



THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

INTERIM CONDENSED FINANCIAL STATEMENTS

UNAUDITED

For the nine months ended September 30, 2007

THE SAUDI INVESTMENT BANK
(A Saudi joint stock company)

BALANCE SHEET

	Sep 30, 2007 (Unaudited) SAR'000	Dec. 31, 2006 (Audited) SAR'000	Sep 30, 2006 (Unaudited) SAR'000
Note			
ASSETS			
Cash and balances with SAMA	925,851	861,231	778,320
Due from banks and other financial institutions	4,232,052	6,299,186	6,187,647
Investments, net	4 16,698,958	11,776,859	10,117,263
Loans and advances, net	21,746,485	20,691,271	20,179,840
Property and equipment, net	376,376	340,377	281,106
Other assets	1,146,833	875,699	774,040
Total assets	45,126,555	40,844,623	38,318,216
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	5,378,563	4,447,019	4,120,521
Customers' deposits	30,538,353	27,930,969	25,891,746
Other liabilities	1,121,623	1,040,318	1,030,963
Term loan	1,425,000	1,425,000	1,425,000
Total liabilities	38,463,539	34,843,306	32,468,230
Shareholders' equity			
Share capital	9 3,910,160	2,406,250	2,406,250
Statutory reserve	1,952,000	1,952,000	1,450,000
Other reserves	(68,872)	137,256	287,322
Retained earnings	869,728	1,505,811	1,706,414
Total shareholders' equity	6,663,016	6,001,317	5,849,986
Total liabilities and shareholders' equity	45,126,555	40,844,623	38,318,216

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 INCOME

Unaudited

	<u>Three months period ended</u>		<u>Nine months period ended</u>	
	<u>Sep 30,</u> <u>2007</u>	<u>Sep 30,</u> <u>2006</u>	<u>Sep 30,</u> <u>2007</u>	<u>Sep 30,</u> <u>2006</u>
<u>Note</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Special commission income	688,229	622,034	1,933,447	1,875,160
Special commission expense	403,334	347,152	1,115,566	1,127,626
Net special commission income	284,895	274,882	817,881	747,534
Fees from banking services, net	93,214	160,107	296,336	652,999
Exchange income, net	9,909	5,894	23,853	26,194
Dividend income	8,062	9,300	26,260	33,708
Gains on non-trading investments, net	95,154	3,751	99,893	670,966
Total operating income	491,234	453,934	1,264,223	2,131,401
Salaries and employee-related expenses	76,306	74,190	215,373	195,010
Rent and premises-related expenses	11,514	11,559	31,722	30,080
Depreciation and amortization	10,503	8,333	31,128	22,291
Other general and administrative expenses	36,577	23,561	78,173	99,159
Provision for credit losses	20,000	10,000	40,000	80,000
Total operating expenses	154,900	127,643	396,396	426,540
Net income for the period	336,334	326,291	867,827	1,704,861
Basic and diluted earnings per share (Expressed in SAR per share)	9 0.86	0.83	2.22	4.36

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THE SAUDI INVESTMENT BANK
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30

Unaudited

		Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Proposed dividend	Total
<u>2007</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 the beginning of the period		2,406,250	1,952,000	-	137,256	1,505,811	-	6,001,317
Net changes in fair value of available for sale investments		-	-	-	(106,235)	-	-	(106,235)
Transfer to statement of income		-	-	-	(99,893)	-	-	(99,893)
Net loss recognized directly in equity		-	-	-	(206,128)	-	-	(206,128)
Net income for the period		-	-	-	-	867,827	-	867,827
Total recognized (loss) and income for the period		-	-	-	(206,128)	867,827	-	661,699
Bonus share issue	9	1,503,910	-	-	-	(1,503,910)	-	-
Balance at end of the period		<u>3,910,160</u>	<u>1,952,000</u>	<u>-</u>	<u>(68,872)</u>	<u>869,728</u>	<u>-</u>	<u>6,663,016</u>
 <u>2006</u>								
Balance at the beginning of the period		1,718,750	1,450,000	687,500	1,318,970	1,553	129,938	5,306,711
Net changes in fair value of available for sale investments		-	-	-	(360,682)	-	-	(360,682)
Transfer to statement of income		-	-	-	(670,966)	-	-	(670,966)
Net loss recognized directly in equity		-	-	-	(1,031,648)	-	-	(1,031,648)
Net income for the period		-	-	-	-	1,704,861	-	1,704,861
Total recognized (loss) and income for the period		-	-	-	(1,031,648)	1,704,861	-	673,213
Bonus share issue		687,500	-	(687,500)	-	-	-	-
2005 final dividend paid		-	-	-	-	-	(129,938)	(129,938)
Balance at end of the period		<u>2,406,250</u>	<u>1,450,000</u>	<u>-</u>	<u>287,322</u>	<u>1,706,414</u>	<u>-</u>	<u>5,849,986</u>

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THE SAUDI INVESTMENT BANK
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STATEMENT OF CASH FLOWS
For the nine months ended September 30

