



**THE SAUDI INVESTMENT BANK**  
(A Saudi joint stock company)

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**For the six month period ended June 30, 2014**

**(Unaudited)**

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

		Jun. 30, 2014	Dec. 31, 2013	Jun. 30, 2013
	Notes	(Unaudited)	(Audited)	(Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA		9,667,641	6,307,029	4,783,026
Due from banks and other financial institutions		2,223,809	5,573,529	2,172,095
Investments, net	5	18,415,403	17,696,495	16,099,811
Loans and advances, net	6	54,765,783	47,566,871	40,414,337
Investments in associates	7	733,576	1,070,648	980,725
Property and equipment, net		915,942	872,534	867,075
Other assets		1,339,739	1,408,307	1,342,159
<b>Total assets</b>		<b>88,061,893</b>	<b>80,495,413</b>	<b>66,659,228</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		4,075,202	9,828,232	5,489,572
Customer deposits	8	67,725,148	57,043,847	48,560,005
Term loans	9	2,000,000	2,000,000	2,000,000
Subordinated debt	10	2,000,000	-	-
Other liabilities		1,314,129	1,370,559	1,143,054
<b>Total liabilities</b>		<b>77,114,479</b>	<b>70,242,638</b>	<b>57,192,631</b>
<b>Equity</b>				
Share capital	16	6,000,000	5,500,000	5,500,000
Statutory reserve		3,253,000	3,253,000	2,931,000
Other reserves		450,220	(33,664)	(167,679)
Retained earnings		1,275,745	1,085,313	1,232,650
Proposed dividends	17	-	477,500	-
Employee stock option shares		(31,551)	(29,374)	(29,374)
<b>Total equity</b>		<b>10,947,414</b>	<b>10,252,775</b>	<b>9,466,597</b>
<b>Total liabilities and equity</b>		<b>88,061,893</b>	<b>80,495,413</b>	<b>66,659,228</b>

The accompanying notes 1 to 20 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

	Three month period ended		Six month period ended	
	Jun. 30, 2014	Jun. 30, 2013	Jun. 30, 2014	Jun. 30, 2013
Special commission income	507,703	449,440	1,023,269	909,961
Special commission expense	136,655	106,034	297,540	226,942
<b>Net special commission income</b>	<b>371,048</b>	<b>343,406</b>	<b>725,729</b>	<b>683,019</b>
Fee income from banking services, net	113,250	99,176	210,797	189,576
Exchange income, net	10,001	26,124	31,556	41,496
Dividend income	5,393	669	19,127	8,944
Gain on non-trading investments, net	50,082	48,964	316,614	98,475
Other income	983	340	4,228	2,550
<b>Total operating income</b>	<b>550,757</b>	<b>518,679</b>	<b>1,308,051</b>	<b>1,024,060</b>
Salaries and employee-related expenses	128,790	107,576	251,301	205,510
Rent and premises-related expenses	26,619	23,390	49,804	49,225
Depreciation and amortization	17,066	17,901	34,106	35,416
Other general and administrative expenses	43,702	44,793	112,251	87,068
Impairment charge for credit losses, net	21,000	30,000	162,000	60,000
Impairment charge for non-trading investments, net	-	9,000	10,000	24,000
<b>Total operating expenses</b>	<b>237,177</b>	<b>232,660</b>	<b>619,462</b>	<b>461,219</b>
<b>Income from operating activities</b>	<b>313,580</b>	<b>286,019</b>	<b>688,589</b>	<b>562,841</b>
Share in earnings of associates	39,383	34,379	1,843	71,830
<b>Net income for the period</b>	<b>352,963</b>	<b>320,398</b>	<b>690,432</b>	<b>634,671</b>
<b>Basic and diluted earnings per share (expressed in SAR per share) (Note 16)</b>	<b>0.59</b>	<b>0.53</b>	<b>1.15</b>	<b>1.06</b>

