



**THE SAUDI INVESTMENT BANK**  
(A Saudi joint stock company)

---

---

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

---

---

**For the three month and six month periods ended June 30, 2016**

**(Unaudited)**

**THE SAUDI INVESTMENT BANK**  
(A Saudi joint stock company)

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

		June 30, 2016	December 31, 2015	June 30, 2015
	Notes	(Unaudited)	(Audited)	(Unaudited)
<b>ASSETS</b>				
Cash and balances with SAMA		4,683,473	4,086,987	4,704,267
Due from banks and other financial institutions		5,652,459	6,410,263	2,612,950
Investments, net	5	20,459,586	18,982,971	24,181,930
Loans and advances, net	6	61,250,686	60,268,806	57,174,239
Investments in associates	7	912,993	939,022	892,970
Property and equipment, net		995,436	1,021,564	954,350
Positive fair values of derivatives	11	1,362,767	1,287,143	989,656
Other assets		737,775	581,580	999,130
<b>Total assets</b>		<b>96,055,175</b>	<b>93,578,336</b>	<b>92,509,492</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		10,314,733	5,329,148	4,064,536
Customer deposits	8	68,086,890	70,518,482	70,477,157
Term loans, net	9	1,997,723	2,011,221	2,001,440
Subordinated debt, net	10	2,001,666	1,999,800	1,998,808
Negative fair values of derivatives	11	1,139,699	1,000,672	736,223
Other liabilities		663,892	682,551	1,263,242
<b>Total liabilities</b>		<b>84,204,603</b>	<b>81,541,874</b>	<b>80,541,406</b>
<b>Shareholders' equity</b>				
Share capital		7,000,000	6,500,000	6,500,000
Statutory reserve		3,946,000	3,946,000	3,613,000
Other reserves		(160,248)	11,768	515,911
Retained earnings		1,132,315	1,100,949	1,389,064
Proposed dividends	16	-	534,500	-
Shares held for employee options, net		(67,495)	(56,755)	(49,889)
<b>Total shareholders' equity</b>		<b>11,850,572</b>	<b>12,036,462</b>	<b>11,968,086</b>
<b>Total liabilities and shareholders' equity</b>		<b>96,055,175</b>	<b>93,578,336</b>	<b>92,509,492</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)**  
Amounts in SAR'000

		<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>Notes</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Special commission income		<b>772,576</b>	598,789	<b>1,489,814</b>	1,185,243
Special commission expense		<b>351,880</b>	167,817	<b>656,315</b>	323,700
Net special commission income		<b>420,696</b>	430,972	<b>833,499</b>	861,543
Fee income from banking services, net		<b>109,707</b>	108,243	<b>216,420</b>	232,964
Exchange income, net		<b>35,992</b>	22,139	<b>67,904</b>	54,618
Dividend income		<b>13,729</b>	11,772	<b>16,567</b>	22,488
Gains on investments, net		<b>32,548</b>	67,472	<b>69,427</b>	121,076
Other operating income (loss)		<b>(479)</b>	(116)	<b>(880)</b>	30
Total operating income		<b>612,193</b>	640,482	<b>1,202,937</b>	1,292,719
Salaries and employee-related expenses		<b>146,213</b>	146,120	<b>291,477</b>	307,685
Rent and premises-related expenses		<b>35,359</b>	27,293	<b>69,808</b>	53,237
Depreciation and amortization		<b>22,519</b>	19,583	<b>44,688</b>	38,835
Other general and administrative expenses		<b>56,862</b>	55,053	<b>112,730</b>	112,027
Impairment charge for credit losses, net		<b>58,000</b>	46,000	<b>176,000</b>	69,000
Impairment charge for investments, net		<b>-</b>	-	<b>42,000</b>	35,000
Total operating expenses		<b>318,953</b>	294,049	<b>736,703</b>	615,784
Income from operating activities		<b>293,240</b>	346,433	<b>466,234</b>	676,935
Share in earnings of associates	7	<b>28,126</b>	36,140	<b>65,132</b>	72,337
<b>Net income</b>		<b>321,366</b>	382,573	<b>531,366</b>	749,272
Basic and diluted earnings per share (expressed in SAR per share)	16	<b>0.46</b>	0.55	<b>0.76</b>	1.07

The accompanying notes 1 to 19 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

