

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

BALANCE SHEET

		Sep. 30, 2005 (Unaudited) SAR'000	Dec. 31, 2004 (Audited) SAR'000	Sep. 30, 2004 (Unaudited) SAR'000
	Notes			
ASSETS				
Cash and balances with SAMA		924,377	577,780	482,563
Due from banks and other financial institutions		4,314,649	5,996,062	4,641,934
Investments, net	2	11,125,082	8,501,657	8,781,055
Loans and advances, net		19,150,771	13,031,097	11,541,196
Fixed assets, net		157,665	144,804	114,669
Other assets		541,549	292,102	271,092
Total assets		<u>36,214,093</u>	<u>28,543,502</u>	<u>25,832,509</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		4,255,946	3,970,992	4,055,202
Customers' deposits		24,796,917	20,284,926	17,897,351
Other liabilities		807,253	778,149	622,258
Term loan	7	1,425,000	-	-
Total liabilities		<u>31,285,116</u>	<u>25,034,067</u>	<u>22,574,811</u>
Shareholders' equity				
Share capital	8	1,718,750	1,375,000	1,375,000
Statutory reserve		1,184,000	1,184,000	1,037,000
General reserve	8	19,000	362,750	19,000
Other reserves	9	1,228,951	585,026	387,098
Retained earnings		778,276	2,659	439,600
Total shareholders' equity		<u>4,928,977</u>	<u>3,509,435</u>	<u>3,257,698</u>
Total liabilities and shareholders' equity		<u>36,214,093</u>	<u>28,543,502</u>	<u>25,832,509</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements

STATEMENT OF INCOME

(Unaudited)

	Note	Three months ended		Nine months ended	
		Sep. 30,	Sep. 30,	Sep. 30,	Sep. 30,
		2005	2004	2005	2004
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		459,003	242,945	1,195,348	685,097
Special commission expense		250,438	103,173	617,940	253,655
Net special commission income		208,565	139,772	577,408	431,442
Fees from banking services, net		168,763	90,864	443,143	240,490
Exchange income		6,288	5,761	16,816	10,356
Dividend income		8,883	5,572	21,318	16,444
Gains on non-trading investments, net		475	361	24,069	61,359
Total operating income		392,974	242,330	1,082,754	760,091
Salaries and employee-related expenses		51,879	41,630	136,575	113,237
Rent and premises-related expenses		7,935	7,205	23,114	19,701
Depreciation and amortization		6,206	4,310	17,331	12,575
Other general and administrative expenses		15,885	22,138	54,229	73,657
Provision for credit losses		25,000	25,000	75,000	105,000
Total operating expenses		106,905	100,283	306,249	324,170
Net income		286,069	142,047	776,505	435,921
Earnings per share (Expressed in SAR per share)	8	8.32	4.13	22.59	12.68

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30, 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		-	-	-	-	776,505	776,505
Transfer to share capital	8	343,750	-	(343,750)	-	-	-
Net changes in fair value		-	-	-	643,925	(888)	643,037
Balance at September 30, 2005		<u>1,718,750</u>	<u>1,184,000</u>	<u>19,000</u>	<u>1,228,951</u>	<u>778,276</u>	<u>4,928,977</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		-	-	-	-	435,921	435,921
Transfer to share capital		275,000	-	(275,000)	-	-	-
Net changes in fair value		-	-	-	226,523	(36,714)	189,809
Balance at September 30, 2004		<u>1,375,000</u>	<u>1,037,000</u>	<u>19,000</u>	<u>387,098</u>	<u>439,600</u>	<u>3,257,698</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements.

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2005 and 2004
(Unaudited)

	<u>Notes</u>	2005 SAR'000	2004 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		776,505	435,921
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Accretion of discounts on non-trading investments, net		(117,147)	(53,796)
Gains on non-trading investments, net		(24,069)	(61,359)
Depreciation and amortization		17,331	12,575
Provision for credit losses		75,000	105,000
		<u>727,620</u>	<u>438,341</u>
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(31,397)	(60,075)
Due from banks and other financial institutions maturing after ninety days		(322,250)	305,994
Loans and advances		(6,194,674)	(1,414,611)
Other assets		(249,447)	(8,688)
Net increase in operating liabilities:			
Due to banks and other financial institutions		284,954	(30,936)
Customers' deposits		4,511,991	3,493,460
Other liabilities		126,454	112,276
Net cash (used in) from operating activities		<u>(1,146,749)</u>	<u>2,835,761</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sales of and matured non-trading investments		2,610,516	3,546,578
Purchases of non-trading investments		(4,449,688)	(4,762,052)
Purchase of fixed assets		(30,192)	(29,324)
Net cash used in investing activities		<u>(1,869,364)</u>	<u>(1,244,798)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Term loan		1,425,000	-
Dividends paid		(97,350)	(76,340)
Net cash from (used in) financing activities		<u>1,327,650</u>	<u>(76,340)</u>
(Decrease) increase in cash and cash equivalents		<u>(1,688,463)</u>	<u>1,514,623</u>
Cash and cash equivalents at beginning of the period		<u>6,113,209</u>	<u>3,182,683</u>
Cash and cash equivalents at end of the period	5	<u><u>4,424,746</u></u>	<u><u>4,697,306</u></u>
<u>Supplemental non-cash information</u>			
Net changes in fair value		<u>643,037</u>	<u>189,809</u>
Bonus share issued through transfer from general reserve	8	<u>343,750</u>	<u>275,000</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