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

## THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

Amounts in SAR'000

	<u>Three month period ended</u>		<u>Six month period ended</u>	
	<u>Jun. 30,</u>	<u>Jun. 30,</u>	<u>Jun. 30,</u>	<u>Jun. 30,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Net income for the period</b>	<b><u>352,963</u></b>	<u>320,398</u>	<b><u>690,432</u></b>	<u>634,671</u>
<b>Other comprehensive income-items that may subsequently be reclassified to the consolidated income statement:</b>				
Available for sale investments:				
- Net change in fair value	<b>152,380</b>	(127,381)	<b>576,386</b>	(29,828)
- Fair value gains transferred to interim condensed consolidated income statement on disposal	<b>(50,082)</b>	(48,964)	<b>(92,663)</b>	(98,475)
Share in other comprehensive income (loss) of associates	<b>(326)</b>	97	<b>161</b>	(384)
Total other comprehensive income (loss) for the period	<b><u>101,972</u></b>	<u>(176,248)</u>	<b><u>483,884</u></b>	<u>(128,687)</u>
<b>Total comprehensive income for the period</b>	<b><u>454,935</u></b>	<u>144,150</u>	<b><u>1,174,316</u></b>	<u>505,984</u>

The accompanying notes 1 to 20 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 six month periods ended June 30

	2014						
	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	3,253,000	(33,664)	1,085,313	477,500	(29,374)	10,252,775
Total comprehensive income for the period	-	-	483,884	690,432	-	-	1,174,316
Dividends paid (note 17)	-	-	-	-	(477,500)	-	(477,500)
Bonus shares issued (note17)	500,000	-	-	(500,000)	-	-	-
Employee stock option shares allocated	-	-	-	-	-	(29,614)	(29,614)
Employee stock option shares vested	-	-	-	-	-	27,437	27,437
Balance at the end of the period	<u>6,000,000</u>	<u>3,253,000</u>	<u>450,220</u>	<u>1,275,745</u>	<u>-</u>	<u>(31,551)</u>	<u>10,947,414</u>
	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	-	-	(128,687)	634,671	-	-	505,984
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>(167,679)</u>	<u>1,232,650</u>	<u>-</u>	<u>(29,374)</u>	<u>9,466,597</u>

The accompanying notes 1 to 20 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 six month periods ended June 30

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
<b>Net income for the period</b>	<b>690,432</b>	634,671
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>		
Accretion of discounts on non-trading investments, net	<b>(1,706)</b>	(16,894)
Gain on non-trading investments, net	<b>(316,614)</b>	(98,475)
Gain on sale of property, net	<b>213</b>	(548)
Depreciation and amortization	<b>34,106</b>	35,416
Impairment charge for credit losses	<b>162,000</b>	60,000
Impairment charge for non-trading investments	<b>10,000</b>	24,000
Share in earnings of associates	<b>(1,843)</b>	(71,830)
	<b>576,588</b>	566,340
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	<b>(738,635)</b>	(425,810)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	<b>3,969,000</b>	1,888,500
Loans and advances	<b>(7,360,912)</b>	(6,423,645)
Other assets	<b>38,954</b>	(271,911)
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	<b>(5,753,030)</b>	(779,473)
Customer deposits	<b>10,681,301</b>	8,146,434
Other liabilities	<b>(28,993)</b>	171,601
<b>Net cash from operating activities</b>	<b>1,384,273</b>	2,872,036
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of and matured non-trading investments	<b>4,176,727</b>	715,680
Purchase of non-trading investments	<b>(3,833,856)</b>	(5,940,465)
Dividends received from associates	<b>69,340</b>	56,623
Purchase of property and equipment	<b>(77,855)</b>	(37,474)
Proceeds from sale of property and equipment	<b>128</b>	594
<b>Net cash from (used in) investing activities</b>	<b>334,484</b>	(5,205,042)
<b>FINANCING ACTIVITIES</b>		
Proceeds from Subordinated debt	<b>2,000,000</b>	-
Dividends paid	<b>(477,500)</b>	(416,600)
<b>Net cash from (used in) financing activities</b>	<b>1,522,500</b>	(416,600)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3,241,257</b>	(2,749,606)

