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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2015

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KPMG Al Fozan & Al Sadhan

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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 30 June 2015 and the related interim consolidated statements of income, comprehensive income for the three-month and six-month periods then ended, and the related interim consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended and the notes from (1) to (17) and (19) which form an integral part of the interim condensed consolidated financial statements. We have not reviewed note (18), 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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19 Shawwal 1436 H
(August 4, 2015)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2015 SR'000 (Unaudited)**	31 December 2014 SR'000 (Audited)	30 June 2014 SR'000 (Unaudited)
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA") and central banks		**27,961,116**	33,585,377	28,421,427
Due from banks and other financial institutions		**17,344,391**	16,516,208	14,739,556
Investments, net	3	**60,556,438**	42,549,623	42,754,887
Financing, net	4	**210,620,787**	205,939,960	200,925,689
Property and equipment, net		**5,137,985**	4,813,941	4,523,827
Other assets, net		**5,449,610**	4,306,446	3,789,134
TOTAL ASSETS		**327,070,327**	307,711,555	295,154,520
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		**8,322,002**	2,135,237	2,235,620
Customers' deposits	5	**266,505,584**	256,077,047	245,416,254
Other liabilities		**8,145,434**	7,603,077	6,837,279
Total liabilities		**282,973,020**	265,815,361	254,489,153
Shareholders' equity				
Share capital	12	**16,250,000**	16,250,000	16,250,000
Statutory reserve		**16,250,000**	16,250,000	16,250,000
Other reserves	7	**3,313,672**	2,598,599	2,924,192
Retained earnings		**8,283,635**	4,828,845	5,241,175
Proposed gross dividends and Zakat		**-**	1,968,750	-
Total shareholders' equity		**44,097,307**	41,896,194	40,665,367
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**327,070,327**	307,711,555	295,154,520

The accompanying notes from 1 to 19 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 30 June		For the six-month period ended 30 June	
		2015 SR'000	2014 SR'000	**2015 SR'000**	2014 SR'000
INCOME					
Gross financing and investment income		**2,586,815**	2,586,975	**5,138,314**	5,116,378
Return on customers' time investments		**(72,677)**	(93,130)	**(160,695)**	(196,117)
Net financing and investment income		**2,514,13**8	2,493,845	**4,977,619**	4,920,261
Fee from banking services, net		**658,006**	864,492	**1,311,850**	1,600,484
Exchange income, net		**240,241**	240,889	**498,751**	472,296
Other operating income		**122,266**	44,369	**168,682**	148,487
Total operating income		**3,534,651**	3,643,595	**6,956,902**	7,141,528
EXPENSES					
Salaries and employee related benefits		**636,658**	615,621	**1,445,693**	1,225,417
Rent and premises related expenses		**68,289**	62,451	**140,172**	127,196
Impairment charge for financing, other financial assets and other provisions, net		**467,434**	598,154	**989,216**	1,292,047
Other general and administrative expenses		**315,677**	316,980	**694,887**	635,943
Depreciation and amortization		**103,928**	100,311	**224,424**	203,923
Board of Directors' remunerations and fees		**1,300**	1,125	**2,600**	2,250
Total operating expenses		**1,593,286**	1,694,642	**3,496,992**	3,486,776
Net income for the period		**1,941,365**	1,948,953	**3,459,910**	3,654,752
Weighted average number of outstanding shares	13	**1,625,000**	1,625,000	**1,625,000**	1,625,000
Earnings per share for the period (SR)	13	**1.**19	1.2	**2.13**	2.25

The accompanying notes from 1 to 19 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 30 June		For the six-month period ended 30 June	
	2015	2014	**2015**	2014
	SR'000	SR'000	**SR'000**	SR'000
Net income for the period	**1,941,365**	1,948,953	**3,459,910**	3,654,752
Other comprehensive income items that are or may be reclassified to consolidated statement of income in subsequent periods				
Available-for-sale investments				
- Net change in fair value	**(5,492)**	49	**685**	4,167
- Net amounts transferred to consolidated statement of income	**5,629**	(217)	--	(232)
Exchange difference on translation of foreign operations	**16,205**	10,290	**(35,612)**	8,965
Total comprehensive income for the period	**1,957,707**	1,959,075	**3,424,983**	3,667,652

