



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2013

(Unaudited)

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

		March 31, 2013	Dec. 31, 2012	March 31, 2012
	Notes	(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Cash and balances with SAMA		3,931,906	7,335,643	9,546,506
Due from banks and other financial institutions		3,914,967	3,831,774	2,695,838
Investments, net	5	15,328,151	10,911,961	9,001,366
Loans and advances, net	6	36,989,657	34,050,692	27,980,779
Investments in associates	7	955,937	965,902	938,327
Property and equipment, net		871,337	866,896	898,350
Other assets		1,137,423	1,103,782	1,127,943
Total assets		63,129,378	59,066,650	52,189,109
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		6,747,957	6,269,045	4,239,350
Customer deposits	8	44,039,353	40,413,571	36,944,838
Other liabilities		1,019,621	1,005,208	856,172
Term loans	9	2,000,000	2,000,000	1,500,000
Total liabilities		53,806,931	49,687,824	43,540,360
Equity				
Share capital	15	5,500,000	5,500,000	5,500,000
Statutory reserve		2,931,000	2,931,000	2,703,000
Other reserves		8,569	(38,992)	(69,267)
Retained earnings		912,252	597,979	542,777
Proposed dividends	16	-	416,600	-
Employee stock option shares		(29,374)	(27,761)	(27,761)
Total equity		9,322,447	9,378,826	8,648,749
Total liabilities and equity		63,129,378	59,066,650	52,189,109

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2013</u>	<u>2012</u>
Special commission income	460,521	368,370
Special commission expense	120,908	77,706
Net special commission income	339,613	290,664
Fee income from banking services, net	90,400	85,491
Exchange income, net	15,372	7,378
Dividend income	8,275	8,387
Gain on non-trading investments, net	49,511	1,139
Gain on sale of property and other income	2,210	65,557
Total operating income	505,381	458,616
Salaries and employee-related expenses	97,934	83,206
Rent and premises-related expenses	25,835	20,052
Depreciation and amortization	17,515	17,465
Other general and administrative expenses	42,275	28,486
Impairment charge for credit losses, net	30,000	115,000
Impairment charge for non-trading investments, net	15,000	26,000
Total operating expenses	228,559	290,209
Income from operating activities	276,822	168,407
Share in earnings of associates	37,451	43,828
Net income for the period	314,273	212,235
Basic and diluted earnings per share (expressed in SAR per share) (Note 15)	0.57	0.39

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2013</u>	<u>2012</u>
Net income for the period	<u>314,273</u>	<u>212,235</u>
Other comprehensive income:		
Available for sale investments:		
- Net change in fair value	97,553	204,812
- Fair value gains transferred to interim condensed consolidated income statement on disposal	(49,511)	(1,139)
Share in other comprehensive loss of associates	<u>(481)</u>	<u>(173)</u>
Total other comprehensive income for the period	<u>47,561</u>	<u>203,500</u>
Total comprehensive income for the period	<u><u>361,834</u></u>	<u><u>415,735</u></u>

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	2013						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares	Total equity
Balance at the beginning of the period	5,500,000	2,931,000	(38,992)	597,979	416,600	(27,761)	9,378,826
Total comprehensive income for the period	-	-	47,561	314,273	-	-	361,834
Dividends paid (note 16)	-	-	-	-	(416,600)	-	(416,600)
Employee stock option shares allocated	-	-	-	-	-	(35,368)	(35,368)
Employee stock option shares vested	-	-	-	-	-	33,755	33,755
Balance at the end of the period	<u>5,500,000</u>	<u>2,931,000</u>	<u>8,569</u>	<u>912,252</u>	<u>-</u>	<u>(29,374)</u>	<u>9,322,447</u>
	2012						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares	Total equity
Balance at the beginning of the period	5,500,000	2,703,000	(272,767)	330,542	324,500	(27,979)	8,557,296
Total comprehensive income for the period	-	-	203,500	212,235	-	-	415,735
Dividends paid (note 16)	-	-	-	-	(324,500)	-	(324,500)
Employee stock option shares allocated	-	-	-	-	-	(21,294)	(21,294)
Employee stock option shares vested	-	-	-	-	-	21,512	21,512
Balance at the end of the period	<u>5,500,000</u>	<u>2,703,000</u>	<u>(69,267)</u>	<u>542,777</u>	<u>-</u>	<u>(27,761)</u>	<u>8,648,749</u>

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Net income for the period	314,273	212,235
Adjustments to reconcile net income to net cash from / (used in) operating activities:		
Accretion of discounts on non-trading investments, net	(7,068)	(3,643)
Gain on non-trading investments, net	(49,511)	(1,139)
Gain on sale of property	(210)	(64,723)
Depreciation and amortization	17,515	17,465
Impairment charge for credit losses	30,000	115,000
Impairment charge for non-trading investments	15,000	26,000
Share in earnings of associates	(37,451)	(43,828)
	<u>282,548</u>	<u>257,367</u>
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	(381,884)	(127,131)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	1,536,485	9,818
Loans and advances	(2,968,965)	(981,686)
Other assets	(67,175)	71,930
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	478,912	15,178
Customer deposits	3,625,782	174,346
Other liabilities	48,168	(16,374)
	<u>2,553,871</u>	<u>(596,552)</u>
Net cash from / (used in) operating activities	<u>2,553,871</u>	<u>(596,552)</u>
INVESTING ACTIVITIES		
Proceeds from sale of and matured non-trading investments	384,153	1,370,650
Purchase of non-trading investments	(4,710,722)	(1,296,063)
Dividends received from associates	46,935	-
Purchase of property and equipment	(23,827)	(8,498)
Proceeds from sale of property and equipment	247	90,006
	<u>(4,303,214)</u>	<u>156,095</u>
Net cash (used in) / from investing activities	<u>(4,303,214)</u>	<u>156,095</u>
FINANCING ACTIVITIES		
Dividends paid	(416,600)	(324,500)
	<u>(416,600)</u>	<u>(324,500)</u>
Net cash used in financing activities	<u>(416,600)</u>	<u>(324,500)</u>
Decrease in cash and cash equivalents	<u>(2,165,943)</u>	<u>(764,957)</u>

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents		
Decrease in cash and cash equivalents	(2,165,943)	(764,957)
Cash and cash equivalents at the beginning of the period	8,500,379	10,903,211
Cash and cash equivalents at the end of the period (note 12)	6,334,436	10,138,254
Supplemental special commission information		
Special commission received during the period	451,717	400,757
Special commission paid during the period	210,289	121,171
Supplemental non-cash information		
Total other comprehensive income for the period	47,561	203,500
Employee stock option shares, net of allocation and vesting	(1,613)	218

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

1. General

The Saudi Investment Bank (the "Bank"), a Saudi joint stock company, was formed pursuant to Royal Decree No. M/31 dated 25 Jumada II 1396H, corresponding to June 23, 1976 in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 48 branches (December 31, 2012: 48 branches; and March 31, 2012: 48 branches) in the Kingdom of Saudi Arabia. The address of the Bank's Head Office is as follows:

The Saudi Investment Bank
Head Office
P.O. Box 3533
Riyadh 11481, Kingdom of Saudi Arabia

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

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard (IAS) 34 – "Interim Financial Reporting". The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

These interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2012.

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

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and income and expense. 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 of uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2012.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on April 7, 2013.

3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the following subsidiaries (collectively referred to as the "Group"):

- a) "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010235995 issued on 8 Rajab 1428H (corresponding to July 22, 2007), and is 100% owned by the Bank.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

3. Basis of consolidation (continued)

- b) "SAIB BNP Paribas Asset Management Company Limited" (AMCO), a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010240312 issued on 4 Thu Al Qada 1428H (corresponding to November 14, 2007), and is 55% owned by the Bank with the remaining 45% owned by both Saudi and non-Saudi shareholders; (see next paragraph for further details); and
- c) "Saudi Investment Real Estate Company", a limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No.1010268297 issued on 29 Jumada Awal 1430H (corresponding to 25 May 2009), and is owned 99% by the Bank with the remaining 1% owned by a representative Saudi Shareholder. The company has not commenced any significant operations.