	<u>Notes</u>	<u>Three month period ended</u>		<u>Six month period ended</u>	
		<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
<b>Net income</b>		<b><u>321,366</u></b>	<b><u>382,573</u></b>	<b><u>531,366</u></b>	<b><u>749,272</u></b>
<b>Other comprehensive income-items that are or may be subsequently be reclassified to the consolidated income statement:</b>					
Available for sale investments:					
- Net change in fair value		<b>33,619</b>	(314,737)	<b>(154,010)</b>	28,863
- Fair value gains transferred to interim condensed consolidated income statement		<b>(11,773)</b>	(67,472)	<b>(19,762)</b>	(121,076)
Share in other comprehensive income (loss) of associates	7	<b>(244)</b>	(411)	<b>1,756</b>	(767)
Total other comprehensive income (loss)		<b><u>21,602</u></b>	<b><u>(382,620)</u></b>	<b><u>(172,016)</u></b>	<b><u>(92,980)</u></b>
<b>Total comprehensive income (loss)</b>		<b><u>342,968</u></b>	<b><u>(47)</u></b>	<b><u>359,350</u></b>	<b><u>656,292</u></b>

The accompanying notes 1 to 19 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 six month periods ended June 30

	2016						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Shares held for employee options, net	Total Shareholder's equity
Balance at the beginning of the period	6,500,000	3,946,000	11,768	1,100,949	534,500	(56,755)	12,036,462
Net income	-	-	-	531,366	-	-	531,366
Total other comprehensive income (loss)	-	-	(172,016)	-	-	-	(172,016)
Total comprehensive income (loss)	-	-	(172,016)	531,366	-	-	359,350
Dividends paid (note 16)	-	-	-	-	(534,500)	-	(534,500)
Bonus shares issued (note 16)	500,000	-	-	(500,000)	-	-	-
Employee option shares acquired, net of vesting	-	-	-	-	-	(10,740)	(10,740)
Balance at the end of the period	7,000,000	3,946,000	(160,248)	1,132,315	-	(67,495)	11,850,572
	2015						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividends	Shares held for employee options, net	Total Shareholder's 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
Net income	-	-	-	749,272	-	-	749,272
Total other comprehensive income (loss)	-	-	(92,980)	-	-	-	(92,980)
Total comprehensive income (loss)	-	-	(92,980)	749,272	-	-	656,292
Dividends paid (note 16)	-	-	-	-	(522,000)	-	(522,000)
Bonus shares issued (note 16)	500,000	-	-	(500,000)	-	-	-
Employee option shares acquired net of vesting	-	-	-	-	-	(18,338)	(18,338)
Balance at the end of the period	6,500,000	3,613,000	515,911	1,389,064	-	(49,889)	11,968,086

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

Amounts in SAR'000

For the six month periods ended June 30

	Notes	2016	2015
<b>OPERATING ACTIVITIES</b>			
Net income		531,366	749,272
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Net amortization (accretion) of premiums and discounts on investments		30,751	5,900
Net change in accrued special commission receivable		(136,017)	(30,270)
Net change in accrued special commission payable		100,025	(29,690)
Net change in deferred loan fees		22,794	(18,724)
Gain on investments, net		(69,427)	(121,076)
Net loss (gain) on sale of property		-	(146)
Depreciation and amortization		44,688	38,835
Impairment charge for credit losses, net		176,000	69,000
Impairment charge for investments, net		42,000	35,000
Share in earnings of associates	7	(65,132)	(72,337)
Employee option shares expense		15,498	21,000
		<u>692,546</u>	<u>646,764</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(63,427)	(159,789)
Due from banks and other financial institutions maturing after ninety days from the acquisition date		6,086	-
Loans and advances		(1,043,377)	385,197
Positive fair values of derivatives		(74,498)	(156,218)
Other assets		(154,638)	(149,556)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		4,964,955	(938,164)
Customer deposits		(2,517,307)	(818,943)
Negative fair values of derivatives		133,715	89,511
Other liabilities		(10,225)	514,291
Net cash from (used in) operating activities		<u>1,933,830</u>	<u>(586,907)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale and maturities of investments		986,677	6,763,994
Purchase of investments		(2,640,327)	(8,447,254)
Dividend received from associates		92,917	24,950
Purchase of property and equipment		(18,561)	(83,563)
Proceeds from sale of property and equipment		1	146
Net cash used in investing activities		<u>(1,579,293)</u>	<u>(1,741,727)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loan	9	(1,000,000)	-
Proceeds from term loan	9	1,000,000	-
Purchase of shares for employee options		(36,229)	-
Dividends paid	16	(534,500)	(522,000)
Net cash used in financing activities		<u>(570,729)</u>	<u>(522,000)</u>
Decrease in cash and cash equivalents		<u>(216,192)</u>	<u>(2,850,634)</u>

The accompanying notes 1 to 19 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 six month periods ended June 30

