

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## CONSOLIDATED BALANCE SHEETS

		June 30, 2008 (Unaudited SAR'000	Dec. 31, 2007 (Audited) SAR'000	June 30, 2007 (Unaudited) SAR'000
	Note			
<b>ASSETS</b>				
Cash and balances with SAMA		1,860,502	1,212,355	815,192
Due from banks and other financial institutions		5,190,311	4,311,421	3,460,934
Investments, net	5	15,158,836	16,373,407	15,167,372
Loans and advances, net		28,139,606	23,128,701	19,727,757
Property and equipment, net		468,634	424,705	366,478
Other assets		1,116,311	1,091,204	902,997
<b>Total assets</b>		<b>51,934,200</b>	<b>46,541,793</b>	<b>40,440,730</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		5,634,908	4,512,101	3,874,485
Customer deposits		36,863,187	32,768,271	27,694,568
Other liabilities		878,012	1,066,795	998,837
Term loan		1,425,000	1,425,000	1,425,000
<b>Total liabilities</b>		<b>44,801,107</b>	<b>39,772,167</b>	<b>33,992,890</b>
<b>Equity</b>				
<b>Equity attributable to shareholders at the Bank</b>				
Share capital	10	4,500,000	3,910,160	3,910,160
Statutory reserve		2,158,000	2,158,000	1,952,000
Other reserves		(109,685)	83,380	52,286
Retained earnings		566,395	618,086	533,394
<b>Total equity attributable to shareholders of the Bank</b>		<b>7,114,710</b>	<b>6,769,626</b>	<b>6,447,840</b>
Minority interest		18,383	-	-
<b>Total equity</b>		<b>7,133,093</b>	<b>6,769,626</b>	<b>6,447,840</b>
<b>Total liabilities and equity</b>		<b>51,934,200</b>	<b>46,541,793</b>	<b>40,440,730</b>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

## CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Note	Three months period ended		Six months period ended	
		June 30, 2008 SAR'000	June 30, 2007 SAR'000	June 30, 2008 SAR'000	June 30, 2007 SAR'000
Special commission income		624,448	598,478	1,216,520	1,245,218
Special commission expense		274,348	349,772	611,255	712,232
<b>Net special commission income</b>		<b>350,100</b>	<b>248,706</b>	<b>605,265</b>	<b>532,986</b>
Fees from banking services, net		128,217	82,999	288,958	203,122
Exchange income, net		(209)	7,439	12,313	13,944
Dividend income		6,745	3,825	23,413	18,198
(Loss) / gain on non- trading investment, net		(80,935)	4,524	(136,343)	4,739
<b>Total operating income</b>		<b>403,918</b>	<b>347,493</b>	<b>793,606</b>	<b>772,989</b>
Salaries and employee-related expenses		75,299	69,892	148,234	139,067
Rent and premises-related expenses		13,034	9,942	25,609	20,208
Depreciation and amortization		11,824	10,473	23,501	20,625
Other general and administrative expenses		14,224	26,831	29,731	41,596
Provision for credit losses		5,000	5,000	20,000	20,000
<b>Total operating expenses</b>		<b>119,381</b>	<b>122,138</b>	<b>247,075</b>	<b>241,496</b>
<b>Net income for the period</b>		<b>284,537</b>	<b>225,355</b>	<b>546,531</b>	<b>531,493</b>
Income attributable to minority interest		4,556	-	8,382	-
<b>Net income for the period attributable to shareholders of the Bank</b>		<b>279,981</b>	<b>225,355</b>	<b>538,149</b>	<b>531,493</b>
<b>Basic and diluted earnings per share (Expressed in SAR per share)</b>	10	<b>0.62</b>	<b>0.50</b>	<b>1.20</b>	<b>1.18</b>

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# THE SAUDI INVESTMENT BANK

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## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the six months ended June 30

