

Saudi Hollandi Bank  **البنك السعودي الهولندي**

Saudi Hollandi Bank
(A Saudi Joint Stock Company)

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

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 at September 30, 2011, and the related interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended September 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 nine-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 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.


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18 Dhual Qa'dah 1432H
October 16, 2011

Saudi Hollandi Bank
A Saudi Joint Stock Company


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2011

Amounts in SAR'000

	<u>Notes</u>	<u>September 30, 2011 (Un-audited)</u>	<u>December 31, 2010 (Audited)</u>	<u>September 30, 2010 (Un-audited)</u>
ASSETS				
Cash and balances with SAMA		8,569,873	4,999,698	4,850,443
Due from banks and other financial institutions		572,772	308,881	446,173
Investments, net	5	9,368,632	11,751,665	13,020,856
Loans and advances, net	6	35,920,931	35,038,979	35,856,110
Investment in associate	7	20,000	20,000	20,000
Property and equipment, net		488,056	495,216	489,749
Other assets		1,106,314	1,267,974	1,340,810
Total assets		56,046,578	53,882,413	56,024,141
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		1,684,430	2,857,012	3,664,173
Customers' deposits	8	44,339,138	41,603,619	43,302,377
Other liabilities		1,348,654	1,534,826	1,395,794
Subordinated debt		1,500,000	1,500,000	1,500,000
Total liabilities		48,872,222	47,495,457	49,862,344
Shareholders' equity				
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		(21,999)	(29,916)	(35,904)
Retained earnings		1,621,392	820,691	794,047
Staff share plan reserve		2,963	24,181	29,654
Total shareholders' equity		7,174,356	6,386,956	6,161,797
Total liabilities and shareholders' equity		56,046,578	53,882,413	56,024,141



 Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank



Farid Zaouk
GM-Legal & Corporate Secretary



The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month and nine month periods ended September 30, 2011

Amounts in SAR'000 (Un-audited)

	<i>Notes</i>	For the three months ended		For the nine months ended	
		<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Special commission income		424,899	428,103	1,176,499	1,229,276
Special commission expense		65,095	85,763	199,344	256,035
Net special commission income		359,804	342,340	977,155	973,241
Fee and commission income, net		122,220	109,875	383,353	331,118
Exchange income, net		26,935	20,920	79,982	65,734
Income from FVIS financial instruments, net		4,851	1,844	5,040	5,234
Trading income, net		4,754	16,686	50,163	63,982
Gains on non-trading investments, net		2,490	32,648	5,640	31,092
Total operating income		521,054	524,313	1,501,333	1,470,401
Salaries and employee related expenses		106,003	107,623	329,404	321,006
Rent and premises related expenses		19,269	17,792	56,909	56,168
Depreciation and amortisation		24,374	24,118	75,502	66,574
Other general and administrative expenses		47,910	39,711	134,420	132,221
Impairment charge for credit losses, net		24,130	243,267	122,454	319,445
Impairment charge for investments		-	6,500	-	9,200
Total operating expenses		221,686	439,011	718,689	904,614
Income from operating activities		299,368	85,302	782,644	565,787
Gain on sale of property	11	-	-	18,057	-
Net income for the period		299,368	85,302	800,701	565,787
Basic earnings per share (expressed in SAR per share)	15	0.91	0.26	2.42	1.71


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Managing Director
Saudi Hollandi Bank


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GM-Legal & Corporate Secretary