The accompanying notes 1 to 20 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 - continued (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30

	<u>2014</u>	<u>2013</u>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	<b>11,102,584</b>	8,500,379
Increase (decrease) in cash and cash equivalents	<u><b>3,241,257</b></u>	<u>(2,749,606)</u>
Cash and cash equivalents at the end of the period (note 13)	<u><b>14,343,841</b></u>	<u>5,750,773</u>
<b>Supplemental special commission information</b>		
Special commission received during the period	<u><b>1,107,737</b></u>	<u>892,641</u>
Special commission paid during the period	<u><b>341,326</b></u>	<u>309,885</u>
<b>Supplemental non-cash information</b>		
Total other comprehensive income for the period	<u><b>483,884</b></u>	<u>(128,687)</u>
Employee stock option shares, net of allocation and vesting	<u><b>(2,177)</b></u>	<u>(1,613)</u>
Transfer of investment in associate to available for sale investments	<u><b>269,736</b></u>	<u>-</u>
Bonus shares issued (note 17)	<u><b>500,000</b></u>	<u>-</u>

The accompanying notes 1 to 20 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 six month periods ended June 30, 2014 and 2013

### 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, 2013: 48 branches; and June 30, 2013: 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, 2013.

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

The preparation of the 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, 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 annual consolidated financial statements as of and for the year ended December 31, 2013.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on July 23, 2014.

### 3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of 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; and



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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Amounts in SAR'000

For the six month periods ended June 30, 2014 and 2013

### 3. Basis of consolidation (continued)

- b) "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 Awwal 1430H (corresponding to 25 May 2009), and is owned 100% by the Bank. The company has not commenced any significant operations.

In December 2011, a business transfer agreement was completed between Alistithmar Capital and SAIB BNP Paribas Asset Management Company Limited (AMCO), a former subsidiary of the Bank, whereby Alistithmar Capital acquired the business and net assets of AMCO. AMCO is now completing the remaining regulatory actions to formally close the company.

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 investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from involvement with the investee and has the ability to affect those returns through its power over the investee.

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 these 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, 2013, except for the adoption of the following amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Group:

- Amendments to IFRS 10, IFRS 12, and IAS 27 that provide consolidation relief for investment funds applicable from January 1, 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through income statement provided it fulfils certain conditions with an exception being for subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from January 1, 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from January 1, 2014, addresses the disclosure of information about the recoverable amount of impaired assets. Under the amendments, recoverable amounts of every cash generating unit to which goodwill or indefinite – lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30, 2014 and 2013

### 4. Significant accounting policies (continued)

- IAS 39 amendment applicable from January 1, 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

IFRS 9 Financial Instruments applicable from January 1, 2018 provides guidance on the classification and measurement of financial assets and financial liabilities, provides requirements for derecognition of financial instruments, and incorporates revised requirements for hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Group is currently assessing the implications of IFRS 9 on the Group and the timing of its adoption.

IFRS 15 Revenue from Contracts with Customers applicable from January 1, 2017 sets out the requirements for recognizing revenue that apply to all contracts with customers (excepts for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments).. The Group is currently assessing the implications of IFRS 15 on the Group and the timing of its adoption.

### 5. Investments, net

Investments are classified as follows:

	<b>Jun. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Available for sale, net	<b>17,765,403</b>	16,859,452	15,208,745
Held to maturity, net	<b>650,000</b>	837,043	891,066
<b>Investments, net</b>	<b><u>18,415,403</u></b>	<u>17,696,495</u>	<u>16,099,811</u>

The fair values of the held to maturity investments are approximately SAR 653.3 million as of June 30, 2014 (December 31, 2013: SAR 851.1 million and June 30, 2013: SAR 919.1 million).

