



**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, 2015**

**(Unaudited)**

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

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

	<b>Notes</b>	<b>June 30, 2015 (Unaudited)</b>	<b>Dec. 31, 2014 (Audited)</b>	<b>June 30, 2014 (Unaudited)</b>
<b>ASSETS</b>				
Cash and balances with SAMA		<b>4,704,267</b>	9,127,694	9,667,641
Due from banks and other financial institutions		<b>2,611,815</b>	879,496	2,223,809
Investments, net	5	<b>24,068,173</b>	22,396,949	18,415,403
Loans and advances, net	6	<b>57,018,317</b>	57,472,514	54,765,783
Investments in associates	7	<b>892,970</b>	846,351	733,576
Property and equipment, net		<b>954,350</b>	909,622	915,942
Other assets		<b>2,331,961</b>	1,993,814	1,339,739
<b>Total assets</b>		<b><u>92,581,853</u></b>	<b><u>93,626,440</u></b>	<b><u>88,061,893</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>4,063,924</b>	5,002,088	4,075,202
Customer deposits	8	<b>70,314,128</b>	70,733,411	67,725,148
Term loans	9	<b>2,000,000</b>	2,000,000	2,000,000
Subordinated debt	10	<b>2,000,000</b>	2,000,000	2,000,000
Other liabilities		<b>2,235,715</b>	2,038,809	1,314,129
<b>Total liabilities</b>		<b><u>80,613,767</u></b>	<b><u>81,774,308</u></b>	<b><u>77,114,479</u></b>
<b>Shareholders' equity</b>				
Share capital	16	<b>6,500,000</b>	6,000,000	6,000,000
Statutory reserve		<b>3,613,000</b>	3,613,000	3,253,000
Other reserves		<b>515,911</b>	608,891	450,220
Retained earnings		<b>1,389,064</b>	1,139,792	1,275,745
Proposed dividends	17	<b>-</b>	522,000	-
Employee stock option shares		<b>(49,889)</b>	(31,551)	(31,551)
<b>Total shareholders' equity</b>		<b><u>11,968,086</u></b>	<b><u>11,852,132</u></b>	<b><u>10,947,414</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>92,581,853</u></b>	<b><u>93,626,440</u></b>	<b><u>88,061,893</u></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

	<u>Three month period ended</u>		<u>Six month period ended</u>	
	<u>Jun. 30, 2015</u>	<u>Jun. 30, 2014</u>	<u>Jun. 30, 2015</u>	<u>Jun. 30, 2014</u>
Special commission income	<b>598,789</b>	507,703	<b>1,185,243</b>	1,023,269
Special commission expense	<b>167,817</b>	136,655	<b>323,700</b>	297,540
<b>Net special commission income</b>	<b>430,972</b>	371,048	<b>861,543</b>	725,729
Fee income from banking services, net	<b>108,243</b>	113,250	<b>232,964</b>	210,797
Exchange income, net	<b>22,139</b>	10,001	<b>54,618</b>	31,556
Dividend income	<b>11,772</b>	5,393	<b>22,488</b>	19,127
Gain on non-trading investments, net	<b>67,472</b>	50,082	<b>121,076</b>	316,614
Other income	<b>(116)</b>	983	<b>30</b>	4,228
<b>Total operating income</b>	<b>640,482</b>	550,757	<b>1,292,719</b>	1,308,051
Salaries and employee-related expenses	<b>146,120</b>	128,790	<b>307,685</b>	251,301
Rent and premises-related expenses	<b>27,293</b>	26,619	<b>53,237</b>	49,804
Depreciation and amortization	<b>19,583</b>	17,066	<b>38,835</b>	34,106
Other general and administrative expenses	<b>55,053</b>	43,702	<b>112,027</b>	112,251
Impairment charge for credit losses, net	<b>46,000</b>	21,000	<b>69,000</b>	162,000
Impairment charge for non-trading investments, net	-	-	<b>35,000</b>	10,000
<b>Total operating expenses</b>	<b>294,049</b>	237,177	<b>615,784</b>	619,462
<b>Income from operating activities</b>	<b>346,433</b>	313,580	<b>676,935</b>	688,589
Share in earnings of associates	<b>36,140</b>	39,383	<b>72,337</b>	1,843
<b>Net income for the period</b>	<b>382,573</b>	352,963	<b>749,272</b>	690,432
<b>Basic and diluted earnings per share (expressed in SAR per share) (Note 16)</b>	<b>0.59</b>	0.54	<b>1.15</b>	1.06

