

Saudi Hollandi Bank  **البنك السعودي الهولندي**

Saudi Hollandi Bank
(A Saudi Joint Stock Company)

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

30 JUNE 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 of June 30, 2012, and the related interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income for the three-month and six month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows and the notes from (1) to (19) for the six-month period then ended. We have not reviewed note (18), nor the information related to "Basel II Pillar III Disclosures" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to 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.

**Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.**

KPMG
KPMG Al Fozan & Al Sadhan

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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Kingdom of Saudi Arabia

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Certified Public Accountant
Registration No. 101



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P.O. Box 92876
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Tareq A. Al Sadhan
Certified Public Accountant
Registration No. 352

Sha'ban 26, 1433H
July 16, 2012



Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR '000

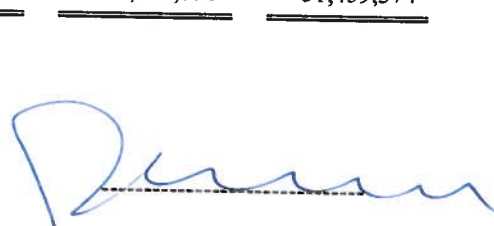
	<i>Notes</i>	<i>June 30, 2012 (Un-audited)</i>	<i>December 31, 2011 (Audited)</i>	<i>June 30, 2011 (Un-audited)</i>
ASSETS				
Cash and balances with SAMA		6,528,180	5,968,777	4,600,288
Due from banks and other financial institutions		715,661	612,866	213,363
Investments, net	5	10,939,483	11,502,536	10,664,509
Loans and advances, net	6	41,919,688	37,409,598	34,400,642
Investment in an associate	7	18,495	17,750	20,000
Property and equipment, net		487,686	489,499	487,675
Other assets		1,351,942	1,212,025	1,072,897
Total assets		61,961,135	57,213,051	51,459,374
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		970,505	1,611,091	1,268,429
Customers' deposits	8	49,620,910	44,688,736	40,217,179
Other liabilities		2,203,582	2,004,902	1,602,956
Subordinated debt		1,500,000	1,500,000	1,500,000
Total liabilities		54,294,997	49,804,729	44,588,564
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		(10,870)	(20,240)	(25,189)
Reserve for bonus shares		-	661,500	-
Retained earnings		1,178,424	556,077	1,322,024
Proposed dividend		-	377,055	-
Staff share plan reserve		7,104	3,950	1,975
Total shareholders' equity		7,666,138	7,408,322	6,870,810
Total liabilities and shareholders' equity		61,961,135	57,213,051	51,459,374



Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank



Mr. John Macedo
Chief Financial Officer



Farid Zaouk
Secretary

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

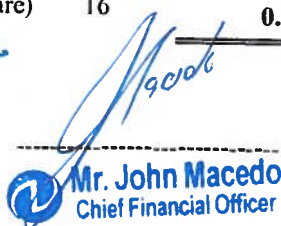
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Amounts in SAR'000 (Un-audited)

	Notes	For the three month period ended		For the six month period ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Special commission income		421,306	360,860	829,903	732,465
Special commission expense		77,483	54,352	164,080	115,114
Net special commission income		343,823	306,508	665,823	617,351
Fee and commission income, net		156,702	128,953	309,149	261,133
Exchange income, net		29,243	27,676	60,470	53,047
(Loss) / income from FVIS financial instruments, net		-	(1,332)	-	189
Trading income, net		25,275	33,368	54,906	45,409
(Losses) / gains on non-trading investments, net		(141)	-	4,501	3,150
Total operating income		554,902	495,173	1,094,849	980,279
Salaries and employee related expenses		117,261	101,768	234,936	223,401
Rent and premises related expenses		18,004	19,174	36,966	37,640
Depreciation and amortisation		28,030	25,029	56,036	51,128
Other general and administrative expenses		45,963	45,090	94,964	86,510
Impairment charge for credit losses, net		14,115	40,837	58,345	98,324
Release of investment impairment upon disposal		-	-	(8,000)	-
Total operating expenses		223,373	231,898	473,247	497,003
Income from operating activities		331,529	263,275	621,602	483,276
Share in earnings of an associate	7	745	-	745	-
Gain on sale of property		-	-	-	18,057
Net income for the period		332,274	263,275	622,347	501,333
Basic earnings per share (expressed in SAR per share)	16	0.84	0.66	1.57	1.26