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		<b>7,103,969</b>	6,678,995
Increase (decrease) in cash and cash equivalents		<u><b>(216,192)</b></u>	<u>(2,850,634)</u>
Cash and cash equivalents at the end of the period	13	<u><b>6,887,777</b></u>	<u>3,828,361</u>
<b>Supplemental special commission information</b>			
Special commission received		<u><b>1,357,301</b></u>	<u>1,154,973</u>
Special commission paid		<u><b>558,153</b></u>	<u>354,363</u>
<b>Supplemental non-cash information</b>			
Total other comprehensive income (loss)		<u><b>(172,016)</b></u>	<u>(92,980)</u>
Vesting of employee option shares		<u><b>44,916</b></u>	<u>31,686</u>
Bonus shares issued	16	<u><b>500,000</b></u>	<u>500,000</u>

The accompanying notes 1 to 19 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 six month periods ended June 30, 2016 and 2015

### 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, 2015: 48 branches; and March 31, 2015: 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 Bank offers a full range of commercial and retail banking services. The Bank also offers Shariah compliant (non-interest based) banking products and services, which are approved and supervised by an independent Shariah Board.

### 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, 2015.

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

The preparation of these 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, 2015.

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on August 1, 2016.

### 3. Basis of consolidation

These interim condensed consolidated financial statements are comprised of 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), a closed joint stock company, and is 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. The principal activities of Alistithmar Capital include dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, and arrangement, advisory, and custody services relating to financial securities.



# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

---

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 3. Basis of consolidation (continued)

- 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 Awal 1430H (corresponding to May 25, 2009) and is owned 100% by the Bank. The Company has not commenced any significant operations.
- 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.

References to the "Bank" hereafter in these interim condensed consolidated financial statements refer to disclosures that are relevant only to the Bank and not collectively to the "Group".

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 with the accounting policies of the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are included in the interim condensed consolidated financial statements from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as purpose and design of the investee, its practical ability to direct the relevant activities of the investee, the nature of its relationship with the investee, and the size of its exposure to the variability of returns of the investee. The financial statements of any such structured entities are consolidated from the date the Group gains control and until the date when the Group ceases to control the investee.

These interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances.

The Group manages assets held in investment entities on behalf of investors. The financial statements of these entities are not included in these interim condensed consolidated financial statements except when the Group controls the entity.

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed 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. 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, 2015, except for the adoption of the following amendments to existing relevant standards, or relevant new standards, which have had no significant financial impact on the current period or prior period interim condensed consolidated financial statements of the Group:

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 4. Significant accounting policies (continued)

- IFRS 14 Regulatory deferral accounts
- Amendments to IFRS 11 Accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 27 Equity method in separate financial statement
- Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRSs' Annual improvements to IFRSs' 2012-2014 cycle
- Amendments to IFRS 10, IFRS 12, and IAS 28 Investment entities: applying the consolidation exception
- Amendments to IAS 1 Disclosure initiative

The following standards or amendments to existing standards have been issued but not yet adopted by the Group, as their effective date for adoption is subsequent to January 1, 2016. These standards are summarized below.

- Amendments to IASs' - "Disclosure Initiative" applicable from January 1, 2017.
- Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealized Losses" applicable from January 1, 2017.
- 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 de-recognition 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.
- IFRS 15 - "Revenue from Contracts with Customers" applicable from January 1, 2018 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).
- IFRS 16 – "Leases" applicable from January 1, 2019 sets out the new requirements of lease accounting for lessees and lessors.

The Group is currently assessing the implication of these and the timing of adoption.

### 5. Investments, net

Investments are classified as available for sale and are summarized as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Fixed rate securities	13,800,317	12,747,441	18,423,875
Floating rate securities	5,349,687	4,659,096	3,948,684
Accrued special commission receivable	140,706	140,644	113,757
Total special commission earning investments	19,290,710	17,547,181	22,486,316
Equities and others	1,067,771	1,306,609	1,711,251
Mutual funds	215,105	243,181	49,363
Total available for sale investments	20,573,586	19,096,971	24,246,930
Allowance for impairment	(114,000)	(114,000)	(65,000)
<b>Investments, net</b>	<b>20,459,586</b>	<b>18,982,971</b>	<b>24,181,930</b>

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 6. Loans and advances, net

Loans and advances, net are comprised of the following:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Performing loans and advances:			
Consumer loans	15,834,548	13,418,283	12,121,281
Commercial loans and overdrafts	45,295,138	46,723,851	45,026,203
Others	286,784	273,967	237,944
Accrued special commission receivable	437,315	300,017	223,046
Deferred loan fees	(78,984)	(56,190)	(67,123)
Total performing loans and advances	61,774,801	60,659,928	57,541,351
Non performing loans and advances	467,874	447,594	427,983
Total loans and advances	62,242,675	61,107,522	57,969,334
Allowance for credit losses	(991,989)	(838,716)	(795,095)
<b>Loans and advances, net</b>	<b>61,250,686</b>	<b>60,268,806</b>	<b>57,174,239</b>

### 7. Investments in associates

Investments in associates as of June 30, 2016, December 31, 2015 and June 30, 2015 include the Bank's ownership interest in American Express Saudi Arabia (AMEX) of 50%, in Saudi Orix Leasing Company (ORIX) of 38%, and in Amlak International for Finance and Real Estate Development Co. (AMLAK) of 32%. The movement of investments in associates for the six month periods ended June 30, 2016 and 2015, and for the year ended December 31, 2015, is summarized as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Balance at the beginning of the period / year	939,022	846,351	846,351
Share in earnings	65,132	156,195	72,337
Dividends received	(92,917)	(63,400)	(24,951)
Share in other comprehensive income (loss)	1,756	(124)	(767)
<b>Balance at the end of the period / year</b>	<b>912,993</b>	<b>939,022</b>	<b>892,970</b>

The Bank's share in the associates' assets, liabilities, and equity as of June 30, 2016 and 2015, and the income and expense for the six month periods then ended, is summarized below:

	June 30, 2016			June 30, 2015		
	AMEX	ORIX	AMLAK	AMEX	ORIX	AMLAK
Total assets	415,508	719,862	1,062,658	414,154	852,697	825,961
Total liabilities	263,774	406,662	712,872	248,783	559,821	491,861
Total equity	151,734	313,200	349,786	165,370	292,876	334,100
Total income	103,293	39,135	31,396	94,553	48,824	14,747
Total expenses	66,312	26,024	14,229	56,139	26,719	5,905

The head office of each associate company is located in Riyadh in the Kingdom of Saudi Arabia, with all operation's conducted entirely in the Kingdom of Saudi Arabia.

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 8. Customer deposits

Customer deposits are comprised of the following:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Time deposits	41,805,154	46,915,487	47,250,097
Savings deposits	3,137,519	1,620,632	868,500
Accrued special commission payable	275,385	189,670	163,029
Total special commission bearing deposits	45,218,058	48,725,789	48,281,626
Demand deposits	22,010,202	20,876,250	21,131,819
Other deposits	858,630	916,443	1,063,712
<b>Customer deposits</b>	<b>68,086,890</b>	<b>70,518,482</b>	<b>70,477,157</b>

### 9. Term loans, net

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 was due and repaid on May 30, 2016. On June 24, 2012, the Bank entered into a 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 on September 5, 2017. On June 19, 2016, the Bank entered into another five year medium term facility agreement for an amount of SR 1 billion for general corporate purposes. The facility has been fully utilized and is repayable on June 19, 2021. Term loans, net are summarized as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Total term loans	2,000,000	2,000,000	2,000,000
Accrued special commission payable	2,723	11,554	2,173
Issuance costs, net	(5,000)	(333)	(733)
<b>Term loans, net</b>	<b>1,997,723</b>	<b>2,011,221</b>	<b>2,001,440</b>

The term loans bear commission at market based variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related facility agreements. The facility agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance.

### 10. Subordinated debt, net

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. Subordinated debt, net is summarized as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Total subordinated debt	2,000,000	2,000,000	2,000,000
Accrued special commission payable	5,323	4,031	3,313
Issuance costs, net	(3,657)	(4,231)	(4,505)
<b>Subordinated debt, net</b>	<b>2,001,666</b>	<b>1,999,800</b>	<b>1,998,808</b>

The Sukuk carries a half yearly profit equal to six month SIBOR plus 1.45%. 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 SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 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. These notional amounts, therefore, are not indicative of market risk nor of the Groups exposure to credit risk, which is generally limited to the positive fair value of the derivatives.

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)			June 30, 2015 (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	71,255	55,185	6,986,027	24,056	22,715	4,459,736	7,799	12,452	10,347,954
Currency options	56,190	56,235	2,259,045	57,608	57,608	1,814,557	87,747	87,747	1,519,422
Commission rate swaps	584,618	585,702	5,343,551	651,492	644,203	5,277,502	334,602	331,494	3,937,131
Held as fair value hedges:									
Commission rate swaps	301,879	442,577	3,938,550	254,827	276,146	2,721,360	306,559	304,530	2,936,485
Associated company put option	348,825	-	-	299,160	-	-	252,949	-	-
<b>Total</b>	<b>1,362,767</b>	<b>1,139,699</b>	<b>18,527,173</b>	<b>1,287,143</b>	<b>1,000,672</b>	<b>14,273,155</b>	<b>989,656</b>	<b>736,223</b>	<b>18,740,992</b>

The associated company put option included in the table above represents the estimated fair value of an 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.

