



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

(Unaudited)

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in SAR'000

		March 31, 2015	Dec. 31, 2014	March 31, 2014
	Notes	(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Cash and balances with SAMA		4,406,292	9,127,694	6,701,271
Due from banks and other financial institutions		1,421,910	879,496	2,566,113
Investments, net	5	24,073,739	22,396,949	18,323,113
Loans and advances, net	6	57,131,212	57,472,514	52,237,441
Investments in associates	7	882,192	846,351	705,227
Property and equipment, net		921,532	909,622	906,824
Other assets		2,306,434	1,993,814	1,421,557
Total assets		91,143,311	93,626,440	82,861,546
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		3,533,125	5,002,088	6,422,052
Customer deposits	8	69,411,261	70,733,411	62,142,816
Term loans	9	2,000,000	2,000,000	2,000,000
Subordinated debt	10	2,000,000	2,000,000	-
Other liabilities		2,230,792	2,038,809	1,326,699
Total liabilities		79,175,178	81,774,308	71,891,567
Shareholders' equity				
Share capital	16	6,500,000	6,000,000	5,500,000
Statutory reserve		3,613,000	3,613,000	3,253,000
Other reserves		898,531	608,891	348,248
Retained earnings		1,006,491	1,139,792	1,422,782
Proposed dividends	17	-	522,000	477,500
Employee stock option shares		(49,889)	(31,551)	(31,551)
Total shareholders' equity		11,968,133	11,852,132	10,969,979
Total liabilities and shareholders' equity		91,143,311	93,626,440	82,861,546

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2015</u>	<u>2014</u>
Special commission income	586,454	515,566
Special commission expense	155,883	160,885
Net special commission income	430,571	354,681
Fee income from banking services, net	124,721	97,547
Exchange income, net	32,479	21,555
Dividend income	10,716	13,734
Gain on non-trading investments, net	53,604	266,532
Other income	146	3,245
Total operating income	652,237	757,294
Salaries and employee-related expenses	161,667	122,511
Rent and premises-related expenses	25,944	23,185
Depreciation and amortization	19,252	17,040
Other general and administrative expenses	56,872	68,549
Impairment charge for credit losses, net	23,000	141,000
Impairment charge for non-trading investments, net	35,000	10,000
Total operating expenses	321,735	382,285
Income from operating activities	330,502	375,009
Share in earnings (losses) of associates	36,197	(37,540)
Net income for the period	366,699	337,469
Basic and diluted earnings per share (expressed in SAR per share) (Note 16)	0.56	0.52

The accompanying notes 1 to 20 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

For the three month periods ended March 31

	<u>2015</u>	<u>2014</u>
Net income for the period	<u>366,699</u>	<u>337,469</u>
Other comprehensive income-items that may subsequently be reclassified to the consolidated income statement:		
Available for sale investments:		
- Net change in fair value	343,600	424,006
- Fair value gains transferred to interim condensed consolidated income statement on disposal	(53,604)	(42,581)
Share in other comprehensive income (loss) of associates	<u>(356)</u>	<u>487</u>
Total other comprehensive income (loss) for the period	<u>289,640</u>	<u>381,912</u>
Total comprehensive income for the period	<u><u>656,339</u></u>	<u><u>719,381</u></u>

The accompanying notes 1 to 20 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 SHAREHOLDERS' EQUITY (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	2015						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Employee stock option shares	Total equity
Balance at the beginning of the period	6,000,000	3,613,000	608,891	1,139,792	522,000	(31,551)	11,852,132
Total comprehensive income for the period	-	-	289,640	366,699	-	-	656,339
Dividends paid (note 17)	-	-	-	-	(522,000)	-	(522,000)
Bonus shares issued (note17)	500,000	-	-	(500,000)	-	-	-
Employee stock option shares allocated	-	-	-	-	-	31,551	31,551
Employee stock option shares vested	-	-	-	-	-	(49,889)	(49,889)
Balance at the end of the period	<u>6,500,000</u>	<u>3,613,000</u>	<u>898,531</u>	<u>1,006,491</u>	<u>-</u>	<u>(49,889)</u>	<u>11,968,133</u>
	2014						
	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	3,253,000	(33,664)	1,085,313	477,500	(29,374)	10,252,775
Total comprehensive income for the period	-	-	381,912	337,469	-	-	719,381
Employee stock option shares allocated	-	-	-	-	-	(29,614)	(29,614)
Employee stock option shares vested	-	-	-	-	-	27,437	27,437
Balance at the end of the period	<u>5,500,000</u>	<u>3,253,000</u>	<u>348,248</u>	<u>1,422,782</u>	<u>477,500</u>	<u>(31,551)</u>	<u>10,969,979</u>

