b>           |

## 5. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

|  | SR'000                             |                                      |                                    |
|--|------------------------------------|--------------------------------------|------------------------------------|
|  | At June<br>30, 2011<br>(Unaudited) | At December<br>31, 2010<br>(Audited) | At June<br>30, 2010<br>(Unaudited) |
| <b>a) Mudaraba Funds:</b>                |                                    |                                      |                                    |
| Customers' investments                   | 16,716,835                         | 17,079,401                           | 12,244,987                         |
| Current accounts - metals                | <u>5,677</u>                       | <u>5,678</u>                         | <u>18,991</u>                      |
| <b>Total</b>                             | <b><u>16,722,512</u></b>           | <b><u>17,085,079</u></b>             | <b><u>12,263,978</u></b>           |
| <b>b) Contingent Liabilities:</b>        |                                    |                                      |                                    |
| Letters of credit and acceptances        | 4,428,012                          | 4,633,730                            | 4,504,237                          |
| Letters of guarantee                     | 6,163,448                          | 6,363,594                            | 7,034,332                          |
| Irrevocable commitments to extend credit | <u>8,780,100</u>                   | <u>7,167,869</u>                     | <u>13,723,134</u>                  |
| <b>Total</b>                             | <b><u>19,371,560</u></b>           | <b><u>18,165,193</u></b>             | <b><u>25,261,703</u></b>           |
| <b>Grand Total</b>                       | <b><u>36,094,072</u></b>           | <b><u>35,250,272</u></b>             | <b><u>37,525,681</u></b>           |

## 6. CASH AND CASH EQUIVALENTS

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

|  | SR'000                             |                                      |                                    |
|--|------------------------------------|--------------------------------------|------------------------------------|
|  | At June<br>30, 2011<br>(Unaudited) | At December<br>31, 2010<br>(Audited) | At June<br>30, 2010<br>(Unaudited) |
| Cash   | 5,953,112                          | 5,329,888                            | 3,855,136                          |
| Balances with SAMA (current accounts)  | 1,015,989                          | 4,784,036                            | 18,440                             |
| Due from banks and other financial institutions (current accounts and Murabaha having original maturity of three months or less) | <u>9,745,474</u>                   | <u>10,110,756</u>                    | <u>5,458,041</u>                   |
| <b>Total</b>   | <b><u>16,714,575</u></b>           | <b><u>20,224,680</u></b>             | <b><u>9,331,617</u></b>            |

## 7. 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 corporates 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 June 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 June 30, 2011 and 2010 together with the total operating income and expenses, and net income for the periods then ended, for each segment, are analyzed as follows:

|  | SR'000 (Unaudited) |                      |                     |  |                    |
|--|--------------------|----------------------|---------------------|--|--------------------|
|  | Retail<br>segment  | Corporate<br>segment | Treasury<br>segment | Investment<br>services and<br>brokerage<br>segment | Total              |
| <b><u>2011</u></b>                                   |                    |                      |                     |  |                    |
| Total assets   | <u>88,570,698</u>  | <u>48,736,371</u>    | <u>74,997,254</u>   | <u>2,342,115</u>                                   | <u>214,646,438</u> |
| Capital expenditure<br>for the period                | <u>269,008</u>     | <u>-</u>             | <u>-</u>            | <u>3,896</u>                                       | <u>272,904</u>     |
| Total liabilities                                    | <u>136,191,618</u> | <u>41,795,228</u>    | <u>3,884,459</u>    | <u>1,913,995</u>                                   | <u>183,785,300</u> |
| Gross financing<br>and investment<br>income          | <u>3,245,678</u>   | <u>1,028,064</u>     | <u>138,800</u>      | <u>227,267</u>                                     | <u>4,639,809</u>   |
| Income paid to<br>customers on time<br>investments   | <u>(24,512)</u>    | <u>(6,873)</u>       | <u>(34,884)</u>     | <u>(61,074)</u>                                    | <u>(127,343)</u>   |
| Total operating<br>income                            | <u>4,143,894</u>   | <u>1,013,004</u>     | <u>637,540</u>      | <u>192,871</u>                                     | <u>5,987,309</u>   |
| Impairment charge<br>for financing<br>and other, net | <u>(417,937)</u>   | <u>(272,898)</u>     | <u>(5,284)</u>      | <u>-</u>   | <u>(696,119)</u>   |
| Depreciation and<br>amortization                     | <u>(111,701)</u>   | <u>(3,848)</u>       | <u>(82,170)</u>     | <u>(4,183)</u>                                     | <u>(201,902)</u>   |
| Other operating<br>expenses                          | <u>(1,261,527)</u> | <u>(110,118)</u>     | <u>(62,238)</u>     | <u>(112,056)</u>                                   | <u>(1,545,939)</u> |
| Total operating<br>expenses                          | <u>(1,791,165)</u> | <u>(386,864)</u>     | <u>(149,692)</u>    | <u>(116,239)</u>                                   | <u>(2,443,960)</u> |
| Net income for the<br>period                         | <u>2,352,729</u>   | <u>626,140</u>       | <u>487,848</u>      | <u>76,632</u>                                      | <u>3,543,349</u>   |