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Managing Director



Mr. John Macedo
Chief Financial Officer



Farid Zaouk
GM-Legal & Corporate Secretary

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Saudi Hollandi Bank
A Saudi Joint Stock Company

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

	For the three month period ended		For the six month period ended	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net income for the period	332,274	263,275	622,347	501,333
Other comprehensive income				
Available for sale investments				
- Net change in fair value	(2,953)	5,303	3,958	5,023
- Transferred to interim condensed consolidated income statement	1,502	1,823	3,117	3,862
	<u>(1,451)</u>	<u>7,126</u>	<u>7,075</u>	<u>8,885</u>
Cash flow hedges				
- Net change in fair value	1,681	(5,894)	2,295	(4,158)
Total comprehensive income for the period	<u>332,504</u>	<u>264,507</u>	<u>631,717</u>	<u>506,060</u>



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Managing Director
Saudi Hollandi Bank



 **Mr. John Macedo**
Chief Financial Officer



Farid Zaouk
GM-Legal & Corporate Secretary

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Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

For the six month period ended June 30, 2012 and 2011

Amounts in SAR'000 (Un-audited)

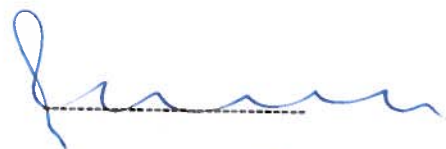
	Notes	Share capital	Statutory reserve	General Reserve	Other reserves		Reserve for bonus shares	Retained earnings	Proposed dividend	Staff Share plan reserve	Total Share- holders' equity
					Available for sale investments	Cash flow hedges					
2012											
Balance at the beginning of the period		3,307,500	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		-	-	-	7,075	2,295	-	622,347	-	-	631,717
Bonus shares issued	15	661,500	-	-	-	-	(661,500)	-	-	-	-
Dividend paid		-	-	-	-	-	-	(377,055)	-	-	(377,055)
Share based plan transactions	13	-	-	-	-	-	-	-	-	3,154	3,154
Balance at the end of the period		3,969,000	2,392,480	130,000	(1,291)	(9,579)	-	1,178,424	-	7,104	7,666,138
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		-	-	-	8,885	(4,158)	-	501,333	-	-	506,060
Share based plan transactions	13	-	-	-	-	-	-	-	-	(22,206)	(22,206)
Balance at the end of the period		3,307,500	2,134,500	130,000	(10,211)	(14,978)	-	1,322,024	-	1,975	6,870,810



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Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended June 30, 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		622,347	501,333
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		(19,479)	(93,396)
Gains on non-trading investments, net		(4,501)	(3,150)
Depreciation and amortisation		56,036	51,128
Staff share plan expenses		3,154	1,975
Share in earnings from an associate		(745)	-
Impairment charge for credit losses		58,345	98,324
Release of investment impairment upon disposal		(8,000)	-
Gain on sale of property		-	(18,057)
		<u>707,157</u>	<u>538,157</u>
Net (increase)/decrease in operating assets:			
Statutory deposit with SAMA		(231,376)	48,012
Due from banks and other financial institutions maturing after ninety days from acquisition date		-	(52,338)
Investments held at FVIS (including trading investment)		11,110	40,892
Loans and advances, net		(4,568,435)	520,424
Other assets		(318,522)	195,077
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(640,586)	(1,588,583)
Customers' deposits		4,932,174	(1,366,851)
Other liabilities		198,680	68,130
Net cash from / (used in) operating activities		<u>90,202</u>	<u>(1,597,080)</u>
INVESTING ACTIVITIES			
Proceeds from sales and maturity of non-trading investments		10,354,483	8,547,748
Purchase of non-trading investments		(9,761,190)	(7,424,392)
Purchase of property and equipment		(54,223)	(54,030)
Proceeds from sale of property		-	28,500
Net cash from investing activities		<u>539,070</u>	<u>1,097,826</u>
FINANCING ACTIVITIES			
Dividend paid net of Zakat and tax recovered from shareholders		(198,450)	-
Net cash used in financing activities		<u>(198,450)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		430,822	(499,254)
Cash and cash equivalents at beginning of the period		4,323,141	2,973,200
Cash and cash equivalents at end of the period	11	<u>4,753,963</u>	<u>2,473,946</u>
Special commission received during the period		<u>791,585</u>	<u>832,749</u>
Special commission paid during the period		<u>151,703</u>	<u>182,770</u>
Supplemental non-cash information			
Net changes in fair value and transfers to interim condensed consolidated income statement		<u>9,370</u>	<u>4,727</u>

