

**Saudi Hollandi Bank**  **البنك السعودي الهولندي**

**Saudi Hollandi Bank**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**  
(Un-audited)

**30 JUNE 2011**

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

**To: The Shareholders of Saudi Hollandi Bank  
(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Saudi Hollandi Bank** (the "Bank") and its subsidiaries (collectively referred to as "the Group") as of June 30, 2011, and the related interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2011, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows and the notes from (1) to (16) for the six-month period then ended. We have not reviewed note (17), nor the information related to "Basel II Pillar III Disclosures" 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 and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**


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

**Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in note (16) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (16) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

**Deloitte & Touche  
Bakr Abulkhair & Co.**  
P.O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia

**KPMG  
Al Fozan & Al Sadhan**  
P.O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

  
**Bakr A. Abulkhair**  
Certified Public Accountant  
Registration No. 101

  
**Tareq A. Al Sadhan**  
Certified Public Accountant  
Registration No. 352

11 Sha'aban 1432H  
July 12, 2011



Saudi Hollandi Bank  
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	<i>Notes</i>	<i>June 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>June 30, 2010 (Un-audited)</i>
<b>ASSETS</b>				
Cash and balances with SAMA		4,600,288	4,999,698	8,710,569
Due from banks and other financial institutions		213,363	308,881	789,498
Investments, net	5	10,664,509	11,751,665	12,945,530
Loans and advances, net	6	34,916,888	35,038,979	35,241,342
Investment in an associate	7	20,000	20,000	20,000
Property and equipment, net		487,675	495,216	510,090
Other assets		1,072,897	1,267,974	1,244,187
<b>Total assets</b>		<b>51,975,620</b>	<b>53,882,413</b>	<b>59,461,216</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		1,268,429	2,857,012	6,392,415
Customer deposits	8	40,733,425	41,603,619	44,107,764
Other liabilities		1,602,956	1,534,826	1,355,208
Subordinated debt		1,500,000	1,500,000	1,500,000
<b>Total liabilities</b>		<b>45,104,810</b>	<b>47,495,457</b>	<b>53,355,387</b>
<b>Shareholders' equity</b>				
Share capital		3,307,500	3,307,500	3,307,500
Statutory reserve		2,134,500	2,134,500	1,936,500
General reserve		130,000	130,000	130,000
Other reserves		(25,189)	(29,916)	(3,874)
Retained earnings		1,322,024	820,691	708,745
Staff share plan reserve		1,975	24,181	26,958
<b>Total shareholders' equity</b>		<b>6,870,810</b>	<b>6,386,956</b>	<b>6,105,829</b>
<b>Total liabilities and shareholders' equity</b>		<b>51,975,620</b>	<b>53,882,413</b>	<b>59,461,216</b>

  
Ananth Venkat  
Chief Financial Officer  
Saudi Hollandi Bank

  
Dr. Bernd van Linder  
Managing Director  
Saudi Hollandi Bank

  
Farid Zaouk  
GM-Legal & Corporate Secretary

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

Saudi Hollandi Bank  
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in SAR'000 (Un-audited)

	Notes	For the three months ended		For the six months ended	
		June 30,	June 30,	June 30,	June 30,
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Special commission income		371,609	405,589	751,600	801,173
Special commission expense		65,101	83,340	134,249	170,272
<b>Net special commission income</b>		<b>306,508</b>	<b>322,249</b>	<b>617,351</b>	<b>630,901</b>
Fee and commission income, net		128,953	118,921	261,133	221,243
Exchange income, net		27,676	21,483	53,047	44,814
(Loss)/income from FVIS financial instruments, net		(1,332)	1,838	189	3,390
Trading income, net		33,368	15,580	45,409	47,296
Gains/(losses) on non-trading investments, net		-	(1,255)	3,150	(1,556)
<b>Total operating income</b>		<b>495,173</b>	<b>478,816</b>	<b>980,279</b>	<b>946,088</b>
Salaries and employee related expenses		101,768	105,208	223,401	213,383
Rent and premises related expenses		19,174	19,785	37,640	38,376
Depreciation and amortisation		25,029	23,236	51,128	42,456
Other general and administrative expenses		45,090	46,695	86,510	92,510
Impairment charge for credit losses, net		40,837	33,419	98,324	76,178
Impairment charge for investments		-	-	-	2,700
<b>Total operating expenses</b>		<b>231,898</b>	<b>228,343</b>	<b>497,003</b>	<b>465,603</b>
<b>Net operating income</b>		<b>263,275</b>	<b>250,473</b>	<b>483,276</b>	<b>480,485</b>
Gain on sale of property	11	-	-	18,057	-
<b>Net income for the period</b>		<b>263,275</b>	<b>250,473</b>	<b>501,333</b>	<b>480,485</b>
Basic Earnings per share (expressed in SAR per share)	15	<b>0.80</b>	0.76	<b>1.52</b>	1.45

