

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE - MONTH PERIOD ENDED
31 MARCH 2015**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

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

**To: The Shareholders of Al Rajhi Banking And
Investment Corporation
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Rajhi Banking and Investment Corporation ("the Bank") and its subsidiaries (collectively referred to as "the Group") as of 31 March 2015, and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and the notes from (1) to (16) which form an integral part of the interim condensed consolidated financial statements. We have not reviewed note 17, nor the information related to "Basel III Pillar 3 Disclosure" 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.



KPMG Al Fozan & Al Sadhan



Other regulatory matters

As required by SAMA, certain capital adequacy information has been disclosed in note (14) to 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.

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(27 April 2015)



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March	31 December	31 March
		2015	2014	2014
		SR'000	SR'000	SR'000
	Notes	(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA") and central banks		44,930,409	33,585,377	27,843,778
Due from banks and other financial institutions		20,240,728	16,516,208	16,263,426
Investments, net	3	41,320,371	42,549,623	42,598,549
Financing, net	4	205,115,259	205,939,960	193,048,026
Property and equipment, net		5,030,247	4,813,941	4,376,758
Other assets, net		3,788,787	4,306,446	3,905,578
TOTAL ASSETS		320,425,801	307,711,555	288,036,115
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		4,729,891	2,135,237	2,496,366
Customers' deposits	5	265,600,099	256,077,047	238,515,371
Other liabilities		7,951,091	7,603,077	6,818,086
Total liabilities		278,281,081	265,815,361	247,829,823
Shareholders' equity				
Share capital	12	16,250,000	16,250,000	15,000,000
Statutory reserve		16,250,000	16,250,000	15,000,000
Other reserves	7	3,297,330	2,598,599	2,164,070
Retained earnings		6,347,390	4,828,845	5,792,222
Proposed gross dividends and Zakat		-	1,968,750	2,250,000
Total shareholders' equity		42,144,720	41,896,194	40,206,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		320,425,801	307,711,555	288,036,115

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

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Notes	For the three –month period ended	
		31 March	
		2015	2014
		SR'000	SR'000
INCOME			
Gross financing and investment income		2,551,499	2,529,403
Return on customers' time investments		(88,018)	(102,987)
Net financing and investment income		2,463,481	2,426,416
Fee from banking services, net		653,844	735,992
Exchange income, net		258,510	231,407
Other operating income		46,416	104,118
Total operating income		3,422,251	3,497,933
EXPENSES			
Salaries and employees related benefits		809,035	609,796
Rent and premises' related expenses		71,883	64,745
Impairment charge for financing and other financial assets, net		521,782	693,893
Other general and administrative expenses		379,210	318,963
Depreciation and amortization		120,496	103,612
Board of Directors' remunerations and fees		1,300	1,125
Total operating expenses		1,903,706	1,792,134
Net income for the period		1,518,545	1,705,799
Weighted average number of outstanding shares	13	1,625,000	1,625,000
Basic and diluted earnings per share for the period (SR)	13	0.93	1.05

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

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three-month period ended	
	31 March	
	2015	2014
	SR'000	SR'000
Net income for the period	1,518,545	1,705,799
<i>Other comprehensive income items that are or may be reclassified to consolidated statement of income in subsequent periods</i>		
- Available-for-sale investments:		
- Net change in fair value	6,177	4,118
- Net amounts transferred to consolidated statement of income	(5,629)	(15)
- Exchange difference on translation of foreign operations	(51,817)	(1,325)
Total comprehensive income for the period	1,467,276	1,708,577

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

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

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

	Share capital SR'000	Statutory reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Proposed gross dividends SR'000	Total SR'000
For the three - month period ended 31 March 2015						
Balance at the beginning of the period	16,250,000	16,250,000	2,598,599	4,828,845	1,968,750	41,896,194
Transfer to other reserves	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2014	7	-	-	-	(1,218,750)	(1,218,750)
15	-	-	-	-	-	-
Net change in fair value of available for sale investments	-	-	6,177	-	-	6,177
Net amounts transferred to consolidated statement of income	-	-	(5,629)	-	-	(5,629)
Net movement in foreign currency translation reserve	-	-	(51,817)	-	-	(51,817)
Net income recognized directly in equity	-	-	(51,269)	1,518,545	-	1,518,545
Net income for the period	-	-	-	1,518,545	-	1,518,545
Total comprehensive income for the period	-	-	(51,269)	1,518,545	-	1,467,276
Balance at the end of the period	16,250,000	16,250,000	3,297,330	6,347,390	-	42,144,720
For the three-month period ended 31 March 2014						
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
Net change in fair value of available for sale investments	-	-	4,118	-	-	4,118
Net amounts transferred to consolidated statement of income	-	-	(15)	-	-	(15)
Net movement in foreign currency translation reserve	-	-	(1,325)	-	-	(1,325)
Net loss recognized directly in equity	-	-	2,778	-	-	2,778
Net income for the period	-	-	-	1,705,799	-	1,705,799
Total comprehensive income for the period	-	-	2,778	1,705,799	-	1,708,577
Balance at the end of the period	15,000,000	15,000,000	2,164,070	5,792,222	2,250,000	40,206,292