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 COMPREHENSIVE INCOME (Unaudited) Amounts in SAR'000

	Three month period ended		Six month period ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
<b>Net income for the period</b>	<b>382,573</b>	352,963	<b>749,272</b>	690,432
<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>(314,737)</b>	152,380	<b>28,863</b>	576,386
- Fair value gains transferred to interim condensed consolidated income statement	<b>(67,472)</b>	(50,082)	<b>(121,076)</b>	(92,663)
Share in other comprehensive income (loss) of associates	<b>(411)</b>	(326)	<b>(767)</b>	161
Total other comprehensive income (loss) for the period	<b>(382,620)</b>	101,972	<b>(92,980)</b>	483,884
<b>Total comprehensive income (loss) for the period</b>	<b>(47)</b>	454,935	<b>656,292</b>	1,174,316

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 SHAREHOLDERS' EQUITY (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30

	2015						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares	Total equity
Balance at the beginning of the period	6,000,000	3,613,000	608,891	1,139,792	522,000	(31,551)	11,852,132
Total comprehensive income for the period	-	-	(92,980)	749,272	-	-	656,292
Dividends paid (note 17)	-	-	-	-	(522,000)	-	(522,000)
Bonus shares issued (note 17)	500,000	-	-	(500,000)	-	-	-
Employee stock option shares allocated	-	-	-	-	-	(49,889)	(49,889)
Employee stock option shares vested	-	-	-	-	-	31,551	31,551
Balance at the end of the period	<u>6,500,000</u>	<u>3,613,000</u>	<u>515,911</u>	<u>1,389,064</u>	<u>-</u>	<u>(49,889)</u>	<u>11,968,086</u>
	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 (Note 17)	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>

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 CASH FLOWS (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30

	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	749,272	690,432
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>		
Net amortization (accretion) of premiums and discounts on non-trading investments	5,900	(1,706)
Gain on non-trading investments, net	(121,076)	(316,614)
Net (gain) loss on sale of property	(146)	213
Depreciation and amortization	38,835	34,106
Impairment charge for credit losses, net	69,000	162,000
Impairment charge for non-trading investments, net	35,000	10,000
Share in earnings of associates	(72,337)	(1,843)
	<u>704,448</u>	<u>576,588</u>
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	(159,789)	(738,635)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	-	(1,636,000)
Loans and advances	385,197	(7,360,912)
Other assets	(388,036)	38,954
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	(938,164)	(5,753,030)
Customer deposits	(419,283)	10,681,301
Other liabilities	228,457	(28,993)
<b>Net cash used in operating activities</b>	<u>(587,170)</u>	<u>(4,220,727)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of and matured non-trading investments	6,763,994	4,176,727
Purchase of non-trading investments	(8,447,254)	(3,833,856)
Dividends received from associates	24,951	69,340
Purchase of property and equipment	(83,564)	(77,855)
Proceeds from sale of property and equipment	146	128
<b>Net cash (used in) from investing activities</b>	<u>(1,741,727)</u>	<u>334,484</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from subordinated debt	-	2,000,000
Dividends paid	(522,000)	(477,500)
<b>Net cash (used in) from financing activities</b>	<u>(522,000)</u>	<u>1,522,500</u>
<b>Decrease in cash and cash equivalents</b>	<u>(2,850,897)</u>	<u>(2,363,743)</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 CASH FLOWS - continued (Unaudited)

Amounts in SAR'000

For the six month periods ended June 30

	<u>2015</u>	<u>2014</u>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	<b>6,678,123</b>	11,102,584
Decrease in cash and cash equivalents	<b>(2,850,897)</b>	(2,363,743)
Cash and cash equivalents at the end of the period (note 13)	<b><u>3,827,226</u></b>	<b><u>8,738,841</u></b>
<b>Supplemental special commission information</b>		
Special commission received during the period	<b><u>1,152,446</u></b>	<u>1,107,737</u>
Special commission paid during the period	<b><u>354,363</u></b>	<u>341,326</u>
<b>Supplemental non-cash information</b>		
Total other comprehensive income for the period	<b><u>(92,980)</u></b>	<u>483,884</u>
<b>Employee stock option shares, net of allocation and vesting</b>	<b><u>(18,338)</u></b>	<b><u>(2,177)</u></b>
Transfer of investment in associate to available for sale investments	<u>-</u>	<u>269,736</u>
Bonus shares issued (note 17)	<b><u>500,000</u></b>	<u>500,000</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, 2015 and 2014

### 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, 2014: 48 branches; and June 30, 2014: 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, 2014.

