

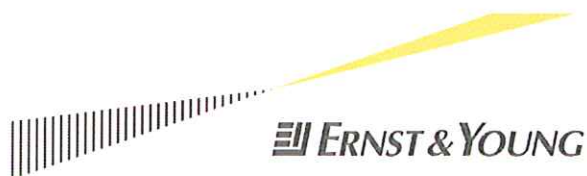
**AL RAJHI BANKING AND
INVESTMENT CORPORATION**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2010**

(UNAUDITED)



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



P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

REVIEW REPORT

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

We have reviewed the accompanying interim consolidated statement of financial position of Al Rajhi Banking and Investment Corporation (the "Bank") and its subsidiaries as of 30 September 2010, and the related interim consolidated statements of comprehensive income for three-month and nine-month periods then ended, and the related interim consolidated statements of changes in shareholders' equity and cash flows and the notes from (1) to (13) for the nine-month period then ended.

Management 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 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.

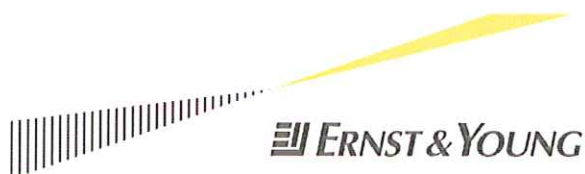
Scope of Review

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 the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements No. 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.

PRICEWATERHOUSECOOPERS 

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



P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

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 the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note (11) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in the aforementioned note to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

PricewaterhouseCoopers



Mohammed A. Al Obaidi
Registration No. 367

Ernst & Young



Fahad M. Al-Toaimi
Registration No. 354

4 Thul Quada 1431H
(12 October 2010)



AL RAJHI BANKING AND INVESTMENT CORPORATION
(Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SR'000)

| | Notes | At September 30, 2010 (Unaudited) | At December 31, 2009 (Audited) | At September 30, 2009 (Unaudited) |
|--|-------|---|--------------------------------------|---|
| ASSETS | | | | |
| Cash | | 4,599,033 | 3,449,155 | 4,295,969 |
| Balances with Saudi Arabian Monetary Agency ("SAMA") | | 11,251,872 | 7,963,865 | 7,806,245 |
| Due from banks and other financial institutions | | 9,239,994 | 12,663,381 | 4,786,686 |
| Investments | 3 | 30,848,483 | 27,113,882 | 26,427,393 |
| Financing, net | 4 | 119,277,787 | 113,099,531 | 113,208,200 |
| Customer debit current accounts, net | | 556,971 | 695,791 | 649,408 |
| Property and equipment, net | | 3,267,089 | 3,182,157 | 3,062,076 |
| Other assets, net | | <u>2,482,219</u> | <u>2,561,967</u> | <u>3,479,234</u> |
| TOTAL ASSETS | | <u>181,523,448</u> | <u>170,729,729</u> | <u>163,715,211</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES: | | | | |
| Due to banks and other financial institutions | | 5,100,693 | 6,102,073 | 5,421,117 |
| Customer deposits | | 139,482,070 | 120,533,020 | 123,282,915 |
| Other customer accounts (including margins on letters of credit, third party funds, certified checks and transfers) | | 2,122,437 | 2,328,820 | 1,764,789 |
| Other liabilities | | <u>5,802,122</u> | <u>13,024,932</u> | <u>5,975,094</u> |
| TOTAL LIABILITIES | | <u>152,507,322</u> | <u>141,988,845</u> | <u>136,443,915</u> |
| SHAREHOLDERS' EQUITY: | | | | |
| Share capital | | 15,000,000 | 15,000,000 | 15,000,000 |
| Statutory reserve | | 10,419,177 | 10,419,177 | 8,727,370 |
| General reserve | 8 | 366,465 | - | - |
| Retained earnings | | 3,230,484 | 744,248 | 3,543,926 |
| Proposed gross dividends | | <u>-</u> | <u>2,577,459</u> | <u>-</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>29,016,126</u> | <u>28,740,884</u> | <u>27,271,296</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>181,523,448</u> | <u>170,729,729</u> | <u>163,715,211</u> |

