



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2015

(Unaudited)

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

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

	Notes	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
ASSETS				
Cash and balances with SAMA		4,715,200	9,127,694	5,019,236
Due from banks and other financial institutions		4,533,607	879,496	1,107,275
Investments, net	5	18,720,217	22,396,949	23,237,649
Loans and advances, net	6	57,826,509	57,472,514	57,564,883
Investments in associates	7	934,550	846,351	784,930
Property and equipment, net		974,470	909,622	910,686
Other assets		2,626,263	1,993,814	1,923,163
Total assets		90,330,816	93,626,440	90,547,822
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		5,149,608	5,002,088	2,944,758
Customer deposits	8	66,691,500	70,733,411	69,682,618
Term loans	9	2,000,000	2,000,000	2,000,000
Subordinated debt	10	2,000,000	2,000,000	2,000,000
Other liabilities		2,613,054	2,038,809	1,950,579
Total liabilities		78,454,162	81,774,308	78,577,955
Shareholders' equity				
Share capital	16	6,500,000	6,000,000	6,000,000
Statutory reserve		3,613,000	3,613,000	3,253,000
Other reserves		90,331	608,891	1,101,499
Retained earnings		1,740,491	1,139,792	1,646,919
Proposed dividends	17	-	522,000	-
Employee stock option shares, net		(67,168)	(31,551)	(31,551)
Total shareholders' equity		11,876,654	11,852,132	11,969,867
Total liabilities and shareholders' equity		90,330,816	93,626,440	90,547,822

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>Nine month period ended</u>	
	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>	<u>Sep. 30, 2015</u>	<u>Sep. 30, 2014</u>
Special commission income	609,259	551,830	1,794,502	1,575,099
Special commission expense	167,689	162,772	491,389	460,312
Net special commission income	441,570	389,058	1,303,113	1,114,787
Fee income from banking services, net	98,556	99,818	331,520	310,615
Exchange income, net	20,542	6,086	75,160	37,642
Dividend income	11,011	14,734	33,499	33,861
Gain on non-trading investments, net	31,815	66,316	152,891	382,930
Other income	(323)	110	(293)	4,338
Total operating income	603,171	576,122	1,895,890	1,884,173
Salaries and employee-related expenses	157,832	135,236	465,517	386,537
Rent and premises-related expenses	28,011	27,262	81,248	77,066
Depreciation and amortization	20,550	17,258	59,385	51,364
Other general and administrative expenses	54,930	46,109	166,957	158,360
Impairment charge for credit losses, net	22,000	14,000	91,000	176,000
Impairment charge for non-trading investments, net	10,000	-	45,000	10,000
Total operating expenses	293,323	239,865	909,107	859,327
Income from operating activities	309,848	336,257	986,783	1,024,846
Share in earnings of associates	41,579	34,917	113,916	36,760
Net income for the period	351,427	371,174	1,100,699	1,061,606
Basic and diluted earnings per share (expressed in SAR per share) (Note 16)	0.54	0.57	1.69	1.63

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

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited) Amounts in SAR'000

	Three month period ended		Nine month period ended	
	Sep. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Net income for the period	351,427	371,174	1,100,699	1,061,606
Other comprehensive income-items that may subsequently be reclassified to the consolidated income statement:				
Available for sale investments:				
- Net change in fair value	(413,670)	688,906	(422,620)	1,207,324
- Fair value gains transferred to interim condensed consolidated income statement	(11,910)	(37,576)	(95,173)	(72,759)
Share in other comprehensive income (loss) of associates	-	(51)	(767)	598
Total other comprehensive income (loss) for the period	(425,580)	651,279	(518,560)	1,135,163
Total comprehensive income (loss) for the period	(74,153)	1,022,453	582,139	2,196,769

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 nine month periods ended September 30

	2015						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares, net	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	-	-	(518,560)	1,100,699	-	-	582,139
Dividends paid (note 17)	-	-	-	-	(522,000)	-	(522,000)
Bonus shares issued (note 17)	500,000	-	-	(500,000)	-	-	-
Employee stock option shares acquired net of vesting	-	-	-	-	-	(35,617)	(35,617)
Balance at the end of the period	<u>6,500,000</u>	<u>3,613,000</u>	<u>90,331</u>	<u>1,740,491</u>	<u>-</u>	<u>(67,168)</u>	<u>11,876,654</u>
	2014						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares, net	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 (Note 17)	500,000	-	-	(500,000)	-	-	-
Employee stock option shares acquired net of vesting	-	-	-	-	-	(2,177)	(2,177)
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>

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 nine month periods ended September 30

