

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**
**FOR THE THREE - MONTH PERIOD ENDED 31
MARCH 2016**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE - MONTHS PERIOD ENDED 31 MARCH 2016**

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KPMG Al Fozan & Partners
Certified Public Accountants



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 31 March 2016 and the related interim consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the three-month period then ended and the notes from (1) to (17) which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note 16, 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 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 & Partners
Certified Public Accountants



Other regulatory matters

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

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21 Rajab 1437H
(28 April 2016)



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2016 SAR'000 (Unaudited)	31 December 2015 SAR'000 (Audited)	31 March 2015 SAR'000 (Unaudited)
	Notes			
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA") and other central banks		27,211,749	27,053,716	44,930,409
Due from banks and other financial institutions		26,780,302	26,911,056	20,240,728
Investments	3	41,112,012	39,876,864	41,320,371
Financing, net	4	216,393,996	210,217,868	205,115,259
Investment property		1,343,515	1,350,000	-
Property and equipment, net		5,748,109	5,578,931	5,030,247
Other assets		4,707,341	4,631,213	3,788,787
TOTAL ASSETS		323,297,024	315,619,648	320,425,801
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		2,942,040	4,558,224	1,851,935
Customers' deposits	5	264,782,575	256,227,769	268,478,055
Other liabilities		8,568,563	8,194,601	7,951,091
Total liabilities		276,293,178	268,980,594	278,281,081
Shareholders' equity				
Share capital	11	16,250,000	16,250,000	16,250,000
Statutory reserve		16,250,000	16,250,000	16,250,000
Other reserves	7	3,820,278	2,997,754	3,297,330
Retained earnings		10,683,568	8,666,300	6,347,390
Proposed gross dividends and Zakat		-	2,475,000	-
Total shareholders' equity		47,003,846	46,639,054	42,144,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		323,297,024	315,619,648	320,425,801

The accompanying notes from 1 to 17 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 –months period ended 31 March	
		2016 SAR'000	2015 SAR'000
INCOME			
Gross financing and investment income		2,700,070	2,551,499
Return on customers', banks' and financial institutions' time investments		(125,737)	(88,018)
Net financing and investment income		2,574,333	2,463,481
Fee from banking services, net		830,405	653,844
Exchange income, net		243,598	258,510
Other operating income, net		46,714	46,416
Total operating income		3,695,050	3,422,251
EXPENSES			
Salaries and employees related benefits		674,777	809,035
Rent and premises related expenses		61,297	71,883
Depreciation and amortization		102,993	120,496
Other general and administrative expenses		301,229	380,510
Impairment charge for financing, net		537,486	521,782
Total operating expenses		1,677,782	1,903,706
Net income for the period		2,017,268	1,518,545
Weighted average number of share outstanding	11	1,625,000	1,625,000
Basic and diluted earnings per share (SAR)	12	1.24	0.93

The accompanying notes from 1 to 17 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	
	31 March	
	2016	2015
	SAR'000	SAR'000
Net income for the period	2,017,268	1,518,545
<i>Other comprehensive income</i>		
<i>Items that are or may be reclassified to consolidated statement of income in subsequent periods</i>		
- Available-for-sale investments:		
- Net change in fair value	(57,687)	6,177
- Net amounts transferred to consolidated statement of income	2,729	(5,629)
- Exchange difference on translation of foreign operations	27,482	(51,817)
Total comprehensive income for the period	1,989,792	1,467,276

The accompanying notes from 1 to 17 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)

