



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2013

(Unaudited)

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	Notes	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
ASSETS				
Cash and balances with SAMA		3,968,376	7,335,643	8,057,590
Due from banks and other financial institutions		4,910,079	3,831,774	2,145,542
Investments, net	5	15,886,478	10,911,961	10,103,334
Loans and advances, net	6	42,725,357	34,050,692	31,785,637
Investments in associates	7	1,024,837	965,902	936,173
Property and equipment, net		859,250	866,896	876,941
Other assets		1,439,963	1,103,782	1,143,716
Total assets		70,814,340	59,066,650	55,048,933
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		5,883,153	6,269,045	4,207,172
Customer deposits	8	51,848,637	40,413,571	38,836,066
Other liabilities		1,191,164	1,005,208	932,279
Term loans	9	2,000,000	2,000,000	2,000,000
Total liabilities		60,922,954	49,687,824	45,975,517
Equity				
Share capital	15	5,500,000	5,500,000	5,500,000
Statutory reserve		2,931,000	2,931,000	2,703,000
Other reserves		(68,283)	(38,992)	(98,787)
Retained earnings		1,558,043	597,979	996,964
Proposed dividends	16	-	416,600	-
Employee stock option shares		(29,374)	(27,761)	(27,761)
Total equity		9,891,386	9,378,826	9,073,416
Total liabilities and equity		70,814,340	59,066,650	55,048,933

The accompanying notes 1 to 18 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, 2013	Sep. 30, 2012	Sep. 30, 2013	Sep 30, 2012
Special commission income	476,086	399,655	1,386,047	1,154,904
Special commission expense	129,458	79,086	356,400	237,206
Net special commission income	346,628	320,569	1,029,647	917,698
Fee income from banking services, net	89,491	68,755	279,067	234,873
Exchange income, net	4,663	8,883	46,159	25,649
Dividend income	11,379	7,894	20,323	16,281
Gain on non-trading investments, net	33,019	128	131,494	1,735
Gain on sale of property and other income	16,233	972	18,783	88,981
Total operating income	501,413	407,201	1,525,473	1,285,217
Salaries and employee-related expenses	115,125	90,695	320,635	260,372
Rent and premises-related expenses	23,696	20,445	72,921	60,480
Depreciation and amortization	17,922	17,521	53,338	52,418
Other general and administrative expenses	32,496	27,672	119,564	85,313
Impairment charge for credit losses, net	30,000	45,000	90,000	230,000
Impairment charge for non-trading investments, net	-	10,000	24,000	47,000
Total operating expenses	219,239	211,333	680,458	735,583
Income from operating activities	282,174	195,868	845,015	549,634
Share in earnings of associates	43,219	35,931	115,049	116,788
Net income for the period	325,393	231,799	960,064	666,422
Basic and diluted earnings per share (expressed in SAR per share) (Note 15)	0.59	0.42	1.75	1.21

The accompanying notes 1 to 18 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net income for the period	<u>325,393</u>	<u>231,799</u>	<u>960,064</u>	<u>666,422</u>
Other comprehensive income:				
Available for sale investments:				
- Net change in fair value	132,289	101,847	101,693	176,430
- Fair value gains transferred to interim condensed consolidated income statement on	(33,019)	(128)	(131,494)	(1,735)
Share in other comprehensive income / (loss) of associates	<u>126</u>	<u>(943)</u>	<u>510</u>	<u>(715)</u>
Total other comprehensive income / (loss) for the period	<u>99,396</u>	<u>100,776</u>	<u>(29,291)</u>	<u>173,980</u>
Total comprehensive income for the period	<u>424,789</u>	<u>332,575</u>	<u>930,773</u>	<u>840,402</u>

The accompanying notes 1 to 18 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

	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 16)	-	-	-	-	(416,600)	-	(416,600)
Employee stock option shares allocated	-	-	-	-	-	(35,368)	(35,368)
Employee stock option shares vested	-	-	-	-	-	33,755	33,755
Balance at the end of the period	<u>5,500,000</u>	<u>2,931,000</u>	<u>(68,283)</u>	<u>1,558,043</u>	<u>-</u>	<u>(29,374)</u>	<u>9,891,386</u>
	2012						
	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	2,703,000	(272,767)	330,542	324,500	(27,979)	8,557,296
Total comprehensive income for the period	-	-	173,980	666,422	-	-	840,402
Dividends paid (note 16)	-	-	-	-	(324,500)	-	(324,500)
Employee stock option shares allocated	-	-	-	-	-	(21,294)	(21,294)
Employee stock option shares vested	-	-	-	-	-	21,512	21,512
Balance at the end of the period	<u>5,500,000</u>	<u>2,703,000</u>	<u>(98,787)</u>	<u>996,964</u>	<u>-</u>	<u>(27,761)</u>	<u>9,073,416</u>

The accompanying notes 1 to 18 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

	2013	2012
OPERATING ACTIVITIES		
Net income for the period	960,064	666,422
Adjustments to reconcile net income to net cash from / (used in)		
operating activities:		
Accretion of discounts on non-trading investments, net	(24,917)	(11,599)
Gain on non-trading investments, net	(131,494)	(1,735)
Gain on sale of property	(615)	(86,472)
Depreciation and amortization	53,338	52,418
Impairment charge for credit losses, net	90,000	230,000
Impairment charge for non-trading investments, net	24,000	47,000
Share in earnings of associates	(115,049)	(116,788)
	855,327	779,246
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	(515,853)	(291,461)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	899,500	525,362
Loans and advances	(8,764,665)	(4,901,544)
Other assets	(371,549)	64,969
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	(385,892)	(17,000)
Customer deposits	11,435,066	2,065,574
Other liabilities	219,711	38,875
Net cash from / (used in) operating activities	3,371,645	(1,735,979)
INVESTING ACTIVITIES		
Proceeds from sale of and matured non-trading investments	2,306,319	3,311,519
Purchase of non-trading investments	(7,178,226)	(4,380,763)
Dividends received from associates	56,624	74,572
Purchase of property and equipment	(45,738)	(22,074)
Proceeds from sale of property and equipment	661	124,270
Net cash used in investing activities	(4,860,360)	(892,476)
FINANCING ACTIVITIES		
Term loan proceeds	-	1,000,000
Repayment of term loan	-	(500,000)
Dividends paid	(416,600)	(324,500)
Net cash (used in) / from financing activities	(416,600)	175,500
Decrease in cash and cash equivalents	(1,905,315)	(2,452,955)

Continued

The accompanying notes 1 to 18 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) - continued

Amounts in SAR'000

For the nine month periods ended September 30

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	8,500,379	10,903,211
Decrease in cash and cash equivalents	<u>(1,905,315)</u>	<u>(2,452,955)</u>
Cash and cash equivalents at the end of the period (note 12)	<u>6,595,064</u>	<u>8,450,256</u>
Supplemental special commission information		
Special commission received during the period	<u>1,337,641</u>	<u>1,146,748</u>
Special commission paid during the period	<u>428,051</u>	<u>240,656</u>
Supplemental non-cash information		
Total other comprehensive (loss) / income for the period	<u>(29,291)</u>	<u>173,980</u>
Employee stock option shares, net of allocation and vesting	<u>(1,613)</u>	<u>218</u>

The accompanying notes 1 to 18 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, 2013 and 2012

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, 2012: 48 branches; and September 30, 2012: 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, 2012.

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

The preparation of 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 consolidated financial statements as of and for the year ended December 31, 2012.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on October 22, 2013.

3. Basis of consolidation

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

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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, 2013 and 2012

3. Basis of consolidation (continued)

- b) "SAIB BNP Paribas Asset Management Company Limited" (AMCO), a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010240312 issued on 4 Thu Al Qada 1428H (corresponding to November 14, 2007), and is 55% owned by the Bank with the remaining 45% owned by both Saudi and non-Saudi shareholders; (see next paragraph for further details); and
- c) "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 Awal 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 AMCO whereby Alistithmar Capital acquired the business and net assets of AMCO. AMCO is therefore now in the process of liquidation.

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 all entities that are controlled by the Bank. The Bank controls an entity when the Bank has power over an entity, is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect these returns through its power over that entity.

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 the 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, 2012, except for the adoption of the following new standards and amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Group.

- | | | |
|---|--------------|--|
| • IAS 1 | Amendments | - Presentation of items of other comprehensive income |
| • IFRS 10 | | - Consolidated financial statements |
| • IFRS 11 | | - Joint arrangements |
| • IFRS 12 | | - Disclosure of interests in other entities |
| • IFRS 13 | | - Fair value measurement |
| • IAS 19 | Revised 2011 | - Employee benefits |
| • IAS 27 | Revised 2011 | - Separate financial statements |
| • IAS 28 | Revised 2011 | - Associates and joint ventures |
| • IFRS 7 | Revised 2011 | - Disclosures on offsetting financial assets and liabilities |
| • Amendments to the basis for conclusions on IAS 1, 16, 32, and 34 (annual improvements 2011) | | |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

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4. Significant accounting policies (continued)

In addition to the above, the Group has chosen not to early adopt IFRS 9 (2010) – Financial instruments. The IFRS 9 effective date has been delayed from January 1, 2015 but the effective date has not yet been determined. Also, the Group has chosen not to early adopt the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2014.

The Bank is currently assessing the implication of the above standards and amendments on the Group and the timing of adoption.

