

**AL RAJHI BANKING AND  
INVESTMENT CORPORATION**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
THREE-MONTH PERIOD ENDED  
MARCH 31, 2012**

**(UNAUDITED)**

**PRICEWATERHOUSECOOPERS** 

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

 **ERNST & YOUNG**

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

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF  
AL RAJHI BANKING AND INVESTMENT CORPORATION  
(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 2012, and the related interim consolidated statements of comprehensive income, changes in shareholders’ equity, cash flows and the related notes from (1) to (14) for the three-month period then ended. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements No. 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.

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### Conclusion

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

### Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (12) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in the aforementioned note to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

### PricewaterhouseCoopers



Mohammed A. Al Obaidi  
Registration No. 367

### Ernst & Young



Rashid S. Al Rashoud  
Registration No. 366



8 Jumada Al Thani 1433H  
(29 April 2012)



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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(SR'000)

	<u>Notes</u>	At March 31, 2012 <u>(Unaudited)</u>	At December 31, 2011 <u>(Audited)</u>	At March 31, 2011 <u>(Unaudited)</u>
<b>ASSETS</b>				
Cash and balances with Saudi Arabian Monetary Agency ("SAMA")		18,956,429	20,419,467	26,771,194
Due from banks and other financial institutions		17,829,007	14,599,787	13,654,990
Investments	3	39,010,978	38,802,492	32,065,777
Financing, net	4	151,841,928	140,395,619	124,250,186
Customer debit current accounts, net		311,433	375,941	270,716
Property and equipment, net		3,688,717	3,623,522	3,437,588
Other assets, net		<u>2,526,856</u>	<u>2,596,584</u>	<u>2,581,060</u>
<b>TOTAL ASSETS</b>		<b><u>234,165,348</u></b>	<b><u>220,813,412</u></b>	<b><u>203,031,511</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES:</b>				
Due to banks and other financial institutions		7,711,552	7,020,781	5,964,653
Customer deposits	5	186,094,271	173,429,465	160,435,677
Other liabilities		<u>7,775,888</u>	<u>6,792,109</u>	<u>6,863,107</u>
<b>TOTAL LIABILITIES</b>		<b><u>201,581,711</u></b>	<b><u>187,242,355</u></b>	<b><u>173,263,437</u></b>
<b>SHAREHOLDERS' EQUITY:</b>				
Share capital		15,000,000	15,000,000	15,000,000
Statutory reserve		13,956,451	13,956,451	12,111,884
Other reserves	7	1,501,253	750,000	750,000
Retained earnings		2,125,933	114,606	1,906,190
Proposed gross dividends and zakat		<u>-</u>	<u>3,750,000</u>	<u>-</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>32,583,637</u></b>	<b><u>33,571,057</u></b>	<b><u>29,768,074</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>234,165,348</u></b>	<b><u>220,813,412</u></b>	<b><u>203,031,511</u></b>

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

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

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

(SR'000)

	For the three-month period ended March 31	
	<u>2012</u>	<u>2011</u>
<b>INCOME:</b>		
Gross financing and investment income	2,396,665	2,295,986
Income paid to customers on time investments	<u>(68,955)</u>	<u>(62,870)</u>
<b>Net financing and investment income</b>	<b>2,327,710</b>	<b>2,233,116</b>
Fees from banking services, net	743,465	484,778
Exchange income, net	213,547	187,179
Other operating income	<u>142,717</u>	<u>31,682</u>
<b>Total operating income</b>	<b><u>3,427,439</u></b>	<b><u>2,936,755</u></b>
<b>EXPENSES:</b>		
Salaries and employee related benefits	528,059	475,410
Rent and premises related expenses	52,588	38,286
Impairment charge for financing and other	466,749	349,366
Other general and administrative expenses	268,309	279,272
Depreciation and amortization	99,722	93,458
Board of directors' remuneration	<u>685</u>	<u>678</u>
<b>Total operating expenses</b>	<b><u>1,416,112</u></b>	<b><u>1,236,470</u></b>
<b>Net income for the period</b>	<b>2,011,327</b>	<b>1,700,285</b>
<b>Comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Net comprehensive income for the period</b>	<b><u>2,011,327</u></b>	<b><u>1,700,285</u></b>
Weighted average number of outstanding shares (Note 11)	<u>1,500 Million</u>	<u>1,500 Million</u>
Earnings per share (SR) (Note 11)	<u>1.34</u>	<u>1.13</u>

