

Saudi Hollandi Bank  البنك السعودي الهولندي

**Saudi Hollandi Bank**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

(Un-audited)

**FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

Saudi Hollandi Bank  
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	<i>Notes</i>	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
<b>ASSETS</b>				
Cash and balances with SAMA		<b>8,235,672</b>	5,968,777	8,569,873
Due from banks and other financial institutions		<b>727,213</b>	612,866	572,772
Investments, net	5	<b>11,253,283</b>	11,502,536	9,368,632
Loans and advances, net	6	<b>43,644,492</b>	37,409,598	35,535,959
Investment in an associate	7	<b>18,495</b>	17,750	20,000
Property and equipment, net		<b>480,427</b>	489,499	488,056
Other assets		<b>1,467,612</b>	1,212,025	1,106,314
<b>Total assets</b>		<b>65,827,194</b>	57,213,051	55,661,606
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>1,393,624</b>	1,611,091	1,684,430
Customers' deposits	8	<b>52,757,358</b>	44,688,736	43,954,166
Other liabilities		<b>2,189,639</b>	2,004,902	1,348,654
Subordinated debt		<b>1,500,000</b>	1,500,000	1,500,000
<b>Total liabilities</b>		<b>57,840,621</b>	49,804,729	48,487,250
<b>Shareholders' equity</b>				
Share capital		<b>3,969,000</b>	3,307,500	3,307,500
Statutory reserve		<b>2,392,480</b>	2,392,480	2,134,500
General reserve		<b>130,000</b>	130,000	130,000
Other reserves		<b>(9,822)</b>	(20,240)	(21,999)
Reserve for bonus shares		-	661,500	-
Retained earnings		<b>1,495,645</b>	556,077	1,621,392
Proposed dividend		-	377,055	-
Staff share plan reserve		<b>9,270</b>	3,950	2,963
<b>Total shareholders' equity</b>		<b>7,986,573</b>	7,408,322	7,174,356
<b>Total liabilities and shareholders' equity</b>		<b>65,827,194</b>	57,213,051	55,661,606

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in SAR'000 (Un-audited)

	<i>Notes</i>	<b>For the three month period ended</b>		<b>For the nine month period ended</b>	
		<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
		<u>30, 2012</u>	<u>30, 2011</u>	<u>30, 2012</u>	<u>30, 2011</u>
Special commission income		<b>436,244</b>	411,596	<b>1,266,147</b>	1,144,061
Special commission expense		<b>74,843</b>	51,792	<b>238,923</b>	166,906
<b>Net special commission income</b>		<b>361,401</b>	359,804	<b>1,027,224</b>	977,155
Fee and commission income, net		<b>165,530</b>	122,220	<b>474,679</b>	383,353
Exchange income, net		<b>26,961</b>	26,935	<b>87,431</b>	79,982
Income from FVIS financial instruments, net		-	4,851	-	5,040
Trading income, net		<b>20,557</b>	4,754	<b>75,463</b>	50,163
Gains on non-trading investments, net		<b>45</b>	2,490	<b>4,546</b>	5,640
<b>Total operating income</b>		<b>574,494</b>	521,054	<b>1,669,343</b>	1,501,333
Salaries and employees related expenses		<b>119,068</b>	106,003	<b>354,004</b>	329,404
Rent and premises related expenses		<b>17,870</b>	19,269	<b>54,836</b>	56,909
Depreciation and amortisation		<b>27,948</b>	24,374	<b>83,984</b>	75,502
Other general and administrative expenses		<b>50,192</b>	47,910	<b>145,156</b>	134,420
Impairment charge for credit losses, net		<b>54,195</b>	24,130	<b>112,540</b>	122,454
Release of investment impairment upon disposal and maturity		<b>(12,000)</b>	-	<b>(20,000)</b>	-
<b>Total operating expenses</b>		<b>257,273</b>	221,686	<b>730,520</b>	718,689
<b>Income from operating activities</b>		<b>317,221</b>	299,368	<b>938,823</b>	782,644
Share in earnings of an associate	7	-	-	<b>745</b>	-
Gain on sale of property		-	-	-	18,057
<b>Net income for the period</b>		<b>317,221</b>	299,368	<b>939,568</b>	800,701
Basic earnings per share (expressed in SAR per share)	16	<b>0.80</b>	0.75	<b>2.37</b>	2.02

