



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

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**For the nine month period ended September 30, 2014**

**(Unaudited)**

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

		Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2013
	Notes	(Unaudited)	(Audited)	(Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA		5,019,236	6,307,029	3,968,376
Due from banks and other financial institutions		1,107,275	5,573,529	4,910,079
Investments, net	5	23,237,649	17,696,495	15,886,478
Loans and advances, net	6	57,564,883	47,566,871	42,725,357
Investments in associates	7	784,930	1,070,648	1,024,837
Property and equipment, net		910,686	872,534	859,250
Other assets		1,923,163	1,408,307	1,439,963
<b>Total assets</b>		<b>90,547,822</b>	<b>80,495,413</b>	<b>70,814,340</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		2,944,758	9,828,232	5,883,153
Customer deposits	8	69,682,618	57,043,847	51,848,637
Term loans	9	2,000,000	2,000,000	2,000,000
Subordinated debt	10	2,000,000	-	-
Other liabilities		1,950,579	1,370,559	1,191,164
<b>Total liabilities</b>		<b>78,577,955</b>	<b>70,242,638</b>	<b>60,922,954</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		1,101,499	(33,664)	(68,283)
Retained earnings		1,646,919	1,085,313	1,558,043
Proposed dividends	17	-	477,500	-
Employee stock option shares		(31,551)	(29,374)	(29,374)
<b>Total equity</b>		<b>11,969,867</b>	<b>10,252,775</b>	<b>9,891,386</b>
<b>Total liabilities and equity</b>		<b>90,547,822</b>	<b>80,495,413</b>	<b>70,814,340</b>

The accompanying notes 1 to 19 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		Nine month period ended	
	Sep. 30, 2014	Sep. 30, 2013	Sep. 30, 2014	Sep. 30, 2013
Special commission income	551,830	476,086	1,575,099	1,386,047
Special commission expense	162,772	129,458	460,312	356,400
<b>Net special commission income</b>	<b>389,058</b>	<b>346,628</b>	<b>1,114,787</b>	<b>1,029,647</b>
Fee income from banking services, net	99,818	89,491	310,615	279,067
Exchange income, net	6,086	4,663	37,642	46,159
Dividend income	14,734	11,379	33,861	20,323
Gain on non-trading investments, net	66,316	33,019	382,930	131,494
Other income	110	16,233	4,338	18,783
<b>Total operating income</b>	<b>576,122</b>	<b>501,413</b>	<b>1,884,173</b>	<b>1,525,473</b>
Salaries and employee-related expenses	135,236	115,125	386,537	320,635
Rent and premises-related expenses	27,262	23,696	77,066	72,921
Depreciation and amortization	17,258	17,922	51,364	53,338
Other general and administrative expenses	46,109	32,496	158,360	119,564
Impairment charge for credit losses, net	14,000	30,000	176,000	90,000
Impairment charge for non-trading investments, net	-	-	10,000	24,000
<b>Total operating expenses</b>	<b>239,865</b>	<b>219,239</b>	<b>859,327</b>	<b>680,458</b>
<b>Income from operating activities</b>	<b>336,257</b>	<b>282,174</b>	<b>1,024,846</b>	<b>845,015</b>
Share in earnings of associates	34,917	43,219	36,760	115,049
<b>Net income for the period</b>	<b>371,174</b>	<b>325,393</b>	<b>1,061,606</b>	<b>960,064</b>
<b>Basic and diluted earnings per share (expressed in SAR per share) (Note 16)</b>	<b>0.62</b>	<b>0.54</b>	<b>1.77</b>	<b>1.60</b>

The accompanying notes 1 to 19 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

	<u>Three month period ended</u>		<u>Nine month period ended</u>	
	<u>Sep. 30,</u>	<u>Sep. 30,</u>	<u>Sep. 30,</u>	<u>Sep. 30,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Net income for the period</b>	<b>371,174</b>	<b>325,393</b>	<b>1,061,606</b>	<b>960,064</b>
<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>717,646</b>	132,289	<b>1,293,544</b>	101,693
- Fair value gains transferred to interim condensed consolidated income statement on disposal	<b>(66,316)</b>	(33,019)	<b>(158,979)</b>	(131,494)
Share in other comprehensive income (loss) of associates	<b>(51)</b>	126	<b>598</b>	510
Total other comprehensive income (loss) for the period	<b>651,279</b>	99,396	<b>1,135,163</b>	(29,291)
<b>Total comprehensive income for the period</b>	<b>1,022,453</b>	<b>424,789</b>	<b>2,196,769</b>	<b>930,773</b>