5. Investments, net

Investments, net are comprised of the following:

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Available for sale, net	15,047,057	9,992,271	9,157,764
Held to maturity, net	839,421	919,690	945,570
Investments, net	15,886,478	10,911,961	10,103,334

The fair values of the held to maturity investments are approximately SAR 868.4 million as of September 30, 2013 (December 31, 2012 SAR 919.9 million).

6. Loans and advances, net

Loans and advances, net are comprised of the following:

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Performing loans and advances:			
Consumer loans	7,600,562	6,178,170	6,222,465
Commercial loans and overdrafts	35,446,972	28,182,231	26,146,393
Other loans	76,161	56,433	53,376
Total performing loans and advances	43,123,695	34,416,834	32,422,234
Non performing loans and advances	384,294	450,346	1,799,838
Total loans and advances	43,507,989	34,867,180	34,222,072
Allowance for credit losses	(782,632)	(816,488)	(2,436,435)
Loans and advances, net	42,725,357	34,050,692	31,785,637

7. Investments in associates

Investments in associates include the Bank's ownership interest in Amex Saudi Arabia Limited (50%), Saudi Orix Leasing Company (38%), Mediterranean Gulf Insurance and Reinsurance Co. – KSA (19%), 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, 2013 and 2012, and for the year ended December 31, 2012, is summarized as follows:

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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, 2013 and 2012

7. Investments in associates (continued)

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Balance at the beginning of the period	965,902	894,672	894,672
Share in earnings	115,049	146,517	116,788
Dividends received	(56,624)	(74,571)	(74,572)
Share in other comprehensive income / (loss)	510	(716)	(715)
Balance at the end of the period	1,024,837	965,902	936,173

The shares of Medgulf are traded on the Saudi Stock Exchange. As of September 30, 2013, the market value of the Bank's 19% investment in Medgulf is approximately SAR 511.1 million (December 31, 2012: SAR 428.6 million).

8. Customer deposits

Customer deposits are comprised of the following:

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Demand	11,276,928	9,517,589	7,769,479
Savings	1,285,072	558,128	842,874
Time	37,677,051	29,868,401	29,145,905
Other	1,609,586	469,453	1,077,808
Customer deposits	51,848,637	40,413,571	38,836,066

9. Term loans

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 was repaid in April 2012.

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 for an amount of SAR 1 billion for general corporate purposes. The facility has been fully utilized and is repayable in September 2017.

The term loans bear commission at variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related agreements. The agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance.

10. 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 Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

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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, 2013 and 2012

10. Derivatives (continued)

	Sep. 30, 2013 (Unaudited)			Dec. 31, 2012 (Audited)			Sep. 30, 2012 (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	4,593	7,090	1,753,427	7,617	1,250	1,979,794	4,809	2,209	2,675,774
Foreign exchange options	9,690	8,563	134,772	1,822	1,554	141,192	-	-	-
Structured options	66	66	20,001	720	720	20,001	-	-	-
Commission rate swaps	36,853	34,374	2,320,000	28,138	42,668	730,000	25,793	24,001	730,000
Held as fair value hedges:									
Commission rate swaps	42,686	96,085	2,545,943	41,398	96,156	2,546,093	45,981	124,180	2,545,893
Total	93,888	146,178	6,774,143	79,695	142,348	5,417,080	76,583	150,390	5,951,667

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, 2013 the estimated fair value of this option is approximately SAR 84.7 million (December 31, 2012: SAR 14.1 million and September 30, 2012: Nil).

11. Commitments and contingencies

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

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Letters of credit	2,461,890	1,585,064	1,820,346
Letters of guarantee	6,621,714	5,529,561	5,175,560
Acceptances	574,333	397,755	399,044
Irrevocable commitments to extend credit	535,470	282,682	439,477
Credit-related commitments and contingencies	10,193,407	7,795,062	7,834,427

The Bank has received assessments for additional Zakat, income tax, and withholding tax totalling approximately SAR 16.7 million relating to the Bank's 2003 through 2008 Zakat, income tax, and withholding tax filings. The Bank has filed an appeal for these assessments.

The Bank has received assessments for additional Zakat totalling approximately SAR 185 million relating to its 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.