The accompanying notes 1 to 20 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 three month periods ended March 31**

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Net income for the period	366,699	337,469
Adjustments to reconcile net income to net cash used in operating activities:		
Net amortization (accretion) of premiums and discounts on non-trading investments	1,620	(9,937)
Gain on non-trading investments, net	(53,604)	(266,532)
Net (gain) loss on sale of property	(146)	87
Depreciation and amortization	19,252	17,040
Impairment charge for credit losses	23,000	141,000
Impairment charge for non-trading investments	35,000	10,000
Share in (earnings) losses of associates	(36,197)	37,540
	355,624	266,667
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	57,048	(444,489)
Due from banks and other financial institutions maturing after ninety days from the acquisition date	(200,000)	(2,186,000)
Loans and advances	318,302	(4,811,570)
Other assets	(362,509)	(42,864)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	(1,468,963)	(3,406,180)
Customer deposits	(1,322,150)	5,098,969
Other liabilities	223,534	(16,423)
Net cash used in operating activities	(2,399,114)	(5,541,890)
INVESTING ACTIVITIES		
Proceeds from sale of and matured non-trading investments	2,900,178	3,375,755
Purchase of non-trading investments	(4,269,988)	(3,084,743)
Dividends received from associates	-	58,632
Purchase of property and equipment	(31,162)	(51,541)
Proceeds from sale of property and equipment	146	124
Net cash (used in) from investing activities	(1,400,826)	298,227
FINANCING ACTIVITIES		
Dividends paid	(522,000)	-
Net cash used in financing activities	(522,000)	-
Decrease in cash and cash equivalents	(4,321,940)	(5,243,663)

The accompanying notes 1 to 20 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 - continued (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	6,678,123	11,102,584
Decrease in cash and cash equivalents	<u>(4,321,940)</u>	<u>(5,243,663)</u>
Cash and cash equivalents at the end of the period (note 13)	<u>2,356,183</u>	<u>5,858,921</u>
Supplemental special commission information		
Special commission received during the period	<u>505,643</u>	<u>512,168</u>
Special commission paid during the period	<u>113,616</u>	<u>176,781</u>
Supplemental non-cash information		
Total other comprehensive income for the period	<u>289,640</u>	<u>381,912</u>
Employee stock option shares, net of allocation and vesting	<u>(18,338)</u>	<u>(2,177)</u>
Transfer of investment in associate to available for sale investments	<u>-</u>	<u>269,736</u>
Bonus shares issued (note 17)	<u>500,000</u>	<u>-</u>

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

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, 2014: 48 branches; and March 31, 2014: 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, 2014.

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

The preparation of the 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 annual consolidated financial statements as of and for the year ended December 31, 2014.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on April 26, 2015.

3. Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and the financial statements of the following subsidiaries (collectively referred to as the "Group"):

- a) "Alistithmar for Financial Securities and Brokerage Company" (Alistithmar Capital), converted during 2015 from a limited liability company to a closed joint stock 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;
- b) "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 Awwal 1430H (corresponding to May 25, 2009), and is owned 100% by the Bank. The company has not commenced any significant operations; and

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

3. Basis of consolidation (continued)

- c) "Saudi Investment First Company a limited liability company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010427836 issued on 16 Muharram 1436H (corresponding to November 9, 2014) and is owned 100% by the Bank. The company has not commenced any significant operations.

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 investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from involvement with the investee and has the ability to affect those returns through its power over the investee.

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 these 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, 2014, except for the adoption of the following amendments to existing standards, which have had no significant impact on these interim condensed consolidated financial statements of the Group:

IAS 19 - "Employee Benefits" has been amended and is applicable for annual periods beginning on or after July 1, 2014. IAS 19 is applicable to defined benefit plans involving contributions from employees and/or third parties. The current amendment to IAS 19 provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee/third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in periods in which the related service is rendered.