The accompanying notes 1 to 19 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 nine month periods ended September 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	-	-	1,135,163	1,061,606	-	-	2,196,769
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>1,101,499</u>	<u>1,646,919</u>	<u>-</u>	<u>(31,551)</u>	<u>11,969,867</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	-	-	(29,291)	960,064	-	-	930,773
Dividends paid (note 17)	-	-	-	-	(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>(68,283)</u>	<u>1,558,043</u>	<u>-</u>	<u>(29,374)</u>	<u>9,891,386</u>

The accompanying notes 1 to 19 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 nine month periods ended September 30

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
<b>Net income for the period</b>	<b>1,061,606</b>	960,064
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>		
Accretion of discounts on non-trading investments, net	<b>(53,404)</b>	(24,917)
Gain on non-trading investments, net	<b>(382,930)</b>	(131,494)
Loss / (gain) on sale of property, net	<b>105</b>	(615)
Depreciation and amortization	<b>51,364</b>	53,338
Impairment charge for credit losses	<b>176,000</b>	90,000
Impairment charge for non-trading investments	<b>10,000</b>	24,000
Share in earnings of associates	<b>(36,760)</b>	(115,049)
	<b>825,981</b>	855,327
<b>Net (increase) decrease in operating assets:</b>		
Statutory deposit with SAMA	<b>(703,697)</b>	(515,853)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	<b>(1,861,069)</b>	899,500
Loans and advances	<b>(10,174,012)</b>	(8,764,665)
Other assets	<b>(544,470)</b>	(371,549)
<b>Net increase (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	<b>(6,883,474)</b>	(385,892)
Customer deposits	<b>12,638,771</b>	11,435,066
Other liabilities	<b>607,457</b>	219,711
<b>Net cash (used in) from operating activities</b>	<b>(6,094,513)</b>	3,371,645
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of and matured non-trading investments	<b>5,868,850</b>	2,306,319
Purchase of non-trading investments	<b>(9,579,369)</b>	(7,178,226)
Investment in associates	<b>(16,000)</b>	-
Dividends received from associates	<b>69,340</b>	56,624
Purchase of property and equipment	<b>(89,867)</b>	(45,738)
Proceeds from sale of property and equipment	<b>246</b>	661
<b>Net cash used in investing activities</b>	<b>(3,746,800)</b>	(4,860,360)
<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>Decrease in cash and cash equivalents</b>	<b>(8,318,813)</b>	(1,905,315)

The accompanying notes 1 to 19 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 nine month periods ended September 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
Decrease in cash and cash equivalents	<b>(8,318,813)</b>	<b>(1,905,315)</b>
Cash and cash equivalents at the end of the period (note 13)	<b><u>2,783,771</u></b>	<b><u>6,595,064</u></b>
<b>Supplemental special commission information</b>		
Special commission received during the period	<b><u>1,594,280</u></b>	<b><u>1,337,641</u></b>
Special commission paid during the period	<b><u>464,913</u></b>	<b><u>428,051</u></b>
<b>Supplemental non-cash information</b>		
Total other comprehensive income (loss) for the period	<b><u>1,135,163</u></b>	<b><u>(29,291)</u></b>
Employee stock option shares, net of allocation and vesting	<b><u>(2,177)</u></b>	<b><u>(1,613)</u></b>
Transfer of investment in associate to available for sale investments	<b><u>269,736</u></b>	<b><u>-</u></b>
Bonus shares issued (note 17)	<b><u>500,000</u></b>	<b><u>-</u></b>

The accompanying notes 1 to 19 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 nine month periods ended September 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 September 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 October 26, 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 nine month periods ended September 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 nine month periods ended September 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>Sep. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Available for sale, net	<b>23,237,649</b>	16,859,452	15,047,057
Held to maturity, net	-	837,043	839,421
<b>Investments, net</b>	<b><u>23,237,649</u></b>	<u>17,696,495</u>	<u>15,886,478</u>

The fair values of the held to maturity investments were approximately SAR 851.1 million as of December 31, 2013: (September 30, 2013: SAR 868.4 million).

**6. Loans and advances, net**

Loans and advances, net are comprised of the following:

	<b>Sep. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Performing loans and advances:			
Consumer loans	<b>11,990,702</b>	9,368,077	7,600,562
Commercial loans and overdrafts	<b>45,729,141</b>	38,429,225	35,446,972
Others	<b>190,918</b>	78,629	76,161
Total performing loans and advances	<b><u>57,910,761</u></b>	47,875,931	43,123,695
Non performing loans and advances	<b>468,784</b>	395,015	384,294
Total loans and advances	<b>58,379,545</b>	48,270,946	43,507,989
Allowance for credit losses	<b>(814,662)</b>	(704,075)	(782,632)
<b>Loans and advances, net</b>	<b><u>57,564,883</u></b>	<u>47,566,871</u>	<u>42,725,357</u>

