



INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
September 30, 2011




البنك السعودي الفرنسي
Banque Saudi Fransi
ABDUL QADEER MIRZA
M 002 A


عبد الرحمن أمين جاوه
نائب العضو المنتدب


البنك السعودي الفرنسي
Banque Saudi Fransi
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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Banque Saudi Fransi
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Banque Saudi Fransi (the "Bank") and its subsidiaries as of September 30, 2011, and the related interim condensed consolidated income statement and the interim condensed consolidated statements of comprehensive income for the three-month and nine month periods ended September 30, 2011, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and the notes from (1) to (15) for the nine-month period then ended. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note 15 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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October 11, 2011

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BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

Page 2

SAR '000	Note	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
ASSETS				
Cash and balances with SAMA		7,944,672	10,864,136	10,033,960
Due from banks and other financial institutions		8,091,049	5,191,617	7,128,791
Investments, net	3	18,075,487	19,840,715	14,919,858
Loans and advances, net	4	89,719,903	80,976,587	81,455,157
Investment in associates	5	184,565	185,628	186,817
Property and equipment, net		559,485	586,304	592,219
Other assets		6,395,725	5,573,343	6,642,271
Total assets		130,970,886	123,218,330	120,959,073
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		4,866,156	2,312,906	1,765,427
Customers' deposits	6	97,753,845	93,529,251	91,285,600
Term loans		1,793,888	2,465,756	2,480,963
Debt securities	7	2,366,037	2,428,019	2,370,076
Other liabilities		4,892,521	4,459,350	5,276,105
Total liabilities		111,672,447	105,195,282	103,178,171
Equity attributable to equity holders of the Bank				
Share capital		7,232,143	7,232,143	7,232,143
Statutory reserve		6,444,647	6,072,101	5,371,849
General reserve		982,857	982,857	982,857
Other reserves		1,134,650	746,972	1,214,080
Retained earnings		3,504,142	2,169,588	2,960,876
Proposed dividend		-	800,000	-
Total equity attributable to the equity holders of the Bank		19,298,439	18,003,661	17,761,805
Non controlling interest		-	19,387	19,097
Total equity		19,298,439	18,023,048	17,780,902
Total liabilities and equity		130,970,886	123,218,330	120,959,073

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


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 البنك السعودي الفرنسي
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BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
Unaudited

Page 3

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2011	Sep 30, 2010	Sep 30, 2011	Sep 30, 2010
Special commission income	923,314	898,524	2,710,899	2,623,680
Special commission expense	115,011	120,892	356,482	346,662
Net special commission income	808,303	777,632	2,354,417	2,277,018
Fee and commission income, net	272,740	206,406	821,640	673,453
Exchange income, net	57,561	48,141	160,591	146,851
Trading income, net	8,413	35,112	103,264	178,651
Dividend income	9,105	10,716	14,244	17,472
Gain on non-trading investments, net	-	2,300	-	2,300
Other operating income	7,977	4,147	22,883	15,365
Total operating income	1,164,099	1,084,454	3,477,039	3,311,110
Salaries and employee related expenses	197,082	178,573	623,840	527,723
Rent and premises related expenses	32,169	26,083	89,961	77,669
Depreciation and amortization	32,407	31,726	97,800	93,699
Other general and administrative expenses	89,279	74,788	280,336	225,411
Impairment charge for credit losses, net	56,480	154,951	102,158	292,810
Other operating expenses	278	611	26,160	3,614
Total operating expenses	407,695	466,732	1,220,255	1,220,926
Income from operating activities	756,404	617,722	2,256,784	2,090,184
Share in (losses) / earnings of associates, net	3,426	3,730	(6,771)	1,849
Net income for the period	759,830	621,452	2,250,013	2,092,033
Attributable to :				
Equity holders of the Bank	759,830	621,498	2,250,013	2,092,043
Non controlling interest (loss)	-	(46)	-	(10)
Net income for the period	759,830	621,452	2,250,013	2,092,033
Weighted average number of outstanding shares	723,214	723,214	723,214	723,214
Basic and diluted earnings per share for the period (SAR) - Note 12	1.05	0.86	3.11	2.89

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

Page 4

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2011	Sep 30, 2010	Sep 30, 2011	Sep 30, 2010
Net income for the period	759,830	621,452	2,250,013	2,092,033
Other comprehensive income (loss):				
<u>Available for sale investments</u>				
Net change in the fair value	(50,430)	69,811	(113,198)	152,708
<u>Cash flow hedge</u>				
Net change in the fair value	283,281	344,517	1,008,172	1,245,168
Income transferred to interim condensed consolidated income statement	(171,927)	(170,457)	(507,296)	(470,787)
Total comprehensive income for the period	820,754	865,323	2,637,691	3,019,122
Attributable to:				
Equity holders of the Bank	820,754	865,369	2,637,691	3,019,132
Non controlling interest	-	(46)	-	(10)
Total comprehensive income for the period	820,754	865,323	2,637,691	3,019,122

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.


