



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2009

(Unaudited)

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2009 (Unaudited SAR'000)	Dec. 31, 2008 (Audited) SAR'000	June 30, 2008 (Unaudited) SAR'000
ASSETS				
Cash and balances with SAMA		1,452,115	1,426,919	1,860,502
Due from banks and other financial institutions		6,127,443	7,452,651	5,190,311
Investments, net	5	10,417,246	12,731,159	14,467,250
Loans and advances, net		30,152,801	29,555,560	28,139,606
Investment in associates		818,724	719,422	691,586
Property and equipment, net		659,547	547,585	468,634
Other assets		1,102,879	1,163,068	1,116,311
Total assets		50,730,755	53,596,364	51,934,200
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		5,783,402	5,208,913	5,634,908
Customer deposits		36,363,883	40,702,391	36,863,187
Other liabilities		933,735	1,076,462	878,012
Term loan	6	500,000	-	1,425,000
Total liabilities		43,581,020	46,987,766	44,801,107
Equity				
Equity attributable to shareholders of the Bank				
Share capital	11	4,500,000	4,500,000	4,500,000
Statutory reserve		2,287,000	2,287,000	2,158,000
Other reserves		(467,122)	(573,883)	(109,685)
Retained earnings		840,891	412,475	566,395
Employee stock option shares		(44,490)	(44,490)	-
Total equity attributable to shareholders of the Bank		7,116,279	6,581,102	7,114,710
Minority interest		33,456	27,496	18,383
Total equity		7,149,735	6,608,598	7,133,093
Total liabilities and equity		50,730,755	53,596,364	51,934,200

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements

THE SAUDI INVESTMENT BANK

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CONSOLIDATED INCOME STATEMENT (Unaudited)

	Note	Three months period ended		Six months period ended	
		June 30, 2009 SAR'000	June 30, 2008 SAR'000	June 30, 2009 SAR'000	June 30, 2008 SAR'000
Special commission income		479,251	624,448	1,036,987	1,216,520
Special commission expense		216,495	274,348	533,093	611,255
Net special commission income		262,756	350,100	503,894	605,265
Fees from banking services, net		65,333	128,217	117,315	288,958
Exchange income, net		7,708	(209)	15,752	12,313
Dividend income		563	6,745	14,806	23,413
Gain on non- trading investments, net		24,924	128,515	27,045	166,107
Total operating income		361,284	613,368	678,812	1,096,056
Salaries and employee-related expenses		77,515	75,299	153,793	148,234
Rent and premises-related expenses		14,968	13,034	28,415	25,609
Depreciation and amortization		13,735	11,824	23,892	23,501
Other general and administrative expenses		29,954	14,224	61,227	29,731
Impairment charge for credit losses		55,000	5,000	60,000	20,000
Impairment charge for non-trading investments		-	209,450	-	302,450
Total operating expenses		191,172	328,831	327,327	549,525
Income from operating activities		170,112	284,537	351,485	546,531
Share in earnings from associates		22,169	-	84,787	-
Net income for the period		192,281	284,537	436,272	546,531
Income attributable to minority interest		4,451	4,556	7,856	8,382
Net income for the period attributable to shareholders of the Bank		187,830	279,981	428,416	538,149
Basic and diluted earnings per share (Expressed in SAR per share)	11	0.42	0.62	0.95	1.20

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	Three months period ended		Six months period ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(SAR'000)	(SAR'000)	(SAR'000)	(SAR'000)
Net income for the period	192,281	284,537	436,272	546,531
Other comprehensive income:				
Available for sale investments:				
- Net change in fair value	69,247	(38,767)	133,763	(329,407)
- Transfer to consolidated income statement	(24,924)	80,935	(27,045)	136,343
Net impact on other reserves	44,323	42,168	106,718	(193,064)
Total comprehensive income for the period	236,604	326,705	542,990	353,467
Attributable to:				
Shareholders of the Bank	232,147	322,242	535,177	345,084
Minority interest	4,457	4,463	7,813	8,383
Total comprehensive income for the period	236,604	326,705	542,990	353,467

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the six months ended June 30

		Share capital	Statutory reserve	Other reserves	Retained earnings	Employee stock option shares	Total equity attributable to share- holders of the Bank	Minority interest	Total
<u>2009</u>	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance at the beginning of the period		4,500,000	2,287,000	(573,883)	412,475	(44,490)	6,581,102	27,496	6,608,598
Total comprehensive income for the period		-	-	106,761	428,416	-	535,177	7,813	542,990
Payment to minority interest		-	-	-	-	-	-	(1,853)	(1,853)
Balance at the end of the period		4,500,000	2,287,000	(467,122)	840,891	(44,490)	7,116,279	33,456	7,149,735