In December 2011, a business transfer agreement was completed between Alistithmar Capital and AMCO whereby Alistithmar acquired the business and net assets of AMCO. AMCO is therefore now in the process of liquidation.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Changes are made to the accounting policies of the subsidiaries, when necessary, to align them with the accounting policies adopted by the Bank.

Subsidiaries are all entities over which 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 income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements.

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, 2012, except for the adoption of the following new standards and amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Group.

- | | | |
|---|--------------|--|
| • IAS 1 | Amendments | - Presentation of items of other comprehensive income |
| • IFRS 10 | | - Consolidated financial statements |
| • IFRS 11 | | - Joint arrangements |
| • IFRS 12 | | - Disclosure of interests in other entities |
| • IFRS 13 | | - Fair value measurement |
| • IAS 19 | Revised 2011 | - Employee benefits |
| • IAS 27 | Revised 2011 | - Separate financial statements |
| • IAS 28 | Revised 2011 | - Associates and joint ventures |
| • IFRS 7 | Revised 2011 | - Disclosures on offsetting financial assets and liabilities |
| • Amendments to the basis for conclusions on IAS 1, 16, 32, and 34 (annual improvements 2011) | | |

In addition to the above, the Group has chosen not to early adopt IFRS 9 (2010) – Financial instruments, and the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2015 and January 1, 2014, respectively.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

4. Significant accounting policies (continued)

The Bank is currently assessing the implication of the above standards and amendments on the Group and the timing of adoption.

5. Investments, net

Investments are classified as follows:

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Available for sale, net	14,410,476	9,992,271	8,019,963
Held to maturity, net	917,675	919,690	981,403
Investments, net	<u>15,328,151</u>	<u>10,911,961</u>	<u>9,001,366</u>

The above investments include no receivable securitization agreements.

The fair values of the held to maturity investments are approximately SAR 921.3 million as of March 31, 2013 (December 31, 2012 SAR 919.9 million).

6. Loans and advances, net

Loans and advances, net are comprised of the following:

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Performing loans and advances:			
Consumer loans	6,697,125	6,178,170	5,926,606
Commercial loans and overdrafts	30,609,367	28,182,231	22,577,795
Others	60,672	56,433	27,327
Total performing loans and advances	37,367,164	34,416,834	28,531,728
Non performing loans and advances	461,826	450,346	1,803,799
Total loans and advances	37,828,990	34,867,180	30,335,527
Allowance for credit losses	(839,333)	(816,488)	(2,354,748)
Loans and advances, net	<u>36,989,657</u>	<u>34,050,692</u>	<u>27,980,779</u>

7. Investments in associates

Investments in associates include the Bank's ownership interest in Amex Saudi Arabia Limited (50%), Saudi Orix Leasing Company (38%), Mediterranean Gulf Insurance and Reinsurance Co. – KSA (19%), and Amlak International for Finance and Real Estate Development Co. (32%).

The movement of investments in associates for the three month periods ended March 31, 2013 and 2012, and for the year ended December 31, 2012, is summarized as follows:

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Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

7. Investments in associates (continued)

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Balance at the beginning of the period	965,902	894,672	894,672
Share in earnings	37,451	146,517	43,828
Dividends received	(46,935)	(74,571)	-
Share in other comprehensive loss	(481)	(716)	(173)
Balance at the end of the period	<u>955,937</u>	<u>965,902</u>	<u>938,327</u>

The shares of Medgulf are traded on the Saudi Stock Exchange. As of March 31, 2013, the market value of the Bank's 19% investment in Medgulf is approximately SAR 448.4 million (December 31, 2012: 428.6 million).