### 6. Loans and advances, net

Loans and advances, net are comprised of the following:

	<b>Jun. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Performing loans and advances:			
Consumer loans	<b>11,734,266</b>	9,368,077	7,298,089
Commercial loans and overdrafts	<b>43,313,724</b>	38,429,225	33,454,535
Others	<b>123,910</b>	78,629	69,593
Total performing loans and advances	<b>55,171,900</b>	47,875,931	40,822,217
Non performing loans and advances	<b>427,491</b>	395,015	354,001
Total loans and advances	<b>55,599,391</b>	48,270,946	41,176,218
Allowance for credit losses	<b>(833,608)</b>	(704,075)	(761,881)
<b>Loans and advances, net</b>	<b><u>54,765,783</u></b>	<u>47,566,871</u>	<u>40,414,337</u>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30, 2014 and 2013

#### 7. Investments in associates

Investments in associates as of June 30, 2014 include the Bank's ownership interest in Amex Saudi Arabia Limited (50%), Saudi Orix Leasing Company (38%), and Amlak International for Finance and Real Estate Development Co. (32%).

The movement of investments in associates for the six month periods ended June 30, 2014 and 2013, and for the year ended December 31, 2013, is summarized as follows:

	<b>Jun. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Balance at the beginning of the period	<b>1,070,648</b>	965,902	965,902
Transfer to available for sale investments	<b>(269,736)</b>	-	-
Share in earnings (losses)	<b>1,843</b>	160,825	71,830
Dividends received	<b>(69,340)</b>	(56,624)	(56,623)
Share in other comprehensive income (losses)	<b>161</b>	545	(384)
<b>Balance at the end of the period</b>	<b><u>733,576</u></b>	<u>1,070,648</u>	<u>980,725</u>

During the first quarter of 2014, the Bank transferred its investment in the Mediterranean and Gulf Cooperative Insurance and Reinsurance Co. (MedGulf) from investments in associates to available for sale investments, because this investment no longer qualifies to be accounted for as an investment in an associate. This investment was recorded in available for sale investments at its estimated fair value at the time of transfer, with a corresponding gain equal to the difference between the estimated fair value and the carrying amount of the recorded investment in MedGulf. The resulting gain totaling SAR 223.9 million is included in gains on non-trading investments, net.

#### 8. Customer deposits

Customer deposits are comprised of the following:

	<b>Jun. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Demand	<b>15,994,580</b>	13,332,031	11,037,078
Savings	<b>1,889,627</b>	641,354	561,842
Time	<b>48,336,691</b>	42,111,729	36,063,010
Other	<b>1,504,250</b>	958,733	898,075
<b>Customer deposits</b>	<b><u>67,725,148</u></b>	<u>57,043,847</u>	<u>48,560,005</u>

#### 9. Term loans

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 another five-year medium term loan facility agreement also 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
Amounts in SAR'000  
For the six month periods ended June 30, 2014 and 2013

**10. Subordinated debt**

On June 5, 2014, the Bank concluded the issuance of a SAR 2 billion subordinated debt issue through a private placement of a Shariah compliant Tier II Sukuk in the Kingdom of Saudi Arabia. The Sukuk has a tenor of ten years with the Bank retaining the right to call the Sukuk at the end of the first five year period, subject to certain regulatory approvals. The Sukuk carries a half yearly profit equal to six month SIBOR plus 1.45%.

**11. 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. The total notional amounts are also not indicative of the Bank's exposure to credit risk nor market risk.

	Jun. 30, 2014 (Unaudited)			Dec. 31, 2013 (Audited)			Jun. 30, 2013 (Unaudited)		
	Fair value		Notional amount	Fair value		Notional amount	Fair value		Notional amount
Positive	Negative	Positive		Negative	Positive		Negative		
<b>Held for trading:</b>									
Forward foreign exchange contracts	2,771	5,374	4,272,159	9,736	8,645	6,465,351	7,673	5,212	1,226,740
Foreign exchange options	65,167	65,428	3,303,854	82,970	82,599	1,921,591	15,160	14,813	624,826
Commission rate swaps	25,562	35,906	4,250,311	39,642	38,959	2,520,000	36,635	60,233	2,320,070
<b>Held as fair value hedges:</b>									
Commission rate swaps	25,455	49,914	1,717,775	36,208	84,817	2,546,252	53,861	81,966	2,545,951
<b>Total</b>	<b>118,955</b>	<b>156,622</b>	<b>13,544,099</b>	<b>168,556</b>	<b>215,020</b>	<b>13,453,194</b>	<b>113,329</b>	<b>162,224</b>	<b>6,717,587</b>

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 June 30, 2014 the estimated fair value of this option is approximately SAR 165.7 million (December 31, 2013: SAR 108.2 million and June 30, 2013: 61.2 million).