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

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

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

(SR'000)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Proposed gross dividends</u>	<u>Total</u>
<b>For the three-month period ended March 31, 2012</b>						
Balance at the beginning of the period	15,000,000	13,956,451	750,000	114,606	3,750,000	33,571,057
Transfer to reserves (Note 7)	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2011 (Note 13)	-	-	-	-	(3,000,000)	(3,000,000)
Employee share plan (Note 7)	-	-	1,253	-	-	1,253
Net comprehensive income for the period	-	-	-	2,011,327	-	2,011,327
<b>Balance at the end of the period</b>	<b><u>15,000,000</u></b>	<b><u>13,956,451</u></b>	<b><u>1,501,253</u></b>	<b><u>2,125,933</u></b>	<b><u>-</u></b>	<b><u>32,583,637</u></b>
<b>For the three-month period ended March 31, 2011</b>						
Balance at the beginning of the period	15,000,000	12,111,884	-	205,905	3,000,000	30,317,789
Transfer to reserves (Note 7)	-	-	750,000	-	(750,000)	-
Dividends paid for the second half of 2010 (Note 13)	-	-	-	-	(2,250,000)	(2,250,000)
Net comprehensive income for the period	-	-	-	1,700,285	-	1,700,285
<b>Balance at the end of the period</b>	<b><u>15,000,000</u></b>	<b><u>12,111,884</u></b>	<b><u>750,000</u></b>	<b><u>1,906,190</u></b>	<b><u>-</u></b>	<b><u>29,768,074</u></b>

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 three-month period ended March 31	
	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income for the period	2,011,327	1,700,285
<b>Adjustments to reconcile net income to net cash (used in) provided by operating activities:</b>		
Depreciation and amortization	99,722	93,458
Impairment charge for financing and other	466,749	349,366
Employee share plan expenses	1,253	-
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	(801,319)	(714,923)
Due from banks and other financial institutions	(7,350,778)	(2,835,597)
Investments held as FVIS	286,033	55,486
Financing	(11,913,058)	(4,534,885)
Customer debit current accounts	64,508	41,346
Other assets	69,728	(351,359)
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	690,771	550,472
Customer deposits	12,664,806	17,371,640
Other liabilities	983,779	818,204
<b>Net cash (used in) provided by operating activities</b>	<b><u>(2,726,479)</u></b>	<b><u>12,543,493</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(164,917)	(136,183)
Investments recorded at amortized cost	(494,519)	(3,874,381)
<b>Net cash used in investing activities</b>	<b><u>(659,436)</u></b>	<b><u>(4,010,564)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(3,000,000)	(2,250,000)
<b>Net cash used in financing activities</b>	<b><u>(3,000,000)</u></b>	<b><u>(2,250,000)</u></b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,385,915)</b>	<b>6,282,929</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>18,622,071</u></b>	<b><u>20,224,680</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 8)</b>	<b><u>12,236,156</u></b>	<b><u>26,507,609</u></b>

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

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012 (UNAUDITED)**

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**1. GENERAL**

**Incorporation and operations**

Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, (the “Bank”) 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 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 Memorandum and Articles of Association, the Banking Control Law and the Council of Ministers Resolution referred to above. The Bank is engaged in banking and investment activities inside and outside the Kingdom of Saudi Arabia for its own account and on behalf of others. The Bank has established certain subsidiary companies in which it owns all or the majority of their shares.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**a) Basis of preparation**

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

The interim condensed consolidated financial statements do not include all notes required for the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements were approved on 26 Jumad Al Awal 1433H (corresponding to April 18, 2012).