The accompanying notes from 1 to 19 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)

	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
For the six-month period ended 30 June 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	7	--	--	**750,000**		**(750,000)**	**-**
Dividends paid for the second half of 2014	15	--	--			**(1,218,750)**	**(1,218,750)**
Prior period adjustment	17	--	--	**-**	**(5,120)**	--	**(5,120)**
Transfer to statutory reserve		--	--	**-**		--	
Net change in fair value of available for sale investments		--	--	**685**		--	**685**
Net movement in foreign currency translation reserve		--	--	**(35,612)**		--	**(35,612)**
Net income / (loss) recognized directly in equity		--	--	**(34,927)**		--	**(34,927)**
Net income for the period		--	--	**-**	**3,459,910**	--	**3,459,910**
Total comprehensive income for the period		--	--	**(34,927)**	**3,459,910**	--	**3,424,983**
Balance at the end of the period		**16,250,000**	**16,250,000**	**3,313,672**	**8,283,635**	--	**44,097,307**
For the six-month period ended 30 June 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
Transfer to other reserves	7	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2013	15	-	-	-	-	(1,500,000)	(1,500,000)
Bonus shares issued	12	1,250,000	-	-	(1,250,000)	-	-
Transfer to statutory reserve		-	1,250,000	-	(1,250,000)	-	-
Net change in fair value of available for sale investments		-	-	4,167	-	-	4,167
Net amount transferred to consolidated statement of income				(232)			(232)
Net movement in foreign currency translation reserve		-	-	8,965	-	-	8,965
Net income recognized directly in equity		-	-	12,900	-	-	12,900
Net income for the period		-	-	-	3,654,752	-	3,654,752
Total comprehensive income for the period		-	-	12,900	3,654,752	-	3,667,652
Balance at the end of the period		16,250,000	16,250,000	2,924,192	5,241,175	-	40,665,367

The accompanying notes from 1 to 19 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)

	Notes	For the six-month period ended 30 June 2015 SR'000	2014 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		**3,459,910**	3,654,752
Adjustments to reconcile net income to net cash flow (used in) / generated from / (used in) operating activities:			
Depreciation and amortization		**224,424**	203,923
Gain on disposal of property and equipment, net		**(5,843)**	-
Impairment charge for financing and other financial assets and other provisions, net		**989,216**	1,292,047
Share of (gain) / loss from investment in associate		**(582)**	1,562
Net (increase) / decrease in operating assets			
Statutory deposit with SAMA and central banks		**(1,671,850)**	(986,817)
Due from banks and other financial institutions with original maturity of more than three months		**(3,481,070)**	(4,136,971)
Investments held at Fair Value through Statement of Income (FVSI)		**(1,462,695)**	(94,710)
Financing		**(5,670,043)**	(15,404,511)
Other assets, net		**(1,183,896)**	(48,991)
Net increase / (decrease) in operating liabilities			
Due to banks and other financial institutions		**6,186,765**	(1,404,089)
Customers' deposits		**10,428,537**	13,827,141
Other liabilities		**542,357**	693,131
Net cash generated from / (used in) operating activities		**8,355,230**	(2,403,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(553,749)**	(413,542)
Investment in associate		**(45,000)**	-
Available-for-sale investments		**-**	(232)
Investments held at amortized cost		**(16,497,853)**	(3,084,514)
Proceeds from disposal of property and equipment		**11,124**	6,240
Net cash used in investing activities		**(17,085,478)**	(3,492,048)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		**(1,218,750)**	(1,500,000)
Net cash used in financing activity		**(1,218,750)**	(1,500,000)
Net change in cash and cash equivalents		**(9,948,998)**	(7,395,581)
Cash and cash equivalents at the beginning of the period		**22,231,985**	22,564,832
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	**12,282,987**	15,169,251
Supplemental non-cash information:			
Net change in fair value less realized gain / (loss) on available for sale investments		**685**	3,935

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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 objective of the Bank is 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 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, the Bank has a Shari'a Authority in place to ascertain that the Bank's activities are subject to its approval and control. The Shari'a Authority reviews many of the Bank's activities and issues the required verdicts 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.

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 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.

(a) Subsidiaries

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(a) Subsidiaries (continued)

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as "the Group"). As at 30 June 2015, the following subsidiaries were included in the interim condensed consolidated financial statements:

	Shareholding %		
Name of subsidiaries	**2015**	2014	
Al Rajhi Development Company – 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	Branch Registered with central Bank of Kuwait
Al Rajhi Bank – Jordan	**100**	100	A foreign Branch 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	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(b) Associates

Associates are enterprises over which the Bank exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Bank's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the statement of financial position remains at the lower of the equity-accounted (before provision for impairment) or the recoverable amount. On derecognition the difference between the carrying amount of investment in associate and the fair value of the consideration received is recognized in the interim condensed consolidated statement of income.

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.

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 impact on these 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:

    - IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

    - IFRS 8 – "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

    - 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.

    - 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.

    - 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.

Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2014.

3. INVESTMENTS, NET

Investments comprise the following:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Investment in an associate (3.1)	**69,242**	23,660	20,360
Investments held at amortized cost			
Murabaha with SAMA	**56,331,849**	39,866,296	39,836,156
Sukuk and Murabaha, net	**1,540,239**	1,507,939	1,645,377
Total investments held at amortized cost	**57,872,088**	41,374,235	41,481,533
Investments held at FVSI			
Equity investments	**852,191**	786,257	881,441
Mutual funds	**1,521,092**	124,331	129,925
Total investments held at FVSI	**2,373,283**	910,588	1,011,366
Available-for-sale investments - Mutual funds	**241,825**	241,140	241,628
Total investments	**60,556,438**	42,549,623	42,754,887

3.1 The Bank owns 22.5% (31 December 2014: 22.5%; 30 June 2014: 22.5%) of the shares of Al Rajhi Company for Cooperative Insurance, a Saudi Joint Stock Company. During the six months period ended 30 June 2015, the Bank has invested SR 45 million as its share of the increase in capital of Al Rajhi Company for Cooperative Insurance.

4 FINANCING, NET

Financing comprise the following:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Held at amortized cost			
Corporate Mutajara	**42,458,150**	39,720,497	39,315,339
Installment sales	**157,159,376**	153,883,993	148,846,000
Murabaha	**13,330,993**	14,433,268	14,482,994
Visa cards	**285,543**	440,799	217,177
Performing financing	**213,234,062**	208,478,557	202,861,510
Non-performing financing	**2,681,990**	2,655,729	3,217,542
Gross financing	**215,916,052**	211,134,286	206,079,052
Provision for financing impairment	**(5,295,265)**	(5,194,326)	(5,153,363)
Net financing	**210,620,787**	205,939,960	200,925,689

5 CUSTOMERS' DEPOSITS

Customers' deposits comprise the following:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Current deposits	**253,234,773**	228,791,014	220,843,978
Time investments	**8,682,586**	22,513,661	20,716,988
Other customers accounts	**4,588,225**	4,772,372	3,855,288
Total	**266,505,584**	256,077,047	245,416,254

6 MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Mudaraba funds			
Mudaraba and customers' investments	**17,731,608**	12,945,448	13,701,186
Current accounts – metals	**2,034**	2,038	2,038
Total Mudaraba funds	**17,733,642**	12,947,486	13,703,224
Contingent liabilities			
Letters of credit and acceptances	**4,199,196**	4,379,984	4,504,609
Letters of guarantee	**7,768,071**	7,386,363	5,906,427
Irrevocable commitments to extend credit	**4,198,183**	7,084,928	5,561,014
Total contingent liabilities	**16,165,450**	18,851,275	15,972,050
Total Mudaraba funds and contingent liabilities	**33,899,092**	31,798,761	29,675,274

The Bank becomes party to litigation matters in the ordinary course of business, which are being defended in the court of law. While the ultimate results of these matters cannot be determined with certainty, the Bank's management does not expect that they will have a material adverse effect on the interim consolidated financial statements of the Bank except to the extent already provided in these financial statements.

7 OTHER RESERVES

This 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 constructive commitment to repurchase or settle these options in cash.