  
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Saudi Hollandi Bank  
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
Amounts in SAR'000 (Un-audited)

	For the three months ended		For the six months ended	
	June 30, <u>2011</u>	June 30, <u>2010</u>	June 30, <u>2011</u>	June 30, <u>2010</u>
<b>Net income for the period</b>	<b>263,275</b>	<b>250,473</b>	<b>501,333</b>	<b>480,485</b>
<b>Other comprehensive income</b>				
<b>Available for sale investments</b>				
- Net change in fair value	5,303	275	5,023	8,759
- Transferred (to)/from interim condensed consolidated income statement	1,823	-	3,862	(65)
	<u>7,126</u>	<u>275</u>	<u>8,885</u>	<u>8,694</u>
<b>Cash flow hedges</b>				
- Net change in fair value	(5,894)	(12,173)	(4,158)	(21,582)
- Transferred to interim condensed consolidated income statement	-	42	-	19
	<u>(5,894)</u>	<u>(12,131)</u>	<u>(4,158)</u>	<u>(21,563)</u>
<b>Total comprehensive income for the period</b>	<b><u>264,507</u></b>	<b><u>238,617</u></b>	<b><u>506,060</u></b>	<b><u>467,616</u></b>

  
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY

Amounts in SAR'000 (Un-audited)

	Notes	Share capital	Statutory reserve	General Reserve	Other reserves		Retained earnings	Staff Share plan reserve	Total equity
					Available for sale investments	Cash flow hedges			
<b>2011</b>									
Balance at the beginning of the period		3,307,500	2,134,500	130,000	(19,096)	(10,820)	820,691	24,181	6,386,956
Total comprehensive income for the period		-	-	-	8,885	(4,158)	501,333	-	506,060
Share based payment transactions	14	-	-	-	-	-	-	(22,206)	(22,206)
<b>Balance at the end of the period</b>		<b>3,307,500</b>	<b>2,134,500</b>	<b>130,000</b>	<b>(10,211)</b>	<b>(14,978)</b>	<b>1,322,024</b>	<b>1,975</b>	<b>6,870,810</b>
<b>2010</b>									
Balance at the beginning of the period		3,307,500	1,936,500	130,000	(7,185)	16,180	228,260	21,567	5,632,822
Total comprehensive income for the period		-	-	-	8,694	(21,563)	480,485	-	467,616
Share based payment transactions		-	-	-	-	-	-	5,391	5,391
<b>Balance at the end of the period</b>		<b>3,307,500</b>	<b>1,936,500</b>	<b>130,000</b>	<b>1,509</b>	<b>(5,383)</b>	<b>708,745</b>	<b>26,958</b>	<b>6,105,829</b>

  
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Saudi Hollandi Bank  
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended June 30,

Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		501,333	480,485
<b>Adjustments to reconcile net income to net cash used in operating activities:</b>			
(Accretion of discounts) and amortisation of premium on non-trading investments, net		(93,396)	(98,183)
(Gains)/loss on non-trading investments, net		(3,150)	401
Depreciation and amortisation		51,128	42,456
Staff share plan expenses		1,975	5,391
Impairment charge for credit losses, net		98,324	76,178
Impairment charge for investments		-	2,700
Gain on sale of property		(18,057)	-
		<u>538,157</u>	<u>509,428</u>
<b>Net decrease/(increase) in operating assets:</b>			
Statutory deposit with SAMA		48,012	(57,729)
Due from banks and other financial institutions maturing after ninety days from acquisition date		(52,338)	(646,996)
Investments held at FVIS (including trading investment)		40,892	(19,245)
Loans and advances, net		23,767	705,450
Other assets		195,077	(214,099)
<b>Net (decrease)/increase in operating liabilities:</b>			
Due to banks and other financial institutions		(1,588,583)	635,859
Customers' deposits		(870,194)	(719,525)
Other liabilities		68,130	(37,843)
<b>Net cash (used in)/from operating activities</b>		<u>(1,597,080)</u>	<u>155,300</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales of and matured non-trading investments		8,547,748	4,469,438
Purchase of non-trading investments		(7,424,392)	(5,181,956)
Purchase of property and equipment		(54,030)	(55,938)
Proceeds from sale of property	11	28,500	-
<b>Net cash from/ (used in) investing activities</b>		<u>1,097,826</u>	<u>(768,456)</u>
<b>Net decrease in cash and cash equivalents</b>		(499,254)	(613,156)
<b>Cash and cash equivalents at beginning of the period</b>		<u>2,973,200</u>	<u>7,198,181</u>
<b>Cash and cash equivalents at end of the period</b>	12	<u>2,473,946</u>	<u>6,585,025</u>
Special commission received during the period		<u>832,749</u>	<u>823,769</u>
Special commission paid during the period		<u>182,770</u>	<u>264,983</u>
<b><u>Supplemental non-cash information</u></b>			
Net changes in fair value and transfers to interim condensed consolidated income statement		<u>4,727</u>	<u>(12,869)</u>

  
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# Saudi Hollandi Bank

## A Saudi Joint Stock Company

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011

#### 1. GENERAL

Saudi Hollandi Bank (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and was formed pursuant to Royal Decree No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to December 20, 1976). The Bank commenced business on 16 Shaaban 1397H (corresponding to August 1, 1977) when it took over the operations of Algemene Bank Nederland N.V. in the Kingdom of Saudi Arabia. The Bank operates under commercial registration number 1010064925 dated 6 Jumada II 1407H (corresponding to February 4, 1987) through its 44 branches (December 2010: 44 branches) in the Kingdom of Saudi Arabia. The postal address of the Bank's head office is as follows:

Saudi Hollandi Bank  
P O Box 1467  
Riyadh 11431  
Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and investment services. The Bank also provides to its customers Islamic (non commission based) banking products which are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries (collectively referred to as "the Group"). The details of these subsidiaries are set out below:

#### **Saudi Hollandi Capital (SHC)**

SHC was formed in accordance with the Capital Market Authority's (CMA) Resolution number 1-39-2007 under commercial registration number 1010242378 dated 30 Dhul Hijja 1428 (corresponding to January 09, 2008) to take over and manage the Bank's Investment Services and Asset Management activities related to dealing, managing, arranging, advising and taking custody of securities regulated by CMA. SHC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership and commenced its operations effective 1 Rabi'II 1429H (corresponding to April 7, 2008).

#### **Saudi Hollandi Real Estate Company (SHREC)**

SHREC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership, which was established under commercial registration number 1010250772 dated 21 Jumada II 1429H (corresponding to June 25, 2008) with the approval of the Saudi Arabian Monetary Agency (SAMA).

#### **Saudi Hollandi Insurance Company (SHIC)**

SHIC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership, was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to January 04, 2011) with the approval of SAMA. The Company is currently under the process of obtaining its operating licence from SAMA.

#### 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by SAMA and IAS 34 – Interim Financial Reporting. The Group prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and Regulations for Companies in the Kingdom of Saudi Arabia. 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 at and for the year ended December 31, 2010.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the six months period ended June 30, 2011

**3. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its subsidiaries, SHC, SHREC and SHIC (collectively referred to as "the Group"). 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 accounting policies of the subsidiaries, where necessary, to align with the accounting policies adopted by the Bank's financial statements.

Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

- *IAS 24 Related Party Disclosures (revised 2009)*

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

- *Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*

These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in recognition of prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

**Improvements to IFRSs in 2010**

- *IFRS 7 Financial Instruments: Disclosures*

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

- *IAS 1 Presentation of Financial Statements*

IAS 1 was amended to clarify that changes in each component of equity arising from transactions recognised in other comprehensive income should also be separately disclosed, it is permitted to present this segregation in either the statement of changes in equity or in the notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011

Amounts in SAR'000

4. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

- IAS 34 - Interim Financial Reporting

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual consolidated financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- IFRIC 13 - Customer Loyalty Programmes

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Other amendments to the following standards did not have a material impact on the accounting policies, financial position and performance of the Group:

- IFRS 3 "Business combinations"
- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 "Presentation of financial statements"
- IAS 27 "Consolidated and separate financial statements"
- IAS 32 "Financial Instruments: Disclosures and presentation"

5. INVESTMENTS, NET

a) Investment securities are classified as follows:

	<i>June 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>June 30, 2010 (Un-audited)</i>
- Held as fair value through income statement (FVIS)	74,686	115,578	131,138
- Available for sale (AFS)	1,002,959	1,018,808	1,124,215
- Other investments held at amortised cost	9,359,437	10,390,423	11,461,072
- Held to maturity	227,427	226,856	229,105
<b>Total</b>	<b>10,664,509</b>	<b>11,751,665</b>	<b>12,945,530</b>

Investments held as FVIS include investments held for trading amounting SAR 18.3 million (December 31, 2010: SAR 56 million, June 30, 2010: SAR 61 million)

b) Investments reclassification

Management identified certain AFS investments, for which at July 1, 2008, it had a clear intention to hold the instruments for the foreseeable future rather than to exit or trade in the short term. As a result these instruments were reclassified from AFS to other investments held at amortised cost. The reclassification was made at fair value at that date. Had the reclassification not been made, other reserves would have included unrealised fair value losses amounting to SAR 12.08 million (December 31, 2010: SAR 23 million, June 30, 2010: SAR 47 million) and shareholders' equity would have been lower by the same amount.

Saudi Hollandi Bank  
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011

Amounts in SAR'000

The following table shows carrying values and fair values of the reclassified investments.

	<u>Carrying value</u>			<u>Fair value</u>		
	<u>June 30, 2011</u> <i>(Un-audited)</i>	<u>December 31, 2010</u> <i>(Audited)</i>	<u>June 30, 2010</u> <i>(Un-audited)</i>	<u>June 30, 2011</u> <i>(Un-audited)</i>	<u>December 31, 2010</u> <i>(Audited)</i>	<u>June 30, 2010</u> <i>(Un-audited)</i>
Available for sale securities reclassified to other investments held at amortised cost	513,558	594,515	588,035	483,386	553,544	530,029

6. LOANS AND ADVANCES, NET

Loans and advances are comprised of the following:

	<u>June 30, 2011</u> <i>(Un-audited)</i>	<u>December 31, 2010</u> <i>(Audited)</i>	<u>June 30, 2010</u> <i>(Un-audited)</i>
Consumer loans	3,618,728	3,485,985	3,419,081
Commercial loans and overdrafts	31,329,781	31,551,441	31,785,768
Credit cards	220,409	228,539	203,700
Performing loans and advances	35,168,918	35,265,965	35,408,549
Non performing loans and advances	958,007	930,992	1,672,422
Gross loans and advances	36,126,925	36,196,957	37,080,971
Allowance for specific and portfolio impairment	(1,210,037)	(1,157,978)	(1,839,629)
<b>Loans and advances, net</b>	<b>34,916,888</b>	<b>35,038,979</b>	<b>35,241,342</b>

7. INVESTMENT IN ASSOCIATE

Investment in associate represents a 20% shareholding interest in Wataniya Insurance Company (WIC) formed in the Kingdom of Saudi Arabia, pursuant to Royal Decree No. 26/30 dated 16 Rabi' II 1430H (corresponding to April 12, 2009). WIC started its commercial operations in 2010 and issued its first set of audited financial statements during the current period. Management has not accounted for its share of the loss in WIC which amounted to SAR 3.5 million (December 31, 2010 SAR 4 million) as the impact is considered to be immaterial to the results of the Group.