The annual improvements to IFRS 2010-2012 and 2011-2013 cycle is applicable for annual periods beginning on or after July 1, 2014. These annual improvements are summarized as below.

IFRS 2 - "Share-Based Payments" has been amended to clarify the definition of a vesting condition by separately defining a performance condition and service condition.

IFRS 3 - "Business Combinations" has been amended to clarify the classification and measurement of contingent consideration in a business combination, and also to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements mentioned in IFRS 11.

IFRS 8 - "Operating Segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

IFRS 13 - "Fair Value Measurement" has been amended to clarify the measurement of commission free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

4. Significant accounting policies (continued)

IAS 16 - "Property Plant and Equipment" and IAS 38 - "Intangible Assets" have been amended to clarify the requirements of revaluation models recognizing that the restatement of accumulated depreciation or amortization is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 - "Related Party Disclosures" has been amended for the definition of a related party which has been extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

IAS 40 - "Investment Property" has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and should perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

The following standards have been issued but not yet adopted by the Group, as their effective date for adoption is subsequent to January 1, 2015. The standards include IFRS 9 - Financial Instruments, and IFRS 15 - Revenue from Contracts with Customers. These two standards are summarized below.

IFRS 9 - "Financial Instruments" applicable from January 1, 2018 provides guidance on the classification and measurement of financial assets and financial liabilities, provides requirements for derecognition of financial instruments, and incorporates revised requirements for hedge accounting that will allow entities to better reflect their risk management activities in their financial statements. The Group is currently assessing the implications of IFRS 9 on the Group and the timing of its adoption.

IFRS 15 - "Revenue from Contracts with Customers" applicable from January 1, 2017 sets out the requirements for recognizing revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts, and financial instruments). The Group is currently assessing the implications of IFRS 15 on the Group and the timing of its adoption.

5. Investments, net

Investments are classified as follows:

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Available for sale, net	24,073,739	22,396,949	17,488,502
Held to maturity, net	-	-	834,611
Investments, net	24,073,739	22,396,949	18,323,113

The fair values of the held to maturity investments were approximately SAR 846.1 million as of March 31, 2014.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

6. Loans and advances, net

Loans and advances, net are comprised of the following:

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Performing loans and advances:			
Consumer loans	11,793,582	11,604,600	10,482,728
Commercial loans and overdrafts	45,501,222	46,030,270	42,092,059
Others	225,509	223,841	86,390
Total performing loans and advances	57,520,313	57,858,711	52,661,177
Non performing loans and advances	412,685	436,395	405,229
Total loans and advances	57,932,998	58,295,106	53,066,406
Allowance for credit losses	(801,786)	(822,592)	(828,965)
Loans and advances, net	57,131,212	57,472,514	52,237,441

7. Investments in associates

Investments in associates as of March 31, 2015 include the Bank's ownership interest in Amex Saudi Arabia Limited (50%), Saudi Orix Leasing Company (38%), and Amlak International for Finance and Real Estate Development Co. (32%).

The movement of investments in associates for the three month periods ended March 31, 2015 and 2014, and for the year ended December 31, 2014, is summarized as follows:

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Balance at the beginning of the period	846,351	1,070,648	1,070,648
Investments	-	53,999	-
Transfer to available for sale investments	-	(269,736)	(269,736)
Share in earnings (losses)	36,197	79,515	(37,540)
Dividends received	-	(88,673)	(58,632)
Share in other comprehensive income	(356)	598	487
Balance at the end of the period	882,192	846,351	705,227

During the first quarter of 2014, the Bank transferred its investment in the Mediterranean and Gulf Cooperative Insurance and Reinsurance Co. (MedGulf) from investments in associates to available for sale investments, because this investment no longer qualified to be accounted for as an investment in an associate. This investment was recorded in available for sale investments at its estimated fair value at the time of transfer, with a corresponding gain equal to the difference between the estimated fair value and the carrying amount of the recorded investment in MedGulf. The resulting gain totaling SAR 223.9 million is included in gains on non-trading investments, net in the consolidated income statement for the three month period ended March 31, 2014.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