8. Customer deposits

Customer deposits are comprised of the following:

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Demand	10,447,051	9,517,589	8,196,895
Savings	584,220	558,128	881,646
Time	32,450,193	29,868,401	24,441,882
Other	557,889	469,453	3,424,415
Customer deposits	<u>44,039,353</u>	<u>40,413,571</u>	<u>36,944,838</u>

9. Term loans

On April 7, 2009, the Bank entered into a three-year term loan facility agreement for an amount of SAR 500 million for general corporate purposes. The facility was repaid in April 2012.

On May 30, 2011, the Bank entered into a five-year medium term loan facility agreement for an amount of SAR 1 billion for general corporate purposes. The facility has been fully utilized and is repayable in May 2016. On June 24, 2012, the Bank entered into a five-year medium term loan facility agreement for an amount of SAR 1 billion for general corporate purposes. The facility has been fully utilized and is repayable in September 2017.

The term loans bear commission at variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related agreements. The agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance.

10. 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 Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

10. Derivatives (continued)

	Mar. 31, 2013 (Unaudited)			Dec. 31, 2012 (Audited)			Mar. 31, 2012 (Unaudited)		
	Fair value		Notional amount	Fair value		Notional amount	Fair value		Notional amount
Positive	Negative	Positive		Negative	Positive		Negative		
Held for trading:									
Forward foreign exchange contracts	5,209	3,161	847,244	7,617	1,250	1,979,794	10,762	1,399	912,502
Foreign exchange options	4,766	4,623	334,186	1,822	1,554	493,001	1,585	1,468	142,453
Structured options	720	720	20,001	720	720	20,001	-	-	-
Commission rate swaps	23,016	43,239	730,000	28,138	42,668	730,000	16,245	13,406	160,000
Held as fair value hedges:									
Commission rate swaps	40,293	88,768	2,545,894	41,398	96,156	2,546,093	101,731	137,554	2,545,951
Total	74,004	140,511	4,477,325	79,695	142,348	5,768,889	130,323	153,827	3,760,906

In addition to the above, the Bank has a put option arising from an existing master agreement entered into by the Bank relating to an associated company. The terms of the agreement give the Bank a put option that is exercisable from 2013 onwards for the remaining term of the agreement. The put option grants the Bank the right to receive a payment in exchange for its shares one year after the option is exercised, based on pre-determined formulas included in the agreement. As of March 31, 2013 the estimated fair value of this option is approximately SAR 37.6 million (December 31, 2012: SAR 14.1 million and March 31, 2012: Nil).

11. Commitments and contingencies

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

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Letters of credit	1,649,382	1,585,064	1,548,788
Letters of guarantee	5,859,715	5,529,561	4,379,725
Acceptances	401,349	397,755	446,779
Irrevocable commitments to extend credit	580,067	282,682	48,509
Credit-related commitments and contingencies	8,490,513	7,795,062	6,423,801

The Bank has received assessments for additional Zakat, Income tax, and withholding tax totalling approximately SAR 16.7 million relating to the Bank's 2003 through 2008 Zakat, Income tax, and withholding tax filings. The Bank has filed an appeal for these assessments.

The Bank has received assessments for additional Zakat totalling approximately SAR 185 million relating to its 2011 and 2010 Zakat filings. The assessments are primarily due to the disallowance of certain long-term investments from the Zakat base of the Bank. The Bank, in consultation with its Zakat advisors, has filed an appeal with the Department of Zakat and Income Tax, and is awaiting a response. The Bank, along with other Saudi Banks, has formally raised this issue with the Bank's regulator for a satisfactory resolution to this Saudi Banking Industry issue. At the current time, a reasonable estimation of the ultimate additional Zakat liability, if any, cannot be reliably determined.

A subsidiary of the Bank has also received assessments for additional zakat, income tax, and withholding tax relating to its 2008, 2009 and 2010 Zakat, Income tax, and withholding tax filings, totalling approximately SAR 3.4 million. The subsidiary has filed an appeal for these assessments.