**12. Commitments and contingencies**

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

	<b>Jun. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Letters of credit	<b>2,649,187</b>	2,707,442	2,428,835
Letters of guarantee	<b>8,086,348</b>	7,362,302	6,324,560
Acceptances	<b>606,824</b>	1,104,012	448,962
Irrevocable commitments to extend credit	<b>285,453</b>	519,329	486,669
<b>Credit-related commitments and contingencies</b>	<b><u>11,627,812</u></b>	<u>11,693,085</u>	<u>9,689,026</u>

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

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### 12. Commitments and contingencies (continued)

The Bank has received assessments for additional Zakat totalling approximately SAR 383 million relating to its 2013, 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.

### 13. Cash and cash equivalents

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

	Jun. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	6,515,032	3,893,055	2,590,178
Due from banks and other financial institutions maturing within ninety days from the acquisition date	7,828,809	7,209,529	3,160,595
<b>Cash and cash equivalents</b>	<b>14,343,841</b>	<b>11,102,584</b>	<b>5,750,773</b>

### 14. 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 operating 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 price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits. All other segment income 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 June 30, 2014 and 2013, and the segmental income, total operating expenses, and net income for the six month periods then ended, are as follows:

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### 14. Business segments (continued)

	June 30, 2014 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	22,312,771	36,238,664	29,111,873	398,585	88,061,893
Total liabilities	20,419,942	11,937,318	42,677,984	79,235	75,114,479
Net FTP contribution	313,351	279,656	118,643	14,079	725,729
Fee income from banking services, net	58,664	96,834	6,922	48,377	210,797
Other operating income	33,760	17,988	315,642	4,135	371,525
Total operating income	405,775	394,478	441,207	66,591	1,308,051
Operating expenses before impairment charges	241,743	126,117	43,517	36,085	447,462
Impairment charges, net	39,718	122,282	10,000	-	172,000
Total operating expenses	281,461	248,399	53,517	36,085	619,462
Income from operating activities	124,314	146,079	387,690	30,506	688,589
Share in earnings of associates	-	-	1,843	-	1,843
Net income for the period	124,314	146,079	389,533	30,506	690,432
	June 30, 2013 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	17,078,184	26,622,245	22,355,493	603,306	66,659,228
Total liabilities	18,535,038	4,859,936	33,778,502	19,155	57,192,631
Net FTP contribution	260,975	208,744	204,488	8,812	683,019
Fee income from banking services, net	57,428	97,350	1,998	32,800	189,576
Other operating income	9,769	19,916	107,235	14,545	151,465
Total operating income	328,172	326,010	313,721	56,157	1,024,060
Operating expenses before impairment charges	172,494	96,297	74,972	33,456	377,219
Impairment charges, net	16,932	43,068	24,000	-	84,000
Total operating expenses	189,426	139,365	98,972	33,456	461,219
Income from operating activities	138,746	186,645	214,749	22,701	562,841
Share in earnings of associates	-	-	71,830	-	71,830
Net income for the period	138,746	186,645	286,579	22,701	634,671

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**15. 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 transaction 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 that an entity can access at the measurement date (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 June 30, 2014, December 31, 2013, and June 30, 2013 by level of the fair value hierarchy.