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)

(SR'000)

| | Three-month period ended September 30 | | Nine-month period ended September 30 | |
|--|--|-------------------------|---|-------------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| INCOME: | | | | |
| Gross financing income | 2,333,640 | 2,328,041 | 6,881,594 | 6,786,971 |
| Income paid to customers on time investments | (53,476) | (90,165) | (169,674) | (442,557) |
| Income paid on syndicated murabaha financing from banks | - | - | - | (40,447) |
| Net financing income | 2,280,164 | 2,237,876 | 6,711,920 | 6,303,967 |
| Investments income | 91,575 | 260,995 | 180,558 | 818,011 |
| Fees from banking services, net | 361,701 | 442,993 | 1,184,192 | 1,120,997 |
| Exchange income, net | 159,656 | 147,330 | 471,120 | 427,366 |
| Other operating income | <u>73,031</u> | <u>24,918</u> | <u>249,276</u> | <u>85,059</u> |
| Total operating income | <u>2,966,127</u> | <u>3,114,112</u> | <u>8,797,066</u> | <u>8,755,400</u> |
| EXPENSES: | | | | |
| Salaries and employee related benefits | 448,967 | 427,066 | 1,379,098 | 1,307,465 |
| Rent and premises related expenses | 38,124 | 35,737 | 113,484 | 106,827 |
| Impairment charge for financing and other, net | 581,297 | 593,967 | 1,362,281 | 1,246,852 |
| Other general and administrative expenses | 169,753 | 187,021 | 578,545 | 575,841 |
| Depreciation and amortization | 87,299 | 74,717 | 258,900 | 218,717 |
| Board of directors' remuneration | <u>693</u> | <u>693</u> | <u>2,057</u> | <u>2,058</u> |
| Total operating expenses | <u>1,326,133</u> | <u>1,319,201</u> | <u>3,694,365</u> | <u>3,457,760</u> |
| Net income for the period | 1,639,994 | 1,794,911 | 5,102,701 | 5,297,640 |
| Comprehensive income items | - | - | - | - |
| Net comprehensive income for the period | <u>1,639,994</u> | <u>1,794,911</u> | <u>5,102,701</u> | <u>5,297,640</u> |
| Weighted average number of outstanding shares (Note 10) | <u>1,500 Million</u> | <u>1,500 Million</u> | <u>1,500 Million</u> | <u>1,500 Million</u> |
| Earnings per share (SR) (Note 10) | <u>1.09</u> | <u>1.20</u> | <u>3.40</u> | <u>3.53</u> |

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)**
(SR' 000)

| | Share capital | Statutory reserve | General reserve | Retained earnings | Proposed gross dividends | Total |
|---|-------------------|----------------------|--------------------|----------------------|-----------------------------|-------------------|
| For the nine-month period ended September 30, 2010 | | | | | | |
| Balance at the beginning of the period | 15,000,000 | 10,419,177 | - | 744,248 | 2,577,459 | 28,740,884 |
| Transfer to accrued zakat | - | - | - | - | (327,459) | (327,459) |
| Transfer to general reserve (Note 8) | - | - | 366,465 | (366,465) | - | - |
| Dividends paid (Note 12) | - | - | - | - | (2,250,000) | (2,250,000) |
| Interim dividends paid in the first half of the financial period (Note 12) | - | - | - | (2,250,000) | - | (2,250,000) |
| Net comprehensive income for the period | - | - | - | 5,102,701 | - | 5,102,701 |
| Balance at the end of the period | 15,000,000 | 10,419,177 | 366,465 | 3,230,484 | - | 29,016,126 |
| For the nine-month period ended September 30, 2009 | | | | | | |
| Balance at the beginning of the period | 15,000,000 | 8,727,370 | - | 121,286 | 3,183,143 | 27,031,799 |
| Transfer to accrued zakat | - | - | - | - | (558,143) | (558,143) |
| Dividends paid (Note 12) | - | - | - | - | (2,625,000) | (2,625,000) |
| Interim dividends paid in the first half of the financial period (Note 12) | - | - | - | (1,875,000) | - | (1,875,000) |
| Net comprehensive income for the period | - | - | - | 5,297,640 | - | 5,297,640 |
| Balance at the end of the period | 15,000,000 | 8,727,370 | - | 3,543,926 | - | 27,271,296 |

