

Al Rajhi Bank مصرف الراجحي



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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE
MONTHS PERIOD ENDED SEPTEMBER 30,
2008**

(UNAUDITED)

PRICEWATERHOUSECOOPERS 

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



P.O. Box 2732
Riyadh 11461
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REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of Al Rajhi Banking and Investment Corporation (the "Corporation") as of September 30, 2008 and the related interim consolidated statements of income for three and nine month periods then ended, and the related statements of changes in shareholders' equity and cash flows and the notes from (1) to (13) for the nine month period then ended. We have not reviewed Note (14), nor the information related to "Basel II" disclosures cross-referenced therein, which is not required to be within the scope of our review.

Management Responsibility for the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the Corporation's management and have been prepared by them in accordance with Accounting Standards for Financial Institutions, certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements No. 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

Other Regulatory Matters

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

PricewaterhouseCoopers Al Juraid

Ernst & Young

Walid I. Shukri
Registration No. 329

Fahad M. Al-Toaimi
Registration No. 354

11 Shawwal 1429H
(October 11 2008)

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

INTERIM CONSOLIDATED BALANCE SHEET

		(SR'000)		
		At September 30, 2008	At December 31, 2007	At September 30, 2007
Notes		(Unaudited)	(Audited)	(Unaudited)
ASSETS				
	Cash and precious metals	5,195,113	3,486,046	3,747,404
	Balances with Saudi Arabian Monetary Agency ("SAMA")	13,052,896	9,655,153	5,327,531
	Due from banks	919,603	790,645	915,647
Investments, net:				
	Mutajara	63,893,649	42,605,089	48,599,915
	Instalment sale	59,479,727	55,989,774	55,287,011
	Istisnaa	1,379,159	1,630,014	1,731,290
	Murabaha	11,220,259	4,078,388	2,272,178
	Other	<u>1,301,729</u>	<u>572,180</u>	<u>448,769</u>
	Total investments, net	3 137,274,523	104,875,445	108,339,163
	Customer debit current accounts, net	845,851	909,918	826,687
	Property and equipment, net	2,826,883	2,591,101	2,423,430
	Other assets, net	<u>3,140,824</u>	<u>2,578,174</u>	<u>3,132,067</u>
	Total assets	<u>163,255,693</u>	<u>124,886,482</u>	<u>124,711,929</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
	Due to banks	6,261,465	2,593,090	2,994,885
	Syndicated murabaha financing from banks 7	1,875,000	1,875,000	1,875,000
	Customer deposits	118,272,323	89,725,167	91,120,101
	Other customer accounts (including margins on letters of credit, third party funds, certified checks and transfers)	3,989,182	3,030,969	2,495,383
	Other liabilities	<u>7,249,792</u>	<u>4,056,144</u>	<u>4,196,198</u>
	Total liabilities	<u>137,647,762</u>	<u>101,280,370</u>	<u>102,681,567</u>
SHAREHOLDERS' EQUITY:				
	Share capital	8 15,000,000	13,500,000	13,500,000
	Statutory reserve	7,096,219	7,096,219	5,483,805
	General reserve	8 285,976	197,650	197,650
	Retained earnings	8 3,255,736	1,588,326	2,848,907
	Proposed gross dividends	<u>-</u>	<u>1,223,917</u>	<u>-</u>
	Total shareholders' equity	<u>25,607,931</u>	<u>23,606,112</u>	<u>22,030,362</u>
	Total liabilities and shareholders' equity	<u>163,255,693</u>	<u>124,886,482</u>	<u>124,711,929</u>