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 June 30, 2016, the cash collateral amounts held by counter parties totaled SAR 165.2 million (June 30, 2015: SAR 28.8 million). As of December 31, 2015, the cash collateral amounts held by counter parties totaled SAR 39.3 million.

### 12. Commitments and contingencies

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Letters of credit	2,215,536	2,270,789	2,609,651
Letters of guarantee	7,862,939	8,556,584	9,079,325
Acceptances	576,026	504,922	670,829
Irrevocable commitments to extend credit	300,209	388,113	358,098
<b>Credit-related commitments and contingencies</b>	<b>10,954,710</b>	<b>11,720,408</b>	<b>12,717,903</b>

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 12. Commitments and contingencies – (continued)

The Group has received final assessments for additional Zakat, Income tax, and withholding tax totalling approximately SAR 397 million relating to the Bank's 2003 to 2009 Zakat, Income tax, and withholding tax filings. The Group has also received partial assessments for additional Zakat totaling approximately SAR 383 million relating to its 2010, 2011 and 2013 Zakat filings.

These final and partial assessments include approximately SAR 573 million in Zakat assessments which are primarily due to the disallowance of certain long-term investments from the Zakat base of the Group. The Group, in consultation with its professional tax and Zakat advisors, has filed appeals for the above final and partial assessments 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, income tax, and withholding tax liabilities, 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:

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>	<b>June 30, 2015 (Unaudited)</b>
Cash and balances with SAMA excluding statutory deposit	<b>1,235,318</b>	702,259	1,215,411
Due from banks and other financial institutions maturing within ninety days from the date of acquisition	<b>5,652,459</b>	6,401,710	2,612,950
<b>Cash and cash equivalents</b>	<b>6,887,777</b>	<b>7,103,969</b>	<b>3,828,361</b>

### 14. Operating segments

Operating segments are identified on the basis of internal reports about components of the Group 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 consolidated income statement. Segment assets and liabilities are comprised of operating assets and liabilities. The Group's primary business is conducted in the Kingdom of Saudi Arabia.

The basis of segmentation as of and for the six-month period ended June 30, 2016 has been changed compared to the basis of segmentation used as of and for the year ended December 31, 2015, in order to align to changes in the Board Risk Committee and Board of Directors' reporting. The comparative amounts as of and for the six-month period ended June 30, 2015 have been adjusted to conform to the current period presentation. The Group'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.

**Investments and Treasury.** Money market, investments and treasury services.

**Business partners.** Investments in associates and related activities.

**Asset management and brokerage.** Dealing, managing, advising and custody of securities services.

**Other.** Support functions and other management and control units.



# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 14. Operating segments (continued)

Commission is charged 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 (FTP net transfers). All other segment income is from external customers.

The segment information provided to the Bank's Board of Directors for the reportable segments for the Group's total assets and liabilities as of June 30, 2016 and 2015, and its total operating income, expenses, and net income for the six-month periods then ended, are as follows:

June 30, 2016 (Unaudited)							
	Retail Banking	Corporate Banking	Treasury and Investments	Business Partners	Asset Management and Brokerage	Other	Total
Total assets	28,559,029	37,379,610	27,720,135	912,993	394,060	1,089,348	96,055,175
Total liabilities	47,188,495	19,451,859	15,454,744	97	42,330	2,067,078	84,204,603
Net special commission income	168,238	519,261	187,729	-	9,397	(51,126)	833,499
FTP net transfers	261,827	(218,209)	-	(48,756)	-	5,138	-
Net FTP contribution	430,065	301,052	187,729	(48,756)	9,397	(45,988)	833,499
Fee income from banking services, net	72,015	105,359	9,975	-	33,336	(4,265)	216,420
Other operating income	41,599	39,379	103,869	24,833	364	(57,026)	153,018
Total operating income	543,679	445,790	301,573	(23,923)	43,097	(107,279)	1,202,937
Direct operating expenses	188,955	34,940	10,955	1,494	41,497	-	277,841
Indirect operating expenses	119,055	83,248	35,698	-	-	2,861	240,862
Impairment charges, net	94,012	81,988	42,000	-	-	-	218,000
Total operating expenses	402,022	200,176	88,653	1,494	41,497	2,861	736,703
Income from operating activities	141,657	245,614	212,920	(25,417)	1,600	(110,140)	466,234
Share in earnings of associates	-	-	-	65,132	-	-	65,132
Net income	141,657	245,614	212,920	39,715	1,600	(110,140)	531,366
Property and equipment additions	5,947	623	-	-	33	11,958	18,561
June 30, 2015 (Unaudited)							
	Retail Banking	Corporate Banking	Treasury and Investments	Business Partners	Asset Management and Brokerage	Other	Total
Total assets	24,222,689	36,564,381	28,319,648	892,970	416,651	2,093,153	92,509,492
Total liabilities	50,448,548	18,012,003	9,196,849	97	51,952	2,831,957	80,541,406
Net special commission income	201,115	494,258	152,038	-	13,819	313	861,543
FTP net transfers	129,568	(92,964)	(28,180)	(23,651)	-	15,227	-
Net FTP contribution	330,683	401,294	123,858	(23,651)	13,819	15,540	861,543
Fee income from banking services, net	44,753	136,182	33,405	-	54,836	(36,212)	232,964
Other operating income	31,035	28,546	114,258	19,157	5,072	144	198,212
Total operating income	406,471	566,022	271,521	(4,494)	73,727	(20,528)	1,292,719
Direct operating expenses	202,846	37,133	14,676	1,379	43,363	-	299,397
Indirect operating expenses	78,496	54,852	23,532	-	-	55,507	212,387
Impairment charges, net	10,245	58,755	35,000	-	-	-	104,000
Total operating expenses	291,587	150,740	73,208	1,379	43,363	55,507	615,784
Income from operating activities	114,884	415,282	198,313	(5,873)	30,364	(76,035)	676,935
Share in earnings of associates	-	-	-	72,337	-	-	72,337
Net income	114,884	415,282	198,313	66,464	30,364	(76,035)	749,272
Property and equipment additions	29,147	19	463	-	3,026	50,908	83,563