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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three month and nine month periods ended September 30, 2011
Amounts in SAR'000 (Un-audited)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September</u> <u>30, 2011</u>	<u>September</u> <u>30, 2010</u>	<u>September</u> <u>30, 2011</u>	<u>September</u> <u>30, 2010</u>
Net income for the period	299,368	85,302	800,701	565,787
Other comprehensive income				
Available for sale investments				
- Net change in fair value	1,886	(38,437)	6,909	(29,678)
- Transferred to interim condensed consolidated income statement	1,647	12,681	5,509	12,616
	<u>3,533</u>	<u>(25,756)</u>	<u>12,418</u>	<u>(17,062)</u>
Cash flow hedges				
- Net change in fair value	(343)	(11,868)	(4,501)	(33,450)
- Transferred to interim condensed consolidated income statement	-	5,594	-	5,613
	<u>(343)</u>	<u>(6,274)</u>	<u>(4,501)</u>	<u>(27,837)</u>
Total comprehensive income for the period	<u>302,558</u>	<u>53,272</u>	<u>808,618</u>	<u>520,888</u>



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Managing Director
Saudi Hollandi Bank



Farid Zaouk
GM-Legal & Corporate Secretary



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

For the nine month period ended September 30, 2011

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			
2011									
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		-	-	-	12,418	(4,501)	800,701	-	808,618
Share based payment transactions	14	-	-	-	-	-	-	(21,218)	(21,218)
Balance at the end of the period		3,307,500	2,134,500	130,000	(6,678)	(15,321)	1,621,392	2,963	7,174,356
2010									
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		-	-	-	(17,062)	(27,837)	565,787	-	520,888
Share based payment transactions	14	-	-	-	-	-	-	8,087	8,087
Balance at the end of the period		3,307,500	1,936,500	130,000	(24,247)	(11,657)	794,047	29,654	6,161,797



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Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended September 30, 2011

Amounts in SAR'000 (Un-audited)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES			
Net income for the period		800,701	565,787
Adjustments to reconcile net income to net cash from operating activities:			
(Accretion of discounts) and amortisation of premium on non-trading investments, net		(136,420)	(150,770)
Gains on non-trading investments, net		(5,640)	(31,092)
Depreciation and amortisation		75,502	66,574
Staff share plan expenses		2,963	8,087
Impairment charge for credit losses, net		122,454	319,445
Impairment charge for investments		-	9,200
Gain on sale of property		(18,057)	-
		<u>841,503</u>	<u>787,231</u>
Net decrease/(increase) in operating assets:			
Statutory deposit with SAMA		27,066	(44,828)
Due from banks and other financial institutions maturing after ninety days from acquisition date		(376,229)	(304,560)
Investments held at FVIS (including trading investment)		98,078	(11,956)
Loans and advances, net		(1,004,406)	(152,585)
Other assets		161,660	(310,722)
Net (decrease)/increase in operating liabilities:			
Due to banks and other financial institutions		(1,172,582)	(2,092,383)
Customers' deposits		2,735,519	(1,524,912)
Other liabilities		(186,172)	2,743
Net cash from/(used in) operating activities		<u>1,124,437</u>	<u>(3,651,972)</u>
INVESTING ACTIVITIES			
Proceeds from sales of and matured non-trading investments		13,669,804	7,413,109
Purchase of non-trading investments		(11,259,053)	(8,162,691)
Purchase of property and equipment		(78,785)	(59,715)
Proceeds from sale of property	11	28,500	-
Net cash from/(used in) investing activities		<u>2,360,466</u>	<u>(809,297)</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,484,903</u>	<u>(4,461,269)</u>
Cash and cash equivalents at beginning of the period		<u>2,973,200</u>	<u>7,198,181</u>
Cash and cash equivalents at end of the period	12	<u>6,458,103</u>	<u>2,736,912</u>
Special commission received during the period		1,238,142	1,299,627
Special commission paid during the period		<u>236,167</u>	<u>438,890</u>
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated income statement		<u>7,917</u>	<u>(44,899)</u>

Farid Zaouk
GM-Legal & Corporate Secretary

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Dr. Bernd van Linder
Managing Director



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended September 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 4, 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 nine month period ended September 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 nine month period ended September 30, 2011

Amounts in SAR'000

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 34 - Interim Financial Reporting