8 CASH AND CASH EQUIVALENTS

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

	Note	**30 June 2015 (Unaudited) SR'000**	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Cash		**10,300,709**	8,963,159	8,803,285
Balances with SAMA and central banks (current accounts)		**507,123**	9,140,784	4,339,228
Due from banks and other financial institutions (current accounts and Murabaha)	**8.1**	**1,475,155**	4,128,042	2,026,738
Total		**12,282,987**	22,231,985	15,169,251

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

9 BUSINESS SEGMENTS

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 different segments are based on normal commercial terms and conditions. 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 (30 June 2014: Seven) of which three are registered outside the Kingdom of Saudi Arabia.

The Group's reporting segments are as follows:

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

9. BUSINESS SEGMENTS (Continued)

The Group's total assets and liabilities as at 30 June 2015 and 2014 together with the total operating income and expenses and net income for the six month periods then ended for each business segment are analyzed as follows:

30 June 2015 (Unaudited)	**Retail SR'000**	**Corporate SR'000**	**Treasury SR'000**	**Investment services and brokerage SR'000**	**Total SR'000**
Total assets	**164,885,310**	**62,254,440**	**96,716,507**	**3,214,070**	**327,070,327**
Total liabilities	**230,244,372**	**51,785,437**	**282,522**	**660,689**	**282,973,020**
Gross financing and investments income	**4,035,058**	**849,930**	**219,273**	**34,053**	**5,138,314**
Return on customers' time investments	**(62,037)**	**(94,696)**	**(2,515)**	**(1,447)**	**(160,695)**
Total operating income	**4,549,452**	**1,136,809**	**758,616**	**512,025**	**6,956,902**
Impairment charge for financing and other provisions	**(473,762)**	**(515,454)**	**-**	**-**	**(989,216)**
Depreciation and amortization	**(204,415)**	**(11,398)**	**(307)**	**(8,304)**	**(224,424)**
Other operating expenses	**(2,000,267)**	**(140,902)**	**(26,974)**	**(115,209)**	**(2,283,352)**
Total operating expenses	**(2,678,444)**	**(667,754)**	**(27,281)**	**(123,513)**	**(3,496,992)**
Net income for the period	**1,871,008**	**469,055**	**731,335**	**388,512**	**3,459,910**

30 June 2014 (Unaudited)	**Retail SR'000**	**Corporate SR'000**	**Treasury SR'000**	**Investment services and brokerage SR'000**	**Total SR'000**
Total assets	153,847,902	61,337,898	77,003,773	2,964,947	295,154,520
Total liabilities	199,034,189	53,916,645	1,119,341	418,978	254,489,153
Gross financing and investments income	3,979,401	855,897	219,634	61,446	5,116,378
Return on customers' time investments	(77,449)	**(**108,180**)**	(9,137)	(1,351)	(196,117)
Total operating income	4,862,279	1,102,594	634,984	541,671	7,141,528
Impairment charge for financing and other provisions	(935,687)	(356,360)	-	-	(1,292,047)
Depreciation and amortization	**(**184,570**)**	**(**11,285**)**	**(**1,083**)**	(6,985)	(203,923)
Other operating expenses	(1,692,533)	(133,227)	(24,499)	(140,547)	(1,990,806)
Total operating expenses	(2,812,790)	(500,872)	(25,582)	(147,532)	(3,486,776)
Net income for the period	2,049,489	601,722	609,402	394,139	3,654,752

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 (unadjusted) in active markets for the identical 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-balance sheet 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 and customers' deposits 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.

Fair value hierarchy of financial assets is as follows:

30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
		SR'000		
Financial assets				
Financial assets held at FVSI	828,730	1,521,092	23,461	2,373,283
Financial assets available for sale	-	241,825	-	241,825
	828,730	1,762,917	23,461	2,615,108

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.

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

31 December 2014	Level 1	Level 2	Level 3	Total
		SR'000		
Financial assets				
Financial assets at FVSI	762,765	124,331	23,492	910,588
Financial assets available for sale	-	241,140	-	241,140

762,765	365,471	23,492	1,151,728

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 30 June 2015 are as follows:

Related party	**30 June 2015 (Unaudited) SR'000**	**31 December 2014 (Audited) SR'000**	30 June 2014 (Unaudited) SR'000
Members of the Boards of Directors and key management personnel:			
Financing	**1,207,027**	4,686,529	5,132,520
Commitments and contingent liabilities*	**188,031**	421,889	377,677
Current accounts	**72,962**	40,301	-
Other major shareholders (above 5% of the Bank's share capital):			
Other liabilities	**22,590**	22,386	20,583
Affiliate to members of Board of Directors, Key management personnel and other major shareholders:			
Financing	**926,819**	1,395,782	1,436,619
Commitments and contingent liabilities	**-**	4,667	6,610
Mutual funds:			
Investments in mutual funds	**1,762,917**	365,471	371,553