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)

(SR'000)

| | For the nine-month period ended September 30 | |
|--|---|---------------------------|
| | <u>2010</u> | <u>2009</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the period | 5,102,701 | 5,297,640 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 258,900 | 218,717 |
| Loss (gain) on sale of property and equipment | 402 | (17,569) |
| Impairment charge for financing and other, net | 1,362,281 | 1,246,852 |
| Net (increase) decrease in operating assets: | | |
| Statutory deposit with SAMA | (1,249,687) | (133,940) |
| Financing | (7,540,537) | (5,129,337) |
| Investments | (3,734,601) | 233,516 |
| Customer debit current accounts | 138,820 | 232,147 |
| Other assets | 79,748 | (369,321) |
| Net increase (decrease) in operating liabilities: | | |
| Due to banks and other financial institutions | (1,001,380) | (2,480,513) |
| Customer deposits | 18,949,050 | 6,671,872 |
| Other customer accounts | (206,383) | (365,210) |
| Other liabilities | (7,550,269) | (2,406,801) |
| Net cash generated from operating activities | <u>4,609,045</u> | <u>2,998,053</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (352,834) | (419,315) |
| Proceeds from sale of property and equipment | 8,600 | 24,252 |
| Net cash used in investing activities | <u>(344,234)</u> | <u>(395,063)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Syndicated murabaha financing from other banks | - | (1,875,000) |
| Dividends paid | (4,500,000) | (4,500,000) |
| Net cash used in financing activities | <u>(4,500,000)</u> | <u>(6,375,000)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (235,189) | (3,772,010) |
| Cash and cash equivalents at the beginning of the period | <u>16,112,826</u> | <u>12,855,169</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 6) | <u>15,877,637</u> | <u>9,083,159</u> |

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
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 (UNAUDITED)

1. GENERAL

Incorporation and operations

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 Qadah 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
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, 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) 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 should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

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

b) Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements include the accounts of Al Rajhi Banking and Investment Corporation and its subsidiaries in which the Bank's shareholding exceed 50% of their share capital and where the Bank has the power to govern their financial and operational policies. Significant balances and transactions between the Bank

and its subsidiaries and those among subsidiaries are eliminated upon consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Bank till the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

The subsidiaries included in the interim condensed consolidated financial statements comprise the following at September 30:

| | <u>Shareholding %</u> | |
|--|-----------------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Al Rajhi Company for Development Limited - Riyadh | 99% | 99% |
| Al Rajhi Banking & Investment Corporation BHD-Malaysia | 100% | 100% |
| Al Rajhi Capital Company | 99% | 99% |

c) Accounting policies

The accounting policies used in preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2009, except for the amendments to existing standards and interpretation mentioned below, which the Bank has adopted:

- Revision to IAS 27 -Consolidated and separate financial statements
- Amendments to IAS 39 - Financial instruments- Recognition and measurement
- IFRIC 18-Transfers of assets from customers

The adoption of these amendments had no significant impact on the financial position and financial performance of the Bank.