	Share capital SAR'000	Statutory reserve SAR'000	Other reserves SAR'000	Retained earnings SAR'000	Proposed gross dividends and Zakat SAR'000	Total SAR'000
For the three - month period ended 31 March 2016						
Balance at the beginning of the period	16,250,000	16,250,000	2,997,754	8,666,300	2,475,000	46,639,054
Transfer to other reserves	-	-	850,000	-	(850,000)	-
Dividends transfer to other liabilities	-	-	-	-	(1,625,000)	(1,625,000)
Net change in fair value of available for sale investments	-	-	(57,687)	-	-	(57,687)
Net amounts transferred to consolidated statement of income	-	-	2,729	-	-	2,729
Net movement in foreign currency translation reserve	-	-	27,482	-	-	27,482
Net loss recognized directly in equity	-	-	(27,476)	-	-	(27,476)
Net income for the period	-	-	-	2,017,268	-	2,017,268
Total comprehensive income for the period	-	-	(27,476)	2,017,268	-	1,989,792
Balance at the end of the period	16,250,000	16,250,000	3,820,278	10,683,568	-	47,003,846
For the three-month period ended 31 March 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	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2014	-	-	-	-	(1,218,750)	(1,218,750)
Net change in fair value of available for sale investments	-	-	6,177	-	-	6,177
Net amounts transferred to consolidated statement of income	-	-	(5,629)	-	-	(5,629)
Net movement in foreign currency translation reserve	-	-	(51,817)	-	-	(51,817)
Net loss recognized directly in equity	-	-	(51,269)	-	-	(51,269)
Net income for the period	-	-	-	1,518,545	-	1,518,545
Total comprehensive income for the period	-	-	(51,269)	1,518,545	-	1,467,276
Balance at the end of the period	16,250,000	16,250,000	3,297,330	6,347,390	-	42,144,720

The accompanying notes from 1 to 17 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)

	For the three-month period ended March 31	
	2016 SAR'000	2015 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	2,017,268	1,518,545
Adjustments to reconcile net income to net cash from operating activities:		
Gain on investments held at fair value through statement of income (FVSI)	(4,157)	(29,553)
Depreciation and amortization	102,993	120,496
Gain on sale of property and equipment	-	(3,676)
Impairment charge for financing	537,486	521,782
Share of (profit) / loss in an associate	(1,035)	700
Net (increase) / decrease in operating assets		
Statutory deposit with SAMA and central banks	(164,838)	(1,682,744)
Due from banks and other financial institutions	1,139,999	(2,983,784)
Financing	(6,713,614)	302,919
Investments held as FVSI	555,875	(240,920)
Other assets, net	(48,646)	465,842
Net increase / (decrease) in operating liabilities		
Due to banks and other financial institutions	(1,616,184)	(283,302)
Customers' deposits	8,554,806	12,401,008
Other liabilities	(1,251,038)	348,013
Net cash provided by operating activities	3,108,915	10,455,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(265,686)	(338,810)
Investment in an associate	-	(45,000)
Available-for-sale investments	(355,328)	(5,629)
Proceeds from sale of investments recorded at amortized cost	26,864,202	19,515,285
Purchase of investments recorded at amortized cost	(28,349,663)	(17,965,083)
Proceeds from sale of property and equipment	-	5,684
Net cash (used in) / provided by investing activities	(2,106,475)	1,166,447
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(1,218,750)
Zakat paid	-	-
Net cash used in financing activities	-	(1,218,750)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,002,440	10,403,023
Cash and cash equivalents at beginning of the period	12,382,480	22,231,985

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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AL RAJHI BANKING AND INVESTMENT CORPORATION
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>13,384,920</u>	<u>32,635,008</u>
Gross financing and investment income		2,581,642	2,492,523
Return on customers', banks' and financial institutions' time investments		<u>(109,152)</u>	<u>(84,882)</u>
<u>Non-Cash Transactions:</u>			
Net change in fair value less realized (loss) / gain from available for sale investments		<u>(54,958)</u>	<u>548</u>

The accompanying notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016**

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 objectives of the Bank are 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 through network branches. 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, since its inception, the Bank has established a Shari’a Authority to ascertain that the Bank’s activities are subject to its approval and control. The Shari’a Authority had reviewed several of the Bank’s activities and issued the required decisions thereon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The 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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Bank also prepares its consolidated financial statements to comply with the requirements of Banking Control Law and the provision of Regulations for Companies in the Kingdom of Saudi Arabia and the Bank’s Articles of Association.

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 2015.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2015.

The interim condensed consolidated financial statements are expressed in Saudi Riyals (SAR) 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.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as “the Group”). As at 31 March the following subsidiaries were included in the interim condensed consolidated financial statements:

Name of subsidiaries	Shareholding %		
	2016	2015	
Al Rajhi Capital Company – KSA	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 Development Company - KSA	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 Takaful Agency Company – KSA	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 – KSA	100%	100%	A limited liability company registered in Kingdom of Saudi Arabia to provide recruitment services.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (CONTINUED)**
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All the above-mentioned subsidiaries have been consolidated.

ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for following new standards and other amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements:

a. New standards

- IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognize them on first-time application of IFRS.

b. Amendments to existing standards

- Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Amendments to existing standards (continued)

- Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;
 - o The materiality requirements in IAS 1
 - o That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
 - o That entities have flexibility as to the order in which they present the notes to financial statements
 - o That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance”, instead of IAS 41.
- Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.
- Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:
 - o IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Amendments to existing standards (continued)

- IFRS 7 – “Financial Instruments: Disclosures” has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- IAS 19 – “Employee Benefits” – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 – “Interim Financial Reporting” – amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

3. INVESTMENTS

Investments comprise the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Investment in an associate	76,553	75,518	67,960
Investments held at amortized cost			
Murabaha with SAMA	38,171,801	36,727,031	38,415,935
Sukuk	1,266,225	1,225,534	1,408,098
Total investments held at amortized cost	39,438,026	37,952,565	39,824,033
Investments held at fair value through statement of income (FVSI)			
Equity investments	23,468	23,452	812,154
Mutual funds	569,369	1,121,103	368,907
Total investments held at FVSI	592,837	1,144,555	1,181,061
Available-for-sale investments			
Equity investments	565,820	623,405	-
Mutual funds	438,776	80,821	247,317
Total available-for-sale investments	1,004,596	704,226	247,317
Investments	41,112,012	39,876,864	41,320,371

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2016

4. FINANCING, NET

Financing comprises the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Held at amortized cost			
Corporate Mutajara	41,325,987	38,457,006	40,105,326
Installment sales	163,857,790	161,961,316	154,029,907
Murabaha	13,292,968	12,011,879	13,409,534
Credit cards	243,956	294,155	359,040
Performing financing	218,720,701	212,724,356	207,903,807
Non-performing financing	3,667,772	3,266,911	2,648,128
Gross financing	222,388,473	215,991,267	210,551,935
Provision for financing impairment	(5,994,477)	(5,773,399)	(5,436,676)
Financing, net	216,393,996	210,217,868	205,115,259

5. CUSTOMERS' DEPOSITS

Customer deposits by type comprise the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Demand deposits	247,226,096	240,988,120	250,803,509
Customers' time investments	12,342,323	10,389,516	14,307,090
Other customer accounts	5,214,156	4,850,133	3,367,456
Total	264,782,575	256,227,769	268,478,055

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6. CONTINGENT LIABILITIES

Contingent liabilities comprise the following:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Contingent liabilities			
Letters of credit	1,239,000	1,222,089	1,919,297
Acceptances	634,755	623,723	591,570
Letters of guarantee	5,869,318	5,907,800	6,639,762
Irrevocable commitments to extend credit	2,884,564	2,548,439	7,154,536
Total contingent liabilities	10,627,637	10,302,051	16,305,165

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, this also includes reserve for 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 certain requirements for profitability and growth in the Bank. The Bank has no legal or expected 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:

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Cash	9,043,933	8,865,284	8,722,784
Due from banks and other financial institutions maturing within 90 days from the date of purchase	3,770,301	2,761,056	4,868,777
Balances with SAMA and other central banks (current accounts)	570,686	756,140	19,043,447
Cash and cash equivalents	13,384,920	12,382,480	32,635,008

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9. OPERATING SEGMENTS

The Bank identifies operating segments on the basis of internal reports about the activities of the Bank that are regularly reviewed by the chief operating decision maker, principally the Chief Executive Officer, in order to allocate resources to the segments and to assess its performance.

For management purposes, the Bank is organized into the following four main businesses segments:

Retail segment:	Includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business.
Corporate segment:	Includes deposits of high net worth individuals and deposits, credit facilities, and debit current accounts (overdrafts) of corporate customers.
Treasury segment:	Includes treasury services, Murabaha with SAMA and international Mutajara portfolio.
Investment services and brokerage segments:	Includes investments of individuals and corporate in mutual funds, local and international share trading services and investment portfolios.

Transactions between the above segments are on normal commercial terms and conditions. Assets and liabilities for the segments comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities.

