

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2013 (UNAUDITED)**



## **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 March 31, 2013 and the related interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows, and the notes from (1) to (15) for the three-month period then ended. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 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.



**Deloitte.**  
Deloitte & Touche  
Bakr Abulkhair & Co.

### Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (13) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (13) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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17 Jumad Thani 1434H  
(27 April 2013)



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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	March 31, 2013 SR'000 (Unaudited)	December 31, 2012 SR'000 (Audited)	March 31, 2012 SR'000 (Unaudited)
<b>ASSETS</b>				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		29,203,111	30,804,122	18,956,429
Due from banks and other financial institutions		16,385,220	16,557,189	17,829,007
Investments	3	42,508,935	40,880,061	39,010,978
Financing, net	4	180,489,032	171,941,478	151,841,928
Customer debit current accounts, net		204,897	292,138	311,433
Property and equipment, net		3,871,647	3,817,980	3,688,717
Other assets, net		2,951,730	3,089,594	2,526,856
<b>TOTAL ASSETS</b>		<b>275,614,572</b>	<b>267,382,562</b>	<b>234,165,348</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		1,785,466	2,234,915	2,137,190
Customer deposits	5	231,732,127	221,342,916	191,668,633
Other liabilities		6,574,614	7,335,994	7,775,888
<b>Total liabilities</b>		<b>240,092,207</b>	<b>230,913,825</b>	<b>201,581,711</b>
<b>Shareholders' equity</b>				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		15,000,000	15,000,000	13,956,451
Other reserves	7	2,322,239	1,470,301	1,501,253
Retained earnings		3,200,126	1,148,436	2,125,933
Proposed gross dividends and zakat		-	3,850,000	-
<b>Total shareholders' equity</b>		<b>35,522,365</b>	<b>36,468,737</b>	<b>32,583,637</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>275,614,572</b>	<b>267,382,562</b>	<b>234,165,348</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)  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31**

	Note	2013 SR'000	2012 SR'000
<b>INCOME</b>			
Gross financing and investment income		2,547,596	2,396,665
Income paid to customers on time investments		(138,103)	(68,955)
<b>Net financing and investment income</b>		<b>2,409,493</b>	<b>2,327,710</b>
Fees from banking services, net		763,974	743,465
Exchange income, net		232,167	213,547
Other operating income		120,602	142,717
<b>Total operating income</b>		<b>3,526,236</b>	<b>3,427,439</b>
<b>EXPENSES</b>			
Salaries and employees' related benefits		571,878	528,059
Rent and premises' related expenses		57,409	52,588
Impairment charge for financing and other		481,838	466,749
Other general and administrative expenses		261,388	268,309
Depreciation and amortization		101,348	99,722
Board of Directors' remunerations		685	685
<b>Total operating expenses</b>		<b>1,474,546</b>	<b>1,416,112</b>
<b>Net income for the period</b>		<b>2,051,690</b>	<b>2,011,327</b>
<b>Other comprehensive income items</b>		<b>-</b>	<b>-</b>
<b>Net comprehensive income for the period</b>		<b>2,051,690</b>	<b>2,011,327</b>
Weighted average number of outstanding shares	12	1,500,000	1,500,000
Basic and diluted earnings per share for the period (SR)	12	1.37	1.34

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)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

	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 three month period ended</b>							
<b>March 31, 2013</b>							
Balance at the beginning of the period		15,000,000	15,000,000	1,470,301	1,148,436	3,850,000	36,468,737
Transfer to other reserves	7	-	-	850,000	-	(850,000)	-
Dividends paid for the second half of 2012	14	-	-	-	-	(3,000,000)	(3,000,000)
Employees' share plan	7	-	-	1,938	-	-	1,938
Net comprehensive income for the period		-	-	-	2,051,690	-	2,051,690
<b>Balance at the end of the period</b>		<b>15,000,000</b>	<b>15,000,000</b>	<b>2,322,239</b>	<b>3,200,126</b>	<b>-</b>	<b>35,522,365</b>
<b>For the three month period ended</b>							
<b>March 31, 2012</b>							
Balance at the beginning of the period		15,000,000	13,956,451	750,000	114,606	3,750,000	33,571,057
Transfer to other reserves	7	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2011	14	-	-	-	-	(3,000,000)	(3,000,000)
Employees' share plan	7	-	-	1,253	-	-	1,253
Net comprehensive income for the period		-	-	-	2,011,327	-	2,011,327
<b>Balance at the end of the period</b>		<b>15,000,000</b>	<b>13,956,451</b>	<b>1,501,253</b>	<b>2,125,933</b>	<b>-</b>	<b>32,583,637</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)**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31**

	2013 SR'000	2012 SR'000
<b>OPERATING ACTIVITIES</b>		
Net income for the period	2,051,690	2,011,327
Adjustments to reconcile net income to net cash from / (used in) operating activities:		
Depreciation and amortization	101,348	99,722
Impairment charge for financing and other	481,838	466,749
Employee share plan expenses	1,938	1,253
<b>Net (increase) decrease in operating assets</b>		
Statutory deposit with SAMA	(1,192,219)	(801,318)
Due from banks and other financial institutions	1,421,603	(7,350,778)
Investments held at fair value through income statement	(203,476)	286,033
Financing	(9,029,392)	(11,913,058)
Customer debit current accounts	87,241	64,508
Other assets	137,864	69,728
<b>Net increase (decrease) in operating liabilities</b>		
Due to banks and other financial institutions	(449,449)	(580,104)
Customer deposits	10,389,211	13,935,681
Other liabilities	(761,380)	983,779
<b>Net cash from / (used in) operating activities</b>	<b>3,036,817</b>	<b>(2,726,478)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(155,015)	(164,918)
Investments recorded at amortized cost	(1,425,398)	(494,519)
<b>Net cash used in investing activities</b>	<b>(1,580,413)</b>	<b>(659,437)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(3,000,000)	(3,000,000)
<b>Net cash used in financing activities</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,543,596)</b>	<b>(6,385,915)</b>
Cash and cash equivalents, beginning of the period	26,414,617	18,622,071
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b> (Note 8)	<b>24,871,021</b>	<b>12,236,156</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)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

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**1. GENERAL**

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, Bylaws, and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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, 2012.

The preparation of interim 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, 2012.



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

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

**Basis of preparation (Continued)**

The interim condensed consolidated financial statements were approved on 3 Jumada Althani 1434 H (corresponding to April 13, 2013).

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

**Basis of preparation of the interim condensed consolidated financial statements**

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when, it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control transferred from the Bank. The results of subsidiaries acquired or disposed of during the period are included in the statements of consolidated income from the date of the acquisition or up to the date of disposal, as appropriate.

The subsidiaries included in the interim condensed consolidated financial statements comprise the following at March 31:

	<b>Shareholding %</b>	
	<b>2013</b>	<b>2012</b>
Al Rajhi Company for Development Limited - Saudi Arabia	<b>100%</b>	100%
Al Rajhi Corporation Limited – Malaysia	<b>100%</b>	100%
Al Rajhi Capital Company - Saudi Arabia	<b>100%</b>	100%
Al Rajhi Bank – Kuwait	<b>100%</b>	100%
Al Rajhi Bank – Jordan	<b>100%</b>	100%
Al Rajhi Takaful Agency Company - Saudi Arabia	<b>99%</b>	99%

All the above-mentioned subsidiaries were consolidated.

**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, 2012, except for the adoption of the following new standards and amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Bank:

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

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

**Accounting policies (Continued)**

IAS 1 – Amendments	- Presentation of items of other comprehensive income - Clarification of the requirement for comparative information (Amendment)
IFRS 10	- Consolidated financial statements
IFRS 12	- Disclosure of interests in other entities
IFRS 13	- Fair value measurement
IAS 19 - Revised 2011	- Employee benefits
IAS 28 - Revised 2011	- Associates and joint ventures
IAS 27 - Revised 2011	- Separate financial statements
IFRS 7 - Revised 2011	- Disclosures on offsetting financial assets and liabilities
Amendments to the basis for conclusions on IAS 1, 16, 32, and 34 (annual improvements 2011)	

In addition to the above, the Group has chosen not to early adopt IFRS 9 (2010) – Financial instruments, and the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2015 and January 1, 2014, respectively.

The Bank is currently evaluating the effect of the above new standards and amendments on the Bank and time of adoption.

**3. INVESTMENTS**

Investments comprise the following:

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
<b><u>Investments held at amortized cost</u></b>			
Murabaha with SAMA	<b>39,701,774</b>	38,276,376	36,019,442
<b>Total investments held at amortized cost</b>	<b>39,701,774</b>	38,276,376	36,019,442
<b><u>Investments held at fair value through income statement (FVIS)</u></b>			
Sukuk	<b>1,282,892</b>	1,045,289	1,337,864
Corporate shares	<b>681,849</b>	646,073	681,451
Mutual funds	<b>478,969</b>	574,791	312,782
Others	<b>363,451</b>	337,532	659,439
<b>Total investments at FVIS</b>	<b>2,807,161</b>	2,603,685	2,991,536
<b>Total investments</b>	<b>42,508,935</b>	40,880,061	39,010,978

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**4. FINANCING, NET**

Financing, net comprise the following:

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
<b>Held at amortized cost</b>			
Retail	124,604,302	117,953,867	100,675,780
Corporate	56,796,612	54,709,871	51,860,380
Visa	428,127	580,151	538,137
Performing financing	<b>181,829,041</b>	173,243,889	153,074,297
Non-performing financing	<b>2,844,105</b>	3,530,220	2,584,825
<b>Total financing</b>	<b>184,673,146</b>	176,774,109	155,659,122
Provision for financing impairment	<b>(4,184,114)</b>	(4,832,631)	(3,817,194)
<b>Net financing</b>	<b>180,489,032</b>	171,941,478	151,841,928

**5. CUSTOMER DEPOSITS**

Customer deposits comprise the following:

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
Current deposits	198,264,410	189,817,668	175,495,587
Time investments	28,866,761	27,893,521	13,787,635
Other customers' accounts	4,600,956	3,631,727	2,385,411
<b>Total</b>	<b>231,732,127</b>	221,342,916	191,668,633

**6. MUDARABA FUNDS AND CONTINGENT LIABILITIES**

Mudaraba funds and contingent liabilities comprise the following:

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
<b>Mudaraba funds</b>			
Mudaraba and customers' investments	10,743,245	11,279,365	10,289,737
Current accounts – metals	5,636	5,640	5,641
<b>Total mudaraba funds</b>	<b>10,748,881</b>	11,285,005	10,295,378

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**6. MUDARABA FUNDS AND CONTINGENT LIABILITIES (Continued)**

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
<b>Contingent liabilities</b>			
Letters of credit and acceptances	4,317,147	3,991,400	4,332,602
Letters of guarantee	6,526,715	5,989,273	5,998,122
Irrevocable commitments to extend credit	8,844,375	3,918,774	5,990,474
<b>Total contingent liabilities</b>	<b>19,688,237</b>	13,899,447	16,321,198
<b>Total</b>	<b>30,437,118</b>	25,184,452	26,616,576

**7. OTHER RESERVES**

During the year 2012, the Bank changed its accounting policy relating to zakat, where the zakat calculated by the Bank was recorded as part of other liabilities and any subsequent differences in zakat calculation were to be covered from the general reserve. Effective January 1, 2012 and in accordance with the Bank's new accounting policy, the Bank records the amount of zakat calculated by the Bank 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. Hence, comparative figures have been reclassified. According to the old and new accounting policies, zakat is still considered as distributions and not as expense to the Bank.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**8. CASH AND CASH EQUIVALENTS**

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

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
Cash	<b>6,693,218</b>	5,880,149	5,950,031
Balances with SAMA (current accounts)	<b>9,042,519</b>	12,648,818	1,526,618
Due from banks and other financial institutions (current accounts and murabaha*)	<b>9,135,284</b>	7,885,650	4,759,507
	<b>24,871,021</b>	26,414,617	12,236,156

\*Murabaha due from other banks maturing within three months, or less, from the date of acquisition. Not from financial statement date.

**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 activities of the Bank that are regularly reviewed by the 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 THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**9. BUSINESS SEGMENTS (Continued)**

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has six subsidiaries of which three is registered outside the Kingdom of Saudi Arabia as at March 31, 2013 and 2012.

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 March 31, 2013 and 2012 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:

	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
<b>2013 (Unaudited)</b>					
Total assets	<b>135,994,000</b>	<b>56,661,000</b>	<b>80,090,000</b>	<b>2,869,572</b>	<b>275,614,572</b>
Capital expenditures for the period	<b>119,000</b>	<b>1,000</b>	<b>-</b>	<b>35,017</b>	<b>155,017</b>
Total liabilities	<b>177,800,000</b>	<b>59,329,000</b>	<b>2,706,000</b>	<b>257,207</b>	<b>240,092,207</b>
Gross financing and investments income	<b>2,032,000</b>	<b>420,000</b>	<b>119,000</b>	<b>(23,404)</b>	<b>2,547,596</b>
Income paid to customers on time investments	<b>(40,000)</b>	<b>(89,000)</b>	<b>(8,000)</b>	<b>(1,103)</b>	<b>(138,103)</b>
Total operating income	<b>2,527,236</b>	<b>453,000</b>	<b>333,000</b>	<b>213,000</b>	<b>3,526,236</b>
Impairment charge for financing and other	<b>(302,838)</b>	<b>(179,000)</b>	<b>-</b>	<b>-</b>	<b>(481,838)</b>
Depreciation and amortization	<b>(89,000)</b>	<b>(5,000)</b>	<b>-</b>	<b>(7,348)</b>	<b>(101,348)</b>
Other operating expenses	<b>(801,000)</b>	<b>(66,000)</b>	<b>(12,000)</b>	<b>(12,360)</b>	<b>(891,360)</b>
Total operating expenses	<b>(1,192,838)</b>	<b>(250,000)</b>	<b>(12,000)</b>	<b>(19,708)</b>	<b>(1,474,546)</b>
Net income for the period	<b>1,334,398</b>	<b>203,000</b>	<b>321,000</b>	<b>193,292</b>	<b>2,051,690</b>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**9. BUSINESS SEGMENTS (Continued)**

<u>2012 (Unaudited)</u>	Retail segment SR'000	Corporate segment SR'000	Treasury segment SR'000	Investment services and brokerage segment SR'000	Total SR'000
Total assets	110,447,000	52,122,000	69,088,000	2,508,348	234,165,348
Capital expenditures for the period	155,000	7,000	1,000	1,918	164,918
Total liabilities	162,868,000	34,480,000	4,042,000	191,711	201,581,711
Gross financing and investments income	1,912,000	388,000	101,000	(4,335)	2,396,665
Income paid to customers on time investments	(27,000)	(31,000)	(10,955)	-	(68,955)
Total operating income	2,341,439	489,000	297,000	300,000	3,427,439
Impairment charge for financing and other	(298,749)	(168,000)	-	-	(466,749)
Depreciation and amortization	(88,000)	(6,000)	(1,000)	(4,722)	(99,722)
Other operating expenses	(754,000)	(59,000)	(12,000)	(24,641)	(849,641)
Total operating expenses	(1,140,749)	(233,000)	(13,000)	(29,363)	(1,416,112)
Net income for the period	1,200,690	256,000	284,000	270,637	2,011,327

**10. FAIR VALUE 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
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**10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)**

Assets at fair values are as follows:

<b>March 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>SR'000</b>			
<b><u>Financial assets</u></b>				
Financial assets at FVIS	1,112,832	-	1,694,329	2,807,161
<hr/>				
December 31, 2012	Level 1	Level 2	Level 3	Total
	SR'000			
<b><u>Financial assets</u></b>				
Financial assets at FVIS	1,173,198	-	1,430,487	2,603,685

The third level of investments represents investments recoded at cost as its fair value cannot be measured reliably.

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 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.



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FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

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 at March 31, are as follows:

Related party	March 31, 2013 (Unaudited) SR'000	March 31, 2012 (Unaudited) SR'000
<b><u>Members of the board of directors:</u></b>		
Mutajara financing	3,453,553	2,482,506
Commitments and contingent liabilities*	874,038	881,788
<b><u>Companies and establishments guaranteed by members of board of directors:</u></b>		
Mutajara financing	1,516,885	61,314
Commitments and contingent liabilities*	37,147	36,364
<b><u>Mudaraba funds:</u></b>		
Current accounts	130,147	343,394
Mudaraba*	10,742,951	10,289,442
Investments in mutual funds	478,969	312,782
<b><u>Other major shareholders (above 5% of the bank's share capital):</u></b>		
Investments in mutual funds	-	14,889
Other liabilities	18,604	16,302

\* off balance sheet items

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

	March 31, 2013 (Unaudited) SR'000	March 31, 2012 (Unaudited) SR'000
Income from financing	27,297	27,297
Salaries and employees' related benefits (air tickets)	1,709	1,497
Rent and premises' related expenses	537	484
Board of Directors' remunerations	685	685

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
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**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

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

The compensation amounts for executive management are summarized as follows:

	<b>March 31, 2013 (Unaudited) SR'000</b>	March 31, 2012 (Unaudited) SR'000
Short-term benefits	<b>12,422</b>	16,628
Provision for end-of-service indemnities	<b>239</b>	270

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. EARNINGS PER SHARE**

Earnings per share for the periods ended March 31, 2013 and 2012 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".

**13. CAPITAL ADEQUACY**

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

The objective of the Bank's capital management is to comply with SAMA's working capital requirements; whereas a daily monitoring to the capital adequacy ratio is performed by the Bank management to ensure that such ratio will not be less than 8%.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013**

**13. CAPITAL ADEQUACY (Continued)**

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

	<b>March 31, 2013 (Unaudited) SR'000</b>	December 31, 2012 (Audited) SR'000	March 31, 2012 (Unaudited) SR'000
Credit risk RWA	<b>178,715,980</b>	171,674,934	155,581,283
Operational risk RWA	<b>21,356,963</b>	20,386,578	19,715,934
Market risk RWA	<b>1,797,638</b>	2,683,350	3,396,813
<b>Total RWA</b>	<b>201,870,581</b>	194,744,862	178,694,030
Tier I capital	<b>35,522,364</b>	28,584,031	30,572,309
Tier II capital	<b>1,340,009</b>	10,030,642	3,956,093
<b>Total tier I &amp; II capital</b>	<b>36,862,373</b>	38,614,673	34,528,402
<b>Capital adequacy ratio %</b>			
Tier I ratio	<b>17.60%</b>	14.68%	17.11%
Tier I + II ratio	<b>18.26%</b>	19.83%	19.32%

The Risk Weighted Assets (RWA), Tier I and Tier II capital and the capital adequacy ratio as at March 31, 2013 are calculated as per Basel III – Risk management and guidance of the SAMA updated in this regards. The comparative balances and ratios as at December 31, 2012 and March 31, 2012 are calculated under Basel II - Risk management and guidance of the SAMA that was applicable in this regards.

**14. PAID DIVIDENDS**

The General Assembly held on Rabie Al Thani 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 net of SR 2 per share as zakat deduction on shareholders (SR 3,000 million during the first quarter of 2012 for the second half of the year ended December 31, 2011, net of SR 2 per share as zakat deduction on shareholders).

**15. COMPARATIVE FIGURES**

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