3. INVESTMENTS

Investments comprise of the following:

| | SR'000 | | |
|--|---|--------------------------------------|---|
| | At September 30, 2010 (Unaudited) | At December 31, 2009 (Audited) | At September 30, 2009 (Unaudited) |
| Investments held at amortized cost: | | | |
| Murabaha with SAMA | <u>27,375,413</u> | <u>24,225,537</u> | <u>24,350,495</u> |
| Total Investments held at amortized cost | <u>27,375,413</u> | <u>24,225,537</u> | <u>24,350,495</u> |
| Held as fair value through income statement (FVIS): | | | |
| Corporate shares | 717,594 | 753,607 | 206,001 |
| Mutual Funds | 536,609 | 243,945 | 563,070 |
| Sukuk | 1,007,193 | 703,531 | 707,574 |
| Other | 1,211,674 | 1,187,262 | 600,253 |
| Total FVIS | <u>3,473,070</u> | <u>2,888,345</u> | <u>2,076,898</u> |
| Total Investments | <u>30,848,483</u> | <u>27,113,882</u> | <u>26,427,393</u> |

4. FINANCING, NET

Financing, net comprise of the following:

| | SR'000 | | |
|--------------------------------|---|--------------------------------------|---|
| | At September 30, 2010 (Unaudited) | At December 31, 2009 (Audited) | At September 30, 2009 (Unaudited) |
| Held at amortized cost: | | | |
| Corporate mutajara | 29,977,506 | 31,628,164 | 33,038,929 |
| Installment sale | 75,594,656 | 65,784,500 | 64,662,547 |
| Istisnaa | 585,130 | 901,282 | 1,000,153 |
| Murabaha | 12,448,714 | 14,227,382 | 13,998,015 |
| Visa | 671,781 | 558,203 | 508,556 |
| Total | <u>119,277,787</u> | <u>113,099,531</u> | <u>113,208,200</u> |

5. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

| | SR'000 | | |
|--|---|--------------------------------------|---|
| | At September 30, 2010 (Unaudited) | At December 31, 2009 (Audited) | At September 30, 2009 (Unaudited) |
| a) Mudaraba Funds: | | | |
| Customers' investments | 12,565,429 | 8,673,643 | 7,133,631 |
| Current accounts - metals | 5,679 | 10,902 | 10,902 |
| Total | <u>12,571,108</u> | <u>8,684,545</u> | <u>7,144,533</u> |
| b) Contingent Liabilities: | | | |
| Letters of credit and acceptances | 4,415,212 | 4,864,082 | 4,931,043 |
| Letters of guarantee | 7,047,325 | 7,555,164 | 8,051,330 |
| Irrevocable commitments to extend credit | 13,723,134 | 11,577,946 | 11,857,625 |
| Total | <u>25,185,671</u> | <u>23,997,192</u> | <u>24,839,998</u> |
| Grand Total | <u>37,756,779</u> | <u>32,681,737</u> | <u>31,984,531</u> |

6. CASH AND CASH EQUIVALENTS

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

| | SR'000 | | |
|---------------------------------------|---|--------------------------------------|---|
| | At September 30, 2010 (Unaudited) | At December 31, 2009 (Audited) | At September 30, 2009 (Unaudited) |
| Cash | 4,599,033 | 3,449,155 | 4,295,969 |
| Balances with SAMA (current accounts) | 2,038,610 | 290 | 504 |
| Due from banks (current accounts) | 9,239,994 | 12,663,381 | 4,786,686 |
| Total | <u>15,877,637</u> | <u>16,112,826</u> | <u>9,083,159</u> |

7. 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 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. |

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

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has three subsidiaries of which one is registered outside the Kingdom of Saudi Arabia as of September 30, 2010 and 2009.

