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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016

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 30 September 2016 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-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

pwc

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.

KPMG Al Fozan & Partners
Certified Public Accountants
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
Registration No. 371

PricewaterhouseCoopers

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

Khalid A. Mahdhar
Certified Public Accountant
Registration No. 368

25 Muhaaram 1438H
(26 October 2016)

كي. بي. ام. جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2016 SAR'000 (Unaudited)**	31 December 2015 SAR'000 (Audited)	30 September 2015 SAR'000 (Unaudited)
ASSETS				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA") and other central banks		**41,469,344**	27,053,716	34,249,466
Due from banks and other financial institutions		**16,839,666**	26,911,056	26,023,575
Investments	3	**33,752,767**	39,876,864	45,344,742
Financing, net	4	**225,863,197**	210,217,868	209,910,332
Investment property		**1,335,084**	1,350,000	-
Property and equipment, net		**6,148,990**	5,578,931	5,369,757
Other assets, net		**5,107,171**	4,631,213	4,314,757
TOTAL ASSETS		**330,516,219**	315,619,648	325,212,629
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		**2,003,510**	4,558,224	2,022,862
Customers' deposits	5	**272,599,968**	257,821,641	271,548,730
Other liabilities		**6,129,600**	6,600,729	6,681,293
Total liabilities		**280,733,078**	268,980,594	280,252,885
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	**3,756,901**	2,997,754	3,267,209
Retained earnings		**13,526,240**	8,666,300	9,192,535
Proposed gross dividends and Zakat		-	2,475,000	-
Total shareholders' equity		**49,783,141**	46,639,054	44,959,744
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**330,516,219**	315,619,648	325,212,629

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

CFO

for CEO

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2016 SAR'000	2015 SAR'000	**2016 SAR'000**	2015 SAR'000
INCOME					
Gross financing and investment income		**3,075,163**	2,557,259	**8,666,140**	7,695,573
Return on customers', banks' and financial institutions' time investments		**(161,912)**	(62,570)	**(422,052)**	(223,265)
Net financing and investment income		**2,913,251**	2,494,689	**8,244,088**	7,472,308
Fee from banking services, net		**692,905**	591,403	**2,370,171**	1,903,253
Exchange income, net		**203,174**	231,698	**694,905**	730,449
Other operating income / (loss), net		**67,293**	(122,727)	**162,129**	45,955
Total operating income		**3,876,623**	3,195,063	**11,471,293**	10,151,965
EXPENSES					
Salaries and employee related benefits		**759,628**	576,997	**2,189,362**	2,022,690
Rent and premises related expenses		**75,177**	52,143	**206,980**	192,315
Depreciation and amortization		**108,001**	70,553	**317,364**	294,977
Other general and administrative expenses		**353,682**	353,996	**978,768**	1,051,483
Impairment charge for financing, net		**541,436**	419,974	**1,634,206**	1,409,190
Impairment charge for available-for-sale investments		**29,208**	-	**65,923**	-
Total operating expenses		**1,867,132**	1,473,663	**5,392,603**	4,970,655
Net income for the period		**2,009,491**	1,721,400	**6,078,690**	5,181,310
Weighted average number of shares outstanding	11	**1,625,000**	1,625,000	**1,625,000**	1,625,000
Basic and diluted earnings per share (SAR)	12	**1.24**	1.06	**3.74**	3.19

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 30 September		For the nine-month period ended 30 September	
	2016	2015	**2016**	2015
	SAR'000	SAR'000	**SAR'000**	SAR'000
Net income for the period	**2,009,490**	1,721,400	**6,078,690**	5,181,310
Other comprehensive income				
Items that are or may be reclassified to consolidated statement of income in subsequent periods				
- Available-for-sale investments:				
- Net change in fair value	**(117,163)**	(816)	**(155,457)**	(131)
- Net amounts transferred to consolidated statement of income	**39,200**	255	**82,738**	255
- Exchange difference on translation of foreign operations	**22,008**	97,474	**59,451**	61,862
Total comprehensive income for the period	**1,953,535**	1,818,313	**6,065,422**	5,243,296