8. Customer deposits

Customer deposits are comprised of the following:

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Demand	20,580,917	19,649,245	14,297,237
Savings	1,454,695	648,766	1,828,093
Time	46,481,779	49,392,429	45,075,675
Other	893,870	1,042,971	941,811
Customer deposits	69,411,261	70,733,411	62,142,816

9. Term loans

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 also 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. Subordinated debt

On June 5, 2014, the Bank concluded the issuance of a SAR 2 billion subordinated debt issue through a private placement of a Shariah compliant Tier II Sukuk in the Kingdom of Saudi Arabia. The Sukuk has a tenor of ten years with the Bank retaining the right to call the Sukuk at the end of the first five year period, subject to certain regulatory approvals. The Sukuk carries a half yearly profit equal to six month SIBOR plus 1.45%.

11. 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. The total notional amounts are also not indicative of the Bank's exposure to credit risk nor market risk.

	Mar. 31, 2015 (Unaudited)			Dec. 31, 2014 (Audited)			Mar. 31, 2014 (Unaudited)		
	Fair value Positive	Fair value Negative	Notional amount	Fair value Positive	Fair value Negative	Notional amount	Fair value Positive	Fair value Negative	Notional amount
Held for trading:									
Forward foreign exchange contracts	5,953	8,109	8,310,799	2,640	2,600	4,790,212	8,945	4,009	12,162,502
Foreign exchange options	82,859	156,366	2,355,932	112,981	112,104	1,867,642	64,884	63,236	2,393,410
Commission rate swaps	339,196	338,821	3,950,671	356,028	360,102	3,752,291	38,821	39,557	2,670,060
Held as fair value hedges:									
Commission rate swaps	256,435	307,548	3,030,970	134,080	161,847	2,000,829	32,761	70,385	2,325,922
Total	684,443	810,844	17,648,372	605,729	636,653	12,410,974	145,411	177,187	19,551,894

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

11. Derivatives (continued)

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 March 31, 2015, the estimated fair value of this option is approximately SAR 242.4 million (December 31, 2014: SAR 215.1 million and March 31, 2014: SAR 136.9 million).

The Bank, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivative Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Bank are unified. As part of the master agreement, a credit support annex (CSA) has also been signed. The CSA allows the Bank to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Bank or the counter party. As of March 31, 2015, the cash collateral amounts held by counter parties total SAR 7.09 million (March 31, 2014: SAR 3.75 million). As of December 31, 2014, the cash collateral amounts held by the Bank totaled SAR 18.29 million.

12. Commitments and contingencies

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

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Letters of credit	2,228,896	2,373,950	2,577,595
Letters of guarantee	8,979,458	8,759,455	7,722,356
Acceptances	736,696	779,895	932,323
Irrevocable commitments to extend credit	351,856	328,253	348,628
Credit-related commitments and contingencies	12,296,906	12,241,553	11,580,902

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 also received assessments for additional Zakat totalling approximately SAR 383 million relating to its 2013, 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. At the current time, a reasonable estimation of the ultimate additional Zakat liability, if any, cannot be reliably determined.

13. Cash and cash equivalents

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows are comprised of the following:

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	1,134,273	5,798,627	3,842,808
Due from banks and other financial institutions maturing within ninety days from the acquisition date	1,221,910	879,496	2,016,113
Cash and cash equivalents	2,356,183	6,678,123	5,858,921

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

14. 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 operating 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. There has been no change to the basis of segmentation or the measurement basis for the segment income and expense or loss since December 31, 2014. 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 price (FTP) rates. The net FTP contribution included in the segment information below includes the segmental net special commission income after FTP asset charges and liability credits. All other segment income 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 March 31, 2015 and 2014, and the segmental income, total operating expenses, and net income for the three month periods then ended, are as follows:

	March 31, 2015 (Unaudited)				
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	Total
Total assets	23,005,955	38,178,906	29,618,917	339,533	91,143,311
Total liabilities	19,233,063	11,412,143	48,494,092	35,880	79,175,178
Net FTP contribution	186,940	187,793	49,101	6,737	430,571
Fee income from banking services, net	18,479	48,010	30,231	28,001	124,721
Other operating income	19,723	16,920	56,140	4,162	96,945
Total operating income	225,142	252,723	135,472	38,900	652,237
Operating expenses before impairment charges	159,409	55,946	27,397	20,983	263,735
Impairment charges, net	4,668	18,332	35,000	-	58,000
Total operating expenses	164,077	74,278	62,397	20,983	321,735
Income from operating activities	61,065	178,445	73,075	17,917	330,502
Share in earnings of associates	-	-	36,197	-	36,197
Net income for the period	61,065	178,445	109,272	17,917	366,699

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

14. Business segments (continued)

	March 31, 2014 (Unaudited)				Total
	Retail Banking	Corporate Banking	Treasury	Asset Management and Brokerage	
Total assets	20,542,574	34,482,927	26,931,036	905,009	82,861,546
Total liabilities	16,879,434	12,495,809	42,435,524	80,800	71,891,567
Net FTP contribution	142,416	138,492	67,509	6,264	354,681
Fee income from banking services, net	28,141	45,347	2,042	22,017	97,547
Other operating income	16,330	12,286	273,316	3,134	305,066
Total operating income	186,887	196,125	342,867	31,415	757,294
Operating expenses before impairment charges	111,810	43,793	59,178	16,504	231,285
Impairment charges, net	33,289	107,711	10,000	-	151,000
Total operating expenses	145,099	151,504	69,178	16,504	382,285
Income from operating activities	41,788	44,621	273,689	14,911	375,009
Share in losses of associates	-	-	(37,540)	-	(37,540)
Net income for the period	41,788	44,621	236,149	14,911	337,469

15. 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 fair value measurement is based on the presumption that the transaction takes place either in the accessible market for the asset or liability, or in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

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 or identical instrument that an entity can access at the measurement date (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 March 31, 2015, December 31, 2014, and March 31, 2014 by level of the fair value hierarchy:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
Amounts in SAR'000
For the three month periods ended March 31, 2015 and 2014

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

March 31, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	684,443	242,444	926,887
Available for sale investments	13,409,048	10,591,803	72,888	24,073,739
Total	13,409,048	11,276,246	315,332	25,000,626
Financial liabilities:				
Derivative financial instruments	-	810,844	-	810,844
Total	-	810,844	-	810,844
 December 31, 2014 (Audited)				
Financial assets:				
Derivative financial instruments	-	605,729	215,136	820,865
Available for sale investments	12,063,623	10,246,506	86,820	22,396,949
Total	12,063,623	10,852,235	301,956	23,217,814
Financial liabilities:				
Derivative financial instruments	-	636,653	-	636,653
Total	-	636,653	-	636,653
 March 31, 2014 (Unaudited)				
Financial assets:				
Derivative financial instruments	-	145,411	136,935	282,346
Available for sale investments	13,711,194	3,761,901	15,407	17,488,502
Total	13,711,194	3,907,312	152,342	17,770,848
Financial liabilities:				
Derivative financial instruments	-	177,187	-	177,187
Total	-	177,187	-	177,187

The following table summarizes the movement of the Level III fair values for the three month periods ended March 31, 2015 and 2014, and for the year ended December 31, 2014.

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Fair values at the beginning of the period	301,956	119,738	119,738
Fair value change on derivatives	27,308	106,941	28,740
Total gains (losses) in other comprehensive income	(1,435)	3,590	139
Investment bought	-	1,984	-
Investment sold	(1,533)	(3,476)	(25)
Other movement	(10,964)	73,179	3,750
Balance at the end of the period	315,332	301,956	152,342

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

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

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 and other financial institutions 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 and other financial institutions. 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.

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 three month period ended March 31, 2015, which was estimated using valuation models, is SAR14.5 million (March 31, 2014: SAR 34.4 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.

16. Share capital and earnings per share

Basic and diluted earnings per share for the three-month period ended March 31, 2015 is calculated by dividing the net income for the period by 650 million shares, after giving effect to the bonus shares issued in 2015 (see note 17). As a result, basic and diluted earnings per share for the three-month period ended March 31, 2014, has been retroactively adjusted to reflect the issuance of the bonus shares.