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 September 30, 2010 and 2009 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each segment, are analyzed as follows:

| | SR'000 (Unaudited) | | | | |
|--|--------------------|----------------------|---------------------|--|--------------------|
| | Retail segment | Corporate segment | Treasury segment | Investment services and brokerage segment | Total |
| 2010 | | | | | |
| Total assets | <u>80,400,771</u> | <u>48,803,194</u> | <u>51,576,032</u> | <u>743,451</u> | <u>181,523,448</u> |
| Capital expenditure for the period | <u>352,437</u> | <u>-</u> | <u>397</u> | <u>-</u> | <u>352,834</u> |
| Total liabilities | <u>102,432,228</u> | <u>45,779,961</u> | <u>2,640,331</u> | <u>1,654,802</u> | <u>152,507,322</u> |
| Gross financing income | <u>4,776,139</u> | <u>1,843,847</u> | <u>246,498</u> | <u>15,110</u> | <u>6,881,594</u> |
| Income paid to customers on time investments | <u>(36,518)</u> | <u>(9,869)</u> | <u>(123,287)</u> | <u>-</u> | <u>(169,674)</u> |
| Total operating income | <u>5,836,022</u> | <u>1,882,737</u> | <u>853,527</u> | <u>224,780</u> | <u>8,797,066</u> |
| Impairment charge for financing and other, net | <u>(456,061)</u> | <u>(906,220)</u> | <u>-</u> | <u>-</u> | <u>(1,362,281)</u> |
| Depreciation and amortization | <u>(229,012)</u> | <u>(4,750)</u> | <u>(14,159)</u> | <u>(10,979)</u> | <u>(258,900)</u> |
| Other operating expenses | <u>(1,709,845)</u> | <u>(167,576)</u> | <u>(51,673)</u> | <u>(144,090)</u> | <u>(2,073,184)</u> |
| Total operating expenses | <u>(2,394,918)</u> | <u>1,078,546</u> | <u>(65,832)</u> | <u>(155,069)</u> | <u>(3,694,365)</u> |
| Net income for the period | <u>3,441,104</u> | <u>804,191</u> | <u>787,695</u> | <u>69,711</u> | <u>5,102,701</u> |

| | SR'000 (Unaudited) | | | | |
|--|--------------------|----------------------|---------------------|--|--------------------|
| | Retail segment | Corporate segment | Treasury segment | Investment services and brokerage segment | Total |
| 2009 | | | | | |
| Total assets | <u>69,677,089</u> | <u>51,615,619</u> | <u>41,810,183</u> | <u>612,320</u> | <u>163,715,211</u> |
| Capital expenditure for the period | <u>272,380</u> | <u>940</u> | <u>145,995</u> | <u>-</u> | <u>419,315</u> |
| Total liabilities | <u>88,951,877</u> | <u>40,370,674</u> | <u>5,655,227</u> | <u>1,466,137</u> | <u>136,443,915</u> |
| Gross financing income | <u>4,290,580</u> | <u>1,742,639</u> | <u>744,682</u> | <u>9,070</u> | <u>6,786,971</u> |
| Income paid to customers on time investments | <u>(41,995)</u> | <u>(37,248)</u> | <u>(363,314)</u> | <u>-</u> | <u>(442,557)</u> |
| Income paid on syndicated murabaha financing from banks | <u>-</u> | <u>-</u> | <u>(40,447)</u> | <u>-</u> | <u>(40,447)</u> |
| Total operating Income | <u>5,230,965</u> | <u>1,769,432</u> | <u>1,405,035</u> | <u>349,968</u> | <u>8,755,400</u> |
| Impairment charge for financing and other, net | <u>(401,173)</u> | <u>(844,590)</u> | <u>(1,089)</u> | <u>-</u> | <u>(1,246,852)</u> |
| Depreciation and amortization | <u>(183,594)</u> | <u>(6,385)</u> | <u>(12,887)</u> | <u>(15,851)</u> | <u>(218,717)</u> |
| Other operating expenses | <u>(1,537,954)</u> | <u>(155,873)</u> | <u>(154,089)</u> | <u>(144,275)</u> | <u>(1,992,191)</u> |
| Total operating expenses | <u>(1,537,954)</u> | <u>(155,873)</u> | <u>(154,089)</u> | <u>(144,275)</u> | <u>(1,992,191)</u> |
| Net income for the period | <u>3,108,244</u> | <u>762,584</u> | <u>1,236,970</u> | <u>189,842</u> | <u>5,297,640</u> |

8. GENERAL RESERVE

At the general meeting held on 13 Rabie Al Awal 1431H (corresponding to February 27, 2010), the shareholders approved the transfer of SR 366.5 million from retained earnings to general reserve.

