



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2008

(Unaudited)

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

CONSOLIDATED BALANCE SHEETS

		Sep 30, 2008 (Unaudited SAR'000	Dec 31, 2007 (Audited) SAR'000	Sep 30, 2007 (Unaudited) SAR'000
	Note			
ASSETS				
Cash and balances with SAMA		2,093,797	1,212,355	925,851
Due from banks and other financial institutions		5,352,675	4,311,421	4,232,052
Investments, net	5	14,565,639	15,811,276	16,208,865
Investment in associates		715,296	562,131	490,093
Loans and advances, net		29,874,225	23,128,701	21,746,485
Property and equipment, net		494,168	424,705	376,376
Other assets		1,404,141	1,091,204	1,146,833
Total assets		54,499,941	46,541,793	45,126,555
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		3,481,083	4,512,101	5,378,563
Customer deposits		43,045,332	32,768,271	30,538,353
Other liabilities		1,052,635	1,066,795	1,121,623
Term loan		-	1,425,000	1,425,000
Total liabilities		47,579,050	39,772,167	38,463,539
Equity				
Equity attributable to shareholders of the Bank				
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		(403,519)	83,380	(68,872)
Retained earnings		632,192	618,086	869,728
Total equity attributable to shareholders of the Bank		6,886,673	6,769,626	6,663,016
Minority interest		34,218	-	-
Total equity		6,920,891	6,769,626	6,663,016
Total liabilities and equity		54,499,941	46,541,793	45,126,555

The accompanying notes 1 to 12 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)

		<u>Three months period ended</u>		<u>Nine months period ended</u>	
		<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Special commission income		627,040	688,229	1,843,560	1,933,447
Special commission expense		405,437	403,334	1,016,692	1,115,566
Net special commission income		221,603	284,895	826,868	817,881
Fees from banking services, net		85,800	93,214	374,758	296,336
Exchange income, net		16,183	9,909	28,496	23,853
Dividend income		11,243	8,062	34,656	26,260
(Loss)/ gain on non- trading investments, net		(29,614)	95,154	136,493	99,893
Gain on sale of investment in subsidiary	1	110,000	-	110,000	-
Total operating income		415,215	491,234	1,511,271	1,264,223
Salaries and employee-related expenses		70,158	76,306	218,392	215,373
Rent and premises-related expenses		13,385	11,514	38,994	31,722
Depreciation and amortization		12,577	10,503	36,078	31,128
Other general and administrative expenses		19,546	36,577	49,277	78,173
Provision for credit losses		5,000	20,000	25,000	40,000
Provision for impairment of non-trading investments		225,420	-	527,870	-
Total operating expenses		346,086	154,900	895,611	396,396
Net income for the period		69,129	336,334	615,660	867,827
Income attributable to minority interest		3,332	-	11,714	-
Net income for the period attributable to shareholders of the Bank		65,797	336,334	603,946	867,827
Basic and diluted earnings per share (Expressed in SAR per share)	10	0.15	0.75	1.34	1.93

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THE SAUDI INVESTMENT BANK
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
For the nine months ended September 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	-	-	-	-	-	22,500	22,500
Net changes in fair value of available for sale investments		-	-	(95,522)	-	(95,522)	4	(95,518)
Transfer to consolidated statement of income		-	-	(391,377)	-	(391,377)	-	(391,377)
Net loss recognized directly in equity		-	-	(486,899)	-	(486,899)	4	(486,895)
Net income for the period				-	603,946	603,946	11,714	615,660
Total recognized (expense) and income for the period		-	-	(486,899)	603,946	117,047	11,718	128,765
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>(403,519)</u>	<u>632,192</u>	<u>6,886,673</u>	<u>34,218</u>	<u>6,920,891</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		-	-	(106,235)	-	(106,235)	-	(106,235)
Transfer to consolidated statement of income		-	-	(99,893)	-	(99,893)	-	(99,893)
Net loss recognized directly in equity		-	-	(206,128)	-	(206,128)	-	(206,128)
Net income for the period		-	-	-	867,827	867,827	-	867,827
Total recognized (expense) and income for the period		-	-	(206,128)	867,827	661,699	-	661,699
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>(68,872)</u>	<u>869,728</u>	<u>6,663,016</u>	<u>-</u>	<u>6,663,016</u>

The accompanying notes 1 to 12 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 nine months ended September 30