These amendments emphasise 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>September 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>September 30, 2010 (Un-audited)</i>
- Held as fair value through income statement (FVIS)	-	115,578	123,849
- Available for sale (AFS)	986,681	1,018,808	1,025,461
- Other investments held at amortised cost (OI)	8,157,781	10,390,423	11,645,696
- Held to maturity (HTM)	224,170	226,856	225,850
Total	9,368,632	11,751,665	13,020,856

Investments held as FVIS in prior periods included investments held for trading amounted to SAR 56 million and SAR 57 million as at December 31, 2010 and September 30, 2010 respectively. Investment designated as FVIS matured on August 22, 2011.

b) Investments reclassification

Management identified certain AFS, 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 21 million (December 31, 2010: SAR 23 million, September 30, 2010: SAR 35 million) and shareholders' equity would have been lower by the same amount.

With effect from July 20, 2011, the Group reclassified certain trading assets to other investments held at amortised cost, for which it has no longer the intention to hold these financial assets for the purpose of selling in the short term. For these reclassified financial assets, the Group has the intention and ability to hold them for foreseeable future or until maturity. Had the reclassification not been made, there would have been no impact on the interim condensed consolidated income statement as the fair value was substantially the same as of the book value at September 30, 2011.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2011

Amounts in SAR'000

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

	<i>Carrying value</i>			<i>Fair value</i>		
	<i>September 30,2011 (Un-audited)</i>	<i>December 31,2010 (Audited)</i>	<i>September 30,2010 (Un-audited)</i>	<i>September 30,2011 (Un-audited)</i>	<i>December 31,2010 (Audited)</i>	<i>September 30,2010 (Un-audited)</i>
Available for sale securities reclassified to other investments held at amortised cost	<u>515,376</u>	<u>594,515</u>	<u>592,808</u>	<u>474,076</u>	<u>553,544</u>	<u>542,105</u>
Trading assets reclassified to other investments held at amortised cost	<u>17,510</u>	<u>17,424</u>	<u>17,424</u>	<u>17,510</u>	<u>17,433</u>	<u>17,510</u>

6. LOANS AND ADVANCES, NET

Loans and advances comprise the following:

	<i>September 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>September 30, 2010 (Un-audited)</i>
Consumer loans	3,769,001	3,485,985	3,472,866
Commercial loans and overdrafts	32,276,145	31,551,441	32,345,008
Credit cards	<u>238,625</u>	<u>228,539</u>	<u>218,617</u>
Performing loans and advances	36,283,771	35,265,965	36,036,491
Non performing loans and advances	<u>798,265</u>	<u>930,992</u>	<u>1,904,584</u>
Gross loans and advances	37,082,036	36,196,957	37,941,075
Allowance for specific and portfolio impairment	<u>(1,161,105)</u>	<u>(1,157,978)</u>	<u>(2,084,965)</u>
Loans and advances, net	<u>35,920,931</u>	<u>35,038,979</u>	<u>35,856,110</u>

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). Management has not accounted for its share of the loss in WIC which amounted to SAR 2.5 million (December 31, 2010 SAR 4 million) as the impact is considered to be immaterial to the results of the Group.

8. CUSTOMERS' DEPOSITS

Customers' deposits consist of the following:

	<i>September 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>September 30, 2010 (Un-audited)</i>
Time	22,931,624	23,764,572	26,460,557
Demand	20,287,945	16,894,955	15,843,815
Saving	372,837	350,059	331,344
Other	<u>746,732</u>	<u>594,033</u>	<u>666,661</u>
Total	<u>44,339,138</u>	<u>41,603,619</u>	<u>43,302,377</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 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>September 30, 2011 (Un-audited)</i>			<i>December 31, 2010 (Audited)</i>			<i>September 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>
Held for trading:									
Commission rate swaps	185,084	177,075	15,820,864	149,378	148,071	19,556,467	205,094	198,898	19,154,622
Forward foreign exchange contracts	203,047	195,737	35,745,008	116,952	101,851	37,258,805	32,493	47,290	37,944,728
Currency options	3,444	3,453	22,835,087	22,114	21,375	6,036,749	24,660	20,515	2,739,445
Forward rate agreement	-	-	-	105	13	600,000	374	-	850,000
Held as fair value hedges:									
Commission rate swaps	-	30,783	1,091,738	9,272	13,002	2,092,356	3,308	34,643	2,068,023
Held as cash flow hedges:									
Commission rate swaps	-	15,321	350,000	-	10,820	350,000	1,136	12,793	650,000
Total	391,575	422,369	75,842,697	297,821	295,132	65,894,377	267,065	314,139	63,406,818

