

Saudi Hollandi Bank  **البنك السعودي الهولندي**

Saudi Hollandi Bank
(A Saudi Joint Stock Company)

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

31 MARCH 2012

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 March 31, 2012, and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in shareholders' equity and cash flows and the notes from (1) to (17) for the three-month period then ended. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions, certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and 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 limited 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 (17) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (17) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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Jumad Al Thani 4, 1433H
April 25, 2012

Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in SAR'000

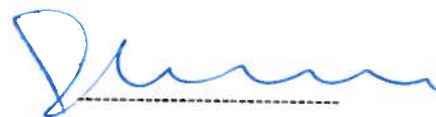
	<i>Notes</i>	<i>March 31, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>March 31, 2011 (Un-audited)</i>
ASSETS				
Cash and balances with SAMA		6,020,655	5,968,777	5,310,292
Due from banks and other financial institutions		619,256	612,866	252,641
Investments, net	5	11,565,037	11,502,536	11,012,290
Loans and advances, net	6	40,186,608	37,745,299	32,926,939
Investment in an associate	7	17,750	17,750	20,000
Property and equipment, net		488,809	489,499	488,909
Other assets		1,331,427	1,212,025	994,823
Total assets		60,229,542	57,548,752	51,005,894
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		1,536,129	1,611,091	1,995,533
Customers' deposits	8	47,759,249	45,024,437	39,507,922
Other liabilities		2,102,696	2,004,902	1,397,123
Subordinated debt		1,500,000	1,500,000	1,500,000
Total liabilities		52,898,074	50,140,430	44,400,578
Shareholders' equity				
Share capital		3,969,000	3,307,500	3,307,500
Statutory reserve		2,392,480	2,392,480	2,134,500
General reserve		130,000	130,000	130,000
Other reserves		(11,100)	(20,240)	(26,421)
Reserve for bonus shares		-	661,500	-
Retained earnings		846,150	556,077	1,058,749
Proposed dividend		-	377,055	-
Staff share plan reserve		4,938	3,950	988
Total shareholders' equity		7,331,468	7,408,322	6,605,316
Total liabilities and shareholders' equity		60,229,542	57,548,752	51,005,894



Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank



Mr. John Macedo
Chief Financial Officer



GM-Legal & Corporate Secretary

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2012 and 2011

Amounts in SAR'000 (Un-audited)

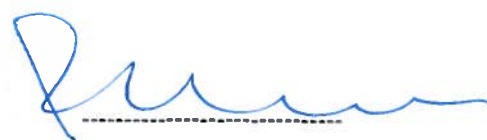
	<u>Note</u>	<u>2012</u>	<u>2011</u>
Special commission income		408,597	379,991
Special commission expense		86,597	69,148
Net special commission income		322,000	310,843
Fee and commission income, net		152,447	132,180
Exchange income, net		31,227	25,371
Income from FVIS financial instruments, net		-	1,521
Trading income, net		29,631	12,041
Gains on non-trading investments, net		4,642	3,150
Total operating income		539,947	485,106
Salaries and employee-related expenses		117,675	121,633
Rent and premises-related expenses		18,962	18,466
Depreciation and amortisation		28,006	26,099
Other general and administrative expenses		49,001	41,420
Impairment charge for credit losses, net		44,230	57,487
Release of investment impairment upon disposal		(8,000)	-
Total operating expenses		249,874	265,105
Income from operating activities		290,073	220,001
Gain on sale of property		-	18,057
Net income for the period		290,073	238,058
Basic earnings per share (expressed in SAR per share)	15	0.73	0.60



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GM-Legal & Corporate Secretary

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended March 31, 2012 and 2011
Amounts in SAR'000 (Un-audited)

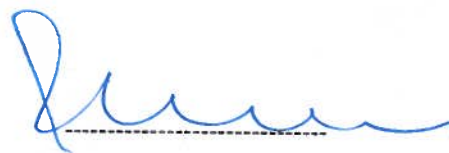
	<u>2012</u>	<u>2011</u>
Net income for the period	290,073	238,058
Other comprehensive income		
Available for sale investments		
- Net change in fair value	6,911	(280)
- Transferred to interim condensed consolidated income statement	1,615	2,039
	<u>8,526</u>	<u>1,759</u>
Cash flow hedges		
- Net change in fair value	614	1,736
	<u>614</u>	<u>1,736</u>
Total comprehensive income for the period	<u>299,213</u>	<u>241,553</u>



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Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