	Note	2008 SAR'000	2007 SAR'000
OPERATING ACTIVITIES			
Net income for the period		615,660	867,827
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discounts on non-trading investments, net		(141,083)	(211,933)
Gains on non-trading investments, net		(136,493)	(99,893)
Gain on sale of investment in subsidiary	1	(110,000)	-
Depreciation and amortization		36,078	31,128
Provision for credit losses		25,000	40,000
Provision for impairment of non-trading investments		527,870	-
		817,032	627,129
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(483,491)	(77,842)
Due from banks and other financial institutions maturing after ninety days from date of acquisition		108,736	(776,700)
Loans and advances		(6,770,524)	(1,095,214)
Other assets		(312,937)	(271,134)
Net (decrease) increase in operating liabilities:			
Due to banks and other financial institutions		(1,031,018)	931,544
Customer deposits		10,277,061	2,607,384
Other liabilities		(14,160)	81,305
Net cash from operating activities		2,590,699	2,026,472
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		3,779,326	3,876,848
Purchase of non-trading investments		(3,291,543)	(8,693,249)
Purchase of property and equipment		(105,541)	(67,153)
Proceeds from sale of property and equipment		-	26
Net cash from (used in) investing activities		382,242	(4,883,528)
FINANCING ACTIVITIES			
Term loan paid		(1,425,000)	-
Net cash used in financing activities		(1,425,000)	-
Increase (decrease) in cash and cash equivalents		1,547,941	(2,857,056)
Cash and cash equivalents at beginning of the period		4,740,914	5,913,366
Cash and cash equivalents at end of the period	8	6,288,855	3,056,310
Special commission received during the period		1,856,129	1,923,307
Special commission paid during the period		952,985	1,142,850
Supplemental non-cash information			
Net changes in fair value and transfers to consolidated statement of income		(486,903)	(206,128)
Bonus share issue	10	589,840	1,503,910
Book value of investment in a subsidiary sold		12,500	-

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THE SAUDI INVESTMENT BANK

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the nine months ended September 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 31 branches (2007: 24 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 (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 80% owned by the Bank with the remaining 20% owned by another Saudi shareholder. At September 30, 2008, the Bank sold a 25% share in AMCO to BNP Paribas Asset Management at a selling price of SAR 122.5 million and recognized a gain of SAR 110 million on such sale. As a consequence of this sale, the name of AMCO was changed to SAIB BNP Paribas Asset Management Company.

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.

THE SAUDI INVESTMENT BANK

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30, 2008 and 2007

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.

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:

	At Sep 30, 2008 (Unaudited)	At Dec. 31, 2007 (Audited)	At Sep 30, 2007 (Unaudited)
Available for sale	14,442,175	15,811,276	16,208,865
Held to maturity	123,464	-	-
Total	<u>14,565,639</u>	<u>15,811,276</u>	<u>16,208,865</u>

The above investments include receivable securitization agreements amounting to SR 721 million (December 31, 2007: 1,573 million and September 30, 2007: 1,943 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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Amounts in SAR'000

For the nine months ended September 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 Sep 30, 2008 (Unaudited)			At Dec. 31, 2007 (Audited)			At Sep 30, 2007 (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	7,831	6,601	911,637	11,536	9,980	2,143,626	27,224	27,225	3,399,272
Held as fair value hedges:									
Commission rates swaps	112,826	122,976	865,293	146,434	148,999	874,471	166,710	154,002	867,544
Total	120,657	129,577	1,776,930	157,970	158,979	3,018,097	193,934	181,227	4,266,816

7. Credit-related commitments and contingencies

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

	At Sep 30, 2008 (Unaudited)	At Dec. 31, 2007 (Audited)	At Sep 30, 2007 (Unaudited)
Letters of credit	946,802	1,273,725	1,116,491
Letters of guarantee	2,907,241	2,332,521	2,114,124
Acceptances	1,331,209	817,175	728,337
Irrevocable commitments to extend credit	225,994	51,077	66,533
Total	5,411,246	4,474,498	4,025,485

8. Cash and cash equivalents

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

	At Sep 30, 2008 (Unaudited)	At Dec. 31, 2007 (Audited)	At Sep 30, 2007 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	954,965	557,014	326,758
Due from banks and other financial institutions maturing within three months from acquisition date	5,333,890	4,183,900	2,729,552
Total	6,288,855	4,740,914	3,056,310

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 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 September 30, 2008 and 2007, its total operating income, expenses, and net income for the nine months periods then ended, by business segments, being the primary reporting segments, are as follows:

	September 30, 2008 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Investment Banking and Brokerage	
Total assets	13,158,531	19,628,638	21,524,848	187,924	54,499,941
Total liabilities	17,159,873	26,029,788	4,378,354	11,035	47,579,050
Total operating income	394,606	502,935	401,257	212,473	1,511,271
Total operating expenses	157,608	96,275	577,788	63,940	895,611
Net income (loss) for the period	236,998	406,660	(176,491)	148,493	615,660

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30, 2008 and 2007

9. Business segments (continued)

	September 30, 2007 (Unaudited)			Total
	Retail Banking	Corporate Banking	Treasury and Capital Markets	
Total assets	10,657,132	13,133,408	21,336,015	45,126,555
Total liabilities	9,121,775	19,515,022	9,826,742	38,463,539
Total operating income	491,564	413,508	359,151	1,264,223
Total operating expenses	191,980	127,809	76,607	396,396
Net income	299,584	285,699	282,544	867,827

The 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 nine months periods ended September 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 time in this period and comparatives have not been presented.

	Total capital ratio % (Unaudited)	Tier 1 capital ratio % (Unaudited)
Group consolidated level	12.61	11.1

12. Comparative figures

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