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 Sep. 30, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Sep. 30, 2004 (Unaudited)
Available for sale	10,368,268	7,012,522	6,949,288
Held at amortized costs, other	250,000	699,866	699,750
Held to maturity securities	345,628	663,398	1,005,684
Investment in associates	161,186	125,871	126,333
Total	<u>11,125,082</u>	<u>8,501,657</u>	<u>8,781,055</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

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. Changes in the fair value of commission rate swaps amounting to SR 0.9 million were charged to special commission expense for the nine months ended September 30, 2005 (2004: SR 1.4 million credited to special commission expense), as these derivatives did not qualify for hedge accounting.

	At Sep. 30, 2005 (Unaudited)			At Dec. 31, 2004 (Audited)			At Sep. 30, 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	2,793	-	311,200	-	873	311,200	-	2,081	311,200
Forward foreign exchange contracts	21,044	19,404	6,709,886	14,870	13,263	1,962,100	8,340	4,693	3,056,061
Currency options	10	466	375,000	111	912	225,000	96	639	375,000
Total	23,847	19,870	7,396,086	14,981	15,048	2,498,300	8,436	7,413	3,742,261

4. Credit-related commitments and contingencies

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

	At Sep. 30, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Sep. 30, 2004 (Unaudited)
Letters of credit	791,361	485,634	453,654
Letters of guarantee	2,371,927	2,064,519	1,471,085
Acceptances	304,197	235,822	250,346
Irrevocable commitments to extend credit	103,660	132,224	168,570
Total	3,571,145	2,918,199	2,343,655

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

5. Cash and cash equivalents

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

	At Sep. 30, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Sep. 30, 2004 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	432,347	117,147	105,372
Due from banks and other financial institutions maturing within ninety days	3,992,399	5,996,062	4,591,934
Total	<u>4,424,746</u>	<u>6,113,209</u>	<u>4,697,306</u>

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.

During 2005, the Bank has entered into an agreement with a team of specialized investment portfolio managers who joined the bank as part of a new investment portfolio unit. The Bank will pay a pre-agreed amount from its future share of portfolio management fees to these managers. Net amounts related to such transactions for the three-months ended September 30, 2005 were not significant.

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

The Bank's total assets and liabilities as at September 30, 2005 and 2004, its total operating income, expenses, and net income for the nine-month periods then ended, by business segments, are as follows:

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the nine months ended September 30

6. Business segments - continued

	Sep. 30, 2005 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
Total assets	12,229,914	8,443,047	15,541,132	36,214,093
Total liabilities	12,304,775	14,414,450	4,565,891	31,285,116
Total operating income	727,963	217,781	137,010	1,082,754
Total operating expenses	148,292	110,332	47,625	306,249
Net income	579,671	107,449	89,385	776,505

	Sep. 30, 2004 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
Total assets	6,172,811	6,174,677	13,485,021	25,832,509
Total liabilities	6,365,187	11,990,239	4,219,385	22,574,811
Total operating income	456,574	141,378	162,139	760,091
Total operating expenses	213,113	75,154	35,903	324,170
Net income	243,461	66,224	126,236	435,921

7. Term Loan

On July 29, 2005, the Bank entered into a three-year syndicate term loan facility agreement for an amount of US\$ 380 million (SR 1,425 million) for general corporate purposes. The facility has been fully utilized and is repayable in August 2008. The Bank, however, has an option to effect an early repayment, subject to the terms and conditions of the related syndicate agreement.

8. Share Capital

The Board of Directors proposed a bonus share issue of 6,875,000 shares of SAR 50 each, which was approved at 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 and nine month periods ended September 30, 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the nine months ended September 30

9. Other Reserves

	Available for sale investments		
	At Sep. 30, 2005 (Unaudited)	At Dec. 31, 2004 (Audited)	At Sep. 30, 2004 (Unaudited)
Balance at beginning of the period	<u>585,026</u>	<u>160,575</u>	<u>160,575</u>
Net change in fair value	667,994	478,763	287,882
Transfer to statement of income	<u>(24,069)</u>	<u>(54,312)</u>	<u>(61,359)</u>
Net movement during the period	<u>643,925</u>	<u>424,451</u>	<u>226,523</u>
Balance at end of the period	<u>1,228,951</u>	<u>585,026</u>	<u>387,098</u>