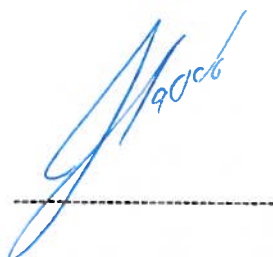
For the three months ended March 31, 2012 and 2011

Amounts in SAR'000 (Un-audited)

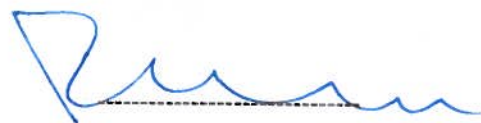
	Notes	Share capital	Statutory reserve	General Reserve	Other reserves			Retained earnings	Proposed dividend	Staff Share plan reserve	Total Shareholders' equity
					Available for sale investments	Cash flow hedges	Reserve for bonus shares				
2012											
Balance at the beginning of the period		3,307,500	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		-	-	-	8,526	614	-	290,073	-	-	299,213
Bonus shares issued	15	661,500	-	-	-	-	(661,500)	-	-	-	-
Dividend paid		-	-	-	-	-	-	(377,055)	-	-	(377,055)
Share based plan transactions	13	-	-	-	-	-	-	-	-	988	988
Balance at the end of the period		3,969,000	2,392,480	130,000	160	(11,260)	-	846,150	-	4,938	7,331,468
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		-	-	-	1,759	1,736	-	238,058	-	-	241,553
Share based plan transactions	13	-	-	-	-	-	-	-	-	(23,193)	(23,193)
Balance at the end of the period		3,307,500	2,134,500	130,000	(17,337)	(9,084)	-	1,058,749	-	988	6,605,316



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Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2012 and 2011

Amounts in SAR'000 (Un-audited)

	<i>Note</i>	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES			
Net income for the period		290,073	238,058
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
(Accretion of discounts) and amortisation of premium on non-trading investments, net		(9,338)	(50,443)
Gains on non-trading investments, net		(4,642)	(3,150)
Depreciation and amortisation		28,006	26,099
Staff share plan expenses		988	988
Impairment charge for credit losses		44,230	57,487
Release of investment impairment upon disposal		(8,000)	-
Gain on sale of property		-	(18,057)
		<u>341,317</u>	<u>250,982</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(293,053)	53,394
Due from banks and other financial institutions maturing after ninety days from acquisition date		-	(85,616)
Investments held at FVIS (including trading investment)		11,110	37,704
Loans and advances, net		(2,485,539)	2,054,553
Other assets		(261,448)	273,151
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(74,962)	(861,479)
Customers' deposits		2,734,812	(2,095,697)
Other liabilities		61,235	(137,703)
		<u>33,472</u>	<u>(510,711)</u>
Net cash from / (used in) operating activities			
INVESTING ACTIVITIES			
Proceeds from sales of and maturity of non-trading investments		3,583,612	4,093,721
Purchase of non-trading investments		(3,626,103)	(3,359,143)
Purchase of property and equipment		(27,316)	(30,235)
Proceeds from sale of property		-	28,500
		<u>(69,807)</u>	<u>732,843</u>
Net cash (used in) / from investing activities			
FINANCING ACTIVITIES			
Dividend paid net of Zakat and tax recovered from shareholders		(198,450)	-
		<u>(198,450)</u>	<u>-</u>
Net cash used in financing activities			
		<u>(234,785)</u>	<u>222,132</u>
Cash and cash equivalents at beginning of the period		<u>4,323,141</u>	<u>2,973,200</u>
Cash and cash equivalents at end of the period	11	<u>4,088,356</u>	<u>3,195,332</u>
Special commission received during the period		<u>359,894</u>	<u>402,048</u>
Special commission paid during the period		<u>44,906</u>	<u>58,869</u>

Supplemental non-cash information

Net changes in fair value and transfers to interim condensed consolidated income statement

9,140 3,495

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


Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank


Mr. John Macedo
Chief Financial Officer


Farid Zaouk
Chief Legal & Corporate Secretary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 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 44 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 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 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 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 will act as an agent for Wataniya Insurance Company (WIC), an associate, selling its insurance products. The Company did not have any operating activities during the period.

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 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 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. Actual results may differ from these estimates

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2012

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 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.

These interim condensed consolidated financial statements were approved by the Board of Directors on April 24, 2012.

3. BASIS OF CONSOLIDATION

The 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'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, 2011.