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



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

These interim condensed consolidated financial statements include the accounts of the Bank and its subsidiaries in which the Bank's shareholdings exceed 50% of their share capital and where the Bank has the power to govern their financial and operational policies. Significant balances and transactions between the Bank and its subsidiaries and those among subsidiaries are eliminated upon consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Bank till the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

The subsidiaries included in the interim condensed consolidated financial statements comprise the following at March 31:

	<u>Shareholding %</u>	
	<u>2012</u>	<u>2011</u>
Al Rajhi Company for Development Limited - Saudi Arabia	100%	100%
Al Rajhi Corporation Limited - Malaysia	100%	100%
Al Rajhi Capital Company - Saudi Arabia	100%	99%
Al Rajhi Bank - Kuwait	100%	100%
Al Rajhi Bank - Jordan	100%	100%
Al Rajhi Takaful Agency Company - Saudi Arabia	99%	-

Al Rajhi Takaful Agency Company was formed during the last quarter of 2011. All the above-mentioned subsidiaries were consolidated.

## 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, 2011, as presented at the annual consolidated financial statements of the Bank, except for the change mentioned in Note 7 and for the adoption of the amendment to "IFRS 7 - Financial instruments: Transfers of financial assets" as detailed below which has had no significant impact on the interim condensed consolidated financial statements of the Bank.

The amendment to IFRS 7 is effective from July 1, 2011 and requires additional disclosures with respect to risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount, and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities and the relationship between financial assets and associated liabilities.

The Bank has chosen not to early adopt the following standards, which are effective for the Banks 2013 financial reporting year.

• IAS 1	Amendments	Presentation of items of other comprehensive income
• IFRS 10		Consolidated financial statements
• IFRS 12		Disclosure of interests in other entities
• IFRS 13		Fair value measurement
• IAS 19	Revised 2011	Employee benefits
• IAS 28	Revised 2011	Investments in associates and joint ventures
• IAS27		Separate financial statements
• IAS 32 and IFRS 7	Amendments	Financial instruments on asset and liability offsetting

In addition to the above, the Bank has chosen not to adopt IFRS 9 (2010) - Financial instruments, which has been published and may also be early adopted, but will not be effective until January 1, 2015.

The Bank is currently assessing the implication of the above standards and amendments on the Group and the timing of adoption.

### 3. INVESTMENTS

Investments comprise of the following:

	SR'000		
	At March 31, 2012 (Unaudited)	At December 31, 2011 (Audited)	At March 31, 2011 (Unaudited)
<b>Investments held at amortized cost:</b>			
Murabaha with SAMA	<u>36,019,442</u>	<u>35,524,923</u>	<u>29,472,860</u>
<b>Total Investments held at amortized cost</b>	<b><u>36,019,442</u></b>	<b><u>35,524,923</u></b>	<b><u>29,472,860</u></b>
<b>Held as fair value through income statement (FVIS):</b>			
Sukuk	1,337,864	1,310,097	993,574
Equity investments	681,451	789,841	716,671
Mutual Funds	312,782	482,975	324,492
Sundry	<u>659,439</u>	<u>694,656</u>	<u>558,180</u>
<b>Total FVIS</b>	<b><u>2,991,536</u></b>	<b><u>3,277,569</u></b>	<b><u>2,592,917</u></b>
<b>Total investments</b>	<b><u>39,010,978</u></b>	<b><u>38,802,492</u></b>	<b><u>32,065,777</u></b>

### 4. FINANCING, NET

Net financing comprise of the following:

	SR'000		
	At March 31, 2012 (Unaudited)	At December 31, 2011 (Audited)	At March 31, 2011 (Unaudited)
<b>Held at amortized cost:</b>			
Retail	100,675,780	93,705,537	75,664,321
Corporate	51,860,380	47,293,360	49,054,735
Visa	<u>538,137</u>	<u>556,400</u>	<u>557,439</u>
Performing financing	153,074,297	141,555,297	125,276,495
Non-performing financing	<u>2,584,825</u>	<u>2,395,954</u>	<u>2,610,560</u>
<b>Total financing</b>	<b><u>155,659,122</u></b>	<b><u>143,951,251</u></b>	<b><u>127,887,055</u></b>
Provision for financing impairment	<u>(3,817,194)</u>	<u>(3,555,632)</u>	<u>(3,636,869)</u>
<b>Net financing</b>	<b><u>151,841,928</u></b>	<b><u>140,395,619</u></b>	<b><u>124,250,186</u></b>