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the three-month period ended March 31	
	2015 SR'000	2014 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	1,518,545	1,705,799
Adjustments to reconcile net income to net cash flow (used in) / generated from operating activities:		
Depreciation and amortization	120,496	103,612
Gain on sale of property and equipment	(3,676)	-
Impairment charge for financing and other financial assets, net	521,782	693,893
Net (increase) / decrease in operating assets		
Statutory deposit with SAMA and central banks	(1,682,744)	(368,518)
Due from banks and other financial institutions with original maturity of more than three months	(2,983,785)	(1,765,245)
Investments held at Fair Value through Statement of Income (FVSI)	(314,773)	(84,147)
Financing	302,919	(6,928,694)
Other assets, net	465,842	(175,725)
Net increase / (decrease) in operating liabilities		
Due to banks and other financial institutions	2,594,654	(1,143,343)
Customers' deposits	9,523,052	6,926,258
Other liabilities	348,014	673,938
Net cash generated from / (used in) operating activities	<u>10,410,326</u>	<u>(362,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(338,810)	(159,922)
Available-for-sale investments	(5,629)	(15)
Investments held at amortized cost	1,550,202	(2,937,226)
Proceeds from sale of property and equipment	5,684	-
Net cash generated from / (used in) investing activities	<u>1,211,447</u>	<u>(3,097,163)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,218,750)	-
Net cash used in financing activities	<u>(1,218,750)</u>	<u>-</u>
Net change in cash and cash equivalents	<u>10,403,023</u>	<u>(3,459,335)</u>
Cash and cash equivalents at beginning of the period	22,231,985	22,564,832
Cash and cash equivalents at end of the period	<u>8</u> <u>32,635,008</u>	<u>19,105,497</u>
Supplemental non-cash transactions:		
Net change in fair value less realized gain / (loss) on available for sale investments	<u>548</u>	<u>4,103</u>

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

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 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawwal 1407H (corresponding to 23 June 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 (together with the Bank hereinafter referred to as the "Group") in which it owns all or the majority of their equity shares (see note 2).

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 ("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 31 December 2014.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (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 expenses. 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 31 December 2014.

The interim condensed consolidated financial statements were approved by Board of Directors on 24/6/1436 H (corresponding to 13/4/2015).

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 Group 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
- The Group's current and potential voting rights granted by equity instruments such as shares

The Group 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 Group and are ceased to be consolidated from the date on which the control is transferred from the Group. 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
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Intra-group balances 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 31 March the following subsidiaries were included in the interim condensed consolidated financial statements:

Name of subsidiaries	Shareholding %		Description of activities
	2015	2014	
Al Rajhi Company for Development Limited – Saudi Arabia	100	100	A limited liability company registered in Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties, and overseeing the evaluation of real estate properties.
Al Rajhi Corporation Limited – Malaysia	100	100	A licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.
Al Rajhi Capital Company – Saudi Arabia	100	100	A limited liability company registered in Kingdom of Saudi Arabia to act as principal agent and/or to provide brokerage, underwriting, managing, advisory, arranging and custodial services.
Al Rajhi Bank – Kuwait	100	100	Registered with central Bank of Kuwait
Al Rajhi Bank – Jordan	100	100	A foreign company operating in Hashimi Kingdom of Jordan, providing all financial, banking, and investments services and importing and trading in precious metals and stones in accordance with Islamic sharia'a rules and under the applicable banking law.
Al Rajhi Takaful Agency Company – Saudi Arabia	99	99	A limited liability company registered in Kingdom of Saudi Arabia to act as an agent for insurance brokerage activities per the agency agreement with Al Rajhi Cooperative insurance company.
Al Rajhi Company for management services – Saudi Arabia	100	100	

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)**
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 31 December 2014, except for the adoption of the following amendments to existing standards, which have had an no significant effect financial impact on the interim condensed (consolidated) financial statements of the Group on the current period or prior period and is expected to have no significant effect in future periods:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
 - o IFRS 1 – “first time adoption of IFRS”: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
 - o IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.
 - o IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
 - o IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
 - o IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
 - o IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
 - o IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
 - o IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

3. INVESTMENTS, NET

Investments comprise the following:

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Investment in associate (3.1)	67,960	23,660	19,443
Investments held at amortized cost			
Murabaha with SAMA	38,415,935	39,866,296	39,748,394
Sukuk, net	1,408,098	1,507,939	1,585,851
Total investments held at amortized cost	39,824,033	41,374,235	41,334,245
Investments held at FVSI			
Equity investments	812,154	786,257	879,470
Mutual funds	368,907	124,331	123,812
Total investments held at FVSI	1,181,061	910,588	1,003,282
Available-for-sale investments - Mutual funds	247,317	241,140	241,579
Total investments	41,320,371	42,549,623	42,598,549

3.1 The Bank owns 22.5% (31 December 2014: 22.5%; 31 March 2014: 22.5%) of the shares of Al Rajhi Takaful, a Saudi Joint Stock Company.

4. FINANCING, NET

Financing comprise the following:

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Held at amortized cost			
Corporate Mutajara	40,105,326	39,720,497	38,061,780
Installment sales	154,029,907	153,883,993	142,596,673
Murabaha	13,409,534	14,433,268	13,558,499
Visa cards	359,040	440,799	322,533
Performing financing	207,903,807	208,478,557	194,539,485
Non-performing financing	2,648,128	2,655,729	3,310,346
Gross financing	210,551,935	211,134,286	197,849,831
Provision for financing impairment	(5,436,676)	(5,194,326)	(4,801,805)
Net financing	205,115,259	205,939,960	193,048,026

AL RAJHI BANKING AND INVESTMENT CORPORATION
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

5. CUSTOMERS' DEPOSITS

Customer deposits comprise the following:

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Current deposits	250,803,509	228,791,014	215,857,563
Time investments	11,429,134	22,513,661	18,655,575
Other customer accounts	3,367,456	4,772,372	4,002,233
Total	265,600,099	256,077,047	238,515,371

6. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Mudaraba funds			
Mudaraba and customers' investments	13,815,803	12,945,448	13,657,247
Current accounts – metals	2,034	2,038	2,038
Total Mudaraba funds	13,817,837	12,947,486	13,659,285
Contingent liabilities			
Letters of credit and acceptances	4,198,885	4,379,984	3,754,072
Letters of guarantee	7,442,634	7,386,363	6,362,794
Irrevocable commitments to extend credit	7,154,536	7,084,928	8,186,242
Total contingent liabilities	18,796,055	18,851,275	18,303,108
Total Mudaraba funds and contingent liabilities	32,613,892	31,798,761	31,962,393

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 with 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
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)**
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

8. CASH AND CASH EQUIVALENTS

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

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Cash	8,722,784	8,963,159	8,317,832
Balances with SAMA and central banks (current accounts)	19,043,447	9,140,784	4,865,331
Due from banks and other financial institutions (current accounts and Murabaha*)	4,868,777	4,128,042	5,922,334
Total	32,635,008	22,231,985	19,105,497

*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.

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has seven subsidiaries of which three are registered outside the Kingdom of Saudi Arabia as at 31 March 2015 and 2014.

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9. BUSINESS SEGMENTS (CONTINUED)

The Group's total assets and liabilities as at 31 March 2015 and 2014 together with the total operating income and expenses, and net income for the three month periods then ended, for each business segment, are analyzed as follows:

31 March 2015 (Unaudited)	Retail SR'000	Corporate SR'000	Treasury SR'000	Investment services and brokerage SR'000	Total SR'000
Total assets	160,098,268	60,141,665	96,870,667	3,315,201	320,425,801
Total liabilities	207,992,467	66,275,916	3,730,752	281,946	278,281,081
Gross financing and investments income	2,032,053	420,340	98,520	586	2,551,499
Return on customers' time investments	(31,042)	(53,830)	(2,542)	(604)	(88,018)
Total operating income	2,481,250	482,001	288,588	170,412	3,422,251
Impairment charge for financing and other	(334,282)	(187,500)	-	-	(521,782)
Depreciation and amortization	(108,153)	(5,195)	(203)	(6,945)	(120,496)
Other operating expenses	(1,146,396)	(77,614)	(12,588)	(24,830)	(1,261,428)
Total operating expenses	(1,588,831)	(270,309)	(12,791)	(31,775)	(1,903,706)
Net income for the period	892,419	211,692	275,797	138,637	1,518,545
31 March 2014 (Unaudited)	Retail SR'000	Corporate SR'000	Treasury SR'000	Investment services and brokerage SR'000	Total SR'000
Total assets	142,943,610	59,249,443	82,852,527	2,990,535	288,036,115
Total liabilities	183,366,987	60,905,767	3,401,122	155,947	247,829,823
Gross financing and investments income	2,007,795	415,782	105,410	416	2,529,403
Return on customers' time investments	(36,885)	(60,155)	(4,977)	(970)	(102,987)
Total operating income	2,473,807	455,849	345,277	223,000	3,497,933
Impairment charge for financing and other	(364,936)	(328,957)	-	-	(693,893)
Depreciation and amortization	(91,036)	(5,136)	(103)	(7,337)	(103,612)
Other operating expenses	(897,056)	(71,735)	(12,791)	(13,047)	(994,629)
Total operating expenses	(1,353,028)	(405,828)	(12,894)	(20,384)	(1,792,134)
Net income for the period	1,120,779	50,021	332,383	202,616	1,705,799

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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.

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.

Assets at fair values are as follows:

31 March 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
	SR'000			
Financial assets				
Investments held at FVSI	788,708	368,907	23,446	1,181,061
Available-for-sale investments	-	247,317	-	247,317
	788,708	616,224	23,446	1,428,378

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

FVSI and Available-for-sale investments classified as level 2 include mutual funds, the fair value of which is determined based on the fund's latest reported net assets value (NAV) as at the date of statement of interim condensed consolidated financial position.

FVSI classified as level 3 include equity investments recorded at cost as its fair value cannot be measured reliably.

31 December 2014 (Audited)	Level 1	Level 2	Level 3	Total
	SR'000			
Financial assets				
Investments held at FVSI	762,765	124,331	23,492	910,588
Available-for-sale investments	-	241,140	-	241,140
	<u>762,765</u>	<u>365,471</u>	<u>23,492</u>	<u>1,151,728</u>

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 31 March are as follows:

Related party	31 March 2015 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Members of the Board of Directors:			
Mutajara financing	4,546,151	4,573,099	4,559,322
Commitments and contingent liabilities*	563,916	535,319	467,477
Current accounts	59,020	40,301	-
Companies and establishments guaranteed by members of board of directors:			
Mutajara financing	1,359,539	1,380,924	1,705,504
Commitments and contingent liabilities*	14,097	19,525	28,068
Other major shareholders (above 5% of the Bank's share capital):			
Other liabilities	22,640	22,386	20,892
Mutual funds:			
Investments in mutual funds	616,224	365,471	365,391

* off-balance sheet items

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FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015

11. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the three-month period ended	
	31 March	
	2015	2014
	SR'000	SR'000
	(Unaudited)	(Unaudited)
Income from financing	16,683	22,002
Salaries and employees' related benefits (air tickets)	772	4,820
Rent and premises' related expenses	353	353
Board of Directors' remunerations	1,300	1,125

The compensation amounts for executive management are summarized as follows:

	For the three-month period ended 31	
	March	
	2015	2014
	SR'000	SR'000
	(Unaudited)	(Unaudited)
Short-term benefits	5,555	10,820
Provision for end-of-service indemnities	304	316

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. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Bank consists of 1,625 million shares of SAR 10 each (31 December 2014: 1,625 million shares; 31 March 2014: 1,500 million shares). The Board of Directors of the Bank proposed a bonus issue of 125,000,000 shares of SAR 10 each, which was approved by the shareholders in the extra ordinary general assembly meeting held on 14 Jumada Al Thani 1435H (corresponding to 14 April 2014).

13. EARNINGS PER SHARE

Earnings per share for the periods ended 31 March 2015 and 2014 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 three-month period ended 31 March 2014 have been adjusted to give the retrospective effect of the bonus shares issued.

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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%.

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:

	31 March 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	31 March 2014 (Unaudited) SR'000
Credit risk RWA	203,780,885	202,080,035	191,169,054
Operational risk RWA	23,971,738	23,971,738	23,575,018
Market risk RWA	5,562,064	683,906	2,676,975
Total RWA	233,314,687	226,735,679	217,421,047
Tier I capital	42,975,883	41,896,193	40,206,292
Tier II capital	2,547,261	2,526,000	2,389,613
Total tier I & II capital	45,523,144	44,422,193	42,595,905
Capital adequacy ratio %			
Tier I ratio	18.42%	18.48%	18.49%
Tier I + II ratio	19.51%	19.59%	19.59%

15. DIVIDENDS PAID

The Extra Ordinary General Meeting held on 10 Jumada' I, 1436H (corresponding to 1 March 2015), approved the distribution of dividends to shareholders for the second half of the year ended 31 December 2014 amounting to SR 1,218.75 million as SR 0.75 per share net of Zakat deduction on shareholders amounting to SR 750 million.

16. COMPARATIVE FIGURES

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

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) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.