		Share capital	Statutory reserve	Other reserves	Retained earnings	Employee stock option share	Total equity attributable to the share- holders of the Bank	Minority interest	Total
<u>2008</u>	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance at the beginning of the period		3,910,160	2,158,000	83,380	618,086	-	6,769,626	-	6,769,626
Minority interest added during the period		-	-	-	-	-	-	10,000	10,000
Total comprehensive income for the period		-	-	(193,065)	538,149	-	345,084	8,383	353,467
Bonus share issue	11	589,840	-	-	(589,840)	-	-	-	-
Balance at end of the period		4,500,000	2,158,000	(109,685)	566,395	-	7,114,710	18,383	7,133,093

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THE SAUDI INVESTMENT BANK

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CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the six months ended June 30

	Note	2009 SAR'000	2008 SAR'000
OPERATING ACTIVITIES			
Net income for the period		436,272	546,531
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Accretion of discounts on non-trading investments, net		(47,782)	(95,277)
Gain on non-trading investments, net		(27,045)	(166,107)
Depreciation and amortization		23,892	23,501
Impairment charge for credit losses		60,000	20,000
Impairment charge for non-trading investment		-	302,450
Share in earning from associates		(84,787)	-
		<u>360,550</u>	<u>631,098</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(27,828)	(520,654)
Due from banks and other financial institutions maturing after ninety days from date of acquisition		(149,978)	38,772
Loans and advances		(657,241)	(5,030,905)
Other assets		60,189	(25,107)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		574,489	1,122,807
Customer deposits		(4,338,508)	4,094,916
Other liabilities		(142,727)	(188,783)
		<u>(4,321,054)</u>	<u>122,144</u>
Net cash (used in) from operating activities			
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		4,594,864	2,751,362
Purchase of non-trading investments		(2,115,341)	(1,760,921)
Investment in associates		(434)	-
Purchase of property and equipment		(147,471)	(67,430)
Proceeds from sale of property and equipment		11,618	-
		<u>2,343,236</u>	<u>923,011</u>
FINANCING ACTIVITIES			
Term loan proceeds		500,000	-
(Decrease) / increase in cash and cash equivalents		(1,477,818)	1,045,155
Cash and cash equivalents at beginning of the period		7,780,742	4,740,914
Cash and cash equivalents at end of the period	9	<u>6,302,924</u>	<u>5,786,069</u>
Special commission received during the period		1,094,748	1,353,163
Special commission paid during the period		<u>659,146</u>	<u>712,263</u>
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated income statement		<u>106,761</u>	<u>(193,065)</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months ended June 30, 2009 and 2008

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. The Bank operates under Commercial Registration No. 1010011570 dated 25 Rabie Awwal 1397H, corresponding to March 16, 1977 through its 39 branches (2008: 29 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 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. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

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

3. Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of The Saudi Investment Bank and its subsidiaries, Alistithmar for Financial Securities and Brokerage Company and SAIB BNP Paribas Asset Management Company (collectively referred to as the "Group"). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, and changes are made to the accounting policies of the subsidiaries, when necessary, to align them with the accounting policies adopted by the Bank.

Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed off during the period, if any, are included in the consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Minority interest represents the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiaries and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Bank shareholders' equity.

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the 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.

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Amounts in SAR'000

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4. Significant accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended December 31, 2008, as described in the annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of International Financial Reporting Standard "IFRS" 8 - "Operating Segments" and amendments to existing standards, as mentioned below:

- IFRS 8 "Operating Segments", which supersedes IAS 14 Segment Reporting and require disclosure of information about the Groups operating segments;
- The revisions and amendments to IAS 1 "Presentation of Financial Statements";
- Amendments to IFRS 2 "Share Based Payments" – vesting conditions and cancellations; and
- IAS 32 "Financial Instruments: Presentation".

The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Group. The comparative information has been restated, where required, to conform to current period presentation.

Share in earnings from associates represents the Bank's equity interest in the net income of its associate companies that are being accounted for on the equity method of accounting. The Bank generally records its share in earnings when a reasonable estimate can be made or audited financial statements are obtained.

5. Investments, net

Investments are classified as follows:

	At June 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At June 30, 2008 (Unaudited)
Available for sale	9,788,069	12,607,826	14,344,022
Held to maturity	629,177	123,333	123,228
Total	<u>10,417,246</u>	<u>12,731,159</u>	<u>14,467,250</u>

The above investments include receivable securitization agreements amounting to SAR 239 million (December 31, 2008: 436 million and June 30, 2008: 998 million) entered into by the Bank, which upon initial recognition were designated as available for sale. Their fair values are determined by using an appropriate pricing model.

