

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

---

<b>INDEX</b>	<b>PAGE</b>
Report on Review of Interim Condensed Consolidated Financial Statements	1 – 2
Interim Consolidated Statement of Financial Position	3
Interim Consolidated Statement of Income	4
Interim Consolidated Statement of Comprehensive Income	5
Interim Consolidated Statement of Changes in Shareholders' Equity	6
Interim Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8 – 21

**Report on Review of Interim Condensed Consolidated Financial Statements**

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

**Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Al Rajhi Banking and Investment Corporation (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2014 and the related interim consolidated statements of income and comprehensive income for the three-month and six month periods then ended, and the interim consolidated statements of changes in shareholders' equity and cash flows, and the notes from (1) to (16) for the six-month period then ended. We have not reviewed note (17), nor the information related to "Basel III Pillar 3 Disclosures" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

**Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in note (14) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (14) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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



Ehsan A. Makhdoum  
Certified Public Accountant  
Registration No. 358



**PricewaterhouseCoopers**

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



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

Ramadan 24, 1435H  
(July 21, 2014)



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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	June 30, 2014 SR'000 (Unaudited)	December 31, 2013 SR'000 (Audited)	June 30, 2013 SR'000 (Unaudited)
Notes			
<b>ASSETS</b>			
Cash and balances with Saudi Arabian Monetary Agency ("SAMA") and central banks	28,421,427	29,970,266	23,068,570
Due from banks and other financial institutions	14,739,556	15,462,510	18,100,333
Investments, net	3 42,754,887	39,573,058	39,632,111
Financing, net	4 200,925,689	186,813,225	184,889,341
Customers' debit current accounts, net	225,376	274,873	193,437
Property and equipment, net	4,523,827	4,320,448	4,051,023
Other assets, net	3,563,758	3,456,305	3,340,939
<b>TOTAL ASSETS</b>	<b>295,154,520</b>	<b>279,870,685</b>	<b>273,275,754</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	2,235,620	3,639,709	1,503,281
Customers' deposits	5 245,416,254	231,589,113	227,418,717
Other liabilities	6,837,279	6,144,148	6,830,442
<b>Total liabilities</b>	<b>254,489,153</b>	<b>241,372,970</b>	<b>235,752,440</b>
<b>Shareholders' equity</b>			
Share capital	12 16,250,000	15,000,000	15,000,000
Statutory reserve	16,250,000	15,000,000	15,000,000
Other reserves	7 2,924,192	2,161,292	2,200,473
Retained earnings	5,241,175	4,086,423	5,322,841
Proposed gross dividends and zakat	-	2,250,000	-
<b>Total shareholders' equity</b>	<b>40,665,367</b>	<b>38,497,715</b>	<b>37,523,314</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>295,154,520</b>	<b>279,870,685</b>	<b>273,275,754</b>

The accompanying notes from 1 to 17 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 INCOME (UNAUDITED)**

	For the three –months period ended June 30		For the six-months period ended June 30		
	Note	2014	2013	2014	2013
		SR'000	SR'000	SR'000	SR'000
<b>INCOME</b>					
Gross financing and investment income		2,586,975	2,508,931	5,116,378	5,006,917
Return on customers' time investments		(75,567)	(114,441)	(165,807)	(252,544)
<b>Net financing and investment income</b>		<b>2,511,408</b>	<b>2,394,490</b>	<b>4,950,571</b>	<b>4,754,373</b>
Fee from banking services, net		864,492	760,639	1,600,484	1,524,613
Exchange income, net		240,889	246,145	472,296	478,312
Other operating income		44,369	33,609	148,487	118,844
<b>Total operating income</b>		<b>3,661,158</b>	<b>3,434,883</b>	<b>7,171,838</b>	<b>6,876,142</b>
<b>EXPENSES</b>					
Salaries and employees related benefits		633,184	575,802	1,255,727	1,147,680
Rent and premises' related expenses		62,451	58,808	127,196	116,217
Impairment charge for financing and other, net		598,154	308,212	1,292,047	705,073
Other general and administrative expenses		316,980	266,982	635,943	528,370
Depreciation and amortization		100,311	101,685	203,923	203,033
Board of Directors' remunerations and fees		1,125	679	2,250	1,364
<b>Total operating expenses</b>		<b>1,712,205</b>	<b>1,312,168</b>	<b>3,517,086</b>	<b>2,701,737</b>
<b>Net income for the period</b>		<b>1,948,953</b>	<b>2,122,715</b>	<b>3,654,752</b>	<b>4,174,405</b>
<b>Earnings per share for the period:</b>					
Weighted average number of outstanding shares	13	1,625,000	1,625,000	1,625,000	1,625,000
Basic and diluted earnings per share for the period (SR)	13	1.2	1.31	2.25	2.57