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Net income for the period	1,100,699	1,061,606
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Net amortization (accretion) of premiums and discounts on non-trading investments	15,461	(53,404)
Gain on non-trading investments, net	(152,891)	(382,930)
Net (gain) loss on sale of property and equipment	(146)	105
Depreciation and amortization	59,385	51,364
Impairment charge for credit losses, net	91,000	176,000
Impairment charge for non-trading investments, net	45,000	10,000
Share in earnings of associates	(113,916)	(36,760)
	<u>1,044,592</u>	<u>825,981</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(38,513)	(703,697)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	-	(1,861,069)
Loans and advances	(444,995)	(10,174,012)
Other assets	(699,617)	(544,470)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	147,520	(6,883,474)
Customer deposits	(4,041,911)	12,638,771
Other liabilities	605,796	607,457
Net cash used in operating activities	<u>(3,427,128)</u>	<u>(6,094,513)</u>
INVESTING ACTIVITIES		
Proceeds from sale of and matured non-trading investments	15,655,905	5,868,850
Purchase of non-trading investments	(12,404,536)	(9,579,369)
Investment in associates	-	(16,000)
Dividends received from associates	24,950	69,340
Purchase of property and equipment	(124,233)	(89,867)
Proceeds from sale of property and equipment	146	246
Net cash from (used in) investing activities	<u>3,152,232</u>	<u>(3,746,800)</u>
FINANCING ACTIVITIES		
Proceeds from subordinated debt	-	2,000,000
Dividends paid	(522,000)	(477,500)
Net cash (used in) from financing activities	<u>(522,000)</u>	<u>1,522,500</u>
Decrease in cash and cash equivalents	<u>(796,896)</u>	<u>(8,318,813)</u>

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

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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>2015</u>	<u>2014</u>
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	6,678,123	11,102,584
Decrease in cash and cash equivalents	(796,896)	(8,318,813)
Cash and cash equivalents at the end of the period (note 13)	<u>5,881,227</u>	<u>2,783,771</u>
Supplemental special commission information		
Special commission received during the period	<u>1,654,438</u>	<u>1,594,280</u>
Special commission paid during the period	<u>526,789</u>	<u>464,913</u>
Supplemental non-cash information		
Total other comprehensive income for the period	<u>(518,560)</u>	<u>1,135,163</u>
Employee stock option shares, net	<u>(35,617)</u>	<u>(2,177)</u>
Transfer of investment in associate to available for sale investments	<u>-</u>	<u>269,736</u>
Bonus shares issued (note 17)	<u>500,000</u>	<u>500,000</u>

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

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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, 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 September 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 October 29, 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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Amounts in SAR'000

For the nine month periods ended September 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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Amounts in SAR'000

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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.

Two 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, and 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, 2018 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 available for sale and are summarized as follows:

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Fixed rate securities	12,786,317	16,763,868	17,316,410
Floating rate securities	4,656,832	3,746,555	3,637,161
Equities	1,211,447	1,885,681	2,280,165
Mutual Funds	69,621	30,845	36,913
Total investments	18,724,217	22,426,949	23,270,649
Allowance for impairment	(4,000)	(30,000)	(33,000)
Investments, net	18,720,217	22,396,949	23,237,649

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Amounts in SAR'000

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6. Loans and advances, net

Loans and advances, net are comprised of the following:

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Performing loans and advances:			
Consumer loans	11,891,308	11,604,600	11,990,702
Commercial loans and overdrafts	46,062,212	46,030,270	45,729,141
Others	249,025	223,841	190,918
Total performing loans and advances	58,202,545	57,858,711	57,910,761
Non performing loans and advances	442,981	436,395	468,784
Total loans and advances	58,645,526	58,295,106	58,379,545
Allowance for credit losses	(819,017)	(822,592)	(814,662)
Loans and advances, net	57,826,509	57,472,514	57,564,883

7. Investments in associates

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

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Balance at the beginning of the period/year	846,351	1,070,648	1,070,648
Investments	-	53,999	16,000
Transfer to available for sale investments	-	(269,736)	(269,736)
Share in earnings	113,916	79,515	36,760
Dividends received	(24,950)	(88,673)	(69,340)
Share in other comprehensive income (loss)	(767)	598	598
Balance at the end of the period/year	934,550	846,351	784,930

During the first quarter of 2014, the Group 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 interim condensed consolidated income statement for the nine month period ended September 30, 2014.

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Amounts in SAR'000

For the nine month periods ended September 30, 2015 and 2014

8. Customer deposits

Customer deposits are comprised of the following:

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Demand	20,470,323	19,649,245	17,313,356
Savings	987,810	648,766	952,609
Time	44,427,038	49,392,429	50,532,034
Other	806,329	1,042,971	884,619
Customer deposits	<u>66,691,500</u>	<u>70,733,411</u>	<u>69,682,618</u>

9. Term loans

On May 30, 2011, the Group 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 Group 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 Group 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 Group is in compliance.