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Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

12. Cash and cash equivalents

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

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,782,984	5,568,605	7,957,960
Due from banks and other financial institutions maturing within ninety days from the acquisition date	4,551,452	2,931,774	2,180,294
Cash and cash equivalents	<u>6,334,436</u>	<u>8,500,379</u>	<u>10,138,254</u>

13. Business segments

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in its function as the chief decision maker in order to allocate resources to the segments and to assess their performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the interim condensed consolidated income statement. There are no material items of income or expense between the operating segments. Segment assets and liabilities are comprised of operating assets and liabilities.

The Bank's primary business is conducted in the Kingdom of Saudi Arabia. The Bank's reportable segments are as follows:

Retail banking

Loans, deposits, and other credit products for individuals and small to medium-sized businesses.

Corporate banking

Loans, deposits and other credit products for corporate and institutional customers.

Treasury

Money market, investments and treasury services.

Asset management and brokerage

Dealing, managing, advising and custody of securities services.

Commission is charged or credited to operating segments based on funds transfer pricing rates. All of the segment revenue is from external customers.

The segment information provided to the Bank's Board of Directors which includes the reportable segments for the Bank's total assets and liabilities as of March 31, 2013 and 2012, and the segmental income, total operating expenses, and net income for the three month periods then ended, are as follows:

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Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

13. Business segments (continued)

	March 31, 2013 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	<u>15,373,192</u>	<u>24,389,807</u>	<u>22,708,808</u>	<u>657,571</u>	<u>63,129,378</u>
Total liabilities	<u>14,153,401</u>	<u>5,058,272</u>	<u>34,571,697</u>	<u>23,561</u>	<u>53,806,931</u>
Net special commission income	140,322	100,501	94,848	3,942	339,613
Fee income from banking services, net	28,343	46,868	202	14,987	90,400
Other operating income	<u>5,406</u>	<u>7,378</u>	<u>48,800</u>	<u>13,784</u>	<u>75,368</u>
Total operating income	<u>174,071</u>	<u>154,747</u>	<u>143,850</u>	<u>32,713</u>	<u>505,381</u>
Operating expenses before impairment	93,694	39,616	32,713	17,536	183,559
Impairment charge for credit losses, net	7,641	22,359	-	-	30,000
Impairment charge for non-trading investments, net	-	-	<u>15,000</u>	-	<u>15,000</u>
Total operating expenses	<u>101,335</u>	<u>61,975</u>	<u>47,713</u>	<u>17,536</u>	<u>228,559</u>
Share in earnings of associates	-	-	<u>37,451</u>	-	<u>37,451</u>
Net income for the period	<u>72,736</u>	<u>92,772</u>	<u>133,588</u>	<u>15,177</u>	<u>314,273</u>
	March 31, 2012 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	<u>13,113,482</u>	<u>17,371,563</u>	<u>20,945,921</u>	<u>758,143</u>	<u>52,189,109</u>
Total liabilities	<u>11,700,298</u>	<u>3,052,677</u>	<u>28,761,777</u>	<u>25,608</u>	<u>43,540,360</u>
Net special commission income	125,456	95,049	67,483	2,676	290,664
Fee income from banking services, net	35,811	24,208	-	25,472	85,491
Other operating income	<u>2,199</u>	<u>68,699</u>	<u>11,563</u>	-	<u>82,461</u>
Total operating income	<u>163,466</u>	<u>187,956</u>	<u>79,046</u>	<u>28,148</u>	<u>458,616</u>
Operating expenses before impairment	84,796	28,254	16,436	19,723	149,209
Impairment charge for credit losses, net	13,117	101,883	-	-	115,000
Impairment charge for non-trading investments, net	-	-	<u>26,000</u>	-	<u>26,000</u>
Total operating expenses	<u>97,913</u>	<u>130,137</u>	<u>42,436</u>	<u>19,723</u>	<u>290,209</u>
Share in earnings of associates	-	-	<u>43,828</u>	-	<u>43,828</u>
Net income for the period	<u>65,553</u>	<u>57,819</u>	<u>80,438</u>	<u>8,425</u>	<u>212,235</u>

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2013 and 2012

14. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transfer between market participants at the measurement date. The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or proxy):

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table summarizes the financial assets and liabilities recorded at fair value as of March 31, 2013 and December 31, 2012 by level of the fair value hierarchy.