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

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	(SR'000)			
	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
INCOME:				
Income from investments:				
Mutajara	759,059	756,295	2,154,671	2,072,254
Instalment sale	1,477,674	1,391,358	4,289,929	4,069,112
Istisnaa	36,414	47,156	116,866	149,221
Murabaha	137,642	28,778	306,504	67,860
Other	(4,332)	5,259	4,679	17,057
Total income from investments	2,406,457	2,228,846	6,872,649	6,375,504
Income paid to customers and banks on time investments	(242,382)	(210,722)	(484,442)	(574,954)
Income paid on syndicated murabaha financing from banks	(27,360)	(27,361)	(81,580)	(81,784)
Income from investments, net	2,136,715	1,990,763	6,306,627	5,718,766
Mudaraba fees	26,306	16,272	68,533	48,926
Fees from banking services, net	399,478	247,077	1,108,605	724,362
Exchange income, net	134,390	119,526	374,126	349,435
Other operating income	8,135	60,645	48,039	106,531
Total operating income	2,705,024	2,434,283	7,905,930	6,948,020
EXPENSES:				
Salaries and employee related benefits	422,662	356,815	1,245,840	1,058,212
Rent and premises related expenses	33,919	30,356	102,697	88,014
Impairment charge for investments and other, net	190,654	124,368	655,425	291,718
Other general and administrative expenses	205,345	150,371	523,557	429,735
Depreciation and amortization	94,702	77,403	275,615	204,378
Board of directors' remuneration	693	693	2,060	2,056
Total operating expenses	947,975	740,006	2,805,194	2,074,113
Net income for the period	1,757,049	1,694,227	5,100,736	4,873,907
Weighted average number of outstanding shares (Note 10)	1,500 million	1,500 million	1,500 million	1,500 million
Earnings per share (SR) (Note 10)	1.17	1.13	3.40	3.25

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

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

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

	SR'000					<u>Total</u>
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Proposed gross dividends</u>	
<u>For the nine-month period ended Sept.30, 2008</u>						
Balance at the beginning of the period	13,500,000	7,096,219	197,650	1,588,326	1,223,917	23,606,112
Transfer to accrued zakat	-	-	-	-	(548,917)	(548,917)
Dividends paid	-	-	-	-	(675,000)	(675,000)
Interim dividends for the first half (Note 12)	-	-	-	(1,875,000)	-	(1,875,000)
Bonus share issued (Note 8)	1,500,000	-	-	(1,500,000)	-	-
Net income for the period	-	-	-	5,100,736	-	5,100,736
Transfer to general reserve (Note 8)	-	-	88,326	(88,326)	-	-
Balance at the end of the period	<u>15,000,000</u>	<u>7,096,219</u>	<u>285,976</u>	<u>3,225,736</u>	<u>-</u>	<u>25,607,931</u>
<u>For the nine month period ended Sept.30, 2007</u>						
Balance at the beginning of the period	6,750,000	5,483,805	1,400,000	5,547,650	998,021	20,179,476
Transfer to accrued zakat	-	-	-	-	(323,021)	(323,021)
Dividends paid	-	-	-	-	(675,000)	(675,000)
Bonus share issued	6,750,000	-	(1,202,350)	(5,547,650)	-	-
Interim dividends paid for the first half of current year	-	-	-	(2,025,000)	-	(2,025,000)
Net income for the period	-	-	-	4,873,907	-	4,873,907
Balance at the end of the period	<u>13,500,000</u>	<u>5,483,805</u>	<u>197,650</u>	<u>2,848,907</u>	<u>-</u>	<u>22,030,362</u>

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	(SR'000)	
	For the nine month period ended September 30,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	5,100,736	4,873,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment charge for investments and other, net	655,425	291,718
Depreciation and amortization	275,615	204,378
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(5,974,278)	(930,598)
Customer debit current accounts	(21,369)	(114,300)
Other assets	(575,731)	(891,041)
Net increase (decrease) in operating liabilities:		
Due to banks	3,668,375	(478,361)
Customer deposits	28,547,156	17,722,121
Other customer accounts	958,213	10,941
Other liabilities	<u>2,633,811</u>	<u>55,543</u>
Net cash from operating activities	<u>35,267,953</u>	<u>20,744,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mutajara	(21,397,085)	(14,383,053)
Instalment sale	(3,914,522)	(4,041,959)
Istisnaa	250,855	432,863
Murabaha	(7,167,846)	(1,031,625)
Other investments	(729,549)	(17,885)
Purchase of property and equipment	<u>(498,316)</u>	<u>(638,537)</u>
Net cash used in investing activities	<u>(33,456,463)</u>	<u>(19,680,196)</u>
CASH FLOWS FROM FINANCING ACTIVITY -		
Dividends paid	<u>(2,550,000)</u>	<u>(2,700,000)</u>
Net cash used in financing activity	<u>(2,550,000)</u>	<u>(2,700,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(738,510)	(1,635,888)
Cash and cash equivalents at the beginning of the period	<u>6,853,268</u>	<u>6,299,895</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 5)	<u>6,114,758</u>	<u>4,664,007</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED Sept 30, 2008 (UNAUDITED)

1. GENERAL

Incorporation and operations

Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, (the "Corporation") was formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qada 1407H (corresponding to June 29, 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawwal 1407H (corresponding to June 23, 1987).