A subsidiary of the Bank has also received assessments for additional zakat, income tax, and withholding tax relating to its 2008 through 2011 Zakat, income tax, and withholding tax filings, totalling approximately SAR 4.4 million. The subsidiary has filed an appeal for these assessments.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

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12. 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, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,685,485	5,568,605	6,304,714
Due from banks and other financial institutions maturing within ninety days from the acquisition date	4,909,579	2,931,774	2,145,542
Cash and cash equivalents	6,595,064	8,500,379	8,450,256

13. 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 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 pricing rates. All of the segment revenue 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, 2013 and 2012, and the segmental income, total operating expenses, and net income for the nine month periods then ended, are as follows:

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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, 2013 and 2012

13. Business segments (continued)

September 30, 2013 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	17,524,677	28,293,564	24,374,254	621,845	70,814,340
Total liabilities	14,620,381	3,894,874	42,382,20	25,495	60,922,954
Net special commission	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	28,990	22,155	151,069	14,545	216,759
Total operating income	516,858	443,815	487,184	77,616	1,525,473
Operating expenses before impairment charges	274,594	137,527	105,323	49,014	566,458
Impairment charges, net	24,573	65,427	24,000	-	114,000
Total operating expenses	299,167	202,954	129,323	49,014	680,458
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	217,691	240,861	472,910	28,602	960,064

September 30, 2012 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	14,547,240	19,970,719	19,764,347	766,627	55,048,933
Total liabilities	13,373,528	4,290,235	28,281,80	29,947	45,975,517
Net special commission income	410,900	285,097	211,306	10,395	917,698
Fee income from banking services, net	97,192	78,196	-	59,485	234,873
Other operating income	8,044	99,901	24,701	-	132,646
Total operating income	516,136	463,194	236,007	69,880	1,285,217
Operating expenses before impairment charges	263,132	86,568	49,622	59,261	458,583
Impairment charges, net	43,379	186,621	47,000	-	277,000
Total operating expenses	306,511	273,189	96,622	59,261	735,583
Income from operating activities	209,625	190,005	139,385	10,619	549,634
Share in earnings of associates	-	-	116,788	-	116,788
Net income for the period	209,625	190,005	256,173	10,619	666,422

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14. 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 (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, 2013 and December 31, 2012 by level of the fair value hierarchy.

September 30, 2013 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	93,888	84,671	178,559
Financial investments available for sale	10,164,812	4,868,079	14,166	15,047,057
Total	10,164,812	4,961,967	98,837	15,225,616
Financial liabilities:				
Derivative financial instruments	-	146,178	-	146,178
Total	-	146,178	-	146,178
December 31, 2012 (SAR '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	79,695	14,099	93,794
Financial investments available for sale	8,108,057	1,873,085	11,129	9,992,271
Total	8,108,057	1,952,780	25,228	10,086,065
Financial liabilities:				
Derivative financial instruments	-	142,348	-	142,348
Total	-	142,348	-	142,348

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).

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

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, 2013, which was estimated using valuation models, is SAR 98.1 million (for year ended December 31, 2012: SAR 43.9 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.

15. Share capital and earnings per share

Basic and diluted earnings per share for the three month and nine month periods ended September 30, 2013 and 2012 are calculated by dividing the net income for the period by 550 million shares.

16. Dividends

In 2012, The Board of Directors proposed a 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 Banks 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.

In 2011, the Board of Directors proposed a gross dividend for the year amounting to SAR 324.5 million. The dividend was equal to SAR 0.50 per share (SAR 275.0 million), plus the Zakat to be withheld from the Saudi shareholders, amounting to SAR 0.10 per share (SAR 49.5 million). The proposed dividend was approved by the Bank's shareholders in an ordinary general assembly meeting held on Rabi' II 25, 1433 (corresponding to March 18, 2012). The net dividends were paid to the Banks shareholders thereafter.

17. Capital adequacy and capital structure disclosures

a) Capital adequacy

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern, and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total regulatory capital to risk-weighted assets (RWA) at or above the requirement of 8%.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position assets, commitments, and notional amount of derivatives, at a weighted amount to reflect their relative risk.

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17. Capital adequacy and capital structure disclosures (continued)

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

	Sep. 30, 2013 (Unaudited)	Dec. 31, 2012 (Audited)	Sep. 30, 2012 (Unaudited)
Credit Risk RWA	61,323,937	47,661,656	42,397,209
Operational Risk RWA	3,081,431	3,081,431	2,913,004
Market Risk RWA	242,104	283,449	2,530,057
Total Pillar- I RWA	64,647,472	51,026,536	47,840,270
Tier I Capital	9,872,565	8,877,054	7,920,087
Tier II Capital	535,487	112,819	728,300
Total Tier I & II Capital	10,408,052	8,989,873	8,648,387
Capital Adequacy Ratio %			
Tier I Ratio	15.27%	17.40%	16.56%
Tier I + Tier II Ratio	16.10%	17.62%	18.08%

As of September 30, 2013, the RWA, Tier I and Tier II capital, and capital adequacy ratios are calculated in accordance with SAMA's framework and guidelines regarding implementation of the capital reforms under Basel III which were effective from January 1, 2013. The comparative amounts and ratios as of December 31, 2012 and September 30, 2012, however, were calculated in accordance with Basel II and prior SAMA guidelines.

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 Banks website (www.saib.com.sa) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

18. Comparative figures

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