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SAR'000 (Un-audited)

	For the three month period ended		For the nine month period ended	
	<i>September</i> <u>30, 2012</u>	<i>September</i> <u>30, 2011</u>	<i>September</i> <u>30, 2012</u>	<i>September</i> <u>30, 2011</u>
<b>Net income for the period</b>	<b>317,221</b>	299,368	<b>939,568</b>	800,701
<b>Other comprehensive income</b>				
<b>Available for sale investments</b>				
- Net change in fair value	(911)	1,886	<b>3,047</b>	6,909
- Transferred to interim condensed consolidated income statement	<b>947</b>	1,647	<b>4,064</b>	5,509
	<b>36</b>	3,533	<b>7,111</b>	12,418
<b>Cash flow hedges</b>				
- Net change in fair value	<b>1,012</b>	(343)	<b>3,307</b>	(4,501)
<b>Total comprehensive income for the period</b>	<b>318,269</b>	302,558	<b>949,986</b>	808,618

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The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Saudi Hollandi Bank  
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY

For the nine month period ended September 30, 2012 and 2011

Amounts in SAR'000 (Un-audited)

				<u>Other reserves</u>							
	<u>Share</u>	<u>Statutory</u>	<u>General</u>	<u>Available</u>	<u>Cash</u>	<u>Reserve</u>	<u>Retained</u>	<u>Proposed</u>	<u>Staff</u>	<u>Total</u>	
<u>Notes</u>	<u>capital</u>	<u>reserve</u>	<u>Reserve</u>	<u>for sale</u>	<u>flow</u>	<u>for</u>	<u>earnings</u>	<u>dividend</u>	<u>Share</u>	<u>Share-</u>	
				<u>investments</u>	<u>hedges</u>	<u>bonus</u>			<u>plan</u>	<u>holders'</u>	
						<u>shares</u>			<u>reserve</u>	<u>equity</u>	
<b><u>2012</u></b>											
Balance at the beginning of the period	3,307,500	2,392,480	130,000	(8,366)	(11,874)	661,500	556,077	377,055	3,950	7,408,322	
Total comprehensive income for the period	-	-	-	7,111	3,307	-	939,568	-	-	949,986	
Bonus shares issued	15 661,500	-	-	-	-	(661,500)	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	(377,055)	-	(377,055)	
Share based payment transactions	13 -	-	-	-	-	-	-	-	5,320	5,320	
<b>Balance at the end of the period</b>	<b>3,969,000</b>	<b>2,392,480</b>	<b>130,000</b>	<b>(1,255)</b>	<b>(8,567)</b>	<b>-</b>	<b>1,495,645</b>	<b>-</b>	<b>9,270</b>	<b>7,986,573</b>	
<b><u>2011</u></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	-	-	-	12,418	(4,501)	-	800,701	-	-	808,618	
Share based payment transactions	13 -	-	-	-	-	-	-	-	(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	

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended September 30, 2012 and 2011

Amounts in SAR'000 (Un-audited)

	<i>Note</i>	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		939,568	800,701
<b>Adjustments to reconcile net income to net cash from / (used in) operating activities:</b>			
(Accretion of discount) and amortisation of premium on non-trading investments, net		(31,645)	(136,420)
Gains on disposal of non-trading investments, net		(4,546)	(5,640)
Depreciation and amortisation		83,984	75,502
Staff share plan expenses		5,320	2,963
Share in earnings from an associate		(745)	-
Impairment charge for credit losses		112,540	122,454
Release of investment impairment upon disposal and maturity		(20,000)	-
Gain on sale of property		-	(18,057)
		<u>1,084,476</u>	<u>841,503</u>
<b>Net (increase) / decrease in operating assets:</b>			
Statutory deposit with SAMA		(217,819)	27,066
Due from banks and other financial institutions maturing after ninety days from acquisition date		-	(376,229)
Investments held at FVIS (including trading investment)		11,110	98,078
Loans and advances, net		(6,347,434)	(639,023)
Other assets		(430,885)	161,660
<b>Net increase / (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(217,467)	(1,172,582)
Customers' deposits		8,068,622	2,370,136
Other liabilities		184,737	(186,172)
<b>Net cash from operating activities</b>		<u>2,135,340</u>	<u>1,124,437</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturity of non-trading investments		11,770,719	13,669,804
Purchase of non-trading investments		(11,469,274)	(11,259,053)
Purchase of property and equipment		(74,912)	(78,785)
Proceeds from sale of property		-	28,500
<b>Net cash from investing activities</b>		<u>226,533</u>	<u>2,360,466</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid net of Zakat and income tax recovered from shareholders		(198,450)	-
<b>Net cash used in financing activities</b>		<u>(198,450)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<b>2,163,423</b>	<b>3,484,903</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>4,323,141</b>	<b>2,973,200</b>
<b>Cash and cash equivalents at end of the period</b>	11	<u><b>6,486,564</b></u>	<u><b>6,458,103</b></u>
Special commission received during the period		<u>1,211,540</u>	<u>1,238,142</u>
Special commission paid during the period		<u>209,625</u>	<u>236,167</u>
<b><u>Supplemental non-cash information</u></b>			
Net changes in fair value and transfers to interim condensed consolidated income statement		<u>10,418</u>	<u>7,917</u>

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the nine month period ended September 30, 2012

**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 No. 1010064925 dated 6 Jumada II 1407H (corresponding to February 4, 1987) through its 45 branches (2011: 44 branches) in the Kingdom of Saudi Arabia. The postal address of the Bank's head office is:

Saudi Hollandi Bank  
Al - Dhabab Street  
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.

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 No. 1010242378 dated 30 Dhul Hijja 1428H (corresponding to January 9, 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 8, 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 No. 1010250772 dated 21 Jumada II 1429H (corresponding to June 25, 2008) with the approval of the Saudi Arabian Monetary Agency (SAMA).

**Saudi Hollandi Insurance Agency Company (SHIAC)**

SHIAC is an effectively wholly owned subsidiary of the Bank through direct and beneficial ownership which was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to January 4, 2011) with the approval of SAMA. The Company was formed to act as an agent for Wataniya Insurance Company (WIC), an associate, selling its insurance products.

**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 International Accounting Standard (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 as applicable 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, 2011.

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2012

Amounts in SAR'000

### 2. BASIS OF PREPARATION (continued)

Actual results may differ from these estimates in preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2011.

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

### 3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the interim condensed financial statements of the Bank and its subsidiaries. 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.

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 off 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 disclosed and used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011.

### 5. INVESTMENTS, NET

#### a) Investment securities are classified as follows:

	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
- Held as fair value through income statement (FVIS)	-	11,110	-
- Available for sale (AFS)	<b>366,235</b>	608,888	986,681
- Other investments held at amortised cost (OI)	<b>10,777,533</b>	10,657,158	8,157,781
- Held to maturity (HTM)	<b>109,515</b>	225,380	224,170
<b>Total</b>	<b><u>11,253,283</u></b>	<b><u>11,502,536</u></b>	<b><u>9,368,632</u></b>

#### 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 OI at that date and the reclassification was made at fair value. Had the reclassification not been made, other reserves would have included unrealised fair value losses amounting to SAR 7 million (December 31, 2011: SAR 24 million and September 30, 2011: SAR 21 million) and shareholders' equity would have been lower by the same amount.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2012

Amounts in SAR'000

5. INVESTMENTS, NET (Continued)

With effect from July 20, 2011, the Group reclassified certain trading investments to OI, for which it no longer had the intention to hold these investments for the purpose of selling in the short term. The Group has the intention and ability to hold these reclassified investments for the 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 the same as the carrying value at September 30, 2012.

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

	<u>Carrying value</u>			<u>Fair value</u>		
	<u>September 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>September 30, 2011 (Un-audited)</u>	<u>September 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>September 30, 2011 (Un-audited)</u>
AFS securities reclassified	<u>144,097</u>	<u>452,109</u>	<u>515,376</u>	<u>130,081</u>	<u>426,389</u>	<u>474,076</u>

6. LOANS AND ADVANCES, NET

	<u>September 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>September 30, 2011 (Un-audited)</u>
Consumer loans	4,746,974	3,920,246	3,769,001
Commercial loans and overdrafts	38,980,890	33,587,848	31,891,173
Credit cards	<u>242,348</u>	<u>235,742</u>	<u>238,625</u>
Performing loans and advances	43,970,212	37,743,836	35,898,799
Non-performing loans and advances	<u>761,790</u>	<u>735,410</u>	<u>798,265</u>
Gross loans and advances	44,732,002	38,479,246	36,697,064
Allowance for impairment of credit losses	<u>(1,087,510)</u>	<u>(1,069,648)</u>	<u>(1,161,105)</u>
<b>Loans and advances, net</b>	<u>43,644,492</u>	<u>37,409,598</u>	<u>35,535,959</u>

7. INVESTMENT IN AN ASSOCIATE

	<u>September 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>September 30, 2011 (Un-audited)</u>
Balance at beginning of the period	17,750	20,000	20,000
Share in undistributed earnings / (losses)	<u>745</u>	<u>(2,250)</u>	<u>-</u>
Balance at end of the period	<u>18,495</u>	<u>17,750</u>	<u>20,000</u>

Investment in an associate represents a 20% shareholding interest in Wataniya Insurance Company formed in the Kingdom of Saudi Arabia, pursuant to Royal Decree No. 26/30 dated 16 Rabi' II 1430H (corresponding to April 12, 2009).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2012

Amounts in SAR'000

8. CUSTOMERS' DEPOSITS

	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
Time	29,661,291	24,156,021	22,931,624
Demand	21,907,096	19,512,606	19,902,973
Saving	404,275	390,244	372,837
Other	784,696	629,865	746,732
<b>Total</b>	<b>52,757,358</b>	<b>44,688,736</b>	<b>43,954,166</b>

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 credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

<i>Derivative financial instruments</i>	<i>September 30, 2012 (Un-audited)</i>			<i>December 31, 2011 (Audited)</i>			<i>September 30, 2011 (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	165,720	143,267	18,269,751	137,526	127,685	14,448,135	185,084	177,075	15,820,864
Forward foreign exchange contracts	600,553	597,277	28,227,421	242,776	219,398	33,029,836	203,047	195,737	35,745,008
Currency options	5,109	5,109	25,307,792	16,240	16,255	28,259,091	3,444	3,453	22,835,087
Forward rate agreement	185	48	700,000	115	-	150,000	-	-	-
Commission rate options	73	73	1,219,279	67	67	219,279	-	-	-
<b>Held as fair value hedges:</b>									
Commission rate swaps	-	26,614	701,685	-	20,484	1,055,624	-	30,783	1,091,738
<b>Held as cash flow hedges:</b>									
Commission rate swaps	-	8,567	350,000	-	11,874	350,000	-	15,321	350,000
<b>Total</b>	<b>771,640</b>	<b>780,955</b>	<b>74,775,928</b>	<b>396,724</b>	<b>395,763</b>	<b>77,511,965</b>	<b>391,575</b>	<b>422,369</b>	<b>75,842,697</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2012

Amounts in SAR'000

**10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

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

	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
Letters of guarantee	<b>15,370,039</b>	12,921,150	12,803,690
Letters of credit	<b>6,450,568</b>	4,500,498	4,132,912
Acceptances	<b>2,178,851</b>	2,279,637	2,285,333
Irrevocable commitments to extend credit	<b>1,074,040</b>	305,304	293,460
<b>Total</b>	<b><u>25,073,498</u></b>	<u>20,006,589</u>	<u>19,515,395</u>

**11. CASH AND CASH EQUIVALENTS**

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

	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	<b>5,759,351</b>	3,710,275	6,368,714
Due from banks and other financial institutions maturing within ninety days of acquisition date	<b><u>727,213</u></b>	<u>612,866</u>	<u>89,389</u>
<b>Total</b>	<b><u>6,486,564</u></b>	<u>4,323,141</u>	<u>6,458,103</u>

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

**Personal Banking**

The personal 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.