The Corporation operates under Commercial Registration No. 1010000096 and its Head Office is located at the following address:

Al Rajhi Banking and Investment Corporation
P.O. Box 28
Riyadh 11411
Kingdom of Saudi Arabia

The objectives of the Corporation are to carry out banking and investment activities in accordance with its Memorandum and Articles of Association, the Banking Control Law and the Council of Ministers Resolution referred to above. The Corporation is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia for its own account and on behalf of others. The Corporation has established certain subsidiary companies in which it owns all or the majority of their shares.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

The Corporation prepares these interim condensed consolidated financial statements in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA"), and International Accounting Standard No. 34 - Interim Financial Reporting. The Corporation also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2007.

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

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

These consolidated financial statements include the accounts of Al Rajhi Banking and Investment Corporation and its subsidiaries in which the Corporation's shareholdings exceed 50% of their share capital and controls their financial and operational policies. Significant balances and transactions between the Corporation and its subsidiaries and those among subsidiaries are eliminated upon consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Corporation till the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Corporation, using consistent accounting policies.

The consolidated subsidiaries as at Sept. 30 are as follows:

	<u>Shareholding %</u>	
	<u>2008</u>	<u>2007</u>
SPC Limited - British Virgin Islands	99%	99%
Arpent VAT Limited - UK	100%	100%
Al Rajhi Investment Corporation Limited - London	100%	100%
ARA (1) Company Limited - Jersey	99%	99%
Al Rajhi Company for Development Limited - Riyadh	99%	99%
Al Rajhi Banking & Investment Corporation BHD-Malaysia	100%	100%
Al Rajhi Financial Services Company	99%	99%

During the second quarter of 2007 and in accordance with the Capital Market Authority ("CMA") requirements, the Corporation has established a new company for brokerage business under the name of "Al Rajhi Financial Services Company" by spinning off all the brokerage business from the Corporation.

c) Accounting policies

The accounting policies used in preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2007.

3. INVESTMENTS, NET

Investments, net comprise of the following:

	(SR'000)		
	At September 30, 2008 (Unaudited)	At December 31, 2007 (Audited)	At September. 30, 2007 (Unaudited)
Held at amortized cost:			
Mutajara	63,893,649	42,605,089	48,599,915
Instalment sale	59,479,727	55,989,774	55,287,011
Istisnaa	1,379,159	1,630,014	1,731,290
Murabaha	11,220,259	4,078,388	2,272,178
Total	<u>135,972,794</u>	<u>104,303,265</u>	<u>107,890,394</u>
Held as fair value through income statement (FVIS):			
Other	1,301,729	572,180	448,769
Total	<u>1,301,729</u>	<u>572,180</u>	<u>448,769</u>
Grand total	<u>137,274,523</u>	<u>104,875,445</u>	<u>108,339,163</u>

4. MUDARABA FUNDS AND CONTINGENT LIABILITIES

Mudaraba funds and contingent liabilities comprise the following:

	(SR'000)		
	At September 30, 2008 (Unaudited)	At December 31, 2007 (Audited)	At September 30, 2007 (Unaudited)
a) Mudaraba Funds:			
Customers' investments	362,786	429,882	495,199
Current accounts - metals	11,466	21,610	20,586
Total	<u>374,252</u>	<u>451,492</u>	<u>515,785</u>
b) Contingent Liabilities:			
Letters of credit and acceptances	6,556,169	5,435,781	2,898,281
Letters of guarantee	7,759,108	6,458,948	6,122,105
Irrevocable commitments to extend credit	8,430,358	6,834,037	6,446,680
Total	<u>22,745,635</u>	<u>18,728,766</u>	<u>15,467,066</u>
Grand Total	<u>23,119,887</u>	<u>19,180,258</u>	<u>15,982,851</u>