8. CUSTOMER DEPOSITS

Customer deposits are consist of the following:

	<u>June 30, 2011</u> <i>(Un-audited)</i>	<u>December 31, 2010</u> <i>(Audited)</i>	<u>June 30, 2010</u> <i>(Un-audited)</i>
Time	20,295,732	23,764,572	26,934,099
Demand	19,516,044	16,894,955	16,300,928
Saving	374,710	350,059	351,153
Other	546,939	594,033	521,584
<b>Total</b>	<b>40,733,425</b>	<b>41,603,619</b>	<b>44,107,764</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011

Amounts in SAR'000

9. DERIVATIVES

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

<i>Derivative financial instruments</i>	<i>June 30, 2011 (Un-audited)</i>			<i>December 31, 2010 (Audited)</i>			<i>June 30, 2010 (Un-audited)</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>
<b>Held for trading:</b>									
Commission rate swaps	172,412	162,787	16,343,417	149,378	148,071	19,556,467	180,389	172,120	21,178,213
Forward foreign exchange contracts	148,969	146,234	34,371,852	116,952	101,851	37,258,805	114,169	47,401	43,840,888
Currency options	12,090	12,350	18,139,327	22,114	21,375	6,036,749	1,847	40,078	1,731,612
Forward rate agreement	-	-	-	105	13	600,000	408	-	1,200,000
Commission rate futures	-	163	18,752	-	-	-	68	-	281,280
<b>Held as fair value hedges:</b>									
Commission rate swaps	-	21,192	1,283,196	9,272	13,002	2,092,356	4,735	19,514	1,396,916
<b>Held as cash flow hedges:</b>									
Commission rate swaps	-	14,978	350,000	-	10,820	350,000	2,281	7,793	800,000
<b>Total</b>	<b>333,471</b>	<b>357,704</b>	<b>70,506,544</b>	<b>297,821</b>	<b>295,132</b>	<b>65,894,377</b>	<b>303,897</b>	<b>286,906</b>	<b>70,428,909</b>

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>June 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>June 30, 2010 (Un-audited)</i>
Letters of credit	3,943,777	3,483,626	3,169,282
Letters of guarantee	12,112,743	11,711,004	11,357,826
Acceptances	2,318,262	2,088,016	2,154,688
Irrevocable commitments to extend credit	273,804	182,429	884,202
<b>Total</b>	<b>18,648,586</b>	<b>17,465,075</b>	<b>17,565,998</b>

11. GAIN ON SALE OF PROPERTY

During the half year period the Group disposed off a property which it considered surplus to its requirements. At the time of disposal, the book value of the property amounted to SAR 10.44 million and sale proceeds were SAR 28.50 million. The required regulatory approvals were obtained for the sale.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011

Amounts in SAR '000

**12. CASH AND CASH EQUIVALENTS**

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

	<i>June 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>March 31, 2010 (Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	2,420,075	2,771,473	6,556,829
Due from banks and other financial institutions maturing within ninety days of acquisition date	<u>53,871</u>	<u>201,727</u>	<u>28,196</u>
<b>Total</b>	<b><u>2,473,946</u></b>	<b><u>2,973,200</u></b>	<b><u>6,585,025</u></b>

**13. OPERATING SEGMENTS**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources and to assess performance.

Transactions between reportable operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between these segments, resulting in funding cost transfers. Commission is charged to the segments based on a pool rate, which approximates the marginal cost of funds. Following are the operating segments of the Group:

**Corporate banking**

The corporate banking group offers a range of products and services to corporate and institutional customers. It accepts customer deposits and provides financing, including term loans, overdrafts, syndicated loans, trade finance services, treasury and derivative products and foreign exchange. Services provided to customers include internet banking, global transaction services and a centralised service that manages all customer transfers, electronic or otherwise.