17. Dividends

In 2014, the Board of Directors proposed a cash dividend of SAR 480 million equal to SAR 0.80 per share, net of Zakat to be withheld from the Saudi shareholders totalling SAR 42 million. The Board of Directors also proposed a bonus share issue of 50 million shares with a par value of SAR 10 per share, or one bonus share for each twelve shares outstanding. The proposed cash dividend and bonus share issue were approved by the Bank's shareholders in an extraordinary general assembly meeting held on 17 Jumada' I 1436 (corresponding to March 8, 2015). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

In 2013, the Board of Directors proposed a cash dividend of SAR 440 million equal to SAR 0.80 per share, net of Zakat to be withheld from the Saudi shareholders totalling SAR 37.5 million. The Board of Directors also proposed a bonus share issue of 50 million shares with a par value of SAR 10 per share, or one bonus share for each eleven shares outstanding. The proposed cash dividend and bonus share issue were approved by the Bank's shareholders in an extraordinary general assembly meeting held on 1 Jumada' II, 1435 (corresponding to April 1, 2014). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

18. 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.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

18. Capital adequacy and capital structure disclosures (continued)

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.

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

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014 (Audited)	Mar. 31, 2014 (Unaudited)
Credit Risk RWA	77,343,648	78,193,597	69,761,421
Operational Risk RWA	3,477,661	3,477,661	3,146,249
Market Risk RWA	150,734	2,475,089	677,640
Total Pillar- I RWA	80,972,043	84,146,347	73,585,310
Tier I Capital	11,949,838	11,833,837	10,898,568
Tier II Capital	2,493,996	2,536,985	602,744
Total Tier I & II Capital	14,443,834	14,370,822	11,501,312
Capital Adequacy Ratio %			
Tier I Ratio	14.76%	14.06%	14.81%
Tier I + Tier II Ratio	17.84%	17.08%	15.63%

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 Bank's 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.

19. Related party disclosures

In the ordinary course of its activities, the Bank transacts business with related parties. The Bank's Related Parties include the following:

- Management of the Bank and/or members of their immediate family;
- Principal shareholders of the Bank and/or members of their immediate family;
- Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting;
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank; and
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

19. Related party disclosures (continued)

The balances as of March 31, 2015 and 2014, resulting from transactions with related parties included in the interim condensed consolidated financial statements are as follows (unaudited):

	2015 SAR'000	2014 SAR'000
a) Principal shareholders of the Bank and/or members of their immediate family:		
Due from banks and other financial institutions	5,473	152,136
Due to banks and other financial institutions	-	548
Loans and advances	611,467	923,830
Customer deposits	12,507,880	7,988,231
Term loan	1,000,000	1,000,000
Subordinated debt	704,000	-
Commitments and contingencies	2,860,819	6,371,733
b) Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:		
Loans and advances	585,000	365,544
Customer deposits	229,930	70,399
Commitments and contingencies	997,079	419,711
c) Management of the Bank and/or members of their immediate family:		
Loans and advances	100,172	69,465
Customer deposits	160,869	59,298
d) Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:		
Customer deposits and other liabilities	137,611	171,525

The Income and expense pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows (unaudited):

a) Principal shareholders of the Bank and/or members of their immediate family:		
Special commission income	6,066	10,979
Special commission expense	12,920	19,065

THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the three month periods ended March 31, 2015 and 2014

19. Related party disclosures (continued)

The Income and expense pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows - continued (unaudited):

	2015	2014
	SAR'000	SAR'000
b) Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:		
Special commission income	937	207
Fees from banking services income	1,108	816
c) Management of the Bank and/or members of their immediate family:		
Special commission income	806	86
Special commission expense	33	-
d) Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank:		
Special commission expense	156	84
e) Board of Directors and other Board Committee member remuneration:	1,098	954
The total amount of compensation paid to key management for the three-month period ended March 31, 2015 was SAR 31.4 million (March 31, 2014: SAR 28.3 million). The post-employment benefits accrued or paid to key management for the three month period ended March 31, 2015 was SAR 0.2 million (March 31, 2014: SAR 0.2 million).		

20. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation. These reclassifications do not affect the Bank's profit and loss nor shareholders' equity.