5. CASH AND CASH EQUIVALENTS

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

	(SR'000)		
	At September 30, 2008 (Unaudited)	At December 31, 2007 (Audited)	At September 30, 2007 (Unaudited)
Cash and precious metals	5,195,113	3,486,046	3,747,404
Balances with SAMA (current accounts)	42	2,576,577	956
Due from banks (current accounts)	<u>919,603</u>	<u>790,645</u>	<u>915,647</u>
Total	<u>6,114,758</u>	<u>6,853,268</u>	<u>4,664,007</u>

6. BUSINESS SEGMENTS

For management purposes, the Corporation is categorized into the following four main banking segments:

Individuals Segment (retail): Includes individual customer deposits, credit facilities, customer debit current accounts (overdrafts), fee from banking services and remittance business.

Corporate Segment: Includes corporate customers' deposits, credit facilities and debit current accounts (overdrafts).

Treasury and Financial Institutions: Includes treasury and financial institutions services and international portfolios.

Investments Segment: Includes individual and corporate customers' investments in mutual funds and equity investments, local and international shares trading services and investment portfolios.

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

The Corporation carries out its activities principally in the Kingdom of Saudi Arabia, and has seven subsidiaries, of which five are registered outside the Kingdom as at September 30, 2008 and 2007.

The total assets, liabilities, and results of operations of these subsidiaries are not material to the Corporation's interim condensed consolidated financial statements taken as a whole.

The Corporation's total assets and liabilities as at September 30, 2008 and 2007 together with the total operating income and expenses, and net income for the nine-month periods then ended, for each segment, are analyzed as follows:

	(SR'000) (Unaudited)				
	Individuals (retail)	Corporate	Treasury and Financial Institutions	Investments	Total
<u>2008</u>					
Total assets	<u>66,257,077</u>	<u>52,455,637</u>	<u>44,542,979</u>	<u>-</u>	<u>163,255,693</u>
Total liabilities	<u>88,152,116</u>	<u>38,301,583</u>	<u>9,676,360</u>	<u>1,517,703</u>	<u>137,647,762</u>
Total operating income	<u>4,775,123</u>	<u>1,462,658</u>	<u>1,331,872</u>	<u>336,277</u>	<u>7,905,930</u>
Impairment of investments and other, net	(376,968)	(182,669)	(95,788)	-	(655,425)
Depreciation and amortization	(246,001)	(10,000)	(1,903)	(17,711)	(275,615)
Other operating expenses	<u>(1,521,668)</u>	<u>(178,055)</u>	<u>(46,867)</u>	<u>(127,564)</u>	<u>(1,874,154)</u>
Total operating expenses	<u>(2,144,637)</u>	<u>(370,724)</u>	<u>(144,558)</u>	<u>(145,275)</u>	<u>(2,802,194)</u>
Net income for the period	<u>2,630,486</u>	<u>1,091,934</u>	<u>1,187,314</u>	<u>191,002</u>	<u>5,100,736</u>
<u>2007</u>					
Total assets	<u>62,915,901</u>	<u>24,113,794</u>	<u>37,682,234</u>	<u>-</u>	<u>124,711,929</u>
Total liabilities	<u>74,824,953</u>	<u>20,802,349</u>	<u>6,368,498</u>	<u>685,767</u>	<u>102,681,567</u>
Total operating income	<u>4,498,314</u>	<u>908,227</u>	<u>1,181,093</u>	<u>360,386</u>	<u>6,948,020</u>
Impairment of investments and other, net	(534,928)	179,465	63,745	-	(291,718)
Depreciation and amortization	(180,077)	(8,461)	(1,227)	(14,613)	(204,378)
Other operating expenses	<u>(1,058,349)</u>	<u>(286,046)</u>	<u>(119,047)</u>	<u>(114,575)</u>	<u>(1,578,017)</u>
Total operating expenses	<u>(1,773,354)</u>	<u>(115,042)</u>	<u>(56,529)</u>	<u>(129,188)</u>	<u>(2,074,113)</u>
Net income for the period	<u>2,724,960</u>	<u>793,185</u>	<u>1,124,564</u>	<u>231,198</u>	<u>4,873,907</u>

7. SYNDICATED MURABAHA FINANCING FROM BANKS

This balance represents murabaha facilities amounting to US\$ 500 million (SR 1,875 million) for three years maturing in May 2009 and was obtained from consortium of banks.