The accompanying notes from 1 to 17 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)**

	For the three –months period ended June 30		For the six-months period ended June 30	
	2014 SR'000	2013 SR'000	2014 SR'000	2013 SR'000
<b>Net income for the period</b>	<b>1,948,953</b>	<b>2,122,715</b>	<b>3,654,752</b>	<b>4,174,405</b>
<b>Other comprehensive income items:</b>				
<i>Items that are or may be reclassified to consolidated statement of income</i>				
- Net change in fair value less realised (loss) / gain on available for sale investments	(168)	3,484	3,935	7,653
- Exchange difference on translation of foreign operations	10,290	(23,067)	8,965	(35,394)
<b>Total comprehensive income for the period</b>	<b>1,959,075</b>	<b>2,103,132</b>	<b>3,667,652</b>	<b>4,146,664</b>

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

	Notes	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Proposed gross dividends SR'000	Total SR'000
<b>For the six-months period ended June 30, 2014</b>							
Balance at the beginning of the period		15,000,000	15,000,000	2,161,292	4,086,423	2,250,000	38,497,715
Transfer to other reserves		-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2013	15	-	-	-	-	(1,500,000)	(1,500,000)
Bonus shares issued	12	1,250,000	-	-	(1,250,000)	-	-
Transfer to statutory reserve		-	1,250,000	-	(1,250,000)	-	-
Net change in fair value less realised gain / (loss) on available for sale investments		-	-	3,935	-	-	3,935
Net movement in foreign currency translation reserve		-	-	8,965	-	-	8,965
Net income recognized directly in equity		-	-	12,900	-	-	12,900
Net income for the period		-	-	-	3,654,752	-	3,654,752
Total comprehensive income for the period		-	-	12,900	3,654,752	-	3,667,652
<b>Balance at the end of the period</b>		<b>16,250,000</b>	<b>16,250,000</b>	<b>2,924,192</b>	<b>5,241,175</b>	<b>-</b>	<b>40,665,367</b>
<b>For the six-months period ended June 30, 2013</b>							
Balance at the beginning of the period		15,000,000	15,000,000	1,634,221	1,148,436	3,850,000	36,632,657
Transfer to other reserves		-	-	850,000	-	(850,000)	-
Dividends paid for the second half of 2012	15	-	-	-	-	(3,000,000)	(3,000,000)
Net change in fair value less realised gain / (loss) on available for sale investments		-	-	7,653	-	-	7,653
Net movement in foreign currency translation reserve		-	-	(35,394)	-	-	(35,394)
Net expense recognized directly in equity		-	-	(27,741)	-	-	(27,741)
Net income for the period		-	-	-	4,174,405	-	4,174,405
Total comprehensive income for the period		-	-	(27,741)	4,174,405	-	4,146,664
Employees' share plan	7	-	-	3,876	-	-	3,876
Transfer to accrued zakat under other liabilities	7	-	-	(259,883)	-	-	(259,883)
<b>Balance at the end of the period</b>		<b>15,000,000</b>	<b>15,000,000</b>	<b>2,200,473</b>	<b>5,322,841</b>	<b>-</b>	<b>37,523,314</b>

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.