10. Subordinated debt

On June 5, 2014, the Group 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 Group 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 Group's exposure to credit risk nor market risk.

	Sep. 30, 2015 (Unaudited)			Dec. 31, 2014 (Audited)			Sep. 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	
Held for trading:									
Forward foreign exchange contracts	7,000	5,796	9,190,717	2,640	2,600	4,790,212	20,946	28,327	8,856,477
Foreign exchange options	70,141	70,141	1,214,211	112,981	112,104	1,867,642	100,145	100,608	2,551,046
Commission rate swaps	579,582	583,661	5,437,202	356,028	360,102	3,752,291	405,796	416,624	3,750,641
Held as fair value hedges:									
Commission rate swaps	234,255	295,085	3,075,246	134,080	161,847	2,000,829	26,524	44,341	1,455,446
Total	890,978	954,683	18,917,376	605,729	636,653	12,410,974	553,411	589,900	16,613,610

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Amounts in SAR'000

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11. Derivatives (continued)

In addition to the above, the Group has a put option arising from an existing master agreement entered into by the Group relating to an associated company. The terms of the agreement give the Group a put option that is exercisable from 2013 onwards for the remaining term of the agreement. The put option grants the Group 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, 2015, the estimated fair value of this option is approximately SAR 272.9 million (December 31, 2014: SAR 215.1 million and September 30, 2014: SAR 194.4 million), with the corresponding income included in gain on non-trading investments, net.

The Group, 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 Group are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Group or the counter party. As of September 30, 2015, the cash collateral amounts held by counter parties total SAR 34.28 million. As of December 31, 2014, the cash collateral amounts held by the Group totaled SAR 18.29 million (September 30, 2014: SAR 13.92 million).

12. Commitments and contingencies

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

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Letters of credit	2,026,936	2,373,950	2,538,383
Letters of guarantee	9,024,282	8,759,455	8,560,837
Acceptances	614,652	779,895	635,330
Irrevocable commitments to extend credit	323,071	328,253	394,883
Credit-related commitments and contingencies	<u>11,988,941</u>	<u>12,241,553</u>	<u>12,129,433</u>

The Bank has received final assessments for additional Zakat, income tax, and withholding tax totaling approximately SAR 385 million relating to the Bank's 2003 to 2009 Zakat, income tax, and withholding tax filings.

The Bank has also received partial assessments for additional Zakat totaling approximately SAR 383 million relating to its 2010, 2011 and 2013 Zakat filings.

These final and partial assessments from 2005 to 2013 include approximately SAR 573 million in Zakat assessments which are primarily due to the disallowance of certain long-term investments from the Zakat base of the Bank.

The Bank, in consultation with its professional tax and Zakat advisors, has filed appeals for the above final and partial assessments 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, income tax, and withholding tax liabilities, if any, cannot be reliably determined.

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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, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,347,620	5,798,627	1,901,565
Due from banks and other financial institutions maturing within ninety days from the acquisition date	<u>4,533,607</u>	<u>879,496</u>	<u>882,206</u>
Cash and cash equivalents	<u>5,881,227</u>	<u>6,678,123</u>	<u>2,783,771</u>

14. Business segments

Operating segments are identified on the basis of internal reports about components of the Group 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 Group's primary business is conducted in the Kingdom of Saudi Arabia. The Group'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 Group's total assets and liabilities as of September 30, 2015 and 2014, 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, 2015 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	24,205,745	38,043,709	27,682,247	399,115	90,330,816
Total liabilities	19,447,504	9,893,506	49,073,481	39,671	78,454,162
Net FTP contribution	599,522	540,951	142,587	20,053	1,303,113
Fee income from banking services, net	60,958	141,471	56,328	72,763	331,520
Other operating income	45,498	39,299	171,003	5,457	261,257
Total operating income	705,978	721,721	369,918	98,273	1,895,890
Operating expenses before impairment charges	464,120	164,155	78,369	66,463	773,107
Impairment charges, net	14,493	76,507	45,000	-	136,000
Total operating expenses	478,613	240,662	123,369	66,463	909,107
Income from operating activities	227,365	481,059	246,549	31,810	986,783
Share in earnings of associates	-	-	113,916	-	113,916
Net income for the period	227,365	481,059	360,465	31,810	1,100,699

	September 30, 2014 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	23,352,428	38,138,900	28,615,621	440,873	90,547,822
Total liabilities	17,849,268	11,434,621	49,185,977	108,089	78,577,955
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	50,543	21,456	380,695	6,077	458,771
Total operating income	628,382	590,618	564,216	100,957	1,884,173
Operating expenses before impairment charges	378,298	168,265	70,080	56,684	673,327
Impairment charges, net	43,132	132,868	10,000	-	186,000
Total operating expenses	421,430	301,133	80,080	56,684	859,327
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	206,952	289,485	520,896	44,273	1,061,606