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, 2014.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on August 5, 2015.

### 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), converted during 2015 from a limited liability company to a closed joint stock company, and is 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;
- b) "Saudi Investment Real Estate Company", a limited liability company, and is registered in the Kingdom of Saudi Arabia under commercial registration No.1010268297 issued on 29 Jumada Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The company has not commenced any significant operations; 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, 2015 and 2014

### 3. Basis of consolidation (continued)

- c) "Saudi Investment First Company", a limited liability company, and is registered in the Kingdom of Saudi Arabia under commercial registration No. 1010427836 issued on 16 Muharram 1436H (corresponding to November 9, 2014) and is owned 100% by the Bank. The company has not commenced any significant operations.

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 unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized 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, 2014, 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:

The annual improvements to IFRS 2010-2012 and 2011-2013 cycle is applicable for annual periods beginning on or after July 1, 2014. These annual improvements are summarized as below.

- IFRS 2 – "Share-Based Payments" has been amended to clarify the definition of a vesting condition by separately defining a performance condition and service condition.
- IFRS 3 – "Business Combinations" has been amended to clarify the classification and measurement of contingent consideration in a business combination, and also to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements mentioned in IFRS 11.
- IFRS 8 – "Operating Segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
- IFRS 13 – "Fair Value Measurement" has been amended to clarify the measurement of commission free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

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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, 2015 and 2014

### 4. Significant accounting policies (continued)

- IAS 16 – “Property Plant and Equipment” and IAS 38 - “Intangible Assets” have been amended to clarify the requirements of revaluation models recognizing that the restatement of accumulated depreciation or amortization is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – “Related Party Disclosures” has been amended for the definition of a related party which has been extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 - “Investment Property” has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and should perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

The following standards have been issued but not yet adopted by the Group, as their effective date for adoption is subsequent to January 1, 2015. The standards include IFRS 9 - Financial Instruments, and IFRS 15 - Revenue from Contracts with Customers. These two standards are summarized below.

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 their 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 (except 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, 2015 (Unaudited)</b>	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Available for sale, net	<b>24,068,173</b>	22,396,949	17,765,403
Held to maturity, net	-	-	650,000
<b>Investments, net</b>	<b><u>24,068,173</u></b>	<b><u>22,396,949</u></b>	<b><u>18,415,403</u></b>

The fair values of the held to maturity investments were approximately SAR 653.3 million as of June 30, 2014.

# 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, 2015 and 2014

### 6. Loans and advances, net

Loans and advances, net are comprised of the following:

	Jun. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Performing loans and advances:			
Consumer loans	12,121,281	11,604,600	11,734,266
Commercial loans and overdrafts	45,026,203	46,030,270	43,313,724
Others	237,944	223,841	123,910
Total performing loans and advances	57,385,428	57,858,711	55,171,900
Non performing loans and advances	427,983	436,395	427,491
Total loans and advances	57,813,411	58,295,106	55,599,391
Allowance for credit losses	(795,095)	(822,592)	(833,608)
<b>Loans and advances, net</b>	<b>57,018,316</b>	<b>57,472,514</b>	<b>54,765,783</b>

### 7. Investments in associates

Investments in associates as of June 30, 2015 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, 2015 and 2014, and for the year ended December 31, 2014, is summarized as follows:

	Jun. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Balance at the beginning of the period	846,351	1,070,648	1,070,648
Investments	-	53,999	-
Transfer to available for sale investments	-	(269,736)	(269,736)
Share in earnings	72,337	79,515	1,843
Dividends received	(24,951)	(88,673)	(69,340)
Share in other comprehensive income (loss)	(767)	598	161
<b>Balance at the end of the period</b>	<b>892,970</b>	<b>846,351</b>	<b>733,576</b>

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 qualified 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 in the consolidated income statement for the six month period ended June 30, 2014.