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SAR '000	Notes	Attributable to Equity holders of the Bank							Non controlling interest	Total equity
		Share capital	Statutory reserve	General reserve	Other reserves	Cash flow hedge	Retained earnings	Proposed dividend	Total	
					Available for sale investments					
For the nine months period ended Sep 30, 2011										
Balance at the beginning of the period		7,232,143	6,072,101	982,857	44,697	702,275	2,169,588	800,000	18,003,661	18,023,048
Total Comprehensive income for the period		-	-	-	(113,198)	500,876	2,250,013	-	2,637,691	2,637,691
Transfer to statutory reserve	13	-	372,546	-	-	-	(372,546)	-	-	-
Interim gross dividend	13	-	-	-	-	-	(542,913)	-	(542,913)	(542,913)
Final dividend paid for 2010		-	-	-	-	-	-	(800,000)	(800,000)	(800,000)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	(19,387)
Balance at the end of the period		7,232,143	6,444,647	982,857	(68,501)	1,203,151	3,504,142	-	19,298,439	19,298,439
For the nine months period ended Sep 30, 2010										
Balance at the beginning of the period		7,232,143	5,371,849	982,857	(60,260)	347,251	868,833	990,000	15,732,673	15,751,780
Total Comprehensive income for the period		-	-	-	152,708	774,381	2,092,043	-	3,019,132	3,019,122
Final dividend paid for 2009		-	-	-	-	-	-	(990,000)	(990,000)	(990,000)
Balance at the end of the period		7,232,143	5,371,849	982,857	92,448	1,121,632	2,960,876	-	17,761,805	17,780,902

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

Page 6

SAR '000	Note	For the nine months ended	
		Sep 30, 2011	Sep 30, 2010
OPERATING ACTIVITIES			
Net income for the period		2,250,013	2,092,033
Adjustments to reconcile net income to net cash from /(used in) operating activities:			
Accretion of discounts on non trading investments, net		(21,416)	(9,698)
Gain on non trading investments, net		-	(2,300)
Depreciation and amortization		97,800	93,699
Gain on disposal of property and equipment, net		(187)	(211)
Impairment charge for credit losses, net		102,158	292,810
Share in losses /(earnings) of associates, net		6,771	(1,849)
Change in fair value of financial instruments		(121,479)	2,319
Operating profit before changes in operating assets and liabilities		2,313,660	2,466,803
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(502,460)	(341,063)
Investments held as FVIS, trading		122,244	(96,218)
Loans and advances		(8,813,175)	(3,411,608)
Other assets		(320,117)	(1,530,537)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		2,553,250	(3,066,372)
Customers' deposits		4,249,370	(37,685)
Other liabilities		443,145	1,463,622
Net cash (used in) operating activities		45,917	(4,553,058)
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non trading investments		29,359,331	23,365,938
Purchase of non trading investments		(27,731,679)	(20,625,918)
Investment in associates and subsidiary		(96,355)	(40,625)
Dividends received on associates		-	3,298
Purchase of property and equipment		(71,119)	(79,841)
Proceeds from sale of property and equipment		325	319
Net cash from investing activities		1,460,503	2,623,171
FINANCING ACTIVITIES			
Repayment of term loan		(686,250)	(2,437,500)
Proceeds from issuance of debt securities		-	2,437,500
Dividend paid		(1,342,913)	(990,000)
Net cash (used in) financing activities		(2,029,163)	(990,000)
Decrease in cash and cash equivalents		(522,743)	(2,919,887)
Cash and cash equivalents at the beginning of the period		11,189,910	15,334,228
Cash and cash equivalents at the end of the period	10	10,667,167	12,414,341
Special commission received during the period		2,625,803	2,586,483
Special commission paid during the period		380,455	421,124
Supplemental non-cash information			
Net changes in fair value and transferred to interim condensed consolidated income statement		387,678	927,089

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977). The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 4, 1410H (corresponding to September 5, 1989), through its 83 branches (September 30, 2010: 80 branches) in the Kingdom of Saudi Arabia, employing 2,681 people (September 30, 2010: 2,556). The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at Al Maa'ther Street, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The Bank owns subsidiaries, Fransi Tadawul Company (99% direct share in equity and 1% indirect share beneficially held by a director of the Bank) engaged in brokerage business and CAAM Saudi Fransi (100% share in equity, from 60% share previously) engaged in asset management business. During 2011, the Bank acquired additional shareholding in CAAM Saudi Fransi 40% and Calyon Saudi Fransi 55% (previously an associate with 45% share in equity) to achieve 100% shareholding in companies. Subsequent to the acquisition, the Bank has decided to merge operations of CAAM Saudi Fransi and Calyon Saudi Fransi into Fransi Tadawul Company, which is in the process of being renamed Saudi Fransi Capital and will provide the full array of financial services. The Bank also owns Saudi Fransi Insurance Agency (SAFIA) having 100% share in equity. The Company has commenced its commercial operations of insurance brokerage in the month of January 2011. These subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Bank has investments in associates and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria, 50% shareholding in InSaudi Insurance Company incorporated in the Kingdom of Bahrain, 32.5% shareholding in Saudi Fransi Corporative Insurance Company (Allianz Saudi Fransi) and 50% in Sofinco Saudi Fransi incorporated in the Kingdom of Saudi Arabia.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2010.

