

**Saudi Hollandi Bank**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

(Un-audited)

**31 MARCH 2011**

**REVIEW REPORT**

To the Shareholders of the Saudi Hollandi Bank  
(A Saudi Joint Stock Company)

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Saudi Hollandi Bank (the "Bank") and its subsidiaries as of March 31, 2011, and the related interim condensed 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 (14).

**Management's Responsibility for the Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements are the responsibility of the Bank's management and have been prepared by them 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" and submitted to us together with all the information and explanations which we required.

**Scope of Review**

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted standards in Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity 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 & Touche**  
**Bakr Abulkhair & Co.**  
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Certified Public Accountant  
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**Tareq A. Al Sadhan**  
Certified Public Accountant  
Registration No. 352



Jumada Al Awal 13, 1432  
April 17, 2011

Saudi Hollandi Bank  
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	<i>Notes</i>	<i>March 31, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>March 31, 2010 (Un-audited)</i>
<b>ASSETS</b>				
Cash and balances with SAMA		5,310,292	4,999,698	7,089,224
Due from banks and other financial institutions		252,641	308,881	1,342,665
Investments, net	5	11,012,290	11,751,665	13,273,691
Loans and advances, net		32,926,939	35,038,979	36,377,999
Investment in an associate	6	20,000	20,000	20,000
Property and equipment, net		488,909	495,216	510,242
Other assets		994,823	1,267,974	1,126,507
<b>Total assets</b>		<b>51,005,894</b>	<b>53,882,413</b>	<b>59,740,328</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		1,995,533	2,857,012	8,496,168
Customers' deposits		39,507,922	41,603,619	42,483,620
Other liabilities		1,397,123	1,534,826	1,396,024
Subordinated debt		1,500,000	1,500,000	1,500,000
<b>Total liabilities</b>		<b>44,400,578</b>	<b>47,495,457</b>	<b>53,875,812</b>
<b>Shareholders' equity</b>				
Share capital		3,307,500	3,307,500	3,307,500
Statutory reserve		2,134,500	2,134,500	1,936,500
General reserve		130,000	130,000	130,000
Other reserves		(26,421)	(29,916)	7,982
Retained earnings		1,058,749	820,691	458,272
Staff share plan reserve		988	24,181	24,262
<b>Total shareholders' equity</b>		<b>6,605,316</b>	<b>6,386,956</b>	<b>5,864,516</b>
<b>Total liabilities and shareholders' equity</b>		<b>51,005,894</b>	<b>53,882,413</b>	<b>59,740,328</b>

  
Anand Venkat  
Chief Financial Officer  
Saudi Hollandi Bank

  
Farid Zaouk  
GM-Legal & Corporate Secretary

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31,

Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Special commission income		379,991	395,584
Special commission expense		69,148	86,932
<b>Net special commission income</b>		<b>310,843</b>	<b>308,652</b>
Fee and commission income, net		132,180	102,322
Exchange income, net		25,371	23,331
Income from FVIS financial instruments, net		1,521	1,552
Trading income, net		12,041	31,716
Gains/(losses) on non-trading investments, net		3,150	(301)
<b>Total operating income</b>		<b>485,106</b>	<b>467,272</b>
Salaries and employee-related expenses		121,633	108,175
Rent and premises-related expenses		18,466	18,591
Depreciation and amortisation		26,099	19,220
Other general and administrative expenses		41,420	45,815
Impairment charge for credit losses, net		57,487	42,759
Impairment charge for investments		-	2,700
<b>Total operating expenses</b>		<b>265,105</b>	<b>237,260</b>
<b>Net operating income</b>		<b>220,001</b>	<b>230,012</b>
Gain on sale of property	9	18,057	-
<b>Net income for the period</b>		<b>238,058</b>	<b>230,012</b>
Basic earnings per share (expressed in SAR per share)	13	0.72	0.70

  
Ananth Venkat  
Chief Financial Officer  
Saudi Hollandi Bank

  
Farid Zaouk  
GM-Legal & Corporate Secretary

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the three months ended March 31,  
Amounts in SAR'000 (Un-audited)