**Consumer banking**

The consumer banking group operates through a national network of branches and ATMs supported by a 24-hour phone banking center. The Group accepts customers' deposits in various savings and deposit accounts and provides retail banking products and services, including consumer loans, overdrafts and credit cards to individuals and small-to-medium-sized enterprises.

**Treasury**

Treasury transacts mainly in money market, foreign exchange, interest rate and other derivatives for corporate and institutional customers as well as for the Group's own benefit. It is also responsible for funding the Group's operations, maintaining group-wide liquidity and managing the Group's investment portfolio and its consolidated financial position.

**Investment banking and investment services**

The investment banking and investment services group offers security dealing, managing, arranging, advising and maintaining custody services in relation to securities.



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011 and 2010

Amounts in SAR '000

a) The following is an analysis of the Group's assets, revenue and results by operating segments for the periods ended June 30, 2011 and 2010 (Un-audited).

<u>2011</u>	<u>Consumer banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,596,646	30,506,095	16,396,082	476,797	51,975,620
Total liabilities	16,102,913	18,979,931	10,003,308	18,658	45,104,810
Total operating income	268,326	595,898	82,903	33,152	980,279
Total operating expenses (without impairment charges for credit losses)	193,234	127,182	52,424	25,839	398,679
Impairment charges for credit losses, net	27,270	71,054	-	-	98,324
Net operating income for the period	47,822	397,662	30,479	7,313	483,276
<u>2010</u>	<u>Consumer Banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,436,859	30,569,637	23,974,819	479,901	59,461,216
Total liabilities	14,015,425	23,648,687	15,679,117	12,158	53,355,387
Total operating income	229,795	521,815	156,356	38,122	946,088
Total operating expenses (without impairment charges for credit losses)	168,769	128,164	63,451	26,341	386,725
Impairment charges for credit losses, net	22,332	53,846	2,700	-	78,878
Net operating income for the period	38,694	339,805	90,205	11,781	480,485

#### 14. STAFF SHARE PLAN

During January 2008, the Group introduced an equity settled share based payment plan for executives and senior employees (the "eligible employees") under which shares are granted to the eligible employees every year. The eligibility criteria and terms and conditions of plan were as disclosed in the annual consolidated financial statements for the year ended 31 December 2010.

The Group granted 608,513 shares in 2008 out of which 551,478 shares were ultimately vested in January 2011 and were transferred to the eligible employees. This resulted in SAR 24.2 million being transferred from the staff share plan reserve to retained earnings. At the same time SAR 24.2 million was also written off to retained earnings from the balance of loan provided to the Staff share plan fund.

On March 1, 2011 a further grant on similar terms and conditions was made to key management and senior employees that will vest during March 2014. The fair value of the shares granted at the grant date was SAR 11.7 million.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2011 and 2010

Amounts in SAR '000

The following is the movement of the plan during period:

	<i>June 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>June 30, 2010 (Un-audited)</i>
Beginning of the period	551,478	601,354	601,354
Granted during the period	277,817	-	-
Forfeited during the period	(6,473)	(49,876)	-
Vested during the period	(551,478)	-	-
<b>Total</b>	<b>271,344</b>	<b>551,478</b>	<b>601,354</b>

**15. EARNING PER SHARE**

Basic earnings per share for the periods ended June 30, 2011 and 2010 are calculated by dividing the net income for the period attributable to the equity shareholders by 330.8 million shares.

**16. CAPITAL ADEQUACY**

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

Capital Adequacy Ratio	<i>June 30, 2011 (Un-audited)</i>		<i>June 30, 2010 (Un-audited)</i>	
	<i>Total capital ratio</i>	<i>Tier 1 capital ratio</i>	<i>Total capital ratio</i>	<i>Tier 1 capital ratio</i>
<i>Group level</i>	<i>17.1</i>	<i>12.6</i>	<i>14.8</i>	<i>10.8</i>

**17. BASEL II PILLAR 3 DISCLOSURES**

Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be made available for public on the Bank's website ([www.shb.com.sa](http://www.shb.com.sa)) within 60 business days after June 30, 2011 as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.