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2010 as described in the annual consolidated financial statements for the year ended December 31, 2010 except for the adoption of amendments to the existing standards as mentioned below which has had no financial impact on the financial statements of the Bank:

- IAS 24 Related Party Disclosures (revised 2009)

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

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures

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

2. Basis of preparation (continued)

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting

These amendments emphasize 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 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.

Other amendments resulting from the improvements to the IFRSs to the following standards did not have any material impact on the accounting policies, financial position and performance of the Group:

- IFRS 3
- IFRS 7
- IAS 1
- IAS 27
- IAS 32

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

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries; Fransi Tadawul, CAAM Saudi Fransi, Calyon Saudi Fransi and Saudi Fransi Insurance Agency. 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 wherever necessary in the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

Subsidiaries are all entities over which 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

Non controlling interest represents the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiary and are presented separately in the interim condensed consolidated income statement and within equity in the interim condensed consolidated statement of financial position, separately from the equity attributable to equity holders of the Bank.

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.

3. Investments, net

Investment securities are classified as follows:

SAR '000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Held as FVIS	1,148,814	1,271,058	856,032
Available for sale	6,394,623	6,721,503	6,210,629
Held to maturity	1,405,241	1,423,179	1,929,739
Other investments held at amortised cost	9,126,809	10,424,975	5,923,458
Total	18,075,487	19,840,715	14,919,858

Investments held as FVIS represent investments held for trading.

4. Loans and advances, net

SAR'000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Consumer loans	9,278,496	7,342,665	7,163,681
Commercial loans and overdrafts	73,708,948	67,148,674	68,232,753
Credit cards	697,020	558,214	573,312
Others	6,471,087	6,404,096	5,921,698
Performing loans and advances	90,155,551	81,453,649	81,891,444
Nonperforming loans and advances	1,073,959	1,015,855	1,037,729
Gross loans and advances	91,229,510	82,469,504	82,929,173
Allowance for impairment	(1,509,607)	(1,492,917)	(1,474,016)
Loans and advances, net	89,719,903	80,976,587	81,455,157

5. Investment in associates

SAR '000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Cost	205,925	201,439	205,041
Share of losses, net	(21,360)	(15,811)	(18,224)
Total	184,565	185,628	186,817

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2011 and 2010

6. Customers' deposits

SAR'000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Demand	48,930,267	43,231,502	39,363,393
Saving	438,539	367,250	375,672
Time	45,559,081	46,736,743	49,347,738
Other	2,825,958	3,193,756	2,198,797
Total	97,753,845	93,529,251	91,285,600

7. Debt securities

During 2010, the Bank issued USD 650 Million in 5 year non-convertible and unsecured fixed rate bonds, under its USD 2 Billion Euro Medium Term Note programme which is listed on the London Stock Exchange. The bonds pay a semi-annual coupon of 4.25% and are to be used for general banking purposes.

8. Derivatives

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

Derivative financial instruments SAR '000	Sep 30, 2011 (Unaudited)			Dec 31, 2010 (Audited)			Sep 30, 2010 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading									
Special commission rate swaps	4,945,391	4,734,783	185,408,701	4,113,905	3,782,013	183,858,985	5,287,900	4,915,627	185,708,612
Special commission rate futures and options	3,997	2,903	16,412,964	7,166	2,493	15,148,554	7,825	5,361	15,119,003
Forward rate agreements	-	-	-	743	485	1,137,500	683	2,101	1,137,500
Forward foreign exchange contracts	179,207	79,519	75,377,124	109,354	133,490	61,056,389	156,484	181,229	59,983,288
Currency options	16,221	16	46,052,285	14,608	101	8,142,464	45,196	10,229	14,167,748
Others	5,165	-	1,052,249	2,866	-	718,472	3,634	-	931,414
Held as fair value hedges									
Special commission rate swaps	193,415	73,738	6,044,965	180,429	77,118	8,332,341	185,791	105,347	8,574,633
Held as cash flow hedges									
Special commission rate swaps	1,646,997	-	30,860,173	1,125,871	33,002	30,454,229	1,555,696	-	30,457,497
Total	6,990,393	4,890,959	361,208,461	5,554,942	4,028,702	308,848,934	7,243,209	5,219,894	316,079,695
Value of netting arrangements	(1,865,712)	(1,865,712)	(66,831,288)	(1,300,700)	(1,300,700)	(67,266,810)	(1,729,394)	(1,729,394)	(68,440,894)
Total after netting	5,124,681	3,025,247	294,377,173	4,254,242	2,728,002	241,582,124	5,513,815	3,490,500	247,638,801