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

For the nine month periods ended September 30, 2014 and 2013

#### 7. Investments in associates

Investments in associates as of September 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 nine month periods ended September 30, 2014 and 2013, and for the year ended December 31, 2013, is summarized as follows:

	<b>Sep. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Balance at the beginning of the period	<b>1,070,648</b>	965,902	965,902
Investments	<b>16,000</b>	-	-
Transfer to available for sale investments	<b>(269,736)</b>	-	-
Share in earnings	<b>36,760</b>	160,825	115,049
Dividends received	<b>(69,340)</b>	(56,624)	(56,624)
Share in other comprehensive income	<b>598</b>	545	510
<b>Balance at the end of the period</b>	<b><u>784,930</u></b>	<u>1,070,648</u>	<u>1,024,837</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>Sep. 30, 2014 (Unaudited)</b>	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Demand	<b>17,313,356</b>	13,332,031	11,276,928
Savings	<b>952,609</b>	641,354	1,285,072
Time	<b>50,532,034</b>	42,111,729	38,353,521
Other	<b>884,619</b>	958,733	933,116
<b>Customer deposits</b>	<b><u>69,682,618</u></b>	<u>57,043,847</u>	<u>51,848,637</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 nine month periods ended September 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.

	Sep. 30, 2014 (Unaudited)			Dec. 31, 2013 (Audited)			Sep. 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	20,946	28,327	8,856,477	9,736	8,645	6,465,351	4,593	7,090	1,753,427
Foreign exchange options	100,145	100,608	2,551,046	82,970	82,599	1,921,591	9,756	8,629	154,773
Commission rate swaps	405,796	416,624	3,750,641	39,642	38,959	2,520,000	36,853	34,374	2,320,000
<b>Held as fair value hedges:</b>									
Commission rate swaps	26,524	44,341	1,455,446	36,208	84,817	2,546,252	42,686	96,085	2,545,943
<b>Total</b>	<b>553,411</b>	<b>589,900</b>	<b>16,613,610</b>	168,556	215,020	13,453,194	93,888	146,178	6,774,143

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 September 30, 2014 the estimated fair value of this option is approximately SAR 194.4 million (December 31, 2013: SAR 108.2 million and September 30, 2013: 84.7 million).

#### 12. Commitments and contingencies

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

	Sep. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Letters of credit	2,538,383	2,707,442	2,461,890
Letters of guarantee	8,560,837	7,362,302	6,621,714
Acceptances	635,330	1,104,012	574,333
Irrevocable commitments to extend credit	394,883	519,329	535,470
<b>Credit-related commitments and contingencies</b>	<b>12,129,433</b>	<b>11,693,085</b>	<b>10,193,407</b>

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:

	Sep. 30, 2014 <u>(Unaudited)</u>	Dec. 31, 2013 <u>(Audited)</u>	Sep. 30, 2013 <u>(Unaudited)</u>
Cash and balances with SAMA excluding statutory deposit	1,901,565	3,893,055	1,685,485
Due from banks and other financial institutions maturing within ninety days from the acquisition date	<u>882,206</u>	<u>7,209,529</u>	<u>4,909,579</u>
<b>Cash and cash equivalents</b>	<b><u>2,783,771</u></b>	<b><u>11,102,584</u></b>	<b><u>6,595,064</u></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 September 30, 2014 and 2013, and the segmental income, total operating expenses, and net income for the nine month periods then ended, are as follows:

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#### 14. Business segments (continued)

	September 30, 2014 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	<u>23,352,428</u>	<u>38,138,900</u>	<u>28,615,621</u>	<u>440,873</u>	<u>90,547,822</u>
Total liabilities	<u>17,849,268</u>	<u>11,434,621</u>	<u>49,185,977</u>	<u>108,089</u>	<u>78,577,955</u>
Net FTP contribution	503,332	416,087	172,521	22,847	1,114,787
Fee income from banking services, net	74,507	153,075	11,000	72,033	310,615
Other operating income	<u>50,543</u>	<u>21,456</u>	<u>380,695</u>	<u>6,077</u>	<u>458,771</u>
Total operating income	<u>628,382</u>	<u>590,618</u>	<u>564,216</u>	<u>100,957</u>	<u>1,884,173</u>
Operating expenses before impairment charges	378,298	168,265	70,080	56,684	673,327
Impairment charges, net	<u>43,132</u>	<u>132,868</u>	<u>10,000</u>	-	<u>186,000</u>
Total operating expenses	<u>421,430</u>	<u>301,133</u>	<u>80,080</u>	<u>56,684</u>	<u>859,327</u>
Income from operating activities	206,952	289,485	484,136	44,273	1,024,846
Share in earnings of associates	-	-	36,760	-	36,760
Net income for the period	<u>206,952</u>	<u>289,485</u>	<u>520,896</u>	<u>44,273</u>	<u>1,061,606</u>
	September 30, 2013 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total

