

BALANCE SHEET

		Mar. 31, 2005 (Unaudited) SAR'000	Dec. 31, 2004 (Audited) SAR'000	Mar. 31, 2004 (Unaudited) SAR'000
	Notes			
ASSETS				
Cash and balances with SAMA		757,000	577,780	467,198
Due from banks and other financial institutions		7,829,699	5,996,062	4,595,785
Investments, net	2	8,147,409	8,501,657	6,543,680
Loans and advances, net		15,179,670	13,031,097	11,621,179
Fixed assets, net		153,814	144,804	97,263
Other assets		331,376	292,102	235,714
Total assets		<u>32,398,968</u>	<u>28,543,502</u>	<u>23,560,819</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		3,752,990	3,970,992	3,731,581
Customers' deposits		23,985,728	20,284,926	16,449,616
Other liabilities		668,941	778,149	509,021
Total liabilities		<u>28,407,659</u>	<u>25,034,067</u>	<u>20,690,218</u>
Shareholders' equity				
Share capital	7	1,718,750	1,375,000	1,375,000
Statutory reserve		1,184,000	1,184,000	1,037,000
General reserve	7	19,000	362,750	19,000
Other reserves	8	856,739	585,026	273,069
Retained earnings		212,820	2,659	166,532
Total shareholders' equity		<u>3,991,309</u>	<u>3,509,435</u>	<u>2,870,601</u>
Total liabilities and shareholders' equity		<u>32,398,968</u>	<u>28,543,502</u>	<u>23,560,819</u>

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

STATEMENT OF INCOME

For the three months ended March 31

Unaudited

	Note	2005 (SAR'000)	2004 (SAR'000)
Special commission income		337,779	218,953
Special commission expense		166,449	85,023
Net special commission income		171,330	133,930
Fees from banking services, net		97,741	60,771
Exchange income		3,381	3,128
Dividend income		7,295	646
Gains on non-trading investments, net		23,146	440
Total operating income		302,893	198,915
Salaries and employee-related expenses		39,481	31,273
Rent and premises-related expenses		7,540	6,537
Depreciation and amortization		5,283	4,005
Other general and administrative expenses		19,540	11,475
Provision for possible credit losses		20,000	20,000
Total operating expenses		91,844	73,290
Net income		211,049	125,625
Earnings per share (Expressed in SAR per share)	7	6.14	3.65

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31, 2005 and 2004

Unaudited

<u>2005 (SAR'000)</u>	<u>Note</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at beginning of the period		1,375,000	1,184,000	362,750	585,026	2,659	3,509,435
Net income for the period		-	-	-	-	211,049	211,049
Transfer to share capital	7	343,750	-	(343,750)	-	-	-
Net changes in fair value		-	-	-	271,713	(888)	270,825
Balance at March 31, 2005		<u>1,718,750</u>	<u>1,184,000</u>	<u>19,000</u>	<u>856,739</u>	<u>212,820</u>	<u>3,991,309</u>
 <u>2004 (SAR'000)</u>							
Balance at beginning of the period		1,100,000	1,037,000	294,000	160,575	40,393	2,631,968
Net income for the period		-	-	-	-	125,625	125,625
Transfer to share capital		275,000	-	(275,000)	-	-	-
Net changes in fair value, net		-	-	-	112,494	514	113,008
Balance at March 31, 2004		<u>1,375,000</u>	<u>1,037,000</u>	<u>19,000</u>	<u>273,069</u>	<u>166,532</u>	<u>2,870,601</u>

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements.

STATEMENT OF CASH FLOWS

For the three months ended March 31, 2005 and 2004

Unaudited	Notes	2005 SAR'000	2004 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		211,049	125,625
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discounts on non-trading investment, net		(36,129)	(18,347)
Gains on non-trading investments, net		(23,146)	(440)
Depreciation and amortization		5,283	4,005
Provision for possible credit losses		20,000	20,000
		<u>177,057</u>	<u>130,843</u>
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(43,899)	(30,145)
Due from banks and other financial institutions maturing after ninety days		(299,098)	204,472
Loans and advances		(2,168,573)	(1,409,594)
Other assets		(39,274)	26,690
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(218,002)	(354,557)
Customers' deposits		3,700,802	2,045,725
Other liabilities		(11,858)	(961)
Net cash from operating activities		<u>1,097,155</u>	<u>612,473</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sales of and matured non-trading investments		771,443	1,126,498
Purchases of non-trading investments		(87,094)	(277,766)
Purchase of fixed assets		(14,294)	(3,348)
Net cash from investing activities		<u>670,055</u>	<u>845,384</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(97,350)	(76,340)
Net cash used in financing activities		<u>(97,350)</u>	<u>(76,340)</u>
Increase in cash and cash equivalents		1,669,860	1,381,517
Cash and cash equivalents at beginning of the period		6,113,209	3,182,683
Cash and cash equivalents at end of the period	5	<u>7,783,069</u>	<u>4,564,200</u>
Supplemental non-cash information			
Net changes in fair value		<u>270,825</u>	<u>113,008</u>
Bonus share issued through transfer from general reserve	7	<u>343,750</u>	<u>275,000</u>

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three months period ended March 31

1. Accounting Policies

a) Basis of preparation

The Bank follows the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), and International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board. These interim condensed financial statements are prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting and also comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. Except for changes explained in note 1(b) below, the accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2004.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives and available for sale investments.