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>September 30, 2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>September 30, 2010 (Un-audited)</i>
Letters of credit	4,132,912	3,483,626	3,265,818
Letters of guarantee	12,803,690	11,711,004	11,687,809
Acceptances	2,285,333	2,088,016	1,739,648
Irrevocable commitments to extend credit	293,460	182,429	273,777
Total	19,515,395	17,465,075	16,967,052

11. GAIN ON SALE OF PROPERTY

During the period the Group disposed of 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. All the required regulatory approvals were obtained for the sale.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine month period ended September 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>September 30,2011 (Un-audited)</i>	<i>December31, 2010 (Audited)</i>	<i>September 30,2010 (Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	6,368,714	2,771,473	2,709,604
Due from banks and other financial institutions maturing within ninety days of acquisition date	<u>89,389</u>	<u>201,727</u>	<u>27,308</u>
Total	<u>6,458,103</u>	<u>2,973,200</u>	<u>2,736,912</u>

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 nine month period ended September 30, 2011

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 September 30, 2011 and 2010 (Un-audited).

<u>2011</u>	<i>Consumer banking</i>	<i>Corporate banking</i>	<i>Treasury</i>	<i>Investment banking and Investment services</i>	<i>Total</i>
Total assets	4,747,763	31,663,280	19,158,659	476,876	56,046,578
Total liabilities	16,882,552	22,059,073	9,911,106	19,491	48,872,222
Total operating income	403,057	896,436	157,561	44,279	1,501,333
Total operating expenses (without impairment charges for credit losses)	284,683	194,520	79,290	37,742	596,235
Impairment charges for credit losses, net	43,279	79,175	-	-	122,454
Net operating income for the period	75,095	622,741	78,271	6,537	782,644
<u>2010</u>	<i>Consumer Banking</i>	<i>Corporate banking</i>	<i>Treasury</i>	<i>Investment banking and Investment services</i>	<i>Total</i>
Total assets	4,499,801	31,577,463	19,466,443	480,434	56,024,141
Total liabilities	14,554,544	23,059,025	12,233,160	15,615	49,862,344
Total operating income	345,130	827,496	249,531	48,244	1,470,401
Total operating expenses (without impairment charges for credit losses)	247,758	182,342	105,403	40,466	575,969
Impairment charges for credit losses, net	35,683	277,262	15,700	-	328,645
Net operating income for the period	61,689	367,892	128,428	7,778	565,787

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 the plan were as disclosed in the annual consolidated financial statements for the year ended December 31, 2010.

The Group granted 608,513 shares in 2008 out of which 551,478 shares 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. A total number of 286,048 shares were granted with a fair value at the grant date of SAR 11.7 million.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the nine month period ended September 30, 2011

The following is the movement of the plan during period:

	<i>No of Shares</i>		
	<i>September 30,2011 (Un-audited)</i>	<i>December 31, 2010 (Audited)</i>	<i>September 30,2010 (Un-audited)</i>
Beginning of the period	551,478	601,354	601,354
Vested during the period	(551,478)	-	-
Granted during the period	286,048	-	-
Forfeited during the period	(9,995)	(49,876)	-
Total	276,053	551,478	601,354

15. EARNINGS PER SHARE

Basic earnings per share for the periods ended September 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>September 30,2011 (Un-audited)</i>		<i>September 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>
Group level	17.2	12.2	15.6	10.9