		Share capital	Statutory reserve	Other reserves	Retained earnings	Total equity attributable to the shareholders 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>
Balance at 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	1	-	-	-	-	-	10,000	10,000
Net changes in fair value of available for sale investments		-	-	(329,408)	-	(329,408)	1	(329,407)
Transfer to consolidated statement of income		-	-	136,343	-	136,343	-	136,343
Net loss recognized directly in equity		-	-	(193,065)	-	(193,065)	1	(193,064)
Net income for the period		-	-	-	538,149	538,149	8,382	546,531
Total recognized (expense) and income for the period		-	-	(193,065)	538,149	345,084	8,383	353,467
Bonus share issue	10	589,840	-	-	(589,840)	-	-	-
Balance at end of the period		<u>4,500,000</u>	<u>2,158,000</u>	<u>(109,685)</u>	<u>566,395</u>	<u>7,114,710</u>	<u>18,383</u>	<u>7,133,093</u>
<u>2007</u>								
Balance at beginning of the period		2,406,250	1,952,000	137,256	1,505,811	6,001,317	-	6,001,317
Net changes in fair value of available for sale investments		-	-	(89,709)	-	(89,709)	-	(89,709)
Transfer to consolidated statement of income		-	-	4,739	-	4,739	-	4,739
Net loss recognized directly in equity		-	-	(84,970)	-	(84,970)	-	(84,970)
Net income for the period		-	-	-	531,493	531,493	-	531,493
Total recognized (expense) and income for the period		-	-	(84,970)	531,493	446,523	-	446,523
Bonus share issue		1,503,910	-	-	(1,503,910)	-	-	-
Balance at end of the period		<u>3,910,160</u>	<u>1,952,000</u>	<u>52,286</u>	<u>533,394</u>	<u>6,447,840</u>	<u>-</u>	<u>6,447,840</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements

# THE SAUDI INVESTMENT BANK

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## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the six months ended June 30

	<u>Note</u>	<u>2008</u> <u>SAR'000</u>	<u>2007</u> <u>SAR'000</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		546,531	531,493
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Accretion of discounts on non-trading investments, net		(95,277)	(141,676)
Loss / (gain) on non-trading investments, net		136,343	(4,739)
Depreciation and amortization		23,501	20,625
Provision for credit losses		20,000	20,000
		<u>631,098</u>	<u>425,703</u>
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		(520,654)	(57,686)
Due from banks and other financial institutions maturing after ninety days from date of acquisition		38,772	177,175
Loans and advances		(5,030,905)	943,514
Other assets		(25,107)	(27,298)
<b>Net (decrease) increase in operating liabilities:</b>			
Due to banks and other financial institutions		1,122,807	(572,534)
Customer deposits		4,094,916	(236,401)
Other liabilities		(188,783)	(41,481)
<b>Net cash from operating activities</b>		<u>122,144</u>	<u>610,992</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of and matured non-trading investments		2,751,362	2,219,430
Purchase of non-trading investments		(1,760,921)	(5,548,498)
Purchase of property and equipment		(67,430)	(46,752)
Proceeds from sale of property and equipment		-	26
<b>Net cash from (used in) investing activities</b>		<u>923,011</u>	<u>(3,375,794)</u>
<b>Increase (decrease) in cash and cash equivalents</b>		<u>1,045,155</u>	<u>(2,764,802)</u>
<b>Cash and cash equivalents at beginning of the period</b>		<u>4,740,914</u>	<u>5,913,366</u>
<b>Cash and cash equivalents at end of the period</b>	8	<u>5,786,069</u>	<u>3,148,564</u>
Special commission received during the period		<u>1,353,163</u>	<u>1,320,955</u>
Special commission paid during the period		<u>712,263</u>	<u>785,021</u>
<b>Supplemental non-cash information</b>			
Net changes in fair value and transfers to consolidated statement of income		<u>(193,065)</u>	<u>(84,970)</u>
Bonus share issue	10	<u>589,840</u>	<u>1,503,910</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the six months ended June 30, 2008 and 2007

### 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 29 branches (2007: 23 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.

In accordance with the Capital Market Authority ("CMA") directive, the Bank established the following new subsidiaries:

- a) Alistithmar for Financial Securities and Brokerage Company, 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 99% owned by the Bank with the remaining 1% owned by a representative Saudi shareholder; and
- b) SAIB Asset Management Company, 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 80% owned by the Bank with the remaining 20% owned by another Saudi shareholder.

The newly established subsidiaries have taken over the management of the Bank's investment services and asset management activities related to local and international dealing, managing, arranging, advising and custody of securities regulated by the CMA. The subsidiaries commenced their operations on January 1, 2008. Accordingly, effective January 1, 2008, the Bank started consolidating the financial statements of the aforementioned subsidiaries.