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****Amounts in SAR'000****For the six month periods ended June 30, 2016 and 2015****15. Fair values of financial instruments**

The Group measures certain financial instruments, including derivatives and available for sale investments, at fair value at each interim condensed consolidated statement of financial position date.

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 principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**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.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets, and for any non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved from time to time in the valuation of certain assets. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

At each financial reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics, and the related risks of the asset or liability, and the level of the fair value hierarchy as explained above.



# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 15. Fair values of financial instruments (continued)

The following table summarizes the fair values of financial assets and financial liabilities by level of fair value hierarchy for financial instruments carried at fair value. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<b>June 30, 2016 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at fair value:				
Derivative financial instruments	-	1,013,942	348,825	1,362,767
Available for sale investments	13,694,401	6,231,393	533,792	20,459,586
Total	13,694,401	7,245,335	882,617	21,822,353
Financial liabilities carried at fair value:				
Derivative financial instruments	-	1,139,699	-	1,139,699
Total	-	1,139,699	-	1,139,699
<b>December 31, 2015 (Audited)</b>				
Financial assets measured at fair value:				
Derivative financial instruments	-	987,983	299,160	1,287,143
Available for sale investments	12,046,060	6,396,679	540,232	18,982,971
Total	12,046,060	7,384,662	839,392	20,270,114
Financial liabilities carried at fair value:				
Derivative financial instruments	-	1,000,672	-	1,000,672
Total	-	1,000,672	-	1,000,672
<b>June 30, 2015 (Unaudited)</b>				
Financial assets measured at fair value:				
Derivative financial instruments	-	736,707	252,949	989,656
Available for sale investments	12,724,323	11,194,469	263,138	24,181,930
Total	12,724,323	11,931,176	516,087	25,171,586
Financial liabilities carried at fair value:				
Derivative financial instruments	-	736,223	-	736,223
Total	-	736,223	-	736,223

The value obtained from any relevant valuation model may differ with a 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 consolidated income statement without reversal of deferred day one profits and losses.

The total amount of the changes in fair value recognized in the June 30, 2016 interim condensed consolidated income statement, which was estimated using valuation models, is a gain of SAR 50.5 million (2015: SAR 63.5 million).

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 15. Fair values of financial instruments (continued)

Level 2 available for sale financial investments include debt securities which are comprised of Saudi corporate and bank securities, and Saudi Arabian Government securities. These securities are generally unquoted. In the absence of a quoted price in an active market, these securities are valued using observable inputs such as yield information for similar instruments or last executed transaction prices in securities of the same issuer or based on indicative market quotes. Adjustments are also considered as part of the valuations when necessary to account for the different features of the instruments including difference in tenors. Because the significant inputs for these investments are observable, the Bank categorizes these investments within Level 2.

Level 2 derivative financial instruments include various derivatives contracts including forward foreign exchange contracts, foreign exchange options, and commission rate swaps. These derivatives are valued using widely recognized valuation models. The most frequently applied valuation techniques include the use of forward pricing standard models using present value calculations and well-recognized Black - Scholes option pricing models. These models incorporate various market observable inputs including foreign exchange rates, forward rates, and yield curves, and are therefore included within Level 2.

Level 3 available for sale financial investments include Gulf Cooperation Council Government securities, and also investments in hedge funds, private equity funds, and asset backed securities. These securities are generally not quoted in an active market, and therefore are valued using indicative market quotes from an issuer / counter-party or valued at cost in the absence of any such alternative reliable indicative estimate.

Level 3 derivative financial instruments include the embedded derivative put option arising from an existing master agreement entered into by the Bank relating to its investment in an associated company (see note 11). For purposes of determining the fair value of the put option, the Bank uses a well-recognized and frequently used Binomial Option Pricing Model. This model requires certain inputs which are not observable in the current market place. Certain inputs are specifically stated within the master agreement with the associated company. Other inputs are based on the historical results of the associated company. These other inputs may require management's judgement including estimations about the future results of the associated company, the detrimental effects on the operating results of the associated company which may arise from an exercise of the option, and an estimate of the fair value of the underlying investment. Several of the inputs are also interdependent.

In all respects, the Bank's significant estimates are based on experience and judgement relevant to each input, and in all cases, due care is taken to ensure that the inputs are conservative to ensure that the estimation of fair value is reasonable in the circumstances. However, any amounts which may be realized in the future may differ from the Bank's estimates of fair value.

The following table summarizes the movement of the Level 3 fair values for the six month periods ended June 30, 2016 and 2015, and for the year ended December 31, 2015.

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>	<b>June 30, 2015 (Unaudited)</b>
Fair values at the beginning of the period / year	<b>839,392</b>	301,956	301,956
Net change in fair value	<b>49,433</b>	99,568	24,782
Investments purchased	-	455,227	192,223
Investments sold	<b>(6,208)</b>	(17,359)	(2,874)
<b>Balance at the end of the period / year</b>	<b>882,617</b>	<b>839,392</b>	<b>516,087</b>

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 15. Fair values of financial instruments (continued)

The following table summarizes the estimated fair values of financial assets and financial liabilities that are not carried at fair value in these interim condensed consolidated financial statements, along with the comparative carrying amounts for each.

	<b>Carrying values</b>	<b>Estimated fair values</b>
<b><u>June 30, 2016 (unaudited)</u></b>		
Financial assets:		
Due from banks and other financial institutions	5,652,459	5,652,459
Loans and advances, net	61,250,686	62,869,409
Total	<u>66,903,145</u>	<u>68,521,868</u>
Financial liabilities:		
Due to banks and other financial institutions	10,314,733	10,314,733
Customers deposits	68,086,890	67,167,794
Term loans, net	1,997,723	1,997,723
Subordinated debt, net	2,001,666	2,001,666
Total	<u>82,401,012</u>	<u>81,481,916</u>
<b><u>December 31, 2015 (audited)</u></b>		
Financial assets:		
Due from banks and other financial institutions	6,410,263	6,410,263
Loans and advances, net	60,268,806	61,579,240
Total	<u>66,679,069</u>	<u>67,989,503</u>
Financial liabilities:		
Due to banks and other financial institutions	5,329,148	5,329,148
Customer deposits	70,518,482	69,854,510
Term loans, net	2,011,221	2,011,221
Subordinated debt, net	1,999,800	1,999,800
Total	<u>79,858,651</u>	<u>79,194,679</u>
<b><u>June 30, 2015 (unaudited)</u></b>		
Financial assets:		
Due from banks and other financial institutions	2,612,950	2,612,950
Loans and advances, net	57,174,239	58,958,953
Total	<u>59,787,189</u>	<u>61,571,903</u>
Financial liabilities:		
Due to banks and other financial institutions	4,064,536	4,064,536
Customer deposits	70,477,157	70,115,131
Term loans, net	2,001,440	2,001,440
Subordinated debt, net	1,998,808	1,998,808
Total	<u>78,541,941</u>	<u>78,179,915</u>

The estimated fair values of loans and advances, net are calculated using market based discounted cash flow models of individual loan portfolios using the weighted average estimated maturities of each individual loan portfolio. The estimated fair values of customers' deposits are calculated using market based discounted cash flow models of individual deposit classes using the weighted average estimated maturities of each individual deposit class.

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

---

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 15. Fair values of financial instruments (continued)

The fair values of other financial instruments that are not carried in these interim condensed consolidated statement of financial position at fair value are not significantly different from the carrying values. The fair values of term loans, subordinated debt, and due from and due to banks 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 special commission rates for similar financial instruments are not significantly different from the contractual rates, and because of the short duration of due from and due to banks.

### 16. Dividends and earnings per share

In 2015, the Board of Directors proposed a cash dividend of SAR 487.5 million equal to SAR 0.75 per share, net of Zakat to be withheld from the Saudi shareholders totalling SAR 47.0 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 thirteen 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 26 Jumada II, 1437 (corresponding to April 4, 2016). The net dividends were paid and the bonus shares issued to the Bank's shareholders thereafter.