The Bank carries out its activities principally in the Kingdom of Saudi Arabia. As of 31 March 2016, the Bank has five subsidiaries (2015: five subsidiaries), of which one operates outside the Kingdom of Saudi Arabia, additional to overseas branches which operate in Jordan and Kuwait.

The total assets, liabilities, commitments, contingencies and results of operations of these subsidiaries are not significant to the Bank's consolidated financial statements as a whole.

The Bank's total assets and liabilities as at 31 March 2016 and 2015 together with the total operating income and expenses, and net income for the three month periods then ended, for each business segment, are analyzed as follows:

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9. OPERATING SEGMENTS (CONTINUED)

31 March 2016 (Unaudited)	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
Total assets	170,224,600	58,088,593	92,173,133	2,810,698	323,297,024
Total liabilities	246,654,936	17,910,867	10,805,842	921,533	276,293,178
Financing and investments income from external customers	1,964,176	491,557	238,151	6,186	2,700,070
Inter-segment operating income / (expense)	296,769	(189,540)	(107,229)	-	-
Gross financing and investments income	2,260,945	302,017	130,922	6,186	2,700,070
Return on customers' time investments	(55,395)	(70,342)	-	-	(125,737)
Net financing and investments income	2,205,550	231,675	130,922	6,186	2,574,333
Fee from banking services, net	544,399	135,868	8,692	141,446	830,405
Exchange income, net	-	-	243,598	-	243,598
Other operation (loss) / income	(62,468)	19,823	64,421	24,938	46,714
Total operating income	2,687,481	387,366	447,633	172,570	3,695,050
Impairment charge for financing and others	(298,010)	(239,476)	-	-	(537,486)
Depreciation and amortization	(93,318)	(3,421)	(1,084)	(5,170)	(102,993)
Other operating expenses	(907,594)	(70,519)	(15,826)	(43,364)	(1,037,303)
Total operating expenses	(1,298,922)	(313,416)	(16,910)	(48,534)	(1,677,782)
Net income for the period	1,388,559	73,950	430,723	124,036	2,017,268

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9. OPERATING SEGMENTS (CONTINUED)

31 March 2015 (Unaudited)	Retail segment SAR'000	Corporate segment SAR'000	Treasury segment SAR'000	Investment services and brokerage segment SAR'000	Total SAR'000
Total assets	160,998,219	60,479,736	97,415,200	1,532,646	320,425,801
Total liabilities	225,803,044	41,050,746	11,313,594	113,697	278,281,081
Financing and investments income from external customers	2,023,706	418,613	98,116	11,064	2,551,499
Inter-segment operating income/ (expense)	165,246	(107,723)	(57,523)	-	-
Gross financing and investments income	2,188,952	310,890	40,593	11,064	2,551,499
Return on customers' time investments	(31,257)	(54,202)	(2,559)	-	(88,018)
Net financing and investments income	2,157,695	256,688	38,034	11,064	2,463,481
Fee from banking services, net	404,054	116,305	1,065	132,420	653,844
Exchange income, net	-	-	258,510	-	258,510
Other operating income	27,860	427	8,909	9,220	46,416
Total operating income	2,589,609	373,420	306,518	152,704	3,422,251
Impairment charge for financing and others	(334,282)	(187,500)	-	-	(521,782)
Depreciation and amortization	(113,617)	(5,457)	(213)	(1,209)	(120,496)
Other operating expenses	(1,134,603)	(76,816)	(12,459)	(37,550)	(1,261,428)
Total operating expenses	(1,582,502)	(269,773)	(12,672)	(38,759)	(1,903,706)
Net income for the period	1,007,107	103,647	293,846	113,945	1,518,545

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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 in active markets for the same instrument (i.e. without modification or additions).

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: valuation techniques for which any significant input is not based on observable market data.