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

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

	For the six-month period ended	
	June 30	
	2014	2013
	SR'000	SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	3,654,752	4,174,405
<b>Adjustments to reconcile net income to net cash flow (used in) / generated from operating activities:</b>		
Depreciation and amortization	203,923	203,033
Foreign currency translation reserve	8,965	(35,394)
Impairment charge for financing and others, net	1,292,047	705,073
Employee share plan expenses	-	3,876
<b>Net (increase) / decrease in operating assets</b>		
Statutory deposit with SAMA and central banks	(986,817)	(1,860,430)
Due from banks and other financial institutions with original maturity of more than three months	(4,136,971)	(1,874,037)
Investments held at fair value through income statement	(93,148)	22,738
Available for sale investments	(232)	(57,960)
Financing	(15,404,511)	(13,467,936)
Customers' debit current accounts, net	49,497	98,701
Other assets, net	(107,453)	86,187
<b>Net increase / (decrease) in operating liabilities</b>		
Due to banks and other financial institutions	(1,404,089)	(731,964)
Customers' deposits	13,827,141	6,024,079
Other liabilities	693,131	(549,463)
<b>Net cash used in operating activities</b>	<b>(2,403,765)</b>	<b>(7,259,092)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(413,542)	(436,076)
Investments recorded at amortized cost	(3,084,514)	768,293
Proceeds from sale of property and equipment	6,240	-
<b>Net cash (used in) / generated from investing activities</b>	<b>(3,491,816)</b>	<b>332,217</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,500,000)	(3,000,000)
<b>Net cash used in financing activities</b>	<b>(1,500,000)</b>	<b>(3,000,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,395,581)</b>	<b>(9,926,875)</b>
Cash and cash equivalents at the beginning of the period	22,564,832	26,329,226
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 8)</b>	<b>15,169,251</b>	<b>16,402,351</b>
<b>Supplemental non-cash transactions:</b>		
Net change in fair value less realized gain / (loss) on available for sale investments	3,935	7,653
Transfer zakat provision from other reserves	-	259,883

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)  
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

---

**1. GENERAL**

Al Rajhi Banking and Investment Corporation, a 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 Articles of Association and By-laws, the Banking Control Law and the Council of Ministers Resolution referred to above. The Bank is engaged in banking and investment activities for its own account and on behalf of others inside and outside the Kingdom of Saudi Arabia. The Bank has established certain subsidiary companies in which it owns all or the majority of their shares.

**Shari'a Authority**

As a commitment from the Bank for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Bank has established a Shari'a Authority to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority had reviewed several of the Bank's activities and issued the required decisions thereon.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 International Accounting Standard No. 34 – "Interim Financial Reporting". The Bank 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 of the information required for full annual consolidated financial statements and should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2013.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)  
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2013.

The interim condensed consolidated financial statements were approved on Ramadan 13, 1435 H (corresponding to July 10, 2014).

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

**Basis of consolidation**

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

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity.

When the Bank has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Bank's current and potential voting rights

The Bank re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control.

Subsidiaries are consolidated from the date on which the 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 of during the period are included in the interim statements of comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Name of subsidiaries	Shareholding %	
	2014	2013
Al Rajhi Company for Development Limited – Saudi Arabia	100%	100%
Al Rajhi Corporation Limited – Malaysia	100%	100%
Al Rajhi Capital Company – Saudi Arabia	100%	100%
Al Rajhi Bank – Kuwait	100%	100%
Al Rajhi Bank – Jordan	100%	100%
Al Rajhi Takaful Agency Company – Saudi Arabia	99%	99%
Al Rajhi Company for management services – Saudi Arabia *	100%	-

\*Incorporated during the last quarter of 2013

Since the subsidiaries are fully owned by the Bank, there is no non-controlling interest to be disclosed.

**Accounting policies**

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of the following amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements:

- IFRS 10, IFRS 12 and IAS 27 amendments that provide consolidation relief for investment funds applicable from January 1, 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through income statement provided it fulfils certain conditions with an exception being for subsidiaries that are considered an extension of the investment entity's investing activities;
- IAS 32 amendment, applicable from January 1, 2014, clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle;

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- IAS 36 amendment, applicable retrospectively from January 1, 2014, addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

**3. INVESTMENTS, NET**

Investments are classified as follows:

	<b>June 30, 2014 (Unaudited) SR'000</b>	December 31, 2013 (Audited) SR'000	June 30, 2013 (Unaudited) SR'000
<b>Investments held at amortized cost</b>			
Murabaha with SAMA	39,836,156	37,229,076	37,289,287
Sukuk, net	1,645,377	1,167,943	1,079,085
Total investments held at amortized cost	<b>41,481,533</b>	38,397,019	38,368,372
<b>Investments held at fair value through income statement (FVIS)</b>			
Equity investments	901,801	816,388	704,920
Mutual funds	129,925	122,190	349,879
Total investments at FVIS	<b>1,031,726</b>	938,578	1,054,799
<b>Available-for-sale investments</b>			
Mutual funds	241,628	237,461	208,940
Total available for sale investments	<b>241,628</b>	237,461	208,940
<b>Total investments</b>	<b>42,754,887</b>	39,573,058	39,632,111