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


Dr. Bernd van Linder
Managing Director
Saudi Hollandi Bank


Mr. John Macedo
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Farid Zaouk
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Saudi Hollandi Bank
A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended June 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 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 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 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.

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.

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

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 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 July 10, 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.

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 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>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
- Held as fair value through income statement (FVIS)	-	11,110	74,686
- Available for sale (AFS)	567,998	608,888	1,002,959
- Other investments held at amortised cost (OI)	10,229,189	10,657,158	9,359,437
- Held to maturity (HTM)	142,296	225,380	227,427
Total	10,939,483	11,502,536	10,664,509

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 34 million (December 31, 2011: SAR 24 million and June 30, 2011: SAR 12.08 million) and shareholders' equity would have been lower by the same amount.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended June 30, 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 June 30, 2012.

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

	<u>Carrying value</u>			<u>Fair value</u>		
	<u>June 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>June 30, 2011 (Un-audited)</u>	<u>June 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>June 30, 2011 (Un-audited)</u>
AFS securities reclassified	<u>374,679</u>	<u>452,109</u>	<u>513,558</u>	<u>350,950</u>	<u>426,389</u>	<u>483,386</u>

6. LOANS AND ADVANCES, NET

	<u>June 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>June 30, 2011 (Un-audited)</u>
Consumer loans	4,464,423	3,920,246	3,618,728
Commercial loans and overdrafts	37,536,185	33,587,848	30,813,535
Credit cards	<u>235,975</u>	<u>235,742</u>	<u>220,409</u>
Performing loans and advances	42,236,583	37,743,836	34,652,672
Non performing loans and advances	<u>745,120</u>	<u>735,410</u>	<u>958,007</u>
Gross loans and advances	42,981,703	38,479,246	35,610,679
Allowance for impairment of credit losses	<u>(1,062,015)</u>	<u>(1,069,648)</u>	<u>(1,210,037)</u>
Loans and advances, net	<u>41,919,688</u>	<u>37,409,598</u>	<u>34,400,642</u>

7. INVESTMENT IN AN ASSOCIATE

	<u>June 30, 2012 (Un-audited)</u>	<u>December 31, 2011 (Audited)</u>	<u>June 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 six month period ended June 30, 2012

Amounts in SAR'000

8. CUSTOMERS' DEPOSITS

	<i>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
Time	28,359,588	24,156,021	20,295,732
Demand	20,232,750	19,512,606	18,999,798
Saving	403,285	390,244	374,710
Other	625,287	629,865	546,939
Total	49,620,910	44,688,736	40,217,179

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>June 30, 2012</i> <i>(Un-audited)</i>			<i>December 31, 2011</i> <i>(Audited)</i>			<i>June 30, 2011</i> <i>(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	161,906	141,035	17,188,789	137,526	127,685	14,448,135	172,412	162,787	16,343,417
Forward foreign exchange contracts	487,589	458,026	31,784,289	242,776	219,398	33,029,836	148,969	146,234	34,371,852
Currency options	4,983	4,983	30,025,663	16,240	16,255	28,259,091	12,090	12,350	18,139,327
Forward rate agreement	88	-	600,000	115	-	150,000	-	-	-
Commission rate options	118	118	1,219,279	67	67	219,279	-	163	18,752
Held as fair value hedges:									
Commission rate swaps	-	25,778	936,452	-	20,484	1,055,624	-	21,192	1,283,196
Held as Cash flow hedges:									
Commission rate swaps	-	9,579	350,000	-	11,874	350,000	-	14,978	350,000
Total	654,684	639,519	82,104,472	396,724	395,763	77,511,965	333,471	357,704	70,506,544