*off-balance sheet items

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

	For the three-month period ended 30 June		**For the six-month period ended 30 June**	
	2015 SR'000 (Unaudited)	2014 SR'000 (Unaudited)	**2015 SR'000 (Unaudited)**	2014 SR'000 (Unaudited)
Income from financing	**16,755**	13,532	**33,438**	35,534
Air ticket expenses paid to an affiliate	**1,783**	3,626	**2,555**	8,446
Rent and premises' related expenses	**353**	353	**706**	706
Board of Directors' remunerations	**1,300**	1,125	**2,600**	2,250

11 RELATED PARTY TRANSACTIONS (Continued)

The compensation amounts for executive management are summarized as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2015 SR'000 (Unaudited)	2014 SR'000 (Unaudited)	**2015 SR'000 (Unaudited)**	2014 SR'000 (Unaudited)
Short-term benefits	**6,589**	5,097	**12,144**	15,917
Provision for end-of-service benefits	**175**	334	**479**	650

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; 30 June 2014: 1,625 million shares). During the six months period ended 30 June 2014, the Board of Directors of the Bank proposed a bonus issue of 125,000,000 shares of SR 10 each, which was approved by the shareholders in the extra ordinary general assembly meeting held on 14 Jumada Al Thani, 1435H (corresponding to 14 April, 2014).

13 EARNINGS PER SHARE

Earnings per share for the periods ended 30 June 2015 and 2014 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding.

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%.

14. CAPITAL ADEQUACY (Continued)

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

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 June 2014 (Unaudited) SR'000
Credit risk RWA	**213,871,552**	202,080,035	197,235,555
Operational risk RWA	**23,971,738**	23,971,738	23,575,018
Market risk RWA	**6,529,036**	683,906	3,269,338
Total RWA	**244,372,326**	226,735,679	224,079,911
Tier I capital	**44,097,307**	41,896,194	40,665,367
Tier II capital	**2,673,394**	2,526,000	2,465,444
Total tier I & II capital	**46,770,701**	44,422,194	43,130,811
Capital adequacy ratio %			
Tier I ratio	**18.05**%	18.48%	18.15%
Tier I + II ratio	**19.14**%	19.59%	19.25%

Tier 1 capital of the Bank comprises share capital, statutory reserve, other reserves, retained earnings less treasury shares, intangible assets, foreign currency translation reserve and other prescribed deductions.

Tier 2 capital comprises of prescribed amounts of eligible portfolio (collective) provisions less prescribed deductions.

The amounts and ratios disclosed above have been calculated based on Basel III framework.

15 DIVIDENDS PAID AND SUBSEQUENT EVENT

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.

The Extraordinary General Assembly held on 14 Jumada II 1435 AH (corresponding to 14 April 2014), approved the distribution of dividends to shareholders for the second half of the fiscal year ended 31 December 2013, amounting to SR 1,500 million Saudi Riyals at the rate of SR 1 per share net of deduction of Zakat on shareholders amounting to SR 750 million.

15 DIVIDENDS PAID AND SUBSEQUENT EVENT (CONTINUED)

The Board of Directors of the Bank recommended on Monday, 6 July 2015 to distribute dividends to shareholders for the first half of the current fiscal year, amounting to SR 812.5 million as SR 0.5 per share net of Zakat deduction on shareholders. The priority of the first half dividends will be for the shareholders registered in the Bank's record till the end of Sunday's trade day dated 14 July 2015.

16 COMPARATIVE FIGURES

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

17 ADJUSTMENT FOR PRIOR PERIOD

Retained earnings balance has been amended by 5.12 (Thousand) in order to reflect an adjustment for prior period due to difference in approving consolidated financial statement in the bank and subsidiaries'

18 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.

19 APPROVING FAICANLS STATEMENT

The financial statement has been approved on 12 July 2015 (corresponding to 25 Ramadan 1436H).