6. Term Loan

On April 7, 2009 the Bank entered into a three-year term loan facility agreement for an amount of SAR 500 million for general corporate purposes. The facility has been fully utilized and is repayable in April 2012. The Bank, however, has an option to effect an early repayment, subject to the terms and conditions of the related agreement.

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Amounts in SAR'000

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7. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	At June 30, 2009 (Unaudited)			At Dec. 31, 2008 (Audited)			At June 30, 2008 (Unaudited)		
	Fair value		Notional Amount	Fair value		Notional Amount	Fair value		Notional Amount
	Positive	Negative		Positive	Negative		Positive	Negative	
Held for trading:									
Forward foreign exchange contracts	2,882	2,391	1,362,663	11,216	7,984	1,337,485	8,671	7,654	1,081,398
Held as fair value hedges:									
Commission rates swaps	50,804	101,893	863,305	64,663	118,788	863,066	140,997	135,821	895,016
Total	53,686	104,284	2,225,968	75,879	126,772	2,200,551	149,668	143,475	1,976,414

8. Credit-related commitments and contingencies

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

	At June 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At June 30, 2008 (Unaudited)
Letters of credit	698,692	803,054	1,240,122
Letters of guarantee	3,020,262	3,131,452	2,634,562
Acceptances	767,224	1,130,282	860,854
Irrevocable commitments to extend credit	444,249	422,259	125,752
Total	4,930,427	5,487,047	4,861,290

9. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	At June 30, 2009 (Unaudited)	At Dec. 31, 2008 (Audited)	At June 30, 2008 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	344,224	346,856	684,507
Due from banks and other financial institutions maturing within ninety days from acquisition date	5,958,700	7,433,886	5,101,562

Total

6,302,924

7,780,742

5,786,069

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Amounts in SAR'000

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10. Segment information

The Group has adopted IFRS 8 "Operating Segments" with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. In contrast, the predecessor standard IAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and reward approach, with the entity's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

The Group's primary business is conducted in the Kingdom of Saudi Arabia.

Transactions between the business segments are on normal commercial terms and conditions. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

For management purposes, the Group is organized into the following primary business segments:

Retail banking

Deposits, credit and investment 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, trading and treasury services.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Commission is charged to business segments based on a pool rate, which approximates the marginal cost of funds.

The Group's total assets and liabilities as at June 30, 2009 and 2008, its total operating income, expenses, and net income for the six months periods then ended, by business segments, being the primary reporting segments, are as follows:

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Amounts in SAR'000

For the six months ended June 30, 2009 and 2008

	June 30, 2009 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	12,872,359	20,233,779	17,578,313	46,304	50,730,755
Total liabilities	15,461,932	22,168,566	5,936,144	14,378	43,581,020
Total operating income	321,224	286,860	10,565	60,163	678,812
Total operating expenses	148,094	89,533	47,731	41,969	327,327
Share in earnings from associates	-	-	84,787	-	84,787
Net income for the period	173,130	197,327	47,621	18,194	436,272

	June 30, 2008 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	13,554,494	17,583,923	20,763,683	32,100	51,934,200
Total liabilities	14,396,402	24,194,616	6,202,071	8,018	44,801,107
Total operating income	226,229	326,832	383,588	159,407	1,096,056
Total operating expenses	95,425	73,291	340,269	40,540	549,525
Net income for the period	130,804	253,541	43,319	118,867	546,531

11. Share capital and earnings per share

The Board of Directors proposed a bonus share issue of 58,984,000 shares of SAR 10 each which was approved at the shareholders' extraordinary general assembly meeting held on 1 Rabi Alawal 1429H (corresponding to March 9, 2008). Accordingly, the total number of issued and outstanding shares increased to 450,000,000.

Basic and diluted earnings per share for the three months and six months periods ended June 30, 2008 are calculated by dividing the net income for the period attributable to the equity holders of the Bank by 450 million shares to give a retroactive effect of the change in the number of shares increased as a result of the bonus share issue.

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12. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

	June 30, 2009 (Unaudited)		June 30, 2008 (Unaudited)	
	Total capital ratio %	Tier 1 capital ratio %	Total capital ratio %	Tier 1 capital ratio %
Top consolidated level	<u>14.38</u>	<u>13.18</u>	<u>13.24</u>	<u>11.80</u>

13. Comparative figures

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

14. Basel II pillar 3 disclosures

Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be made available to the public on the Bank's website (www.saib.com.sa) within 60 business days after June 30, 2009, as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.