	<u>2011</u>	<u>2010</u>
<b>Net income for the period</b>	<b>238,058</b>	<b>230,012</b>
<b>Other comprehensive income</b>		
<b>Available for sale investments</b>		
- Net change in fair value	(280)	8,484
- Transferred to interim condensed consolidated income statement	2,039	(65)
	<u>1,759</u>	<u>8,419</u>
<b>Cash flow hedges</b>		
- Net change in fair value	1,736	(9,409)
- Transferred to interim condensed consolidated income statement	-	(23)
	<u>1,736</u>	<u>(9,432)</u>
<b>Total comprehensive income for the period</b>	<b><u>241,553</u></b>	<b><u>228,999</u></b>

  
Ananth Venkat  
Chief Financial Officer  
Saudi Hollandi Bank

  
Farid Zaouk  
GM-Legal & Corporate Secretary

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY

For the three months ended March 31,  
Amounts in SAR'000 (Un-audited)

	Notes	Share capital	Statutory reserve	General Reserve	Other reserves		Retained earnings	Staff Share plan reserve	Total equity
					Available for sale investments	Cash flow hedges			
<b>2011</b>									
Balance at the beginning of the period		3,307,500	2,134,500	130,000	(19,096)	(10,820)	820,691	24,181	6,386,956
Total comprehensive income for the period		-	-	-	1,759	1,736	238,058	-	241,553
Share based payment transactions	12	-	-	-	-	-	-	(23,193)	(23,193)
<b>Balance at the end of the period</b>		<b>3,307,500</b>	<b>2,134,500</b>	<b>130,000</b>	<b>(17,337)</b>	<b>(9,084)</b>	<b>1,058,749</b>	<b>988</b>	<b>6,605,316</b>
<b>2010</b>									
Balance at the beginning of the period		3,307,500	1,936,500	130,000	(7,185)	16,180	228,260	21,567	5,632,822
Total comprehensive income for the period		-	-	-	8,419	(9,432)	230,012	-	228,999
Share based payment transactions		-	-	-	-	-	-	2,695	2,695
<b>Balance at the end of the period</b>		<b>3,307,500</b>	<b>1,936,500</b>	<b>130,000</b>	<b>1,234</b>	<b>6,748</b>	<b>458,272</b>	<b>24,262</b>	<b>5,864,516</b>

  
Anand Venkat  
Chief Financial Officer  
Saudi Hollandi Bank

  
Farid Zaouk  
GM-Legal & Corporate Secretary

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended March 31,

Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		238,058	230,012
<b>Adjustments to reconcile net income to net cash used in operating activities:</b>			
(Accretion of discounts) and amortisation of premium on non-trading investments, net		(50,443)	(48,591)
(Gains)/ loss on non-trading investments, net		(3,150)	301
Depreciation and amortisation		26,099	19,220
Staff share plan expenses		988	2,695
Impairment charge for credit losses		57,487	42,759
Impairment charge for investments		-	2,700
Gain on sale of property		(18,057)	-
		<u>250,982</u>	<u>249,096</u>
<b>Net (increase)/decrease in operating assets:</b>			
Statutory deposit with SAMA		53,394	(39,281)
Due from banks and other financial institutions maturing after ninety days from acquisition date		(85,616)	(1,190,841)
Investments held at FVIS (including trading investment)		37,704	(60,380)
Loans and advances, net		2,054,553	(397,788)
Other assets		273,151	(96,419)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(861,479)	2,739,612
Customers' deposits		(2,095,697)	(2,343,669)
Other liabilities		(137,703)	2,973
<b>Net cash used in operating activities</b>		<u>(510,711)</u>	<u>(1,136,697)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales of and matured non-trading investments		4,093,721	1,977,193
Purchase of non-trading investments		(3,359,143)	(3,014,373)
Purchase of property and equipment		(30,235)	(32,854)
Proceeds from sale of property	9	<u>28,500</u>	-
<b>Net cash from/ (used in) investing activities</b>		<u>732,843</u>	<u>(1,070,034)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<u>222,132</u>	<u>(2,206,731)</u>
<b>Cash and cash equivalents at beginning of the period</b>		<u>2,973,200</u>	<u>7,198,181</u>
<b>Cash and cash equivalents at end of the period</b>	10	<u>3,195,332</u>	<u>4,991,450</u>

Special commission received during the period	402,048	388,023
Special commission paid during the period	<u>58,869</u>	<u>85,592</u>

### Supplemental non-cash information

Net changes in fair value and transfers to interim condensed consolidated income statement

3,495 (1,013)