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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, 2015 and 2014

### 8. Customer deposits

Customer deposits are comprised of the following:

	<b>Jun. 30, 2015 (Unaudited)</b>	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Demand	<b>21,131,819</b>	19,649,245	15,994,580
Savings	<b>868,500</b>	648,766	1,889,627
Time	<b>47,250,097</b>	49,392,429	48,336,691
Other	<b>1,063,712</b>	1,042,971	1,504,250
<b>Customer deposits</b>	<b><u>70,314,128</u></b>	<u>70,733,411</u>	<u>67,725,148</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.

### 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.

	<b>Jun. 30, 2015 (Unaudited)</b>			Dec. 31, 2014 (Audited)			Jun. 30, 2014 (Unaudited)		
	<u>Fair value</u>		Notional amount	<u>Fair value</u>		Notional amount	<u>Fair value</u>		Notional amount
	Positive	Negative		Positive	Negative		Positive	Negative	
<b>Held for trading:</b>									
Forward foreign exchange contracts	7,407	12,452	10,347,954	2,640	2,600	4,790,212	2,771	5,374	4,272,159
Foreign exchange options	87,747	87,747	1,519,422	112,981	112,104	1,867,642	65,167	65,428	3,303,854
Commission rate swaps	334,602	331,494	3,937,131	356,028	360,102	3,752,291	25,562	35,906	4,250,311
<b>Held as fair value hedges:</b>									
Commission rate swaps	284,293	291,451	2,936,485	134,080	161,847	2,000,829	25,455	49,914	1,717,775
<b>Total</b>	<b>714,049</b>	<b>723,144</b>	<b>18,740,992</b>	<b>605,729</b>	<b>636,653</b>	<b>12,410,974</b>	<b>118,955</b>	<b>156,622</b>	<b>13,544,099</b>

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### 11. Derivatives (continued)

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, 2015, the estimated fair value of this option is approximately SAR 252.9 million (December 31, 2014: SAR 215.1 million and June 30, 2014: SAR 165.7 million).

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Bank are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Bank to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counter party. As of June 30, 2015, the cash collateral amounts held by counter parties total SAR 28.8 million (June 30, 2014: SAR 4.5 million). As of December 31, 2014, the cash collateral amounts held by the Bank totaled SAR 18.29 million.

### 12. Commitments and contingencies

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

	<b>Jun. 30, 2015 (Unaudited)</b>	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Letters of credit	2,609,651	2,373,950	2,649,187
Letters of guarantee	9,079,325	8,759,455	8,086,348
Acceptances	670,829	779,895	606,824
Irrevocable commitments to extend credit	358,098	328,253	285,453
<b>Credit-related commitments and contingencies</b>	<b>12,717,903</b>	<b>12,241,553</b>	<b>11,627,812</b>

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 also 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. 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:

	<b>Jun. 30, 2015 (Unaudited)</b>	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,215,411	5,798,627	6,515,032
Due from banks and other financial institutions maturing within ninety days from the acquisition date	2,611,815	879,496	2,223,809
<b>Cash and cash equivalents</b>	<b>3,827,226</b>	<b>6,678,123</b>	<b>8,738,841</b>

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### 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. Segment assets and liabilities are comprised of operating assets and liabilities. There has been no change to the basis of segmentation or the measurement basis for the segment income and expense or loss since December 31, 2014. 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, 2015 and 2014, and the segmental income, total operating expenses, and net income for the six month periods then ended, are as follows:

	June 30, 2015 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	<u>23,014,697</u>	<u>38,291,793</u>	<u>30,858,712</u>	<u>416,651</u>	<u>92,581,853</u>
Total liabilities	<u>21,460,555</u>	<u>10,931,602</u>	<u>48,169,658</u>	<u>51,952</u>	<u>80,613,767</u>
Net FTP contribution	363,972	394,291	89,461	13,819	861,543
Fee income from banking services, net	35,871	105,658	36,599	54,836	232,964
Other operating income	<u>31,179</u>	<u>28,546</u>	<u>133,415</u>	<u>5,072</u>	<u>198,212</u>
Total operating income	<u>431,022</u>	<u>528,495</u>	<u>259,475</u>	<u>73,727</u>	<u>1,292,719</u>
Operating expenses before impairment charges	308,505	107,523	52,393	43,363	511,784
Impairment charges, net	<u>10,245</u>	<u>58,755</u>	<u>35,000</u>	-	<u>104,000</u>
Total operating expenses	<u>318,750</u>	<u>166,278</u>	<u>87,393</u>	<u>43,363</u>	<u>615,784</u>
Income from operating activities	112,272	362,217	172,082	30,364	676,935
Share in earnings of associates	-	-	72,337	-	72,337
Net income for the period	<u>112,272</u>	<u>362,217</u>	<u>244,419</u>	<u>30,364</u>	<u>749,272</u>