Total assets	<u>17,524,677</u>	<u>28,293,564</u>	<u>24,374,254</u>	<u>621,845</u>	<u>70,814,340</u>
Total liabilities	<u>14,620,381</u>	<u>3,894,874</u>	<u>42,382,204</u>	<u>25,495</u>	<u>60,922,954</u>
Net FTP contribution	402,533	281,467	331,687	13,960	1,029,647
Fee income from banking services, net	85,335	140,193	4,428	49,111	279,067
Other operating income	<u>28,990</u>	<u>22,155</u>	<u>151,069</u>	<u>14,545</u>	<u>216,759</u>
Total operating income	<u>516,858</u>	<u>443,815</u>	<u>487,184</u>	<u>77,616</u>	<u>1,525,473</u>
Operating expenses before impairment charges	274,594	137,527	105,323	49,014	566,458
Impairment charges, net	<u>24,573</u>	<u>65,427</u>	<u>24,000</u>	-	<u>114,000</u>
Total operating expenses	<u>299,167</u>	<u>202,954</u>	<u>129,323</u>	<u>49,014</u>	<u>680,458</u>
Income from operating activities	217,691	240,861	357,861	28,602	845,015
Share in earnings of associates	-	-	115,049	-	115,049
Net income for the period	<u>217,691</u>	<u>240,861</u>	<u>472,910</u>	<u>28,602</u>	<u>960,064</u>

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**For the nine month periods ended September 30, 2014 and 2013**

**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 September 30, 2014, December 31, 2013, and September 30, 2013 by level of the fair value hierarchy:

<b>September 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	-	565,483	86,220	651,703
Financial investments available for sale	<u>12,631,034</u>	<u>10,498,092</u>	<u>108,523</u>	<u>23,237,649</u>
Total	<u>12,631,034</u>	<u>11,063,575</u>	<u>194,743</u>	<u>23,889,352</u>
Financial liabilities:				
Derivative financial instruments	-	589,900	-	589,900
Total	-	<u>589,900</u>	-	<u>589,900</u>

December 31, 2013 (SAR '000) (Audited)

Financial assets:

Derivative financial instruments	-	168,556	108,195	276,751
Financial investments available for sale	<u>11,656,318</u>	<u>5,191,591</u>	<u>11,543</u>	<u>16,859,452</u>
Total	<u>11,656,318</u>	<u>5,360,147</u>	<u>119,738</u>	<u>17,136,203</u>
Financial liabilities:				
Derivative financial instruments	-	215,020	-	215,020
Total	<u>-</u>	<u>215,020</u>	<u>-</u>	<u>215,020</u>
September 30, 2013 (SAR '000) (Unaudited)				
Financial assets:				
Derivative financial instruments	-	93,888	84,671	178,559
Financial investments available for sale	<u>10,164,812</u>	<u>4,868,079</u>	<u>14,166</u>	<u>15,047,057</u>
Total	<u>10,164,812</u>	<u>4,961,967</u>	<u>98,837</u>	<u>15,225,616</u>
Financial liabilities:				
Derivative financial instruments	-	146,178	-	146,178
Total	<u>-</u>	<u>146,178</u>	<u>-</u>	<u>146,178</u>

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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 nine month period ended September 30, 2014, which was estimated using valuation models, is SAR 103.7 million (September 30, 2013: 100.7 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 nine-month periods ended September 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 nine-month periods ended September 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.

	Sep. 30, 2014 (Unaudited)	Dec. 31, 2013 (Audited)	Sep. 30, 2013 (Unaudited)
Credit Risk RWA	78,592,966	67,282,100	61,323,937
Operational Risk RWA	3,146,249	3,146,249	3,081,431
Market Risk RWA	1,093,417	287,438	242,104
Total Pillar- I RWA	<u>82,832,632</u>	<u>70,715,787</u>	<u>64,647,472</u>
Tier I Capital	11,951,572	10,233,954	9,872,565
Tier II Capital	<u>2,540,512</u>	461,023	<u>535,487</u>
Total Tier I & II Capital	<u>14,492,084</u>	<u>10,694,977</u>	<u>10,408,052</u>
Capital Adequacy Ratio %			
Tier I Ratio	<u>14.43%</u>	14.47%	15.27%
Tier I + Tier II Ratio	<u>17.50%</u>	<u>15.12%</u>	<u>16.10%</u>

### 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. 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.