### 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 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, 2007.

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

The consolidated financial statements comprise the financial statements of Saudi Investment Bank and its subsidiaries, Alistithmar for Financial Securities and Brokerage Company and SAIB 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 Group.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six months ended June 30, 2008 and 2007

#### 3. Basis of consolidation (continued)

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 statement of income 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 statement of income and within equity in the consolidated balance sheet, 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.

#### 4. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2007, as described in the annual financial statements for the year ended December 31, 2007.

#### 5. Investments, net

Investments are classified as follows:

	<b>At June 30, 2008 (Unaudited)</b>	At Dec. 31, 2007 (Audited)	At June 30, 2007 (Unaudited)
Available for sale	<b>14,344,022</b>	15,811,276	14,742,018
Held to maturity	<b>123,228</b>	-	-
Investment in associates	<b>691,586</b>	562,131	425,354
<b>Total</b>	<b><u>15,158,836</u></b>	<u>16,373,407</u>	<u>15,167,372</u>

The above investments include receivable securitization agreements amounting to SR 998 million (December 31, 2007: 1,573 million and June 30, 2007: 2,350 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

Amounts in SAR'000

For the six months ended June 30, 2008 and 2007

**6. 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, 2008 (Unaudited)			At Dec. 31, 2007 (Audited)			At June 30, 2007 (Unaudited)		
	Fair value		Notional Amount	Fair value		Notional Amount	Fair value		Notional Amount
	Positive	Negative		Positive	Negative		Positive	Negative	
<b>Held for trading:</b>									
Forward foreign exchange contracts	8,671	7,654	1,081,398	11,536	9,980	2,143,626	9,318	9,585	1,981,811
<b>Held as fair value hedges:</b>									
Commission rates swaps	140,997	135,821	895,016	146,434	148,999	874,471	66,783	54,081	253,903
<b>Total</b>	<b>149,668</b>	<b>143,475</b>	<b>1,976,414</b>	<b>157,970</b>	<b>158,979</b>	<b>3,018,097</b>	<b>76,101</b>	<b>63,666</b>	<b>2,235,714</b>

**7. Credit-related commitments and contingencies**

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

	At June 30, 2008 (Unaudited)	At Dec. 31, 2007 (Audited)	At June 30, 2007 (Unaudited)
Letters of credit	1,240,122	1,273,725	947,420
Letters of guarantee	2,634,562	2,332,521	2,285,260
Acceptances	860,854	817,175	693,896
Irrevocable commitments to extend credit	125,752	51,077	141,234
<b>Total</b>	<b>4,861,290</b>	<b>4,474,498</b>	<b>4,067,810</b>

**8. Cash and cash equivalents**

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

	At June 30, 2008 (Unaudited)	At Dec. 31, 2007 (Audited)	At June 30, 2007 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	684,507	557,014	236,255
Due from banks and other financial institutions maturing within three months from acquisition date	5,101,562	4,183,900	2,912,309
<b>Total</b>	<b>5,786,069</b>	<b>4,740,914</b>	<b>3,148,564</b>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six months ended June 30, 2008 and 2007

#### 9. Business segments

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

##### Investment banking and brokerage

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

The Group's total assets and liabilities as at June 30, 2008 and 2007, 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:

	June 30, 2008 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	13,235,152	17,583,923	20,685,242	429,883	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	81,138	159,407	793,606
Total operating expenses	95,425	73,291	37,819	40,540	247,075
Net income for the period	130,804	253,541	43,319	118,867	546,531

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	June 30, 2007 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
Total assets	10,277,667	11,274,792	18,888,271	40,440,730
Total liabilities	10,106,572	16,627,476	7,258,842	33,992,890
Total operating income	336,222	259,552	177,215	772,989
Total operating expenses	119,841	75,658	45,997	241,496
Net income for the period	216,381	183,894	131,218	531,493

Prior period investment banking and brokerage operation was reported under retail and treasury.

**10. 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 and 2007 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.

**11. 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.

SAMA has issued guidance regarding implementation of Basel II disclosures effective January 1, 2008. Consequently, the following disclosures have been made for the first period and comparatives have not been presented.

	Total capital ratio % (Unaudited)	Tier 1 capital ratio % (Unaudited)
Group consolidated level	13.24	11.8

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the six months ended June 30, 2008 and 2007

#### 12. Comparative figures

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

#### 13. 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](http://www.saib.com.sa)) within 60 days after June 30, 2008, as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.