<b>June 30, 2014 (SAR'000) (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets:				
Derivative financial instruments	-	118,955	165,675	284,630
Financial investments available for sale	12,128,242	5,621,616	15,545	17,765,403
<b>Total</b>	<b>12,128,242</b>	<b>5,740,571</b>	<b>181,220</b>	<b>18,050,033</b>
Financial liabilities:				
Derivative financial instruments	-	156,622	-	156,622
<b>Total</b>	<b>-</b>	<b>156,622</b>	<b>-</b>	<b>156,622</b>
<b>December 31, 2013 (SAR '000) (Audited)</b>				
Financial assets:				
Derivative financial instruments	-	168,556	108,195	276,751
Financial investments available for sale	11,656,318	5,191,591	11,543	16,859,452
<b>Total</b>	<b>11,656,318</b>	<b>5,360,147</b>	<b>119,738</b>	<b>17,136,203</b>
Financial liabilities:				
Derivative financial instruments	-	215,020	-	215,020
<b>Total</b>	<b>-</b>	<b>215,020</b>	<b>-</b>	<b>215,020</b>
<b>June 30, 2013 (SAR '000) (Unaudited)</b>				
Financial assets:				
Derivative financial instruments	-	113,329	61,148	174,477
Financial investments available for sale	9,678,826	5,518,790	11,129	15,208,745
<b>Total</b>	<b>9,678,826</b>	<b>5,632,119</b>	<b>72,277</b>	<b>15,383,222</b>
Financial liabilities:				
Derivative financial instruments	-	162,224	-	162,224
<b>Total</b>	<b>-</b>	<b>162,224</b>	<b>-</b>	<b>162,224</b>

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### 15. Fair values of financial assets and liabilities (continued)

The fair values of on balance sheet financial instruments are not significantly different from the carrying values included in the interim condensed 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.

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 six month period ended June 30, 2014, which was estimated using valuation models, is SAR 61.6 million (June 30, 2013: 84.8 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.

### 16. Share capital and earnings per share

Basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2014 are calculated by dividing the net income for the period by 600 million shares, after giving effect to the bonus shares issued in 2014 (see note 17). As a result, basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2013 have been retroactively adjusted to reflect the issuance of the bonus shares.

### 17. Dividends

In 2013, the Board of Directors proposed a cash dividend of SAR 440 million equal to SAR 0.80 per share, net of Zakat to be withheld from the Saudi shareholders totalling SAR 37.5 million. The Board of Directors also proposed a bonus share issue of 50,000,000 shares with a par value of SAR 10 per share, or one bonus share for each eleven shares outstanding. The proposed cash dividend and bonus share issue were approved by the Bank's shareholders in an extraordinary general assembly meeting held on 1 Jumada' II (corresponding to April 1, 2014). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

In 2012, The Board of Directors proposed a cash 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 Bank's 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.

### 18. Capital adequacy and capital structure disclosures

#### a) Capital adequacy

The Group'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%.



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#### 18. Capital adequacy and capital structure disclosures (continued)

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.

The following table summarises the Bank's Pillar I RWA, Tier I and Tier II Capital, and Capital Adequacy ratio percentages.

	Jun. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)	Jun. 30, 2013 (Unaudited)
Credit Risk RWA	74,218,715	67,282,100	57,985,148
Operational Risk RWA	3,146,249	3,146,249	3,081,431
Market Risk RWA	1,484,383	287,438	2,820,572
Total Pillar- I RWA	78,849,347	70,715,787	63,887,151
Tier I Capital	10,929,119	10,233,954	9,447,776
Tier II Capital	2,590,538	461,023	559,366
Total Tier I & II Capital	13,519,657	10,694,977	10,007,142
Capital Adequacy Ratio %			
Tier I Ratio	13.86%	14.47%	14.79%
Tier I + Tier II Ratio	17.15%	15.12%	15.66%

#### b) Capital structure disclosures

Certain additional disclosures related to the Bank's capital structure are required under Basel III. These disclosures will be made available to the public on the Bank's website ([www.saib.com.sa](http://www.saib.com.sa)) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

#### 19. Basel III Pillar 3 disclosures

Certain additional quantitative disclosures are required under Basel III Pillar 3. These disclosures will be made available to the public on the Banks website ([www.saib.com.sa](http://www.saib.com.sa)) within 60 business days after June 30, 2014, as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

#### 20. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation. These reclassifications do not affect the Bank's Profit and Loss nor equity.