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**12. OPERATING SEGMENTS (Continued)**

**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.

**a) The following is an analysis of the Group's assets, revenues and results by operating segments for the periods ended September 30, 2012 and 2011 (Un-audited):**

<u>2012</u>	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	5,991,925	38,395,100	20,962,884	477,285	65,827,194
Total liabilities	17,485,762	27,266,574	13,074,005	14,280	57,840,621
Total operating income	407,867	1,046,004	155,733	59,739	1,669,343
Total operating expenses (excluding impairment charges)	348,945	185,857	63,670	39,508	637,980
Impairment charges net of recoveries	26,117	86,423	-	-	112,540
Release of investment impairment upon disposal and maturity	-	-	(20,000)	-	(20,000)
Net operating income for the period	32,805	773,724	112,063	20,231	938,823
<u>2011</u>	<u>Personal Banking</u>	<u>Corporate banking</u>	<u>Treasury</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,747,763	31,278,308	19,158,659	476,876	55,661,606
Total liabilities	16,882,552	21,674,101	9,911,106	19,491	48,487,250
Total operating income	403,057	896,436	157,561	44,279	1,501,333
Total operating expenses (excluding impairment charges for credit losses)	284,683	194,520	79,290	37,742	596,235
Impairment charges net of recoveries	43,279	79,175	-	-	122,454
Net operating income for the period	75,095	622,741	78,271	6,537	782,644

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**13. STAFF SHARE PLAN**

In January 2008, the Group launched an equity settled share-based payment plan (the "Plan") for executives and senior employees (eligible employees). The initial Plan was approved by the Board of Directors in their meeting held on 10 Dhu-al-Qa'dah 1428H (corresponding November 20, 2007) and SAMA in their letter dated 26 Safar 1429H (corresponding March 4, 2008). The vesting conditions were amended in 2009 as per approval by the Board of Directors in their meeting held on 5 Shabaan 1430H (corresponding July 27, 2009) and SAMA in their letter dated 20 Dhualqada 1430H (corresponding November 9, 2009). According to the amended Plan, eligible employees will receive shares in the Bank if the following terms and conditions are met:

- Eligible employees are required to continue their employment with the Group for a period of two years from the grant date to have half of their shares vest and another year for the remainder to vest; and
- The Group achieves specific growth thresholds as approved by the Board of Directors where each threshold will accrue a certain value of shares to the eligible employees.

Under the provisions of the Plan, the Group at no point becomes the legal owner of the underlying shares. Until such time as these shares vest they will not carry voting rights. As per the plan, SHC manages the Staff Share Plan Fund (the Fund) which will operate in accordance with the terms and conditions as approved by the Board of Directors in their above referred meeting and by SAMA in their above referred letter. Any further modifications in the terms and conditions of the plan require prior approval of SAMA. Due to restrictions regarding its operations as agreed by SAMA the results and assets and liabilities of the Fund are not consolidated in these interim consolidated financial statements.

The Fund has purchased 2.15 million Bank's shares for a total consideration of SR 114 million during 2008 which are held by it in fiduciary capacity until the shares vest to the eligible employees. At the vesting date the ownership of these shares will pass to the employees. The acquisition of shares was financed by the Bank and the amount is included in Other Assets.

The number of shares granted is calculated in accordance with the performance based formula approved by the Board of Directors and is subject to approval of the Remuneration Committee.

In accordance with the terms of the Plan, shares will be granted to eligible employees annually and will vest as described above. The first tranche was granted in January 2008 and vested in January 2011. The Bank has granted the second and third tranches of the plan in March 2011 and March 2012 respectively. Both these Plans are currently under their vesting periods. The Plan details are as follows:-

	<u><i>Grant in 2011</i></u>	<u><i>Grant in 2012</i></u>
Plan Commencement date	March 2011	March 2012
Value of shares granted on the grant date	11,850,637	15,775,890
Fair value per share at grant date	40.51	30
Vesting period	As above	As above
Method of settlement	Bank's shares	Bank's shares
Current status	Under vesting period	Under vesting period

During 2011 a grant on the terms and conditions as approved on July 27, 2009 was made to key management and senior employees that will vest in March 2013 and March 2014. A total number of 292,521 shares were granted with a fair value at the grant date of SAR 11.851 million.

During March 2012 a grant on similar terms and conditions as approved on July 27, 2009 was made to key management and senior employees that will vest in March 2014 and March 2015. A total number of 525,863 shares were granted with a fair value at the grant date of SAR 15.78 million.

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For the nine month period ended September 30, 2012

**13. STAFF SHARE PLAN (Continued)**

The following is the movement in number of shares in grant at:

	<i>September 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>September 30, 2011 (Un-audited)</i>
Beginning of the period	272,231	551,478	551,478
Granted during the period	743,383	292,521	286,048
Forfeited during the period	(108,521)	(20,290)	(9,995)
Vested during the period	-	(551,478)	(551,478)
<b>Total</b>	<b>907,093</b>	<b>272,231</b>	<b>276,053</b>

**14. ZAKAT AND INCOME TAX**

The Bank has filed its Zakat and income tax returns for the years up to and including the financial year 2011 with the Department of Zakat and Income Tax (the "DZIT"). During 2011, the Bank has received Zakat and tax assessments from the DZIT in respect of the years from 2004 to 2006 and a partial assessment for year 2010 raising additional Zakat and tax liabilities.

The Bank has formally contested these assessments and is awaiting a response from DZIT. Management believes that the ultimate outcome of the actions taken by the Bank alone and also in conjunction with other Banks in the Kingdom of Saudi Arabia, who have received similar additional assessments from DZIT, cannot be determined reliably at this stage and accordingly the Bank has not made any provision for the additional assessed Zakat and income tax liabilities.

**15. BONUS SHARES ISSUED**

The Board of Directors proposed a bonus issue of 66,150,000 shares of SAR 10 each during the period, which was approved by the shareholders in the extra ordinary general assembly meeting held on March 18, 2012.

**16. EARNINGS PER SHARE**

Basic earnings per share for the nine month periods ended September 30, 2012 and 2011 are calculated by dividing the net income for the period attributable to the equity shareholders by 396.9 million shares. The calculation of basic earnings per share for the nine month periods ended September 30, 2012 and 2011 have been adjusted to give the retrospective effect of the bonus shares issued.

**17. CAPITAL ADEQUACY**

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA and Basel Committee; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

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**17. CAPITAL ADEQUACY (Continued)**

The following table summarizes the Bank's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	<i>September 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>September 30, 2011</i> <i>(Un-audited)</i>
Credit Risk RWA	<b>57,327,285</b>	48,758,662	47,706,441
Operational Risk RWA	<b>3,639,913</b>	3,711,900	3,632,500
Market Risk RWA	<b>590,645</b>	602,262	443,252
<b>Total Pillar-I RWA</b>	<b><u>61,557,843</u></b>	<u>53,072,824</u>	<u>51,782,193</u>
Tier I Capital	<b>7,028,488</b>	7,018,443	6,336,947
Tier II Capital	<b>2,735,518</b>	1,791,846	2,590,991
<b>Total Tier I &amp; II Capital</b>	<b><u>9,764,006</u></b>	<u>8,810,289</u>	<u>8,927,938</u>
Capital Adequacy Ratio %			
Tier I ratio	<b>11.42</b>	13.22	12.24
Tier I + Tier II ratio	<b>15.86</b>	16.60	17.24

**18. SUBSEQUENT EVENT**

Subsequent to the period end, the shareholders of the Bank in their extra-ordinary general assembly meeting held on 20 Dhual-Qa'dah 1433H (corresponding to 6 October 2012) approved the issuance of Sukuk amounting to SAR 1.4 billion. However, Sukuk was not floated till the date of approval of these interim condensed consolidated financial statements.

**19. COMPARATIVE FIGURES**

Comparative figures have been reclassified wherever necessary to conform to the presentation of the current period.