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### 14. Business segments (continued)

	June 30, 2014 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	<u>22,312,771</u>	<u>36,238,664</u>	<u>29,111,873</u>	<u>398,585</u>	<u>88,061,893</u>
Total liabilities	<u>20,419,942</u>	<u>11,937,318</u>	<u>44,677,984</u>	<u>79,235</u>	<u>77,114,479</u>
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	<u>33,760</u>	<u>17,988</u>	<u>315,642</u>	<u>4,135</u>	<u>371,525</u>
Total operating income	<u>405,775</u>	<u>394,478</u>	<u>441,207</u>	<u>66,591</u>	<u>1,308,051</u>
Operating expenses before impairment charges	241,743	126,117	43,517	36,085	447,462
Impairment charges, net	<u>39,718</u>	<u>122,282</u>	<u>10,000</u>	-	<u>172,000</u>
Total operating expenses	<u>281,461</u>	<u>248,399</u>	<u>53,517</u>	<u>36,085</u>	<u>619,462</u>
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	<u>124,314</u>	<u>146,079</u>	<u>389,533</u>	<u>30,506</u>	<u>690,432</u>

### 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 fair value measurement is based on the presumption that the transaction takes place either in the accessible principal market for the asset or liability, or in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

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 or identical 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, 2015, December 31, 2014, and June 30, 2014 by level of the fair value hierarchy:

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

June 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	714,049	252,949	966,998
Available for sale investments	12,724,323	11,080,712	263,138	24,068,173
Total	12,724,323	11,794,761	516,087	25,035,171
Financial liabilities:				
Derivative financial instruments	-	723,144	-	723,144
Total	-	723,144	-	723,144
December 31, 2014 (Audited)				
Financial assets:				
Derivative financial instruments	-	605,729	215,136	820,865
Available for sale investments	12,063,623	10,246,506	86,820	22,396,949
Total	12,063,623	10,852,235	301,956	23,217,814
Financial liabilities:				
Derivative financial instruments	-	636,653	-	636,653
Total	-	636,653	-	636,653
June 30, 2014 (Unaudited)				
Financial assets:				
Derivative financial instruments	-	118,955	165,675	284,630
Available for sale investments	12,128,242	5,621,616	15,545	17,765,403
Total	12,128,242	5,740,571	181,220	18,050,033
Financial liabilities:				
Derivative financial instruments	-	156,622	-	156,622
Total	-	156,622	-	156,622

The following table summarizes the movement of the Level III fair values for the six month periods ended June 30, 2015 and 2014, and for the year ended December 31, 2014.

	Jun. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Fair values at the beginning of the period	301,956	119,738	119,738
Net change in fair value	24,782	110,531	61,520
Investments purchased	192,223	1,984	-
Investments sold	(2,874)	(3,476)	(38)
Transfer from level 2	-	73,179	-
<b>Balance at the end of the period</b>	<b>516,087</b>	<b>301,956</b>	<b>181,220</b>



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

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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, subordinated debt, and due from and due to banks and other financial institutions 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 and other financial institutions. 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, 2015, which was estimated using valuation models, is SAR 63.5 million (June 30, 2014: SAR 61.6 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.

### 16. Share capital and earnings per share

Basic and diluted earnings per share for the three and six-month periods ended June 30, 2015 is calculated by dividing the net income for the period by 650 million shares, after giving effect to the bonus shares issued in 2015 (see note 17). As a result, basic and diluted earnings per share for the three and six-month periods ended June 30, 2014, have been retroactively adjusted to reflect the issuance of the bonus shares.