9. 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 September 30 are as follows:

| | <u>SR'000 (Unaudited)</u> | |
|---|---------------------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| <u>Board of directors:</u> | | |
| Installment sale | 3,652,888 | 2,529,428 |
| Current account | 45,813 | 23,145 |
| Commitments and contingent liabilities | 1,090,908 | 1,660,054 |
| <u>Companies guaranteed by members of board of directors:</u> | | |
| Installment sale | 478,986 | 779,376 |
| Commitments and contingent liabilities | 35,801 | 35,857 |
| <u>Mudaraba funds:</u> | | |
| Current accounts | 420,148 | 39,251 |
| Mudaraba | 6,234,971 | 4,480,235 |
| Investments in funds | 536,609 | 563,070 |
| <u>Other major shareholders:</u> | | |
| Direct investment | 1,190,232 | 1,515,715 |
| Current account | 38,801 | 38,280 |
| Investments in funds | - | 69,522 |
| Other liabilities | 13,408 | 12,596 |

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

| | <u>SR'000 (Unaudited)</u> | |
|--|---|-------------|
| | <u>For the nine-month period ended September 30</u> | |
| | <u>2010</u> | <u>2009</u> |
| Income from investments and other | 98,452 | 97,731 |
| Salaries and employee related benefits (air tickets) | 8,306 | 10,516 |
| Rent and premises related expenses | 1,144 | 1,326 |
| Board of Directors' remunerations | 2,057 | 2,058 |

The amounts of compensations recorded in favor of or paid to the executive management personnel are as follows:

| | <u>SR'000 (Unaudited)</u> | |
|---------------------------------------|---|-------------|
| | <u>For the nine-month period ended September 30</u> | |
| | <u>2010</u> | <u>2009</u> |
| Short-term benefits | 15,558 | 18,583 |
| Provision for end of service benefits | 987 | 994 |

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

10. EARNINGS PER SHARE

Earnings per share for the periods ended September 30, 2010 and 2009 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".

11. CAPITAL ADEQUACY

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

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA.

SAMA has issued guidance regarding implementation of Basel II disclosures effective January 1, 2008. Consequently, the capital adequacy ratio as of September 30 is in accordance with the following schedule:

| Particular | Capital Adequacy Ratios (unaudited) | | | |
|------------------------|-------------------------------------|-------------------------|------------------------|-------------------------|
| | 2010 | | 2009 | |
| | Total Capital Ratio | Tier 1 Capital Ratio | Total Capital Ratio | Tier 1 Capital Ratio |
| Top consolidated level | 19.25% | 15.01% | 20.51% | 15.52% |

12. DIVIDENDS DISTRIBUTION

On July 14, 2009, the Board of Director approved dividends distribution for the first half of the financial year ended December 31, 2009, amounting to SR 1.875 million, net of SR 1.25 per share as zakat deduction on shareholders

At the General Assembly held on 13 Rabie Al Awal 1431H (corresponding to February 27, 2010), the shareholders approved the distribution of dividends amounting to SR 2.250 million for the second half of the year ended December 31, 2009, net of 1.5 riyal per share as zakat deduction on shareholder (during the first quarter of 2009 SR 2.625 million of dividend were approved net of 1.75 riyal per share as zakat deduction on shareholders).

Further, on July 2010 the Board of Director approved dividends distribution for the first half of the current financial year amounting to SR 2.250 million, net of SR 1.5 per share as zakat deduction on shareholders. These dividends are due to shareholders of record. As of the end of the exchange on Monday July 12, 2010.

13. COMPARATIVE FIGURES

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