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended June 30, 2012
Amounts in SAR'000

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
Letters of guarantee	14,634,331	12,921,150	12,112,743
Letters of credit	4,768,647	4,500,498	3,943,777
Acceptances	2,341,679	2,279,637	2,318,262
Irrevocable commitments to extend credit	<u>819,100</u>	<u>305,304</u>	<u>273,804</u>
Total	<u>22,563,757</u>	<u>20,006,589</u>	<u>18,648,586</u>

11. CASH AND CASH EQUIVALENTS

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

	<i>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
Cash and balances with SAMA excluding statutory deposits	4,038,302	3,710,275	2,420,075
Due from banks and other financial institutions maturing within ninety days of acquisition date	<u>715,661</u>	<u>612,866</u>	<u>53,871</u>
Total	<u>4,753,963</u>	<u>4,323,141</u>	<u>2,473,946</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, revenue and results by operating segments for the periods ended June 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	5,690,584	36,755,761	19,040,388	474,402	61,961,135
Total liabilities	16,747,716	24,984,684	12,548,295	14,302	54,294,997
Total operating income	269,682	677,884	101,740	45,543	1,094,849
Total operating expenses (excluding impairment charges for credit losses)	230,966	121,320	42,431	28,185	422,902
Impairment charges net of recoveries	23,553	34,792	-	-	58,345
Release of investment impairment upon disposal	-	-	(8,000)	-	(8,000)
Net operating income for the period	15,163	521,772	67,309	17,358	621,602
<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	4,596,646	29,989,849	16,396,082	476,797	51,459,374
Total liabilities	16,102,913	18,463,685	10,003,308	18,658	44,588,564
Total operating income	268,326	595,898	82,903	33,152	980,279
Total operating expenses (excluding impairment charges for credit losses)	193,234	127,182	52,424	25,839	398,679
Impairment charges net of recoveries	27,270	71,054	-	-	98,324
Net operating income for the period	47,822	397,662	30,479	7,313	483,276

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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 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>Grant in 2011</u>	<u>Grant in 2012</u>
Plan Commencement date	March 2011	March 2012
Value of shares granted on the grant date	11,850,012	15,775,890
Fair value per share at grant date	29.69	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 11.85 million.

During the period a grant on 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 588,363 shares were granted with a fair value at the grant date of SAR 15.78 million.

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13. STAFF SHARE PLAN (Continued)

The following is the movement in number of shares in grant at June 30, 2012:

	<i>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
Beginning of the period	272,231	551,478	551,478
Granted during the period	588,363	292,521	277,817
Forfeited during the period	(65,286)	(20,290)	(6,473)
Vested during the period	-	(551,478)	(551,478)
Total	795,308	272,231	271,344

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 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, which was approved by the shareholders in the extra ordinary general assembly meeting held on March 18, 2012.

16. EARNING PER SHARE

Basic earnings per share for the six month period ended June 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 six month period ended June 30, 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>June 30, 2012</i> <i>(Un-audited)</i>	<i>December 31, 2011</i> <i>(Audited)</i>	<i>June 30, 2011</i> <i>(Un-audited)</i>
Credit Risk RWA	55,701,340	48,758,662	46,573,272
Operational Risk RWA	3,648,288	3,711,900	3,586,425
Market Risk RWA	276,424	602,262	464,607
Total Pillar-I RWA	59,626,052	53,072,824	50,624,304
Tier I Capital	7,027,440	7,018,443	6,382,691
Tier II Capital	2,409,005	1,791,846	2,283,939
Total Tier I & II Capital	9,436,445	8,810,289	8,666,630
Capital Adequacy Ratio %			
Tier I ratio	11.79	13.22	12.61
Tier I + Tier II ratio	15.83	16.60	17.12

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18. BASEL II PILLAR 3 DISCLOSURES

Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be made available for public on the Bank's website (www.shb.com.sa) within 60 business days after June 30, 2012 as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.

19. COMPARATIVE FIGURES

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