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Notes	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 nine-month period ended 30 September 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	14	-	-	**850,000**	-	**(850,000)**	-
Dividends paid for the second half of 2015	14	-	-	-	-	**(1,625,000)**	**(1,625,000)**
Dividends paid for the first half of 2016	14	-	-	-	**(1,218,750)**	-	**(1,218,750)**
Net change in fair value of available-for-sale investments		-	-	**(155,457)**	-	-	**(155,457)**
Net amounts transferred to consolidated statement of income		-	-	**82,738**	-	-	**82,738**
Net movement in foreign currency translation reserve		-	-	**59,451**	-	-	**59,451**
Net loss recognized directly in equity		-	-	**(13,268)**			**(13,268)**
Net income for the period		-	-	-	**6,078,690**	-	**6,078,690**
Total comprehensive income for the period		-	-	**(13,268)**	**6,078,690**		**6,065,422**
Zakat paid		-	-	**(77,585)**	-	-	**(77,585)**
Balance at the end of the period		**16,250,000**	**16,250,000**	**3,756,901**	**13,526,240**	-	**49,783,141**
For the nine-month period ended 30 September 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	14	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2014	14	-	-	-	-	(1,218,750)	(1,218,750)
Dividends paid for the first half of 2015		-	-	-	(812,500)	-	(812,500)
Prior period adjustment		-	-	-	(5,120)	-	(5,120)
Net change in fair value of available-for-sale investments		-	-	(131)	-	-	(131)
Net amounts transferred to consolidated statement of income		-	-	255	-	-	255
Net movement in foreign currency translation reserve		-	-	61,862	-	-	61,862
Net loss recognized directly in equity		-	-	61,986	-	-	61,986
Net income for the period		-	-	-	5,181,310	-	5,181,310
Total comprehensive income for the period		-	-	61,986	5,181,310	-	5,243,296
Zakat paid				(143,376)			(143,376)
Balance at the end of the period		16,250,000	16,250,000	3,267,209	9,192,535	-	44,959,744

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)

	Notes	For the nine-month period ended September 30 2016 SAR'000	2015 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		**6,078,690**	5,181,310
Adjustments to reconcile net income to net cash from operating activities:			
(Gain) / loss on investments held at fair value through statement of income (FVSI)		**(14,328)**	106,872
Depreciation and amortization		**317,364**	294,977
Gain on sale of property and equipment		**-**	(5,845)
Impairment charge for financing, net		**1,634,206**	1,409,190
Impairment charge for available-for-sale investments		**65,923**	-
Share of profit in an associate		**(7,802)**	(3,826)
Net (increase) / decrease in operating assets			
Statutory deposit with SAMA and central banks		**(555,150)**	(1,972,723)
Due from banks and other financial institutions		**11,479,000**	(9,459,084)
Financing		**(17,279,535)**	(5,379,562)
Investments held as FVSI		**1,014,955**	(1,154,836)
Other assets, net		**(416,507)**	48,430
Net increase / (decrease) in operating liabilities			
Due to banks and other financial institutions		**(2,554,714)**	(112,375)
Customers' deposits		**14,778,327**	12,574,541
Other liabilities		**(488,568)**	1,969,361
Net cash generated from operating activities		**14,051,861**	3,496,430
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(872,507)**	(856,074)
Investment in an associate		**-**	(45,000)
Purchase of available-for-sale investments		**(328,602)**	255
Proceeds from sale and maturity of investments recorded at amortized cost		**98,973,590**	247,077,218
Purchase of investments recorded at amortized cost		**(93,652,358)**	(248,775,677)
Proceeds from sale of property and equipment		**-**	11,126
Net cash generated from / (used in) investing activities		**4,120,123**	(2,588,152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(2,826,311)**	(2,025,253)
Zakat paid		**(77,585)**	(143,376)
Net cash used in financing activities		**(2,903,896)**	(2,168,629)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**15,268,088**	(1,260,351)
Cash and cash equivalents at beginning of the period		**12,382,480**	22,231,985
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	**27,650,568**	20,971,634
Gross financing and investment income received during the period		**8,307,927**	7,586,417
Return on customers', banks' and financial institutions' time investments paid during the period		**(378,097)**	(240,098)
Non-cash transactions:			
Net change in fair value of available-for-sale investments		**(72,719)**	124

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 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 consolidated financial statements as of and for the year ended 31 December 2015.

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.

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 30 September, 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.

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 standard

- 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.

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;

  - The materiality requirements in IAS 1
  - 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
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - 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:

  - 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.