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

Assets at fair values are as follows:

31 March 2016	(SAR'000)				Total
	Carrying value	Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets measured at fair value					
Investments held at FVSI	592,837	-	569,369	23,468	592,837
Available-for-sale	1,004,596	565,820	438,776	-	1,004,596
Financial assets not measured at fair value					
Due from banks and other financial institutions	26,780,302	-	-	26,822,762	26,822,762
Investments held at amortized cost					
- Murabaha with SAMA	38,171,801	-	-	38,150,534	38,150,534
- Sukuk	1,266,225	-	-	1,267,283	1,267,283
Gross Financing	222,388,473	-	-	232,603,849	232,603,849
Total	290,204,234	565,820	1,008,145	298,867,896	300,441,861
<u>Financial liabilities</u>					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	2,942,040	-	-	2,941,811	2,941,811
Customer deposits	264,782,575	-	-	264,830,638	264,830,638
Total	267,724,615	-	-	267,772,449	267,772,449

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10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31 December 2015 (Audited)	(SAR'000)				Total
	Carrying value	Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets measured at fair value					
Financial assets at FVSI	1,144,555	-	1,121,103	23,452	1,144,555
Available-for-sale	704,226	623,405	80,821	-	704,226
Financial assets not measured at fair value					
Due from banks and other financial institutions	26,911,056	-	-	26,921,850	26,921,850
Investments held at amortized cost					
- Murabaha with SAMA	36,727,031	-	-	36,707,710	36,707,710
- Sukuk	1,225,534	-	-	1,222,263	1,222,263
Gross Financing	215,991,267	-	-	225,644,031	225,644,031
Total	282,703,669	623,405	1,201,924	290,519,306	292,344,635
<u>Financial liabilities</u>					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	4,558,224	-	-	4,557,968	4,557,968
Customer deposits	256,227,769	-	-	256,273,369	256,273,369
Total	260,785,993	-	-	260,831,337	260,831,337

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 consolidated financial position.

The level 3 financial assets measured at fair value represent investments recorded at cost.

Gross financing classified as level 3 has been valued using expected cash flows discounted at relevant SIBOR. Investments held at amortized cost, due to / from banks and other financial institution have been valued using the actual cash flows discounted at relevant SIBOR.

The value obtained from the relevant valuation model may differ from the transaction price of a financial instrument, The difference between the transaction price and the model value commonly referred to as 'day one profit and loss' is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal, Subsequent changes in fair value are recognized immediately in the income statement without reversal of deferred day one profits and losses.

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

Sensitivity analysis

The effect on the Bank's investments having fair value hierarchy of level 2 and level 3 due to reasonable possible change in prices, with all other variables held constant is as follows:

Market Indices	31 March 2016		31 December 2015	
	Change in Equity price %	Effect in SAR Million	Change in Equity price %	Effect in SAR Million
Equity	+/- 10	+/- 56.58	+/- 10	+/- 62.34
Mutual funds	+/- 10	+/- 101.19	+/- 10	+/- 120.19

11. SHARE CAPITAL

The authorized issued and fully paid share capital of the Bank consists of 1,625 million shares of SAR 10 each (31 December 2015: 1,625 million shares).

12. EARNINGS PER SHARE

Earnings per share for the periods ended 31 March 2016 and 2015 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding.

13. 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%.

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 consolidated statement of financial position, commitments and contingencies, to reflect their relative risks as shown in the following table:

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13. CAPITAL ADEQUACY (CONTINUED)

	31 March 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	31 March 2015 (Unaudited) SAR'000
Credit risk weighted assets	213,585,902	206,329,555	203,780,885
Operational risk weighted assets	23,808,192	23,808,192	23,971,738
Market risk weighted assets	1,747,719	6,150,633	5,562,064
Total Pillar I - risk weighted assets	239,141,813	236,288,380	233,314,687
Tier I capital	47,003,847	46,639,054	42,975,883
Tier II capital	2,669,824	2,579,119	2,547,261
Total tier I & II capital	49,673,671	49,218,173	45,523,144
Capital Adequacy Ratio %			
Tier I ratio	19.66%	19.74%	18.42%
Tier I + II ratio	20.77%	20.83%	19.51%

14. DIVIDENDS PAID

The Ordinary General Meeting held on Jumada' II 19, 1437H (corresponding to 28 March, 2016), approved the distribution of dividends to shareholders for the second half of the year ended 31 December 2015, amounting to SAR 1,625 million as SAR 1.00 per share net of Zakat deduction on shareholders amounting to SAR 850 million.

15. COMPARATIVE FIGURES

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

16. 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.

17. APPROVAL OF THE BOARD OF DIRECTORS

The consolidated financial statements were approved by the Board of Directors on 21 Rajab 1437 (corresponding to April 28, 2016).