### 17. Dividends and bonus shares

In 2014, the Board of Directors proposed a cash dividend of SAR 480 million equal to SAR 0.80 per share, net of Zakat to be withheld from the Saudi shareholders totalling SAR 42 million. The Board of Directors also proposed a bonus share issue of 50 million shares with a par value of SAR 10 per share, or one bonus share for each twelve 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 17 Jumada' I 1436 (corresponding to March 8, 2015). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

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 million 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, 1435 (corresponding to April 1, 2014). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

### 18. Capital adequacy and Basel III disclosures

#### a) 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.

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

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### 18. Capital adequacy and Basel III disclosures (continued)

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.

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

	Jun. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Jun. 30, 2014 (Unaudited)
Credit Risk RWA	78,057,047	78,193,597	74,218,715
Operational Risk RWA	3,477,661	3,477,661	3,146,249
Market Risk RWA	164,075	2,475,089	1,484,383
Total Pillar- I RWA	81,698,783	84,146,347	78,849,347
Tier I Capital	11,949,791	11,833,837	10,929,119
Tier II Capital	2,475,245	2,536,985	2,590,538
Total Tier I & II Capital	14,425,036	14,370,822	13,519,657
Capital Adequacy Ratio %			
Tier I Ratio	14.63%	14.06%	13.86%
Tier I + Tier II Ratio	17.66%	17.08%	17.15%

#### b) Capital structure and other Basel III disclosures

Certain 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.

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, 2015, as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

### 19. Related party disclosures

In the ordinary course of its activities, the Group transacts business with related parties. The Group's Related Parties include the following:

- Principal shareholders of the Group and/or members of their immediate family;
- Affiliates of the Group and entities for which the investment is accounted for by the Equity method of accounting;
- Management of the Group and/or members of their immediate family;
- Trusts for the benefit of the Group's employees such as pension or other benefit plans that are managed by the Group; and
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Group.

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### 19. Related party disclosures (continued)

The balances as of the dates below resulting from transactions with related parties are as follows:

	<b>Jun. 30, 2015</b>	Dec. 31, 2014	Jun. 30, 2014
	<b>(Unaudited)</b>	(Audited)	(Unaudited)
a) Principal shareholders of the Group and/or members of their immediate family:			
Due from banks and other financial institutions	<b>2,868</b>	111,038	5,380
Loans and advances	<b>536,467</b>	611,467	850,291
Customer deposits	<b>10,189,088</b>	12,841,895	11,095,529
Term loans	<b>1,000,000</b>	1,000,000	1,000,000
Subordinated debt	<b>704,000</b>	704,000	704,000
Commitments and contingencies	<b>2,834,139</b>	2,725,819	2,722,695
b) Affiliates of the Group and entities for which the investment is accounted for by the Equity method of accounting:			
Loans and advances	<b>606,178</b>	771,007	350,000
Customer deposits	<b>215,777</b>	91,484	113,583
Commitments and contingencies	<b>996,584</b>	712,077	127,088
c) Management of the Group and/or members of their immediate family:			
Loans and advances	<b>99,022</b>	98,161	85,126
Customer deposits	<b>182,979</b>	209,557	83,996
d) Trusts for the benefit of the Group's employees such as pension or other benefits plans that are managed by the Group:			
Customer deposits and other liabilities	<b>162,536</b>	137,273	167,981

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### 19. Related party disclosures (continued)

The income and expense pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	<b>Jun. 30, 2015</b>	Jun. 30, 2014
	<b>(Unaudited)</b>	(Unaudited)
a) Principal shareholders of the Group and/or members of their immediate family:		
Special commission income	<b>17,046</b>	20,995
Special commission expense	<b>17,774</b>	9,948
Fee income from banking services	<b>3</b>	409
b) Affiliates of the Group and entities for which the investment is accounted for by the Equity method of accounting:		
Special commission income	<b>1,162</b>	1,657
Fee income from banking services	<b>1,933</b>	1,438
c) Management of the Group and/or members of their immediate family:		
Special commission income	<b>834</b>	904
Special commission expense	<b>36</b>	15
Fee income from banking services	<b>1</b>	-
d) Trusts for the benefit of the Group's employees such as pension or other benefit plans that are managed by the Group:		
Special commission expense	<b>156</b>	156

The total amount of compensation paid to key management for the six-month period ended June 30, 2015 was SAR 40.2 million (June 30, 2014: SAR 36.6 million). The post-employment benefits accrued or paid to key management for the six month period ended June 30, 2015 was SAR 1.5 million (June 30, 2014: SAR 0.7 million).

### 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 shareholders' equity.