  
Amr M. Alkhatib  
Chief Financial Officer  
Saudi Hollandi Bank



The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

Farid Zaouk  
GM-Legal & Corporate Secretary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the three months period ended March 31, 2011

**1. GENERAL**

Saudi Hollandi Bank (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and was formed pursuant to Royal Decree No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to December 20, 1976). The Bank commenced business on 16 Shaaban 1397H (corresponding to August 1, 1977) when it took over the operations of Algemene Bank Nederland N.V. in the Kingdom of Saudi Arabia. The Bank operates under commercial registration number 1010064925 dated 6 Jumada II 1407H (corresponding to February 4, 1987) through its 44 branches (December 2010: 44 branches) in the Kingdom of Saudi Arabia. The postal address of the Bank's head office is as follows:

Saudi Hollandi Bank  
P O Box 1467  
Riyadh 11431  
Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and investment services. The Bank also provides to its customers Islamic (non commission based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries (collectively referred to as "the Group"). The details of these subsidiaries are set out below:

**Saudi Hollandi Capital (SHC)**

SHC was formed in accordance with the Capital Market Authority's (CMA) Resolution number 1-39-2007 under commercial registration number 1010242378 dated 30 Dhul Hijja 1428 (corresponding to January 09, 2008) to take over and manage the Bank's Investment Services and Asset Management activities related to dealing, managing, arranging, advising and taking custody of securities regulated by CMA. SHC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership and commenced its operations effective 1 Rabi'II 1429H (corresponding to April 7, 2008).

**Saudi Hollandi Real Estate Company (SHREC)**

SHREC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership, which was established under commercial registration number 1010250772 dated 21 Jumada II 1429H (corresponding to June 25, 2008) with the approval of the Saudi Arabian Monetary Agency (SAMA).

**Saudi Hollandi Insurance Company (SHIC)**

SHIC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership, was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to January 04, 2011) with the approval of SAMA. The Company is currently under the process of obtaining its operating licence from SAMA.

**2. BASIS OF PREPARATION**

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by SAMA and IAS 34 – Interim Financial Reporting. The Group prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and 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 consolidated financial statements as at and for the year ended December 31, 2010.

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 16 April 2011.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the three months period ended March 31, 2011

### 3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its subsidiaries, SHC, SHREC and SHIC (collectively referred to as "the Group"). 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 accounting policies of the subsidiaries, where necessary, to align with the accounting policies adopted by the Bank's financial statements.

Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

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

### 4. SIGNIFICANT 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, 2010 except for the adoption of the following amendments and revisions to existing standards mentioned below which have had no material financial impact on the consolidated financial statements of the Group:

- *IAS 24 Related Party Disclosures (revised 2009)*

Revised IAS 24 - Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- *Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*

These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in recognition of prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

#### **Improvements to IFRSs in 2010**

- *IFRS 7 Financial Instruments: Disclosures*

The amendments add an explicit statement that qualitative disclosure should be provided to explain the quantitative disclosures enabling users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- *IAS 1 Presentation of Financial Statements*

IAS 1 was amended to clarify that changes in each component of equity arising from transactions recognised in other comprehensive income should also be separately disclosed, it is permitted to present this segregation in either the statement of changes in equity or in the notes.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months period ended March 31, 2011

Amounts in SAR'000

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### - IAS 34 - Interim Financial Reporting

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual consolidated financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

#### - IFRIC 13 - Customer Loyalty Programmes

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Other amendments to the following standards did not have a material impact on the accounting policies, financial position and performance of the Group:

- IFRS 3 "Business combinations"
- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 "Presentation of financial statements"
- IAS 27 "Consolidated and separate financial statements"
- IAS 32 "Financial Instruments: Disclosures and presentation"

### 5. INVESTMENTS, NET

#### a) Investment securities are classified as follows:

	March 31, 2011 <i>(Un-audited)</i>	December 31, 2010 <i>(Audited)</i>	March 31, 2010 <i>(Un-audited)</i>
- Held as fair value through income statement (FVIS)	77,874	115,578	172,277
- Available for sale (AFS)	1,009,867	1,018,808	1,164,115
- Other investments held at amortised cost	9,697,364	10,390,423	11,701,383
- Held to maturity	227,185	226,856	235,916
<b>Total</b>	<b>11,012,290</b>	<b>11,751,665</b>	<b>13,273,691</b>