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:

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Investment in an associate	**83,320**	75,518	72,486
Investments held at amortized cost			
Murabaha with SAMA	**30,416,448**	36,727,031	41,435,332
Sukuk	**2,214,885**	1,225,534	1,637,362
Total investments held at amortized cost	**32,631,333**	**37,952,565**	**43,072,694**
Investments held at fair value through statement of income (FVSI)			
Equity investments	**23,461**	23,452	693,461
Mutual funds	**120,467**	1,121,103	1,265,091
Total investments held at FVSI	**143,928**	1,144,555	1,958,552
Available-for-sale investments			
Equity investments	**714,080**	623,405	-
Mutual funds	**180,106**	80,821	241,010
Total available-for-sale investments	**894,186**	704,226	241,010
Investments	**33,752,767**	39,876,864	45,344,742

4. FINANCING, NET

Financing comprises the following:

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Held at amortized cost			
Corporate Mutajara	**46,344,683**	38,457,006	40,229,579
Installment sales	**166,840,936**	161,961,316	158,940,439
Murabaha	**15,554,380**	12,011,879	13,259,012
Credit cards	**364,490**	294,155	140,140
Performing financing	**229,104,489**	212,724,356	212,569,170
Non-performing financing	**3,204,306**	3,266,911	2,910,924
Gross financing	**232,308,795**	215,991,267	215,480,094
Provision for financing impairment	**(6,445,598)**	(5,773,399)	(5,569,762)
Financing, net	**225,863,197**	210,217,868	209,910,332

5. CUSTOMERS' DEPOSITS

Customer deposits by type comprise the following:

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Demand deposits	**244,519,827**	240,988,120	253,193,013
Customers' time investments	**22,343,260**	10,389,516	11,810,484
Other customer accounts	**5,736,881**	6,444,005	6,545,233
Total	**272,599,968**	257,821,641	271,548,730

6. CONTINGENT LIABILITIES

Contingent liabilities comprise the following:

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Contingent liabilities			
Letters of credit	**1,183,078**	1,222,089	3,204,675
Acceptances	**896,660**	623,723	408,533
Letters of guarantee	**5,566,349**	5,907,800	7,293,922
Irrevocable commitments to extend credit	**3,285,407**	2,548,439	4,120,301
Total contingent liabilities	**10,931,494**	10,302,051	15,027,431

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:

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Cash	**10,526,825**	8,865,284	11,282,101
Due from banks and other financial institutions maturing within 90 days from the date of purchase	**4,168,666**	2,761,056	4,176,325
Balances with SAMA and other central banks (current accounts)	**12,955,077**	756,140	5,513,208
Cash and cash equivalents	**27,650,568**	12,382,480	20,971,634

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 their 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. In addition to the overseas branches which operate in Jordan and Kuwait, the Bank has five subsidiaries (2015: five subsidiaries), of which one operates outside the Kingdom of Saudi Arabia.

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 30 September 2016 and 2015 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each business segment, are analyzed as follows:

9. OPERATING SEGMENTS (CONTINUED)

30 September 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	178,423,873	63,778,348	86,244,136	2,069,862	330,516,219
Total liabilities	241,353,222	34,339,348	4,904,318	136,190	280,733,078
Financing and investments income from external customers	6,021,345	1,727,102	900,274	17,419	8,666,140
Inter-segment operating income / (expense)	791,370	(484,165)	(307,205)	-	-
Gross financing and investments income	6,812,715	1,242,937	593,069	17,419	8,666,140
Return on customers', banks' and financial institutions' time investments	(106,747)	(214,855)	(100,450)	-	(422,052)
Net financing and investments income	6,705,968	1,028,082	492,619	17,419	8,244,088
Fee from banking services, net	1,612,213	374,312	29,684	353,962	2,370,171
Exchange income, net	-	-	694,905	-	694,905
Other operating income, net	52,689	414	25,574	83,452	162,129
Total operating income	8,370,870	1,402,808	1,242,782	454,833	11,471,293
Depreciation and amortization	(297,520)	(1,958)	(2,274)	(15,612)	(317,364)
Impairment charge for financing, net	(925,176)	(708,943)	(87)	-	(1,634,206)
Impairment charge for available-for-sale investments	-	-	(65,923)	-	(65,923)
Other operating expenses	(2,917,187)	(264,697)	(70,088)	(123,138)	(3,375,110)
Total operating expenses	(4,139,883)	(975,598)	(138,372)	(138,750)	(5,392,603)
Net income for the period	4,230,987	427,210	1,104,410	316,083	6,078,690