March 31, 2013 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	74,004	37,623	111,627
Financial investments available for sale	9,078,258	5,321,090	11,128	14,410,476
Total	9,078,258	5,395,094	48,751	14,522,103
Financial liabilities:				
Derivative financial instruments	-	140,511	-	140,511
Total	-	140,511	-	140,511
December 31, 2012 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	79,695	14,099	93,794
Financial investments available for sale	8,108,057	1,873,085	11,129	9,992,271
Total	8,108,057	1,952,780	25,228	10,086,065
Financial liabilities:				
Derivative financial instruments	-	142,348	-	142,348
Total	-	142,348	-	142,348

The fair values of on balance sheet financial instruments are not significantly different from the carrying values included in the consolidated financial statements. The fair values of loans and advances, held to maturity investments, commission bearing customers' deposits, term loans, and due from and due to banks which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks. The estimated fair values of held-to-maturity investments are based on quoted market prices when available or pricing models in the case of certain fixed rate bonds. The fair values of these investments are disclosed in note (5).

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14. Fair values of financial assets and liabilities (continued)

The fair values of derivatives and other off-balance sheet financial instruments are based on quoted market prices when available or by using appropriate valuation models. The total amount of the changes in fair value recognized in the interim condensed consolidated income statement for the three month period ended March 31, 2013, which was estimated using valuation models, is SAR 35.6 million.

The value obtained from the relevant valuation model may differ with the transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the interim condensed consolidated income statement without reversal of deferred day one profits and losses.

15. Share capital and earnings per share

Basic and diluted earnings per share for the three month periods ended March 31, 2013 and 2012 are calculated by dividing the net income for the period by 550 million shares.

16. Dividends

In 2012, The Board of Directors proposed a dividend of SAR 385 million equal to SAR 0.70 per share, net of Zakat to be withheld from the Saudi Shareholders totalling SAR 31.6 million. The proposed dividend was approved by the Banks shareholders in an ordinary general assembly meeting held on Rabi'II 29, 1434 (corresponding to March 11, 2013). The net dividends were paid to the Bank's shareholders thereafter.

In 2011, the Board of Directors proposed a gross dividend for the year amounting to SAR 324.5 million. The dividend was equal to SAR 0.50 per share (SAR 275.0 million), plus the Zakat to be withheld from the Saudi shareholders, amounting to SAR 0.10 per share (SAR 49.5 million). The proposed dividend was approved by the Bank's shareholders in an ordinary general assembly meeting held on Rabi'II 25, 1433 (corresponding to March 18, 2012). The net dividends were paid to the Banks shareholders thereafter.

17. Capital adequacy

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA 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 by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total regulatory capital to risk-weighted assets (RWA) at or above the requirement 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 consolidated 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 summarises the Bank's Pillar I RWA, Tier I and Tier II Capital, and Capital Adequacy ratio percentages.

	Mar. 31, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Mar. 31, 2012 (Unaudited)
Credit Risk RWA	54,133,059	47,661,656	39,972,675
Operational Risk RWA	3,081,431	3,081,431	2,913,004
Market Risk RWA	214,773	283,449	420,235
Total Pillar- I RWA	<u>57,429,263</u>	<u>51,026,536</u>	<u>43,305,914</u>
Tier I Capital	9,303,626	8,877,054	7,948,529
Tier II Capital	639,562	112,819	242,730
Total Tier I & II Capital	<u>9,943,188</u>	<u>8,989,873</u>	<u>8,191,259</u>
Capital Adequacy Ratio %			
Tier I Ratio	<u>16.20%</u>	17.40%	18.35%
Tier I + Tier II Ratio	<u>17.31%</u>	<u>17.62%</u>	<u>18.91%</u>

As of March 31, 2013, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III which were effective from January 1, 2013. The comparative amounts and ratios as of December 31, 2012 and March 31, 2012, however, were calculated in accordance with Basel II and prior SAMA guidelines.

18. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation.