

Interim Condensed

Consolidated Financial Statements

For the three months ended
31 March 2010

The Saudi British Bank

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The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2010	31 December 2009	31 March 2009
	Unaudited	Audited	Unaudited
Notes	SAR' 000	SAR' 000	SAR' 000
ASSETS			
Cash and balances with SAMA	13,644,430	16,614,885	18,771,046
Due from banks and other financial institutions	4,577,457	6,004,593	3,816,982
Investments, net	4 22,389,462	23,817,550	25,879,473
Loans and advances, net	75,699,090	76,381,599	79,310,245
Investment in associates	5 184,722	180,458	155,217
Property and equipment, net	583,661	594,042	554,340
Other assets	3,452,329	3,244,835	4,078,601
Total assets	120,531,151	126,837,962	132,565,904
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	8,453,100	13,605,744	11,145,626
Customers' deposits	90,016,177	89,186,861	96,626,732
Debt securities in issue	3,347,508	5,709,487	5,575,720
Borrowings	187,500	187,500	187,500
Other liabilities	4,794,603	5,103,081	6,548,046
Total liabilities	106,798,888	113,792,673	120,083,624
Shareholders' equity			
Share capital	7,500,000	7,500,000	7,500,000
Statutory reserve	4,988,075	4,988,075	4,480,005
Other reserves	(71,368)	(137,535)	(88,221)
Retained earnings	1,315,556	694,749	590,496
Total shareholders' equity	13,732,263	13,045,289	12,482,280
Total liabilities and shareholders' equity	120,531,151	126,837,962	132,565,904

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March

Unaudited

	Notes	2010 SAR' 000	2009 SAR' 000
Special commission income		901,934	1,373,537
Special commission expense		131,796	492,612
Net special commission income		770,138	880,925
Fees and commission income, net		303,208	276,725
Exchange income, net		30,902	33,940
Income from FVIS financial instruments, net		-	3,342
Trading income, net		85,692	90,404
Dividend income		1,310	49
Gains on non-trading investments, net		250	8
Other operating income		13,610	857
Total operating income		1,205,110	1,286,250
Salaries and employee related expenses		215,865	226,692
Rent and premises related expenses		22,591	19,873
Depreciation and amortisation		28,103	28,104
Other general and administrative expenses		145,536	142,180
Provision for credit losses, net		176,467	116,292
Other operating expenses		5	16
Total operating expenses		588,567	533,157
Net income from operating activities		616,543	753,093
Share in earnings of associates, net	5	4,264	6,861
Net income for the period		620,807	759,954
Basic and diluted earnings per share (in SAR)	10	0.83	1.01

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March

Unaudited

	2010	2009
	SAR' 000	SAR' 000
Net income for the period	620,807	759,954
Other comprehensive income		
Available for sale financial assets		
- Net change in fair value	77,501	76,584
- Transfer to interim consolidated statement of income	-	(8)
	77,501	76,576
Cash flow hedge		
- Net change in fair value	(11,334)	11,919
	66,167	88,495
Total comprehensive income for the period	686,974	848,449

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended 31 March

Unaudited

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>
<u>2010</u>					
Balance at beginning of the period	7,500,000	4,988,075	(137,535)	694,749	13,045,289
Total comprehensive income for the period	-	-	66,167	620,807	686,974
Balance at end of the period	<u>7,500,000</u>	<u>4,988,075</u>	<u>(71,368)</u>	<u>1,315,556</u>	<u>13,732,263</u>
<u>2009</u>					
Balance at beginning of the period	6,000,000	4,480,005	(176,716)	1,330,542	11,633,831
Total comprehensive income for the period	-	-	88,495	759,954	848,449
Bonus share issue	1,500,000	-	-	(1,500,000)	-
Balance at end of the period	<u>7,500,000</u>	<u>4,480,005</u>	<u>(88,221)</u>	<u>590,496</u>	<u>12,482,280</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March

Unaudited

	<u>Notes</u>	<u>2010</u> <u>SAR' 000</u>	<u>2009</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		620,807	759,954
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Accretion of discounts on non trading investments, net		(1,294)	(107)
Income from FVIS financial instruments, net		-	(3,342)
Gains on non trading investments, net		(250)	(8)
Depreciation and amortisation		28,103	28,104
Share in earnings from associates, net		(4,264)	(6,861)
Provision for credit losses, net		176,467	116,292
Change in fair value		(111,979)	(81,693)
		707,590	812,339
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		33,880	(275,217)
Investments held as FVIS		303,535	2,996
Loans and advances		506,042	810,220
Other assets		(207,494)	(497,546)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(5,152,644)	(4,923,866)
Customers' deposits		829,316	3,949,195
Other liabilities		(241,050)	1,205,681
Net cash (used in) from operating activities		(3,220,825)	1,083,802
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		9,839,407	9,790,488
Purchase of non-trading investments		(8,713,310)	(6,064,541)
Purchase of property and equipment		(18,222)	(20,984)
Proceeds from disposal of property and equipment		500	-
Net cash from investing activities		1,108,375	3,704,963
FINANCING ACTIVITIES			
Debt securities in issue		(2,250,000)	-
Dividends paid		(1,261)	(4,673)
Net cash used in financing activities		(2,251,261)	(4,673)
(Decrease) increase in cash and cash equivalents		(4,363,711)	4,784,092
Cash and cash equivalents at beginning of the period		17,456,914	12,701,229
Cash and cash equivalents at end of the period	8	13,093,203	17,485,321
Special commission received during the period		914,473	1,532,223
Special commission paid during the period		276,399	769,002

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

1. General

The Saudi British Bank (the Bank) is a Saudi Joint Stock Company and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). The Bank formally commenced business on 26 Rajab 1398H (1 July 1978) with the taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 75 branches (2009: 68) and 31 exclusive ladies' sections (2009: 31) in the Kingdom of Saudi Arabia. The Bank employed 3,473 staff as at 31 March 2010 (2009: 3,425). The address of the Bank's head office is as follows:

The Saudi British Bank
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia

The objectives of the Bank are to provide a range of banking services. The Bank also provides non-interest bearing products, which are approved and supervised by an independent Shariah Board.

The Bank has 100% (2009: 100%) ownership interest in a subsidiary, SABB Securities Limited, a Saudi Limited Liability Company formed in accordance with Capital Market Authority's Resolution No. 2007-35-7 dated 10 Jumada II 1428H (25 June 2007) and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010235982 dated 8 Rajab 1428H (22 July 2007). The Bank has 98% direct and 2% indirect ownership interest in its subsidiary (the indirect ownership is held via a Limited Liability Company registered in the Kingdom of Saudi Arabia). Activities of subsidiary are to engage in the business of custody and dealing as an agent excluding underwriting.

The Bank has 100% (2009 : 100 %) ownership interest in a subsidiary, SABB Insurance Agency Company Limited, a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). The Bank has 98% direct and 2% indirect ownership interest in its subsidiary (the indirect ownership is held via a Limited Liability Company registered in Kingdom of Saudi Arabia). The principal activity is to act as a sole insurance agent for SABB Takaful Company (an associate company- see note 5) within the Kingdom of Saudi Arabia as per the agreement between them. However, the articles of association do not restrict the Company from acting as an agent to any other insurance company in the Kingdom of Saudi Arabia.

The Bank has 51% (2009 : 51 %) ownership interest in a subsidiary, SABB Insurance Services Limited, a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010241209 dated 24 Dhul Qadah 1428H (4 December 2007). The principal activity is to act as insurance brokers and consultants to consumers operating within the Kingdom of Saudi Arabia. The Company commenced its operations from 24 Dhul Qadah 1428H (4 December 2007).

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 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. The interim condensed consolidated financial statements do not include all information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2009. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

The interim condensed consolidated financial statements comprise the financial statements of "The Saudi British Bank" and its subsidiary, SABB Securities Limited. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank, using consistent accounting policies. The Bank has not consolidated SABB Insurance Agency Company Limited and SABB Insurance Services Limited as their total assets, liabilities and their income and expenses are not significant to the Bank's overall interim consolidated financial statements.

A subsidiary is an entity over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued)

31 March 2010

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 consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Balances between the Bank and its subsidiary, and any unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the interim condensed consolidated financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, as described in the annual consolidated financial statements for the year ended 31 December 2009.

4. Investments, net

Investment securities are classified as follows:

SAR'000	31 March 2010 (Unaudited)	31 December 2009 (Audited)	31 March 2009 (Unaudited)
Investments:			
- Held as FVIS	50,563	346,203	411,249
- Available for sale	18,145,057	18,676,927	20,272,457
- Other investments held at amortized cost	3,792,941	4,392,648	4,691,272
- Held to maturity	400,901	401,772	504,495
Total	22,389,462	23,817,550	25,879,473

Investments held as FVIS represent investments held for trading as at 31 March 2010 and 31 December 2009 (31 March 2009: SAR 357.9 million).

5. Investment in associates

SAR'000	31 March 2010 (Unaudited)	31 December 2009 (Audited)	31 March 2009 (Unaudited)
HSBC Saudi Arabia Limited			
Balance at beginning of the period	70,126	130,150	130,150
Dividend received	-	(111,446)	-
Share of undistributed profit	5,132	51,422	8,341
	75,258	70,126	138,491
SABB Takaful			
Balance at beginning of the period	110,332	18,206	18,206
Cost of investment during the period	-	97,500	-
Share of losses	(868)	(5,374)	(1,480)
	109,464	110,332	16,726
Total	184,722	180,458	155,217

The Bank owns 40% of the shares of HSBC Saudi Arabia Limited, which is involved in investment banking services in the Kingdom of Saudi Arabia.

The Bank owns 32.5% of the shares of SABB Takaful, a Saudi Joint Stock Company. SABB Takaful carries out Shariah compliant insurance activities and offers family and general Takaful products.

6. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

SAR'000	31 March 2010 (Unaudited)			31 December 2009 (Audited)			31 March 2009 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair Value	Negative fair value	Notional amount
Derivatives held for trading:									
Special commission rate swaps	1,494,875	(1,393,680)	58,209,736	1,410,339	(1,318,875)	53,314,211	1,924,270	(1,826,777)	52,336,836
Currency swaps	170,677	-	1,475,297	284,116	-	1,475,297	154,848	-	1,475,297
Special commission rate futures and options	10,034	(10,034)	2,887,500	34,021	(34,021)	2,887,500	13,907	(13,907)	2,887,500
Spot and forward foreign exchange contracts	64,461	(67,904)	34,929,313	39,918	(52,381)	17,026,881	64,796	(71,730)	11,529,419
Currency options	76,816	(76,816)	5,678,818	72,118	(72,118)	3,037,146	108,767	(108,767)	3,420,258
Others	3,239	(3,239)	725,000	3,831	(3,831)	725,000	2,100	(2,100)	725,000
Derivatives held as fair value hedges:									
Special commission rate swaps	1,982	(32,722)	968,370	4,824	(29,539)	835,182	339	(34,938)	578,154
Derivatives held as cash flow hedges:									
Special commission rate swaps	24,611	(7,486)	1,643,750	29,844	(1,386)	1,381,250	51,674	(3,507)	731,250
Total	1,846,695	(1,591,881)	106,517,784	1,879,011	(1,512,151)	80,682,467	2,320,701	(2,061,726)	73,683,714

7. Credit related commitments and contingencies

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

SAR'000	31 March 2010 (Unaudited)	31 December 2009 (Audited)	31 March 2009 (Unaudited)
Letters of credit	8,169,247	7,741,632	7,644,563
Letters of guarantee	28,971,949	27,740,924	23,943,470
Acceptances	2,601,502	2,468,011	2,869,850
Irrevocable commitments to extend credit	671,256	834,765	4,323,612
Total	40,413,954	38,785,332	38,781,495

8. Cash and cash equivalents

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

SAR'000	31 March 2010 (Unaudited)	31 December 2009 (Audited)	31 March 2009 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	8,515,746	11,452,321	13,668,339
Due from banks and other financial institutions maturing within three months of acquisition date	4,577,457	6,004,593	3,816,982
Total	13,093,203	17,456,914	17,485,321

9. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's management in its function as chief decision maker in order to allocate resources to the segments and to assess its performance. All operating segments used by the Bank meet the definition of reportable segments under IFRS 8.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Revenue from external parties is measured in a manner consistent with that in the interim consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Bank is organised into the following main business segments:

Retail Banking – which caters mainly to the banking requirements of personal and private banking customers.

Corporate Banking – which caters mainly to the banking requirements of commercial and corporate banking customers.

Treasury – which manages the Bank's liquidity, currency and special commission rate risks. It is also responsible for funding the Bank's operations and for managing the Bank's investment portfolio and financial position.

Transactions between the business segments are reported as recorded by the Bank's transfer pricing system. The Bank's total assets and liabilities as at 31 March 2010 and 2009, their total operating income and expenses, and the net income for the three-month periods then ended, by business segment, are as follows:

31 March 2010
(Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,971,050	56,714,272	42,652,508	193,321	120,531,151
Total liabilities	37,423,159	38,490,514	30,861,353	23,862	106,798,888
Total operating income	403,764	511,213	246,577	43,556	1,205,110
Total operating expenses	352,253	194,563	23,078	18,673	588,567
Share in earnings of associates, net	-	-	-	4,264	4,264
Net income for the period	51,511	316,650	223,499	29,147	620,807
Credit losses and impairment provision, net	107,218	69,254	(5)	-	176,467

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued)

31 March 2010

31 March 2009

(Unaudited)

SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,764,566	60,571,149	51,067,766	162,423	132,565,904
Total liabilities	37,301,956	39,271,474	43,498,293	11,901	120,083,624
Total operating income	484,364	524,073	227,286	50,527	1,286,250
Total operating expenses	370,179	118,979	11,043	32,956	533,157
Share in earnings of associates, net	-	-	-	6,861	6,861
Net income for the period	114,185	405,094	216,243	24,432	759,954
Credit losses and impairment provision, net	86,927	29,992	(627)	-	116,292

10. Earnings per share

Basic and fully diluted earnings per share for the period ended 31 March 2010 and 2009 is calculated by dividing the net income for the period attributable to the equity holders by 750 million.

11. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

Capital Adequacy Ratios	March 2010		March 2009	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	13.30	12.09	11.67	10.30

12. Comparative figures

Certain prior period figures have been reclassified to confirm with the current period's presentation.