9. OPERATING SEGMENTS (CONTINUED)

30 September 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	168,931,792	57,125,704	98,076,915	1,078,218	325,212,629
Total liabilities	254,317,423	21,900,524	3,938,256	96,682	280,252,885
Financing and investments income from external customers	5,797,396	1,504,204	364,514	29,459	7,695,573
Inter-segment operating income/ (expense)	792,675	(422,955)	(369,720)	-	-
Gross financing and investments income	6,590,071	1,081,249	(5,206)	29,459	7,695,573
Return on customers', banks' and financial institutions' time investments	(120,025)	(63,518)	(39,722)	-	(223,265)
Net financing and investments income	6,470,046	1,017,731	(44,928)	29,459	7,472,308
Fee from banking services, net	1,128,422	390,616	39,801	344,414	1,903,253
Exchange income, net	-	-	730,449	-	730,449
Other operating income, net	(30,040)	2,087	10,481	63,427	45,955
Total operating income	7,568,428	1,410,434	735,803	437,300	10,151,965
Depreciation and amortization	(284,946)	(4,326)	(2,962)	(2,743)	(294,977)
Impairment charge for financing, net	(1,084,188)	(320,999)	(4,003)	-	(1,409,190)
Other operating expenses	(2,870,412)	(217,599)	(64,362)	(114,115)	(3,266,488)
Total operating expenses	(4,239,546)	(542,924)	(71,327)	(116,858)	(4,970,655)
Net income for the period	3,328,882	867,510	664,476	320,442	5,181,310

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

Carrying amounts and fair value:
The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

			(SAR'000)		
30 September 2016 (Unaudited)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets measured at fair value					
Investments held at FVSI	**143,928**	**-**	**120,467**	**23,461**	**143,928**
Available-for-sale investments	**894,186**	**714,080**	**180,106**	**-**	**894,186**
Financial assets not measured at fair value					
Due from banks and other financial institutions	**16,839,666**	**-**	**-**	**16,873,618**	**16,873,618**
Investments held at amortized cost					
- Murabaha with SAMA	**30,416,448**	**-**	**-**	**30,432,469**	**30,432,469**
- Sukuk	**2,214,885**	**-**	**-**	**2,217,058**	**2,217,058**
Gross Financing	**232,308,795**	**-**	**-**	**238,604,723**	**238,604,723**
Total	**282,817,908**	**714,080**	**300,573**	**288,151,329**	**289,165,982**
Financial liabilities					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	**2,003,510**	**-**	**-**	**2,003,759**	**2,003,759**
Customers' deposits	**272,599,968**	**-**	**-**	**272,622,636**	**272,622,636**
Total	**274,603,478**	**-**	**-**	**274,626,395**	**274,626,395**

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

			(SAR'000)		
31 December 2015 (Audited)	Carrying value	Level 1	Level 2	Level 3	Total
<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 investements	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
Customers' deposits	257,821,641	-	-	257,867,241	257,867,241
Total	262,379,865	-	-	262,425,209	262,425,209

FVSI and Available-for-sale investments classified as level 2 include mutual funds, the fair value of which is determined based on the 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 / SAMA murabaha rates.

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 statement of income without reversal of deferred day one profits and losses.

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:

	30 September 2016 (Unaudited)		31 December 2015 (Audited)	
Market Indices	**Change in Equity price %**	**Effect in SAR Million**	Change in Equity price %	Effect in SAR Million
Equity	**+ /- 10**	**+ /- 2.35**	+ /- 10	+ /- 2.35
Mutual funds	**+ /- 10**	**+ /- 30.06**	+ /- 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; 30 September 2015: 1,625 million shares).

12. EARNINGS PER SHARE

Earnings per share for the three-month and nine-month periods ended 30 September 2016 and 2015 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding at each period end.

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:

13. CAPITAL ADEQUACY (CONTINUED)

	30 September 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000	30 September 2015 (Unaudited) SAR'000
Credit risk weighted assets	**219,224,447**	206,329,555	211,639,155
Operational risk weighted assets	**23,808,192**	23,808,192	23,971,738
Market risk weighted assets	**3,299,608**	6,150,633	7,180,725
Total Pillar I - risk weighted assets	**246,332,247**	236,288,380	242,791,618
Tier I capital	**49,783,140**	46,639,054	44,959,744
Tier II capital	**2,740,306**	2,579,119	2,645,489
Total tier I & II capital	**52,523,446**	49,218,173	47,605,233
Capital Adequacy Ratio %			
Tier I ratio	**20.21%**	19.74%	18.52%
Tier I + II ratio	**21.32%**	20.83%	19.61%

14. DIVIDENDS

The Ordinary General Meeting held on 19 Jumada' II 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.

On 19 July 2016, the distribution of dividends to shareholders was approved for the first half of the current fiscal year, amounting to SAR 1,218.75 million as SAR 0.75 per share net of Zakat deduction on shareholders.

The Extra Ordinary General Meeting held on 10 Jumada' I, 1436H (corresponding to 1 March 2015), approved the distribution of dividends to shareholders for the second half of the year ended 31 December 2014, amounting to SAR 1,218.75 million as SAR 0.75 per share net of Zakat deduction on shareholders amounting to SAR 750 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 interim condensed consolidated financial statements were approved by the Board of Directors on 25 Muharram 1438 (corresponding to 26 October 2016).