5. INVESTMENTS, NET

a) Investment securities are classified as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>	<i>March 31, 2011</i>
	<i>(Un-audited)</i>	<i>(Audited)</i>	<i>(Un-audited)</i>
- Held as fair value through income statement (FVIS)	-	11,110	77,874
- Available for sale (AFS)	576,446	608,888	1,009,867
- Other investments held at amortised cost (OI)	10,788,622	10,657,158	9,697,364
- Held to maturity (HTM)	199,969	225,380	227,185
Total	<u>11,565,037</u>	<u>11,502,536</u>	<u>11,012,290</u>

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 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 25 million (December 31, 2011: SAR 24 million and March 31, 2011: 18.7 million) and shareholders' equity would have been lower by the same amount.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended March 31, 2012

Amounts in SAR'000

5. INVESTMENTS, NET (Continued)

With effect from July 20, 2011, the Group reclassified certain trading investments to other investments held at amortised cost, 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 March 31, 2012.

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

	<u>Carrying value</u>			<u>Fair value</u>		
	<u>March 31, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>March 31, 2011 (Un-audited)</u>	<u>March 31, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>March 31, 2011 (Un-audited)</u>
AFS securities reclassified	<u>416,403</u>	<u>452,109</u>	<u>575,687</u>	<u>400,799</u>	<u>426,389</u>	<u>536,784</u>

6. LOANS AND ADVANCES, NET

	<u>March 31, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>March 31, 2011 (Un-audited)</u>
Consumer loans	4,152,926	3,920,246	3,548,716
Commercial loans and overdrafts	36,123,963	33,923,549	29,390,934
Credit Cards	<u>232,821</u>	<u>235,742</u>	<u>219,312</u>
Performing loans and advances	40,509,710	38,079,537	33,158,962
Non performing loans and advances	<u>731,624</u>	<u>735,410</u>	<u>953,869</u>
Gross loans and advances	41,241,334	38,814,947	34,112,831
Allowance for impairment of credit losses	<u>(1,054,726)</u>	<u>(1,069,648)</u>	<u>(1,185,892)</u>
Loans and advances, net	<u>40,186,608</u>	<u>37,745,299</u>	<u>32,926,939</u>

7. INVESTMENT IN AN ASSOCIATE

	<u>March 31, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>March 31, 2011 (Un-audited)</u>
Balance at beginning of the period	17,750	20,000	20,000
Share in undistributed loss	-	<u>(2,250)</u>	-
Balance at end of the period	<u>17,750</u>	<u>17,750</u>	<u>20,000</u>

Investment in 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 FINANCIAL STATEMENTS

For the three months ended March 31, 2012

Amounts in SAR'000

8. CUSTOMERS' DEPOSITS

	<i>March 31, 2012</i>	<i>December 31, 2011</i>	<i>March 31, 2011</i>
	<i>(Un-audited)</i>	<i>(Audited)</i>	<i>(Un-audited)</i>
Time	25,331,006	24,156,021	20,863,922
Demand	21,434,353	19,848,307	17,652,020
Saving	391,574	390,244	374,434
Other	602,316	629,865	617,546
Total	47,759,249	45,024,437	39,507,922

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>March 31, 2012 (Un-audited)</i>			<i>December 31, 2011 (Audited)</i>			<i>March 31, 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>
Held for trading:									
Commission rate swaps	161,938	181,138	15,450,085	137,526	127,685	14,448,135	139,907	136,644	17,727,284
Forward foreign exchange contracts	417,400	386,900	31,718,363	242,776	219,398	33,029,836	105,948	79,513	40,299,437
Currency options	43,822	43,822	29,708,425	16,240	16,255	28,259,091	21,138	23,503	12,968,940
Forward rate agreement	24	10	400,000	115	-	150,000	23	-	350,000
Commission rate options	66	66	219,279	67	67	219,279	-	-	-
Held as fair value hedges:									
Commission rate swaps	-	23,759	960,694	-	20,484	1,055,624	4,848	9,700	1,583,772
Held as cash flow hedges:									
Commission rate swaps	-	11,259	350,000	-	11,874	350,000	-	9,084	350,000
Total	623,250	646,954	78,806,846	396,724	395,763	77,511,965	271,864	258,444	73,279,433

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended March 31, 2012

Amounts in SAR'000

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>March 31, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>March 31, 2011 (Un-audited)</i>
Letters of credit	5,500,743	4,500,498	3,827,068
Letters of guarantee	12,899,747	12,921,150	12,274,611
Acceptances	2,259,661	2,279,637	2,305,150
Irrevocable commitments to extend credit	958,913	305,304	282,395
Total	21,619,064	20,006,589	18,689,224

11. CASH AND CASH EQUIVALENTS

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

	<i>March 31, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>March 31, 2011 (Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	3,469,100	3,710,275	3,135,461
Due from banks and other financial institutions maturing within ninety days of acquisition date	619,256	612,866	59,871
Total	4,088,356	4,323,141	3,195,332