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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 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 Group 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 September 30, 2015, December 31, 2014, and September 30, 2014 by level of the fair value hierarchy:

September 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	890,978	272,854	1,163,832
Available for sale investments	12,492,220	5,947,200	280,797	18,720,217
Total	12,492,220	6,838,178	553,651	19,884,049
Financial liabilities:				
Derivative financial instruments	-	954,683	-	954,683
Total	-	954,683	-	954,683
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
September 30, 2014 (Unaudited)				
Financial assets:				
Derivative financial instruments	-	553,411	194,415	747,826
Available for sale investments	12,631,034	10,498,092	108,523	23,237,649
Total	12,631,034	11,051,503	302,938	23,985,475
Financial liabilities:				
Derivative financial instruments	-	589,900	-	589,900
Total	-	589,900	-	589,900

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

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

	Sep. 30, 2015	Dec. 31, 2014	Sep. 30, 2014
	(Unaudited)	(Audited)	(Unaudited)
Fair values at the beginning of the period/year	301,956	119,738	119,738
Net change in fair value	73,486	110,531	(20,935)
Investments purchased	192,221	1,984	26
Investments sold	(14,012)	(3,476)	3,699
Transfer from level 2	-	73,179	92,215
Balance at the end of the period/year	553,651	301,956	194,743

The fair values of on balance sheet financial instruments are not significantly different from their carrying values. The fair values of loans and advances, 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 their carrying values, 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 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, 2015, which was estimated using valuation models, is SAR 28.9 million (September 30, 2014: SAR 89.2 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 nine-month periods ended September 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 nine-month periods ended September 30, 2014, have been retroactively adjusted to reflect the issuance of the bonus shares.

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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 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 Group'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 Group's management. SAMA requires the Group 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 Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group'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 Group's Pillar I RWA, Tier I and Tier II Capital, and Capital Adequacy ratio percentages.

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
Credit Risk RWA	78,941,751	78,193,597	78,592,966
Operational Risk RWA	3,477,661	3,477,661	3,146,249
Market Risk RWA	2,238,209	2,475,089	1,093,417
Total Pillar- I RWA	<u>84,657,621</u>	<u>84,146,347</u>	<u>82,832,632</u>
Tier I Capital	11,858,359	11,833,837	11,951,572
Tier II Capital	2,487,733	2,536,985	2,540,512
Total Tier I & II Capital	<u>14,346,092</u>	<u>14,370,822</u>	<u>14,492,084</u>
Capital Adequacy Ratio %			
Tier I Ratio	<u>14.01%</u>	14.06%	14.43%
Tier I + Tier II Ratio	<u>16.95%</u>	17.08%	17.50%

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18. Capital adequacy and Capital structure disclosures (continued)

b) Capital structure disclosures

Certain disclosures related to the Group'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) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Group.

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.

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

	Sep. 30, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Sep. 30, 2014 (Unaudited)
a) Principal shareholders of the Group and/or members of their immediate family:			
Due from banks and other financial institutions	7,574	111,038	1,358
Loans and advances	536,467	611,467	707,371
Customer deposits	10,712,423	12,841,895	10,273,775
Term loans	1,000,000	1,000,000	1,000,000
Subordinated debt	704,000	704,000	704,000
Commitments and contingencies	2,730,639	2,725,819	2,870,614
b) Affiliates of the Group and entities for which the investment is accounted for by the equity method of accounting:			
Loans and advances	702,178	771,007	475,000
Customer deposits	174,502	91,484	155,220
Commitments and contingencies	761,584	712,077	154,175
c) Management of the Group and/or members of their immediate family:			
Loans and advances	94,993	98,161	95,245
Customer deposits	92,166	209,557	33,688
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	225,218	137,273	211,245

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

	Sep. 30, 2015 (Unaudited)	Sep. 30, 2014 (Unaudited)
a) Principal shareholders of the Group and/or members of their immediate family:		
Special commission income	25,396	28,975
Special commission expense	26,475	15,110
Fee income from banking services	3	409
b) Affiliates of the Group and entities for which the investment is accounted for by the Equity method of accounting:		
Special commission income	1,700	2,428
Fee income from banking services	3,118	2,322
c) Management of the Group and/or members of their immediate family:		
Special commission income	868	933
Special commission expense	38	13
Fee income from banking services	3	4
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	534	345

The total amount of compensation paid to key management for the nine-month period ended September 30, 2015 was SAR 48.9 million (September 30, 2014: SAR 46.2 million). The post-employment benefits accrued or paid to key management for the nine month period ended September 30, 2015 was SAR 2.3 million (September 30, 2014: SAR 1.0 million).

20. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation. These reclassifications do not affect the Group's profit and loss nor shareholders' equity.