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**4. FINANCING, NET**

Financing comprise the following:

	<b>June 30, 2014 (Unaudited) SR'000</b>	December 31, 2013 (Audited) SR'000	June 30, 2013 (Unaudited) SR'000
<b>Held at amortized cost</b>			
Corporate Mutajara	<b>39,315,339</b>	36,722,637	36,325,112
Installment sales	<b>148,846,000</b>	137,850,640	137,172,584
Murabaha	<b>14,482,994</b>	13,086,582	12,292,034
Visa cards	<b>217,177</b>	464,531	342,800
Performing financing	<b>202,861,510</b>	188,124,390	186,132,530
Non-performing financing	<b>3,217,542</b>	3,007,686	2,302,078
<b>Gross financing</b>	<b>206,079,052</b>	191,132,076	188,434,608
Provision for financing impairment	<b>(5,153,363)</b>	(4,318,851)	(3,545,267)
<b>Net financing</b>	<b>200,925,689</b>	186,813,225	184,889,341

**5. CUSTOMERS' DEPOSITS**

Customer deposits comprised the following:

	<b>June 30, 2014 (Unaudited) SR'000</b>	December 31, 2013 (Audited) SR'000	June 30, 2013 (Unaudited) SR'000
Current deposits	<b>220,843,978</b>	206,275,543	200,859,094
Time investments	<b>20,716,988</b>	20,723,083	22,991,340
Other customer accounts	<b>3,855,288</b>	4,590,487	3,568,283
<b>Total</b>	<b>245,416,254</b>	231,589,113	227,418,717

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**6. MUDARABA FUNDS AND CONTINGENT LIABILITIES**

Mudaraba funds and contingent liabilities comprise the following:

	<b>June 30, 2014 (Unaudited) SR'000</b>	December 31, 2013 (Audited) SR'000	June 30, 2013 (Unaudited) SR'000
<b>Mudaraba funds</b>			
Mudaraba and customers' investments	13,701,186	13,247,198	13,566,657
Current accounts – metals	2,038	5,636	5,636
<b>Total mudaraba funds</b>	<b>13,703,224</b>	<b>13,252,834</b>	<b>13,572,293</b>
<b>Contingent liabilities</b>			
Letters of credit and acceptances	4,504,609	3,532,345	4,438,617
Letters of guarantee	5,906,427	7,058,067	6,735,074
Irrevocable commitments to extend credit	5,561,014	7,486,326	9,393,449
<b>Total contingent liabilities</b>	<b>15,972,050</b>	<b>18,076,738</b>	<b>20,567,140</b>
<b>Total mudaraba funds and contingent liabilities</b>	<b>29,675,274</b>	<b>31,329,572</b>	<b>34,139,433</b>

**7. OTHER RESERVES**

It includes zakat calculated by the Bank and retained in other reserves until such time that the final amount of zakat payable can be determined at which time the amount of zakat payable is transferred from other reserves to other liabilities. Further, it also includes employee share plan whereby, the Bank grants its shares to certain eligible employees. The exercise price of the stock option is the market value of these shares at the date of granting the program to these employees. The condition for granting these options is the completion of two years of employment at the Bank. Exercising these stock options by the employees is subject to fulfillment of some requirements for profitability and growth in the Bank. The Bank has no legal or expected commitment to repurchase or settle these options in cash.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**8. CASH AND CASH EQUIVALENTS**

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

	<b>June 30, 2014 (Unaudited) SR'000</b>	December 31, 2013 (Audited) SR'000	June 30, 2013 (Unaudited) SR'000
Cash	<b>8,803,285</b>	7,702,363	7,042,031
Balances with SAMA and central banks (current accounts)	<b>4,339,228</b>	7,975,806	1,805,563
Due from banks and other financial institutions (current accounts and murabaha*)	<b>2,026,738</b>	6,886,663	7,554,757
<b>Total</b>	<b>15,169,251</b>	22,564,832	16,402,351

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

**9. BUSINESS SEGMENTS**

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

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

Business segments are identified on the basis of internal reports about the activities of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the above different segments are based on normal commercial terms and conditions. There are no material revenues or expenses between the above business segments. Assets and liabilities for the segments comprise operating assets and liabilities, which represent the majority of the Bank's assets and liabilities.