## 5. CUSTOMER DEPOSIT

Customer deposit comprise of the following:

	SR'000		
	At March 31, 2012 (Unaudited)	At December 31, 2011 (Audited)	At March 31, 2011 (Unaudited)
Current customer deposit	175,495,587	164,817,558	149,335,343
Time investment	8,213,273	5,726,461	8,320,710
Other customers' accounts	<u>2,385,411</u>	<u>2,885,446</u>	<u>2,779,624</u>
<b>Total</b>	<b><u>186,094,271</u></b>	<b><u>173,429,465</u></b>	<b><u>160,435,677</u></b>

## 6. MUDARABA FUNDS, CONTINGENT LIABILITIES AND LITIGATIONS

Mudaraba funds and contingent liabilities comprise the following:

	SR'000		
	At March 31, 2012 (Unaudited)	At December 31, 2011 (Audited)	At March 31, 2011 (Unaudited)
<b>a) Mudaraba Funds:</b>			
Mudaraba and Customers' investments	10,289,737	8,166,802	9,554,209
Current accounts - metals	<u>5,641</u>	<u>5,642</u>	<u>5,678</u>
<b>Total</b>	<b><u>10,295,378</u></b>	<b><u>8,172,444</u></b>	<b><u>9,559,887</u></b>
<b>b) Contingent Liabilities:</b>			
Letters of credit and acceptances	4,332,602	3,797,759	4,553,971
Letters of guarantee	5,998,122	5,879,969	6,369,548
Irrevocable commitments to extend credit	<u>5,990,474</u>	<u>5,706,419</u>	<u>8,901,762</u>
<b>Total</b>	<b><u>16,321,198</u></b>	<b><u>15,384,147</u></b>	<b><u>19,825,281</u></b>
<b>Grand Total</b>	<b><u>26,616,576</u></b>	<b><u>23,556,591</u></b>	<b><u>29,385,168</u></b>

On March 31, 2012, there were a number of litigations raised against the Bank within the normal course of business, some of which related to contingent liabilities for granting of credit. These litigations are still under review by the concerned authorities.

Provisions have only been made against certain litigations, apart from others, as the Bank's management believes that they have positive legal position on the remaining litigations.

## 7. Other reserves

During the period ended March 31, 2012, the Bank changed its accounting policy relating to zakat. The calculated zakat used to be recorded as part of other liabilities and any differences in the Bank's zakat calculation is to be covered from the general reserve.

Starting January 1, 2012 and in accordance with the Bank's new accounting policy, the Bank records the amount of zakat calculated in other reserves. Hence, comparative figures have been reclassified. According to the old and new accounting policies, zakat is still considered as dividends and not as expense to the Bank.

The Bank grants its shares to certain eligible employees, through the incentives program of share-based payments transaction after obtaining the necessary approval, subject to the completion of the agreed upon service period. Calculated payments are recorded on accrual basis during the period under other reserves.

## 8. CASH AND CASH EQUIVALENTS

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

	SR'000		
	At March 31, 2012 (Unaudited)	At December 31, 2011 (Audited)	At March 31, 2011 (Unaudited)
Cash	5,950,031	6,186,518	6,285,160
Balances with SAMA (current accounts)	1,526,618	3,554,488	10,409,839
Due from banks (current accounts and Murabaha having original maturity of three months)	<u>4,759,507</u>	<u>8,881,065</u>	<u>9,812,610</u>
<b>Total</b>	<b><u>12,236,156</u></b>	<b><u>18,622,071</u></b>	<b><u>26,507,609</u></b>

## 9. BUSINESS SEGMENTS

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

Retail Segment:	Includes individual customer deposits, credit facilities, customer debit current accounts (overdrafts), fee from banking services and remittance business.
Corporate Segment:	Incorporates deposits of VIP, corporate customer deposits, credit facilities, and debit current accounts (overdrafts).
Treasury Segment:	Incorporates treasury services with SAMA and international trading portfolios.
Investments services and Brokerage Segment:	Incorporates investments of individuals and corporates in mutual funds, local and international shares trading services and investment portfolios.