Special commission rate swaps include the notional amount of SAR 66,831 million (December 31, 2010: SAR 67,267 million and, September 30, 2010: SAR 68,441 million), with an aggregate positive fair value and a negative fair value of SAR 1,866 million (December 31, 2010: SAR 1,301 million and September 30, 2010: SAR 1,729 million) which are netted off for credit exposure purposes, as the Bank intends to settle these on a net basis.

9. Credit related commitments and contingencies

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

SAR '000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Letters of credit	14,712,626	12,101,939	12,319,407
Letters of guarantee	36,733,117	36,011,306	36,277,053
Acceptances	2,483,734	2,098,961	2,144,041
Irrevocable commitments to extend credit	5,423,699	4,791,968	3,777,839
Total	59,353,176	55,004,174	54,518,340

10. Cash and cash equivalents

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

SAR '000	Sep 30, 2011 (Unaudited)	Dec 31, 2010 (Audited)	Sep 30, 2010 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,576,369	5,998,293	5,285,550
Due from banks and other financial institutions maturing within three months from the date of acquisition	8,090,798	5,191,617	7,128,791
Total	10,667,167	11,189,910	12,414,341

11. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated income statement.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010.

The Bank is organised into the following main operating segments:

Retail banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, and certain forex products.

Corporate banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, Bank's funding operations and derivative products.

Investment banking and brokerage – incorporates investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, international and local shares brokerage services, insurance brokerage and corporate financial advisory services.

The Bank's total assets and liabilities as at September 30, 2011 and 2010, together with total operating income, total operating expenses and net income for the nine months then ended, by operating segments, are as follows:

11. Segment information (Continued)

(Unaudited) SAR '000"	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
September 30, 2011					
Total assets	14,823,501	79,703,753	36,129,470	314,162	130,970,886
Total liabilities	43,334,177	54,516,269	13,547,189	274,812	111,672,447
Total operating income	115,135	1,640,242	545,277	140,169	3,477,039
Total operating expenses	750,972	252,641	129,742	86,900	1,220,255
Share in losses of associates, net	-	-	6,771	-	6,771
Net income for the period	400,379	1,387,601	408,764	53,269	2,250,013
Impairment charges for credit losses, net	94,446	7,712	-	-	102,158
September 30, 2010					
Total assets	13,685,837	72,840,693	34,408,500	24,043	120,959,073
Total liabilities	38,566,990	53,305,563	11,271,463	34,155	103,178,171
Total operating income	1,008,904	1,525,360	684,746	92,100	3,311,110
Total operating expenses	620,149	410,081	116,224	74,472	1,220,926
Share in earnings of associates, net	-	-	-1,849	-	-1,849
Net income for the period	388,755	1,115,279	570,371	17,628	2,092,033
Non controlling interest -(income)	-	-	-	10	10
Impairment charges for credit losses, net	95,909	196,901	-	-	292,810

12. Earnings per share

Basic and diluted earnings per share for the periods ended September 30, 2011 and 2010 are calculated by dividing the net income for the period attributable to equity holders' of the Bank by 723.2 million outstanding shares.

13. Interim dividend and statutory reserve

The Board of Directors has declared interim gross dividend for the six months period ended June 30, 2011 of SAR 543 million.

The Saudi Arabian Banking Control Law requires a minimum of 25% of the net income to be transferred to the statutory reserve before declaration of any distribution of profits until this reserve equals paid up capital of the Bank. Accordingly, an amount of SAR 373 million has been transferred to the statutory reserve.

14. Comparative figures

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

15. 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.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its Statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum of 8%.

The Bank's total risk weighted assets and total Tier I & II Capital are as follows:

SAR' 000	Sep 30, 2011 (Unaudited)	Sep 30, 2010 (Unaudited)
Credit Risk RWA	125,105,160	115,738,746
Operational Risk RWA	8,154,687	7,910,225
Market Risk RWA	2,901,953	3,548,283
Total RWA	136,161,800	127,197,254
Tier I Capital	16,745,385	15,384,689
Tier II Capital	3,019,647	2,888,416
Total Tier I & II Capital	19,765,032	18,273,105
Capital Adequacy Ratio %		
Tier I ratio	12.30%	12.10%
Tier I + Tier II ratio	14.52%	14.37%