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended March 31, 2012

Amounts in SAR '000

12. OPERATING SEGMENTS *(Continued)*

Personal 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.

a) The following is an analysis of the Group's assets, revenue and results by operating segments for the periods ended March 31, 2012 and 2011 (Un-audited)

<u>2012</u>	<u>Personal banking</u>	<u>Corporate banking</u>	<u>Treasury ALCO</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	5,397,586	35,412,970	18,944,234	474,752	60,229,542
Total liabilities	16,771,144	24,728,681	11,372,909	25,340	52,898,074
Total operating income	140,907	346,720	29,367	22,953	539,947
Total operating expenses (without impairment charges for credit losses)	118,492	75,682	3,197	16,273	213,644
Impairment charges net of recoveries	12,839	31,391	-	-	44,230
Investment impairment release	-	-	(8,000)	-	(8,000)
Net operating income for the period	9,576	239,647	34,170	6,680	290,073
<u>2011</u>	<u>Personal Banking</u>	<u>Corporate banking</u>	<u>Treasury ALCO</u>	<u>Investment banking and Investment services</u>	<u>Total</u>
Total assets	4,521,448	28,652,301	17,354,796	477,349	51,005,894
Total liabilities	15,534,960	17,465,766	11,376,030	23,822	44,400,578
Total operating income	134,590	291,786	43,011	15,719	485,106
Total operating expenses (without impairment charges for credit losses)	118,785	58,902	16,110	13,821	207,618
Impairment charges net of recoveries	13,118	44,369	-	-	57,487
Net operating income for the period	2,687	188,515	26,901	1,898	220,001

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended March 31, 2012 and 2011

Amounts in SAR '000

13. STAFF SHARE PLAN

In January 2008, the Group launched an equity settled share-based payment plan for executives and senior employees (eligible employees). In accordance with the provision of the plan, as 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 1429 H (corresponding March 4, 2008) and the amendments thereto as approved by the Board of Directors in their meeting held on 5 Shabaan 1430 H (corresponding July 27, 2009) and SAMA in their letter dated 20 Dhualqada 1430 H (corresponding November 9, 2009), such 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.

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.

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 consolidated financial statements.

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 above amendments to 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>Grant in 2011</u>	<u>Grant in 2012</u>
Plan Commencement date	January 2011	January 2012
Value of shares granted on the grant date	8,684,950	15,775,890
Fair value per share at grant date	29.69	30
Vesting period	As above	As above
Method of settlement	Bank shares	Bank shares
Current status	Under vesting period	Under vesting period

During 2011 a grant on similar terms and conditions was made to key management and senior employees that will vest in March 2014. A total number of 292,521 shares were granted with a fair value at the grant date of SAR 8.7 million.

During the period a grant on similar terms and conditions was made to key management and senior employees that will vest in March 2015. A total number of 525,863 shares were granted with a fair value at the grant date of SAR 15.8 million.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended March 31, 2012 and 2011

Amounts in SAR '000

13. STAFF SHARE PLAN (Continued)

The following is the movement in number of shares in grant at March 31, 2012:

	<i>March 31, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>March 31, 2011 (Un-audited)</i>
Beginning of the period	272,231	551,478	551,478
Granted during the period	525,863	292,521	277,817
Forfeited during the period	(7,540)	(20,290)	-
Vested during the period	-	(551,478)	(551,478)
Total	790,554	272,231	277,817

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 2010 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 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 has proposed a bonus issue of 66,150,000 shares of SAR 10 each, which was approved in the shareholders' extra ordinary general assembly meeting held on March 18, 2012.

16. EARNING PER SHARE

Basic earnings per share for the periods ended March 31, 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 period ended March 31, 2012 and 2011 have been adjusted to give the retrospective effect of the bonus shares issued.

17. 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.

	<i>March 31, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>March 31, 2011 (Un-audited)</i>
Credit Risk RWA	53,601,932	48,758,662	44,420,433
Operational Risk RWA	3,685,350	3,711,900	3,686,825
Market Risk RWA	257,940	602,262	558,198
Total Pillar-I RWA	57,545,222	53,072,824	48,665,456
Tier I Capital	7,027,583	7,018,443	6,356,270
Tier II Capital	2,081,726	1,791,846	2,031,862
Total Tier I & II Capital	9,109,309	8,810,289	8,388,132
Capital Adequacy Ratio %			
Tier I ratio	12.21	13.22	13.06
Tier I + Tier II ratio	15.83	16.60	17.24