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

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

The Bank carries out its activities principally in the Kingdom of Saudi Arabia, and has six subsidiaries of which three are registered outside the Kingdom of Saudi Arabia as of March 31, 2012 (2011: five subsidiaries of which three are registered outside the Kingdom of Saudi Arabia).

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

The Bank's total assets and liabilities as at March 31, 2012 and 2011 together with the total operating income and expenses, and net income for the periods then ended, for each segment, are analyzed as follows:

	SR'000 (Unaudited)				
<b>2012</b>	Retail segment	Corporate segment	Treasury segment	Investment services and brokerage segment	Total
Total assets	<u>109,135,800</u>	<u>52,121,680</u>	<u>69,410,760</u>	<u>3,497,108</u>	<u>234,165,348</u>
Capital expenditure for the period	<u>164,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,918</u>
Total liabilities	<u>143,183,202</u>	<u>48,744,448</u>	<u>5,999,070</u>	<u>3,654,991</u>	<u>201,581,711</u>
Gross financing and investment income	<u>1,721,870</u>	<u>476,495</u>	<u>92,300</u>	<u>106,000</u>	<u>2,396,665</u>
Income paid to customers on time investments	<u>(13,400)</u>	<u>(5,400)</u>	<u>(13,217)</u>	<u>(36,938)</u>	<u>(68,955)</u>
Total operating Income	<u>2,495,181</u>	<u>431,490</u>	<u>332,857</u>	<u>167,911</u>	<u>3,427,439</u>
Impairment charge for financing and other	(301,749)	(165,000)	-	-	(466,749)
Depreciation and amortization	(56,982)	(2,460)	(37,822)	(2,458)	(99,722)
Other operating expenses	<u>(711,763)</u>	<u>(40,740)</u>	<u>(59,011)</u>	<u>(38,127)</u>	<u>(849,641)</u>
Total operating expenses	<u>(1,070,944)</u>	<u>(208,200)</u>	<u>(96,833)</u>	<u>(40,585)</u>	<u>(1,416,112)</u>
Net income for the period	<u>1,424,687</u>	<u>223,290</u>	<u>236,024</u>	<u>127,326</u>	<u>2,011,327</u>

	SR'000 (Unaudited)				
<b><u>2011</u></b>	<u>Retail segment</u>	<u>Corporate segment</u>	<u>Treasury segment</u>	<u>Investment services and brokerage segment</u>	<u>Total</u>
Total assets	<u>84,822,962</u>	<u>49,200,891</u>	<u>66,711,609</u>	<u>2,296,049</u>	<u>203,031,511</u>
Capital expenditure for the period	<u>134,088</u>	<u>-</u>	<u>-</u>	<u>2,095</u>	<u>136,183</u>
Total liabilities	<u>121,686,171</u>	<u>46,198,139</u>	<u>3,204,626</u>	<u>2,174,501</u>	<u>173,263,437</u>
Gross financing and investment income	<u>1,634,181</u>	<u>544,389</u>	<u>61,854</u>	<u>55,562</u>	<u>2,295,986</u>
Income paid to customers on time investments	<u>(5,406)</u>	<u>(1,093)</u>	<u>(23,329)</u>	<u>(33,042)</u>	<u>(62,870)</u>
Total operating Income	<u>2,036,253</u>	<u>507,796</u>	<u>313,003</u>	<u>79,703</u>	<u>2,936,755</u>
Impairment charge for financing and other	<u>(221,999)</u>	<u>(121,173)</u>	<u>(4,941)</u>	<u>(1,253)</u>	<u>(349,366)</u>
Depreciation and amortization	<u>(54,833)</u>	<u>(1,848)</u>	<u>(34,751)</u>	<u>(2,026)</u>	<u>(93,458)</u>
Other operating expenses	<u>(622,588)</u>	<u>(55,470)</u>	<u>(50,668)</u>	<u>(64,920)</u>	<u>(793,646)</u>
Total operating expenses	<u>(899,420)</u>	<u>(178,491)</u>	<u>(90,360)</u>	<u>(68,199)</u>	<u>(1,236,470)</u>
Net income for the period	<u>1,136,833</u>	<u>329,305</u>	<u>222,643</u>	<u>11,504</u>	<u>1,700,285</u>

## 10. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of business, the Bank transacts with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances resulting from such transactions as at March 31 are as follows:

	SR'000 (Unaudited)	
	At March 31	
	2012	2011
<b>Related parties</b>		
<b>Members of the Board of Directors</b>		
Mutajara financing	2,482,506	2,380,015
Commitments and contingent liabilities*	881,788	1,045,713
Current accounts	-	5,543
<b>Companies and establishments guaranteed by members of the Board of Directors</b>		
Mutajara financing	61,314	683,005
Commitments and contingent liabilities*	36,364	54,534
<b>Mudaraba funds</b>		
Current accounts	343,394	222,924
Mudaraba*	10,289,442	9,512,274
Investments in mutual funds	312,782	324,492
<b>Major shareholders (above 5% of Bank's shares)</b>		
Mutajara financing	-	120,661
Direct investment	-	90,331
Current accounts	-	38,476
Investments in mutual funds	14,889	11,195
Other liabilities	16,302	14,797

\* = off balance sheet items

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

	SR'000 (Unaudited)	
	For the three-month period ended March 31	
	2012	2011
Income from investments	27,297	31,308
Salaries and employee related benefits (travel tickets)	1,497	2,945
Rent and premises related expenses	484	401
Board of directors' remunerations	685	678

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

	<u>SR'000 (Unaudited)</u>	
	For the three-month period ended March 31	
	<u>2012</u>	<u>2011</u>
Short-term benefits	16,628	6,332
Provision for end of service benefits	270	327

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

## 11. EARNINGS PER SHARE

Earnings per share for the periods ended March 31, 2012 and 2011 have been calculated by dividing the net income for the period by the weighted average number of shares outstanding in accordance with the requirements of IAS 33 - "earnings per share".

## 12. CAPITAL ADEQUACY

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

The objective of the Bank's capital management is to comply with SAMA's working capital requirements, where as a daily monitoring to the capital adequacy ratio is performed by the Bank in management to ensure that such ratio will not be less than 8%.

The Bank uses the methods established by SAMA for measuring the capital adequacy. These methods measure the capital adequacy by the comparing the eligible capital items with the consolidated financial position, commitments and contingent liabilities to reflect their relative risks as shown in the following table:

	<u>SR'000</u>		
	At March 31, 2012 <u>(Unaudited)</u>	At December 31, 2011 <u>(Audited)</u>	At March 31, 2011 <u>(Unaudited)</u>
Credit risk RWA	155,581,283	146,884,726	134,005,720
Operational risk RWA	19,715,934	19,697,148	19,207,023
Market risk RWA	<u>3,396,813</u>	<u>6,435,113</u>	<u>8,281,513</u>
<b>Total RWA</b>	<b><u>178,694,030</u></b>	<b><u>173,016,987</u></b>	<b><u>161,494,256</u></b>
Tier I capital	30,572,309	25,443,337	27,317,786
Tier II capital	<u>3,956,093</u>	<u>9,214,326</u>	<u>3,434,962</u>
<b>Total tier I &amp; II capital</b>	<b><u>34,528,402</u></b>	<b><u>34,657,663</u></b>	<b><u>30,752,748</u></b>
<b>Capital adequacy ratio %</b>			
Tier ratio	17.11%	14.71%	16.92%
Tier I + II ratio	19.32%	20.03%	19.04%



### **13. DIVIDENDS PAID**

At the General Assembly held on 11 Rabie Al Thani 1433H (corresponding to March 4, 2012), the shareholders approved the distribution of dividends amounting to SR 3,000 million for the second half of the year ended December 31, 2011, net of SR 2 riyal per share as zakat deduction on shareholder (during the first quarter of 2011 SR 2,250 million of dividend were approved for the second half of the year ended December 31, 2010, net of SR 1.50 per share as zakat deduction on shareholders).

### **14. COMPARATIVE FIGURES**

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

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