|  | SR'000 (Unaudited)        |                              |                             |  |                    |
|--|---------------------------|------------------------------|-----------------------------|--|--------------------|
| <b>2010</b>  | <u>Retail<br/>segment</u> | <u>Corporate<br/>segment</u> | <u>Treasury<br/>segment</u> | <u>Investment<br/>services and<br/>brokerage<br/>segment</u> | <u>Total</u>       |
| Total assets   | <u>77,782,855</u>         | <u>49,052,673</u>            | <u>48,871,566</u>           | <u>1,580,812</u>   | <u>177,287,906</u> |
| Capital expenditure<br>for the period                | <u>280,582</u>            | <u>-</u>                     | <u>3,476</u>                | <u>-</u>   | <u>284,058</u>     |
| Total liabilities                                    | <u>101,909,046</u>        | <u>41,650,463</u>            | <u>2,196,792</u>            | <u>1,905,473</u>   | <u>147,661,774</u> |
| Gross financing<br>and investment<br>income          | <u>3,250,990</u>          | <u>1,216,662</u>             | <u>159,616</u>              | <u>9,669</u>   | <u>4,636,937</u>   |
| Income paid to<br>customers on time<br>investments   | <u>(34,566)</u>           | <u>(11,751)</u>              | <u>(69,881)</u>             | <u>-</u>   | <u>(116,198)</u>   |
| Total operating<br>income                            | <u>3,832,752</u>          | <u>1,305,996</u>             | <u>532,852</u>              | <u>159,339</u>   | <u>5,830,939</u>   |
| Impairment charge<br>for financing<br>and other, net | <u>(287,486)</u>          | <u>(493,498)</u>             | <u>-</u>                    | <u>-</u>   | <u>(780,984)</u>   |
| Depreciation and<br>amortization                     | <u>(151,721)</u>          | <u>(3,057)</u>               | <u>(9,089)</u>              | <u>(7,734)</u>   | <u>(171,601)</u>   |
| Other operating<br>expenses                          | <u>(1,148,133)</u>        | <u>(115,596)</u>             | <u>(52,466)</u>             | <u>(99,452)</u>  | <u>(1,415,647)</u> |
| Total operating<br>expenses                          | <u>(1,587,340)</u>        | <u>(612,151)</u>             | <u>(61,555)</u>             | <u>(107,186)</u>   | <u>(2,368,232)</u> |
| Net income for the<br>period                         | <u>2,245,412</u>          | <u>693,845</u>               | <u>471,297</u>              | <u>52,153</u>  | <u>3,462,707</u>   |

## 8. 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.

## 9. 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 June 30 are as follows:

|  | <u>SR'000 (Unaudited)</u> |             |
|--|---------------------------|-------------|
|  | <u>2011</u>               | <u>2010</u> |
| <u>Members of the board of directors:</u>  |                           |             |
| Mutajara   | 2,288,072                 | 3,043,702   |
| Commitments and contingent liabilities*  | 1,024,115                 | 1,221,198   |
| <u>Companies and establishments guaranteed by members of board of directors:</u> |                           |             |
| Mutajara   | 713,970                   | 465,727     |
| Commitments and contingent liabilities*  | 37,513                    | 38,698      |
| <u>Mudaraba funds:</u>   |                           |             |
| Current accounts   | 565,328                   | 191,470     |
| Mudaraba*  | 7,109,026                 | 5,785,015   |
| Other  | 35,812                    | -           |
| Investments in mutual funds  | 410,797                   | 367,078     |
| <u>Other major shareholders (above 5% equivalent):</u>                           |                           |             |
| Mutajara   | 120,597                   | 120,597     |
| Direct investments   | 90,553                    | 1,219,278   |
| Current accounts   | -                         | 40,009      |
| Investments in mutual funds  | 14,328                    | -           |
| Other liabilities  | 15,022                    | 13,572      |

\*= off balance sheet

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

|  | <u>SR'000 (Unaudited)</u>                     |             |
|--|---|-------------|
|  | <u>For the six-month period ended June 30</u> |             |
|  | <u>2011</u>                                   | <u>2010</u> |
| Income from investments and other      | 62,030  | 66,090      |
| Salaries and employee related benefits | 5,746   | 6,418       |
| Rent and premises related expenses     | 798   | 763         |
| Board of Directors' remunerations      | 1,364   | 1,364       |

The compensation amounts for executive management are summarized as follows:

|                                       | <u>SR'000 (Unaudited)</u>                     |             |
|---------------------------------------|---|-------------|
|                                       | <u>For the six-month period ended June 30</u> |             |
|                                       | <u>2011</u>                                   | <u>2010</u> |
| Short-term benefits                   | 12,279  | 10,135      |
| Provision for end of service benefits | 623   | 681         |

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

## 10. EARNINGS PER SHARE

Earnings per share for the periods ended June 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".

## 11. CAPITAL ADEQUACY

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

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA.

SAMA has issued guidance regarding implementation of Basel II disclosures effective from January 1, 2008. Consequently, the capital adequacy ratio as of June 30 is in accordance with the following schedule:

| Particular             | Capital Adequacy Ratios (unaudited) |                         |                        |                         |
|------------------------|-------------------------------------|-------------------------|------------------------|-------------------------|
|                        | 2011                                |                         | 2010                   |                         |
|                        | Total<br>Capital Ratio              | Tier 1<br>Capital Ratio | Total<br>Capital Ratio | Tier 1<br>Capital Ratio |
| Top consolidated level | 18.92%                              | 15.84%                  | 19.69%                 | 16.48%                  |

## 12. 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.

## 13. COMPARATIVE FIGURES

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



#### **14. BASEL II PILLAR THREE DISCLOSURES**

Within the sixty days following the end of the current period, the Bank will disclose additional quantitative information related to Basel II pillar three disclosures, on its website ([www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)), in accordance with the requirements of SAMA. Such information are not audited nor reviewed by the Bank's external auditors.

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