The facilities profit is payable on six semi-annual installments over three years. The final sixth installment of profit is payable together with the principal amount according to the facility agreement.

8. SHARE CAPITAL AND STATUTORY RESERVE

At the extra-ordinary general meeting held on 17 Safar 1429H (corresponding to February 24, 2008), the shareholders approved an increase in the share capital of the Corporation from SR 13,500 million to SR 15,000 million through the issuance of one bonus share for each nine shares held by transferring SR 1,500 million from the retained earnings. Also, at the same meeting, the shareholders approved a transfer of SR 88.3 million from the retained earnings to the general reserve.

9. RELATED PARTY TRANSACTION

In the ordinary course of business, the Corporation transacts with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions as at September 30, are as follows:

		(Unaudited)			
Related parties	Type of transaction	September 30, 2008		September 30, 2007	
		Debit	Credit	Debit	Credit
Members of the Board of Directors	Letters of credit	503,621	-	194,834	-
	Musharaka bills	787,118	-	607,365	-
	Mutajara	2,750,887	-	3,063,626	-
	Murabaha bills	8,594	-	115,510	-
	Current accounts	4,699	325,757	21,711	232,275
	Direct investment	-	172,526	-	16,476
	Letters of guarantee	339,422	-	249,109	-
	Guarantee	66,000	-	66,000	-
	Bills acceptance	30,951	-	218	-
Companies and establishments guaranteed by members of the Board of Directors	Letter of credit	-	-	804	-
	Mutajara	26,539	-	22,479	-
	Musharaka bills	-	-	92	-
	Current accounts	-	-	-	-
	Letters of guarantee	46,258	-	44,335	-
Mudaraba funds	Current accounts	-	23,951	-	161,030
	Mudaraba	-	2,967,786	-	2,315,709
	Investment in funds	180,574	-	132,627	-
Other major shareholders with ownership of more than 5% of the Corporation's share capital	Direct investments	-	1,526,423	-	1,496,960
	Current account	-	29,990	-	-
	Investment in funds	-	74,204	-	-
	Other liabilities	-	12,214	-	10,451

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

	(SR'000)	
	(Unaudited)	
	For the nine-month period ended September 30,	
	<u>2008</u>	<u>2007</u>
Income from investments	134,302	191,563
Other operating income	892	1,058
Salaries and employee related benefits (air tickets)	8,757	6,781
Rent and premises related expenses	1,797	1,749
Board of Directors' remunerations	2,060	2,056

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

	(SR'000)	
	(Unaudited)	
	For the nine month period Ended September 30,	
	<u>2008</u>	<u>2007</u>
Short-term benefits	20,107	14,772
Provision for end of service benefits	819	670

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

10. EARNING PER SHARE

Earnings per share for the periods ended September 30, 2008 and 2007 have been calculated by dividing the net income for the period by 1,500 million shares to retroactively reflect the effect of the change in number of shares increased as a result of issuance of bonus shares (Note 8) in accordance with the requirements of IAS 33 - earnings per share.

11. CAPITAL ADEQUACY

The Corporation maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Corporation's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA.

SAMA has issued guidance regarding implementation of Basel II disclosures effective January 1, 2008. Consequently, the following disclosures have been made for the first period and comparatives have not been presented.

<u>Particular</u>	<u>Capital Adequacy Ratios at September 30, 2008 (Unaudited)</u>	
	<u>Total Capital Ratio</u>	<u>Tier 1 Capital Ratio</u>
Top consolidated level	18.60%	13.18%

12. INTERIM DIVIDEND

As of June 29, 2008 the Board of Directors approved an interim dividend of SR 1,875 million for distribution to the shareholders for the six-month period ended June 30, 2008. This interim dividend, which is included in other liabilities as of June 30, 2008 will result in a payment to the shareholders of SR 1.25 per share.

13. COMPARATIVE FIGURES

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

14. BASEL II PILLAR 3 DISCLOSURES

The Corporation will make within 60 days after September 30, 2008, the disclosures available to the public on the Corporation's website (www.alrajhibank.com.sa) as required by SAMA. Certain additional quantitative disclosures are required under Basel II Pillar 3. Such disclosures are not subject to review or audit by the external auditors of the Corporation.