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

b) Change in accounting policies

The Bank has adopted the revised versions of International Accounting Standard (IAS) 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement effective January 1, 2005 with retrospective effect, wherever applicable, with respect to the recognition, measurement and disclosure of financial instruments.

The revised IAS 39 has introduced a new classification "Fair Value through Income Statement (FVIS)" under which any financial assets and liabilities, except for equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, can be classified and carried at fair value with the changes in fair values recognized in the current period statement of income. This new classification includes financial assets and liabilities held for trading and items that are designated as fair value through income statement at the time of initial recognition. Following initial recognition, transfers between the various classifications of financial assets or liabilities are not ordinarily permissible. The Bank has not designated at initial recognition any financial assets or financial liability as at fair value through income statement.

There was no impact on opening retained earnings from the adoption of the revised IAS 39.

2. Investments, net

The analysis of investments is as follows:

	At Mar. 31, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Mar. 31, 2004 (Unaudited)
Available for sale investments	6,976,880	7,012,522	3,610,192
Held at amortized costs, other	699,982	699,866	1,110,829
Held to maturity securities	336,510	663,398	1,695,403
Investment in associates	134,037	125,871	127,256
Total	<u>8,147,409</u>	<u>8,501,657</u>	<u>6,543,680</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three months ended March 31

3. 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. Positive changes in the fair value of commission rate swaps amounting to SR 0.9 million were credited to special commission expense for the three months ended March 31, 2005 (2004: SR 5.3 million charged to special commission expense), as these derivatives did not qualify for hedge accounting.

	At Mar. 31, 2005 (Unaudited)			At Dec. 31, 2004 (Audited)			At Mar. 31, 2004 (Unaudited)		
	Fair value Positive	Negative	Notional Amount	Fair value Positive	Negative	Notional Amount	Fair value Positiv	Negative	Notional Amount
Held for trading:									
Commission rate swaps	2,997	-	311,200	-	873	311,200	-	8,684	311,200
Forward foreign exchange contracts	2,914	1,922	1,568,484	14,870	13,263	1,962,100	5,854	3,864	1,883,777
Currency options	39	928	412,500	111	912	225,000	720	1,565	443,323
Total	5,950	2,850	2,292,184	14,981	15,048	2,498,300	6,574	14,113	2,638,300

4. Credit-related commitments and contingencies

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

	At Mar. 31, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Mar. 31, 2004 (Unaudited)
Letters of credit	506,526	485,634	536,784
Letters of guarantee	2,145,036	2,064,519	1,618,645
Acceptances	230,404	235,822	297,438
Irrevocable commitments to extend credit	111,226	132,224	151,273
Total	2,993,192	2,918,199	2,604,140

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three months ended March 31

5. Cash and cash equivalents

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

	At Mar. 31, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Mar. 31, 2004 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	252,468	117,147	119,937
Due from banks and other financial institutions maturing within ninety days	7,530,601	5,996,062	4,444,263
Total	7,783,069	6,113,209	4,564,200

6. Business segments

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

Retail banking

Deposits, credit and investment products for individuals and small to medium sized business.

Corporate banking

Loans, deposits and other credit products for corporate and institutional customers.

Treasury and capital markets

Money market, trading and treasury services as well as the management of the Bank's investment portfolio and funding operations.

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.

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

The Bank's total assets and liabilities as at March 31, 2005 and 2004, its total operating income, expenses, and net income for the three-month periods then ended, by business segments, are as follows:

	March 31, 2005 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
Total assets	8,956,536	7,345,114	16,097,318	32,398,968
Total liabilities	11,632,991	12,902,114	3,872,554	28,407,659
Total operating income	196,620	66,584	39,689	302,893
Total operating expenses	45,419	33,618	12,807	91,844
Net income	151,201	32,966	26,882	211,049

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the three months ended March 31

6. Business segments - continued

	March 31, 2004 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
Total assets	6,142,566	6,221,580	11,196,673	23,560,819
Total liabilities	7,165,220	9,426,729	4,098,269	20,690,218
Total operating income	112,704	59,163	27,048	198,915
Total operating expenses	32,553	31,957	8,780	73,290
Net income	80,151	27,206	18,268	125,625

7. Share Capital

The Board of Directors proposed a bonus share issue of 6,875,000 shares of SAR 50 each, which was approved in the shareholders' extra ordinary general assembly meeting, held on 14 Muharram 1426H (corresponding to 23 February 2005G). The bonus share issue resulted in a total of 34,375,000 shares issued and outstanding. The calculation of earnings per share for the three months ended March 31, 2004 has been adjusted to reflect the bonus share issue in 2005.

The share capital increased from SR 1,375 million to SR 1,719 million, through a transfer from general reserve.

8. Other Reserves

	Available for sale investments	
	At Mar 31, 2005 (Unaudited)	At Mar 31, 2004 (Unaudited)
Balance at beginning of the period	585,026	160,575
Net change in fair value	294,859	112,934
Transfer to statement of income	(23,146)	(440)
Net movement during the period	271,713	112,494
Balance at end of the period	856,739	273,069