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**9. BUSINESS SEGMENTS (Continued)**

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has seven (June 30, 2013: six) subsidiaries of which three are registered outside the Kingdom of Saudi Arabia as at June 30, 2014 and 2013.

The total assets, liabilities, and results of operations of these subsidiaries are not material to the Bank's interim condensed consolidated financial statements taken as a whole.

The Group's total assets and liabilities as at June 30, 2014 and 2013 together with the total operating income and expenses, and net income for the six months periods then ended, for each business segment, are analyzed as follows:

June 30, 2014 (Unaudited)	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
Total assets	153,847,902	61,337,898	77,003,773	2,964,947	295,154,520
Total liabilities	199,034,189	53,916,645	1,119,341	418,978	254,489,153
Gross financing and investments income	3,979,401	855,897	219,634	61,446	5,116,378
Return on customers' time investments	(47,139)	(108,180)	(9,137)	(1,351)	(165,807)
Total operating income	4,892,589	1,102,594	634,984	541,671	7,171,838
Impairment charge for financing and other	(797,687)	(494,360)	-	-	(1,292,047)
Depreciation and amortization	(115,670)	(4,185)	(383)	(83,685)	(203,923)
Other operating expenses	(1,722,843)	(133,227)	(24,499)	(140,547)	(2,021,116)
Total operating expenses	(2,636,200)	(631,772)	(24,882)	(224,232)	(3,517,086)
Net income for the period	2,256,389	470,822	610,102	317,439	3,654,752

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**9. BUSINESS SEGMENTS (Continued)**

June 30, 2013 (Unaudited)	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
Total assets	140,094,036	56,647,319	73,675,055	2,859,344	273,275,754
Total liabilities	181,865,382	52,485,933	1,029,418	371,707	235,752,440
Gross financing and investments income	3,906,942	829,842	216,317	53,816	5,006,917
Return on customers' time investments	(46,324)	(189,566)	(15,124)	(1,530)	(252,544)
Total operating income	5,000,542	793,347	662,321	419,932	6,876,142
Impairment charge for financing and other	(463,868)	(241,205)	-	-	(705,073)
Depreciation and amortization	(114,907)	(4,078)	(376)	(83,672)	(203,033)
Other operating expenses	(1,515,906)	(123,682)	(22,690)	(131,353)	(1,793,631)
Total operating expenses	(2,094,681)	(368,965)	(23,066)	(215,025)	(2,701,737)
Net income for the period	2,905,861	424,382	639,255	204,907	4,174,405

**10. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

**Determination of fair value and fair value hierarchy**

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

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

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

Assets at fair values are as follows:

<b>June 30, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>SR'000</b>			
<b>Financial assets</b>				
Financial assets at FVIS	987,825	-	43,901	1,031,726
Financial assets available for sale	241,628	-	-	241,628
	<b>1,229,453</b>	<b>-</b>	<b>43,901</b>	<b>1,273,354</b>
December 31, 2013	Level 1	Level 2	Level 3	Total
	SR'000			
<b>Financial assets</b>				
Financial assets at FVIS	893,110	-	45,468	938,578
Financial assets available for sale	237,461	-	-	237,461
	<b>1,130,571</b>	<b>-</b>	<b>45,468</b>	<b>1,176,039</b>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)** (Continued)  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**11. RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Bank transacts with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions as at and for the period ended June 30, are as follows:

<b>Related party</b>	<b>June 30, 2014</b> <b>(Unaudited)</b> <b>SR'000</b>	<b>June 30, 2013</b> <b>(Unaudited)</b> <b>SR'000</b>
<b>Members of the board of directors:</b>		
Mutajara financing	5,030,273	1,956,194
Commitments and contingent liabilities*	479,924	745,646
<b>Companies and establishments guaranteed by members of board of directors:</b>		
Mutajara financing	1,414,844	1,300,861
Commitments and contingent liabilities*	28,385	25,858
<b>Other major shareholders (above 5% of the Bank's share capital):</b>		
Other liabilities	20,583	3,335
<b>Mutual funds:</b>		
Investments in mutual funds	371,553	558,819

\* off balance sheet items

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

	<b>For the three-months period</b> <b>ended June 30</b>		<b>For the six-months period</b> <b>ended June 30</b>	
	<b>2014</b> <b>SR'000</b> <b>(Unaudited)</b>	<b>2013</b> <b>SR'000</b> <b>(Unaudited)</b>	<b>2014</b> <b>SR'000</b> <b>(Unaudited)</b>	<b>2013</b> <b>SR'000</b> <b>(Unaudited)</b>
Income from financing	13,532	18,511	35,534	45,808
Salaries and employees' related benefits (air tickets)	3,626	4,894	8,446	9,698
Rent and premises' related expenses	353	537	706	1,074
Board of Directors' remunerations	1,125	679	2,250	1,364

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**11. RELATED PARTY TRANSACTIONS (Continued)**

The compensation amounts for executive management are summarized as follows:

	For the three-months period ended June 30		For the six-months period ended June 30	
	2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)	2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
Short-term benefits	5,097	4,494	15,917	16,916
Provision for end-of-service indemnities	334	250	650	489

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

**12. BONUS SHARES ISSUED**

The Board of Directors of the Bank proposed a bonus issue of 125,000,000 shares of SR 10 each, which was approved by the shareholders in the extra ordinary general assembly meeting held on Jumada Al Thani 14, 1435H (corresponding to April 14, 2014).

**13. EARNINGS PER SHARE**

Earnings per share for the periods ended June 30, 2014 and 2013 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding. The calculation of earnings per share for the six-months period ended June 30, 2013 have been adjusted to give the retrospective effect of the bonus shares issued.

**14. CAPITAL ADEQUACY**

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; SAMA requires the banks to hold the minimum level of the regulatory capital and also to maintain a ratio of total regulatory capital to the risk-weighted assets at or above 8%.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

**14. CAPITAL ADEQUACY (Continued)**

The Bank uses the methods established by SAMA for measuring the capital adequacy. These methods measure the capital adequacy by comparing the eligible capital items with the consolidated financial position, commitments and contingent liabilities to reflect their relative risks as shown in the following table:

	<b>June 30, 2014</b>	December 31, 2013	June 30, 2013
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
	<b>SR'000</b>	SR'000	SR'000
Credit risk RWA	<b>197,235,555</b>	183,748,863	182,252,932
Operational risk RWA	<b>23,575,018</b>	23,575,018	21,356,963
Market risk RWA	<b>3,269,338</b>	346,049	2,299,731
<b>Total RWA</b>	<b>224,079,911</b>	207,669,930	205,909,626
Tier I capital	<b>40,665,366</b>	38,497,715	37,387,134
Tier II capital	<b>2,465,444</b>	2,296,861	2,168,080
<b>Total tier I &amp; II capital</b>	<b>43,130,810</b>	40,794,576	39,555,214
<b>Capital adequacy ratio %</b>			
Tier I ratio	<b>18.15%</b>	18.54%	18.16%
Tier I + II ratio	<b>19.25%</b>	19.64%	19.21%

**15. DIVIDENDS PAID AND SUBSEQUENT EVENT**

The Extra Ordinary General Meeting held on Jumada' II 14, 1435H (corresponding to April 14, 2014), approved the distribution of dividends to shareholders for the second half of the year ended December 31, 2013, amounting to SR 1,500 million as SR 1 per share net of zakat deduction on shareholders amounting to SR 750 million.

The General Assembly held on Rabie' II 22, 1434H (corresponding to March 4, 2013), approved the distribution of dividends to shareholders for the second half of the year ended December 31, 2012, amounting to SR 3,000 million as SR 2 per share net of zakat deduction on shareholders amounting to SR 850 million.

The Board of Directors of the bank recommended on Tuesday July 15, 2014, to distribute dividends to shareholders for the first half of the current year, amounting to SR 1,625 million as SR 1 per share net of zakat deduction on shareholders. The priority of the first half dividends will be for the shareholders registered in the bank's records till the end of Sunday's trade day dated July 20, 2014.

**16. COMPARATIVE FIGURES**

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014**

---

**17. BASEL III PILLAR 3 DISCLOSURES**

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