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.

Basic and diluted earnings per share for the three and six-month periods ended June 30, 2016 are calculated by dividing the net income for the period by 700 million shares, after giving effect to the bonus shares issued in 2016. As a result, basic and diluted earnings per share for the three and six-month periods ended June 30, 2015, have been retroactively adjusted to reflect the issuance of the bonus shares.

### 17. 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.

Capital adequacy and the use of Regulatory Capital are regularly 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 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 SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

#### 17. Capital adequacy and capital structure disclosures (continued)

The following table summarizes the Bank's Pillar I Risk Weighted Assets (RWA), Tier I and Tier II Capital, and Capital Adequacy Ratio percentages.

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2015 (Unaudited)
Credit Risk RWA	80,599,506	80,748,272	78,057,047
Operational Risk RWA	3,924,371	3,924,371	3,477,661
Market Risk RWA	1,240,706	752,949	164,075
Total Pillar- I RWA	85,764,583	85,425,592	81,698,783
Tier I Capital	11,832,277	12,018,167	11,949,791
Tier II Capital	2,590,367	2,455,881	2,475,245
Total Tier I & II Capital	14,422,644	14,474,048	14,425,036
Capital Adequacy Ratio			
Tier I Ratio	13.80%	14.07%	14.63%
Tier I + Tier II Ratio	16.82%	16.94%	17.66%

#### 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](http://www.saib.com.sa)) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

Certain additional quantitative disclosures are also required under Basel III Pillar 3. These disclosures will be made available to the public on the Banks website ([www.saib.com.sa](http://www.saib.com.sa)) within 60 business days after June 30, 2016, as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.

#### 18. Related party disclosures

In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2014, SAMA issued an update to its Principles of Corporate Governance for Banks operating in Saudi Arabia. This update specifies the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's related party identification and disclosure of transactions policy complies with the guidelines issued by SAMA, and has been approved by the Bank's Board of Directors. These guidelines include the following definitions of related parties:

- 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;

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 18. Related party disclosures (continued)

- 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.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, and members of the Bank management that require a no objection approval from SAMA.

Immediate family members includes parents, spouses, and offspring and whom either a principal shareholder or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship.

Principal shareholders include those owners of record of more than five percent of the Bank's voting ownership and/or voting interest of the Bank.

The balances as of June 30, 2016 and 2015 and December 31, 2015, resulting from such transactions included in the interim condensed consolidated financial statements are as follows:

	<b>June 30, 2016 SAR'000</b>	<b>December 31, 2015 SAR'000</b>	<b>June 30, 2015 SAR'000</b>
Management of the Bank and/or members of their immediate family:			
Loans and advances	<b>88,667</b>	92,138	99,022
Customer deposits	<b>139,328</b>	372,928	182,979
Principal shareholders of the Bank and/or members of their immediate family:			
Due from banks and other financial institutions	<b>28,038</b>	2,560	2,868
Loans and advances	<b>175,000</b>	536,467	536,467
Customer deposits	<b>15,388,322</b>	12,242,900	10,189,088
Term loan	<b>1,000,000</b>	1,000,000	1,000,000
Subordinated debt	<b>704,000</b>	704,000	704,000
Commitments and contingencies	<b>2,811,605</b>	2,627,139	2,834,139
Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:			
Loans and advances	<b>901,005</b>	849,102	606,178
Customer deposits	<b>218,056</b>	32,172	215,777
Commitments and contingencies	<b>630,689</b>	849,084	996,584
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	<b>168,784</b>	280,916	162,436

# THE SAUDI INVESTMENT BANK

(A Saudi joint stock company)

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

Amounts in SAR'000

For the six month periods ended June 30, 2016 and 2015

### 18. Related party disclosures (continued)

Income and expense for the six-month periods ended June 30, 2016 and 2015, pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	<b>June 30, 2016</b>	June 30, 2015
	<b>SAR'000</b>	SAR'000
Management of the Bank and/or members of their immediate family:		
Special commission income	<b>1,783</b>	834
Special commission expense	<b>19</b>	36
Fee income from banking services	<b>6</b>	1
Principal shareholders of the Bank and/or members of their immediate family:		
Special commission income	<b>24,972</b>	17,046
Special commission expense	<b>20,954</b>	17,774
Fee income	<b>4,219</b>	3
Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:		
Special commission income	<b>1,782</b>	1,162
Fee income from banking services	<b>2,743</b>	1,933
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	<b>324</b>	156
Board of Directors and other Board Committee members' remuneration	<b>2,415</b>	2,157

### 19. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation. These reclassifications do not affect the Bank's net income or shareholders' equity.

-----