Investments held as FVIS include investments held for trading amounting SAR 18.4 million (December 31, 2010: SAR 56 million, March 31, 2010: SAR 99 million)

#### b) Investments reclassification

Management identified certain AFS investments, for which at July 1, 2008, it had a clear intention to hold the instruments for the foreseeable future rather than to exit or trade in the short term. As a result these instruments were reclassified from AFS to other investments held at amortised cost. The reclassification was made at fair value at that date. Had the reclassification not been made, other reserves would have included unrealised fair value losses amounting to SAR 18.7 million (December 31, 2010: SAR 23 million, March 31, 2010: SAR 47 million) and shareholders' equity would have been lower by the same amount.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months period ended March 31, 2011

Amounts in SAR'000

The following table shows carrying values and fair values of the reclassified investments.

	<u>Carrying value</u>			<u>Fair value</u>	
	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>March 31, 2010</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Available for sale securities reclassified to other investments held at amortised cost	575,687	594,515	588,148	536,784	553,544
	529,598				

### 6. INVESTMENT IN ASSOCIATE

Investment in associate represents a 20% shareholding interest in Wataniya Insurance Company (WIC) formed in the Kingdom of Saudi Arabia, pursuant to Royal Decree No. 26/30 dated 16 Rabi' II 1430H (corresponding to April 12, 2009). WIC started its commercial operations in 2010 and issued its first set of audited financial statements during the current quarter. Management has not accounted for its share of the loss in WIC which amounted to SAR 4 million as the impact is considered to be immaterial to the results of the Group.

### 7. DERIVATIVES

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

<u>Derivative financial instruments</u>	<u>March 31, 2011</u> <u>(Un-audited)</u>			<u>December 31, 2010</u> <u>(Audited)</u>			<u>March 31, 2010</u> <u>(Un-audited)</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<b>Held for trading:</b>									
Commission rate swaps	139,907	136,644	17,727,284	149,378	148,071	19,556,467	146,274	140,693	22,336,468
Forward foreign exchange contracts	105,948	79,513	40,299,437	116,952	101,851	37,258,805	40,304	24,368	42,058,077
Currency options	21,138	23,503	12,968,940	22,114	21,375	6,036,749	5,844	5,844	1,744,091
Forward rate agreement	23	-	350,000	105	13	600,000	161	-	950,000
<b>Held as fair value hedges:</b>									
Commission rate swaps	4,848	9,700	1,583,772	9,272	13,002	2,092,356	6,454	22,377	1,525,192
<b>Held as cash flow hedges:</b>									
Commission rate swaps	-	9,084	350,000	-	10,820	350,000	9,187	2,439	800,000
<b>Total</b>	<u>271,864</u>	<u>258,444</u>	<u>73,279,433</u>	<u>297,821</u>	<u>295,132</u>	<u>65,894,377</u>	<u>208,224</u>	<u>195,721</u>	<u>69,413,828</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months period ended March 31, 2011

Amounts in SAR'000

### 8. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>March 31, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>March 31, 2010 (Un-audited)</i>
Letters of credit	3,827,068	3,483,626	3,243,671
Letters of guarantee	12,274,611	11,711,004	11,052,763
Acceptances	2,305,150	2,088,016	1,984,852
Irrevocable commitments to extend credit	282,395	182,429	668,401
<b>Total</b>	<b>18,689,224</b>	<b>17,465,075</b>	<b>16,949,687</b>

### 9. GAIN ON SALE OF PROPERTY

During the period the Group disposed off a property which it considered surplus to its requirements. At the time of disposal, the book value of the property amounted to SAR 10.44 million and sale proceeds were SAR 28.50 million. The required regulatory approvals were obtained for the sale.

### 10. CASH AND CASH EQUIVALENTS

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

	<i>March 31, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>March 31, 2010 (Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	3,135,461	2,771,473	4,953,932
Due from banks and other financial institutions maturing within ninety days of acquisition date	59,871	201,727	37,518
<b>Total</b>	<b>3,195,332</b>	<b>2,973,200</b>	<b>4,991,450</b>

### 11. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources and to assess performance.

Transactions between reportable segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between reportable segments, resulting in funding cost transfers. Commission is charged to reportable segments based on a pool rate, which approximates the marginal cost of funds. Following are the reportable business segments of the Group:

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months period ended March 31, 2011

Amounts in SAR '000

### 11. OPERATING SEGMENTS (Continued)

#### Corporate banking

The corporate banking group offers a range of products and services to corporate and institutional customers. It accepts customer deposits and provides financing, including term loans, overdrafts, syndicated loans, trade finance services, treasury and derivative products and foreign exchange. Services provided to customers include internet banking, global transaction services and a centralised service that manages all customer transfers, electronic or otherwise.

#### Consumer banking

The consumer banking group operates through a national network of branches and ATMs supported by a 24-hour phone banking center. The Group accepts customers' deposits in various savings and deposit accounts and provides retail banking products and services, including consumer loans, overdrafts and credit cards to individuals and small-to-medium-sized enterprises.

#### Treasury

Treasury transacts mainly in money market, foreign exchange, interest rate and other derivatives for corporate and institutional customers as well as for the Group's own benefit. It is also responsible for funding the Group's operations, maintaining group-wide liquidity and managing the Group's investment portfolio and its consolidated financial position.

#### Investment banking and investment services

The investment banking and investment services group offers security dealing, managing, arranging, advising and maintaining custody services in relation to securities.

- a) The following is an analysis of the Group's assets, revenue and results by operating segments for the periods ended March 31, 2011 and 2010 (Un-audited).

<u>2011</u>	<u>Consumer banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,521,448	28,652,301	17,354,796	477,349	51,005,894
Total liabilities	15,534,960	17,465,766	11,376,030	23,822	44,400,578
Total operating income	134,590	291,786	43,011	15,719	485,106
Total operating expenses (without impairment charges for credit losses)	118,785	58,902	16,110	13,821	207,618
Impairment charges net of recoveries	13,118	44,369	-	-	57,487
Net operating income for the period	2,687	188,515	26,901	1,898	220,001
<u>2010</u>	<u>Consumer Banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,319,764	33,147,058	21,793,605	479,901	59,740,328
Total liabilities	13,351,628	19,556,297	20,955,729	12,158	53,875,812
Total operating income	126,598	251,113	70,599	18,962	467,272
Total operating expenses (without impairment charges for credit losses)	92,886	57,540	28,104	13,271	191,801
Impairment charges net of recoveries	12,603	30,156	2,700	-	45,459
Net operating income for the period	21,109	163,417	39,795	5,691	230,012



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months period ended March 31, 2011 and 2010

Amounts in SAR '000

### 12. STAFF SHARE PLAN

In January 2008 the Group established an equity settled share based payment plan for executives and senior employees (eligible employees). In accordance with the provisions of the plan such eligible employees will receive shares of the Bank if certain terms and conditions are met as disclosed in the consolidated financial statements as at and for the year ended December 31, 2010.

In January 2011, the 2008 Staff Share Plan vested and 551,478 shares were transferred to employees. This resulted in SAR 24.2 million being transferred from the Staff Share Plan Reserve to Retained Earning. At the same time SAR 24.2 million was also written off to retained earnings from the balance of loan provided to the Staff Share Plan Fund.

On March 1, 2011 a further grant on similar terms and conditions was offered to key management and senior employees that will vest on March 1, 2014. The value of the shares granted at the grant date was SAR 11.7 million.

The following is the movement of the plan during period:

	<i>March 31, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>March 31, 2010 (Un-audited)</i>
Beginning of the period	551,528	601,354	601,354
Granted during the period	277,817	-	-
Forfeited during the period	-	(49,876)	-
Vested during the period	(551,528)	-	-
<b>Total</b>	<b>277,817</b>	<b>551,478</b>	<b>601,354</b>

### 13. EARNING PER SHARE

Basic earnings per share for the periods ended March 31, 2011 and 2010 are calculated by dividing the net income for the period attributable to the equity shareholders by 330.8 million shares.

### 14. CAPITAL ADEQUACY

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, amongst other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA in supervising the Bank.

Capital Adequacy Ratio	<i>March 31, 2011 (Un-audited)</i>		<i>March 31, 2010 (Un-audited)</i>	
	<i>Total capital ratio</i>	<i>Tier 1 capital ratio</i>	<i>Total capital ratio</i>	<i>Tier 1 capital ratio</i>
		%		%
<i>Group level</i>	17.2	13.1	14.8	10.8