Unaudited	Note	2007 SAR'000	2006 SAR'000
OPERATING ACTIVITIES			
Net income for the period		867,827	1,704,861
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Accretion of discounts on non-trading investments, net		(211,933)	(101,006)
Gains on non-trading investments, net		(99,893)	(670,966)
Depreciation and amortization		31,128	22,291
Provision for credit losses		40,000	80,000
		<u>627,129</u>	<u>1,035,180</u>
Net increase in operating assets:			
Statutory deposit with SAMA		(77,842)	(3,541)
Due from banks and other financial institutions maturing after ninety days from date of acquisition		(776,700)	(622,800)
Loans and advances		(1,095,214)	(466,196)
Other assets		(271,134)	(237,213)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		931,544	129,830
Customers' deposits		2,607,384	(1,966,314)
Other liabilities		81,305	30,701
		<u>2,026,472</u>	<u>(2,100,353)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		3,876,848	4,711,657
Purchase of non-trading investments		(8,693,249)	(3,812,411)
Purchase of property and equipment		(67,153)	(98,787)
Proceeds from sale of property and equipment		26	-
		<u>(4,883,528)</u>	<u>800,459</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Dividends paid		-	(129,938)
		<u>-</u>	<u>(129,938)</u>
Net cash used in financing activities			
Decrease in cash and cash equivalents			
		(2,857,056)	(1,429,832)
Cash and cash equivalents at beginning of the period			
		5,913,366	7,171,301
Cash and cash equivalents at end of the period			
	7	<u>3,056,310</u>	<u>5,741,469</u>
Special commission received during the period		<u>1,923,307</u>	<u>1,733,589</u>
Special commission paid during the period		<u>1,142,850</u>	<u>1,085,656</u>
Supplemental non-cash information			
Net changes in fair value and transfers to statement of income		<u>(206,128)</u>	<u>(1,031,648)</u>
Bonus share issue	9	<u>1,503,910</u>	<u>687,500</u>

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

THE SAUDI INVESTMENT BANK

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

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 24 branches (2006: 19 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 new regulatory requirements in Saudi Arabia, all banks are required to spin-off their asset management, brokerage and advisory services into separate entities to be licensed by the Capital Market Authority ("CMA").

In connection with the above, the Bank has obtained the required licenses. The actual transfer of these activities/operations is expected to take place during 2008.

2. Basis of preparation

These interim condensed 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 financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

The Bank adopted International Financial Reporting Standard 7: financial Instruments - disclosures and amendments to IAS 1: Presentation of Financial Statements – Capital Disclosures effective January 1, 2007, wherever applicable. IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level of capital and how it manages capital. The changes introduced by these standards do not have any significant implication to these interim financial statements as they are condensed financial statements.

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

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2006, as described in the annual financial statements for the year ended December 31, 2006.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

4. Investments, net

Investments are classified as follows:

	At Sep 30, 2007 (Unaudited)	At Dec. 31, 2006 (Audited)	At Sep 30, 2006 (Unaudited)
Available for sale	16,208,865	11,463,081	9,897,924
Held to maturity securities	-	-	60,000
Investment in associates	490,093	313,778	159,339
Total	<u>16,698,958</u>	<u>11,776,859</u>	<u>10,117,263</u>

The above investments include receivable securitization agreements amounting to SR 1,943 million (December 31, 2006: SR 2,799 million and September 30, 2006: SR 1,669 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.

5. 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.

	At Sep. 30, 2007 (Unaudited)			At Dec. 31, 2006 (Audited)			At Sep. 30, 2006 (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	27,224	27,225	3,399,272	74,359	73,765	5,643,443	1,075	101	7,916,852
Currency options	-	-	-	-	-	-	-	-	37,500
Held as fair value hedges:									
Commission rates swaps	166,710	154,002	867,544	2,896	-	247,500	-	-	-
Total	193,934	181,227	4,266,816	77,255	73,765	5,890,943	1,075	101	7,954,352

6. Credit-related commitments and contingencies

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

	At Sep. 30, 2007 (Unaudited)	At Dec. 31, 2006 (Audited)	At Sep. 30, 2006 (Unaudited)
Letters of credit	1,116,491	850,522	622,325
Letters of guarantee	2,114,124	2,103,594	2,050,971
Acceptances	728,337	530,486	383,936
Irrevocable commitments to extend credit	66,533	197,644	134,137
Total	<u>4,025,485</u>	<u>3,682,246</u>	<u>3,191,369</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

7. Cash and cash equivalents

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

	At Sep. 30, 2007 (Unaudited)	At Dec. 31, 2006 (Audited)	At Sep. 30, 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	326,758	339,980	255,872
Due from banks and other financial institutions maturing within ninety days from date of acquisition	2,729,552	5,573,386	5,485,597
Total	3,056,310	5,913,366	5,741,469

8. Business segments

The Bank'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 Bank is organized into the following primary 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 and capital markets

Money market, trading and treasury services as well as the management of the Bank's investment portfolio and funding operations. Commission is charged to business segments based on a pool rate, which approximates the marginal cost of funds.

The Bank's total assets and liabilities as at September 30, 2007 and 2006, its total operating income, expenses, and net income for the nine-month periods then ended, by business segments, being the primary reporting segments, are as follows:

	Sep. 30, 2007 (Unaudited)			
	Retail Banking	Corporate Banking	Treasury and Capital Markets	Total
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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

Amounts in SAR'000

For the nine months ended September 30

8. Business segments (continued)

	Sep. 30, 2006 (Unaudited)			Total
	Retail Banking	Corporate Banking	Treasury and Capital Markets	
Total assets	11,913,726	9,961,204	16,443,286	38,318,216
Total liabilities	11,221,098	13,904,345	7,342,787	32,468,230
Total operating income	936,448	279,756	915,197	2,131,401
Total operating expenses	192,043	139,626	94,871	426,540
Net income	744,405	140,130	820,326	1,704,861

9. Share capital and earnings per share

The Board of Directors proposed a bonus share issue of 150,391,000 shares of SAR 10 each which was approved at the shareholders' extraordinary general assembly meeting held on Safar 10, 1428H (corresponding to February 28, 2007). Accordingly, the total number of issued and outstanding shares increased to 391,016,000 shares.

On February 28, 2007, the share capital increased from SR 2,406 million to SR 3,910 million, through a transfer from retained earnings.

Basic and diluted earnings per share for the periods ended September 30, 2007 and 2006 are calculated by dividing the net income for the period attributable to the equity holders by 391 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue.