

# **Interim Condensed Consolidated Financial Statements**

For the six months ended  
30 June 2013

The Saudi British Bank



**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June 2013 Unaudited SAR' 000</b>	31 December 2012 Audited SAR' 000	30 June 2012 Unaudited SAR' 000
	<b>Notes</b>			
<b>ASSETS</b>				
Cash and balances with SAMA		<b>14,537,493</b>	20,403,864	13,612,533
Due from banks and other financial institutions		<b>4,981,122</b>	8,091,410	11,170,817
Investments, net	<b>4</b>	<b>30,843,020</b>	27,587,185	27,844,403
Loans and advances, net	<b>5</b>	<b>105,999,793</b>	96,098,306	94,738,601
Investment in associates	<b>6</b>	<b>673,180</b>	612,232	647,563
Property and equipment, net		<b>615,172</b>	604,509	533,570
Other assets		<b>4,285,337</b>	3,254,831	3,357,427
<b>Total assets</b>		<b>161,935,117</b>	156,652,337	151,904,914
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>3,922,151</b>	5,931,850	5,202,320
Customers' deposits	<b>7</b>	<b>125,888,012</b>	120,433,716	117,579,117
Debt securities in issue		<b>4,486,776</b>	4,505,780	4,497,249
Borrowings		<b>125,000</b>	140,625	156,250
Other liabilities		<b>6,534,430</b>	5,574,859	6,009,692
<b>Total liabilities</b>		<b>140,956,369</b>	136,586,830	133,444,628
<b>Shareholders' equity</b>				
Share capital		<b>10,000,000</b>	10,000,000	10,000,000
Statutory reserve		<b>6,991,051</b>	6,991,051	6,180,972
Other reserves		<b>(43,506)</b>	(4,220)	(138,298)
Retained earnings		<b>4,031,203</b>	2,078,676	2,417,612
Proposed dividends		-	1,000,000	-
<b>Total shareholders' equity</b>		<b>20,978,748</b>	20,065,507	18,460,286
<b>Total liabilities and shareholders' equity</b>		<b>161,935,117</b>	156,652,337	151,904,914

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

# The Saudi British Bank

## INTERIM CONSOLIDATED STATEMENT OF INCOME

### Unaudited

	Notes	Three months ended		Six months ended	
		30 June 2013 SAR'000	30 June 2012 SAR'000	30 June 2013 SAR'000	30 June 2012 SAR'000
Special commission income		1,068,193	971,526	2,090,816	1,889,199
Special commission expense		129,269	144,873	266,658	287,512
<b>Net special commission income</b>		<b>938,924</b>	<b>826,653</b>	<b>1,824,158</b>	<b>1,601,687</b>
Fee and commission income, net		387,088	380,673	750,845	693,387
Exchange income, net		100,817	54,902	197,227	100,518
Income from FVIS financial instruments, net		1,875	-	9,375	-
Trading income, net		51,928	80,719	110,359	182,246
Dividend income		20,563	16,851	20,563	16,851
Gain on non-trading investments, net		454	17,924	25,305	17,924
Other operating income		13	5	1,381	154
<b>Total operating income</b>		<b>1,501,662</b>	<b>1,377,727</b>	<b>2,939,213</b>	<b>2,612,767</b>
Salaries and employee related expenses		262,569	233,193	524,573	476,851
Rent and premises related expenses		26,285	23,051	49,652	45,871
Depreciation		23,170	23,200	45,137	46,928
General and administrative expenses		106,180	110,871	216,344	205,643
Provision for credit losses, net		105,252	115,098	141,170	151,721
Impairment (reversal of impairment) of other financial assets		561	(884)	69,217	(1,048)
Other operating expense		1,541	-	1,541	-
<b>Total operating expenses</b>		<b>525,558</b>	<b>504,529</b>	<b>1,047,634</b>	<b>925,966</b>
<b>Net income from operating activities</b>		<b>976,104</b>	<b>873,198</b>	<b>1,891,579</b>	<b>1,686,801</b>
Share in earnings of associates	6	28,562	41,789	60,948	82,372
<b>Net income for the period</b>		<b>1,004,666</b>	<b>914,987</b>	<b>1,952,527</b>	<b>1,769,173</b>
<b>Basic and diluted earnings per share (in SAR)</b>	12	<b>1.00</b>	<b>0.91</b>	<b>1.95</b>	<b>1.77</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

	Three months ended		Six months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	SAR' 000	SAR' 000	SAR' 000	SAR' 000
<b>Net income for the period</b>	<b>1,004,666</b>	914,987	<b>1,952,527</b>	1,769,173
<b>Other comprehensive income to be reclassified to statement of income in subsequent period</b>				
Available for sale financial assets				
- Net change in fair value	(52,460)	(126,673)	(92,135)	99,541
- Transfer to interim consolidated statement of income	(454)	(17,924)	44,695	(17,924)
Cash flow hedges				
- Net change in fair value	4,387	9,244	8,546	10,075
- Transfer to interim consolidated statement of income	(197)	(2,140)	(392)	(4,280)
	(48,724)	(137,493)	(39,286)	87,412
<b>Total comprehensive income for the period</b>	<b>955,942</b>	777,494	<b>1,913,241</b>	1,856,585

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**For the six months ended 30 June**
**Unaudited**

	Share capital SAR '000	Statutory reserve SAR '000	Other reserves SAR '000	Retained earnings SAR '000	Proposed dividends SAR '000	Total SAR '000
<b>2013</b>						
Balance at beginning of the period	<u>10,000,000</u>	<u>6,991,051</u>	<u>(4,220)</u>	<u>2,078,676</u>	<u>1,000,000</u>	<u>20,065,507</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	1,952,527	-	1,952,527
Net changes in fair value of cash flow hedges	-	-	8,546	-	-	8,546
Net changes in fair value of available for sale investments	-	-	(92,135)	-	-	(92,135)
Transfer to interim consolidated statement of income	-	-	44,303	-	-	44,303
	-	-	(39,286)	1,952,527	-	1,913,241
2012 final dividend paid	-	-	-	-	(1,000,000)	(1,000,000)
Balance at end of the period	<u>10,000,000</u>	<u>6,991,051</u>	<u>(43,506)</u>	<u>4,031,203</u>	<u>-</u>	<u>20,978,748</u>
<b>2012</b>						
Balance at beginning of the period	<u>7,500,000</u>	<u>6,180,972</u>	<u>(225,710)</u>	<u>3,148,439</u>	<u>562,500</u>	<u>17,166,201</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	1,769,173	-	1,769,173
Net changes in fair value of cash flow hedges	-	-	10,075	-	-	10,075
Net changes in fair value of available for sale investments	-	-	99,541	-	-	99,541
Transfer to interim consolidated statement of income	-	-	(22,204)	-	-	(22,204)
	-	-	87,412	1,769,173	-	1,856,585
Bonus share issued	2,500,000	-	-	(2,500,000)	-	-
2011 final dividend paid	-	-	-	-	(562,500)	(562,500)
Balance at end of the period	<u>10,000,000</u>	<u>6,180,972</u>	<u>(138,298)</u>	<u>2,417,612</u>	<u>-</u>	<u>18,460,286</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

# The Saudi British Bank

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

Unaudited

	<u>Notes</u>	2013 <u>SAR' 000</u>	2012 <u>SAR' 000</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period		1,952,527	1,769,173
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortisation of premium on non trading investments, net		17,329	5,885
Depreciation		45,137	46,928
Gains on non-trading investments, net		(25,305)	(17,924)
Share in earnings from associates		(60,948)	(82,372)
Provision for credit losses, net		141,170	151,721
Losses (gains) on disposal of property and equipment , net		1,460	(64)
Impairment (reversal of impairment) of other financial assets		69,217	(1,048)
Change in carrying value of debt securities in issue		(19,004)	18,589
		<u>2,121,583</u>	<u>1,890,888</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(410,665)	(677,941)
Investments held for trading		3,908	-
Loans and advances		(10,042,657)	(10,079,035)
Other assets		(1,030,506)	458,913
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,009,699)	(691,736)
Customers' deposits		5,454,296	12,002,575
Other liabilities		960,658	140,519
Net cash (used in) from operating activities		<u>(4,953,082)</u>	<u>3,044,183</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale/maturities of non-trading investments		13,700,845	7,450,110
Purchase of non-trading investments		(17,061,115)	(12,993,892)
Purchase of property and equipment		(57,366)	(43,576)
Proceeds from disposal of property and equipment		106	64
Net cash used in investing activities		<u>(3,417,530)</u>	<u>(5,587,294)</u>
<b>FINANCING ACTIVITIES</b>			
Debt securities in issue		-	500,000
Borrowings		(15,625)	(15,625)
Dividends paid		(1,001,087)	(563,498)
Net cash used in financing activities		<u>(1,016,712)</u>	<u>(79,123)</u>
Net decrease in cash and cash equivalents		<u>(9,387,324)</u>	<u>(2,622,234)</u>
Cash and cash equivalents at beginning of the period		21,592,923	20,932,974
Cash and cash equivalents at end of the period	10	<u>12,205,599</u>	<u>18,310,740</u>
Special commission received during the period		<u>2,069,479</u>	<u>1,767,537</u>
Special commission paid during the period		<u>344,371</u>	<u>326,358</u>
<b><u>Supplemental non cash information</u></b>			
Other comprehensive income		<u>(39,286)</u>	<u>87,412</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

### 1. General

The Saudi British Bank (SABB) is a Saudi Joint Stock Company and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SABB 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. SABB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 79 branches (June 2012: 80) in the Kingdom of Saudi Arabia. SABB employed 3,079 staff as at 30 June 2013 (2012: 3,060). The address of SABB's head office is as follows:

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

SABB's objectives are to provide a range of banking services. SABB also provides Shariah approved products, which are approved and supervised by an independent Shariah Board established by SABB.

SABB has 100% (2012:100%) 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 subsidiary is currently not carrying out any activity and is in the process of being liquidated.

SABB has 100% (2012 : 100 %) ownership interest in a subsidiary, SABB Insurance Agency, a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). SABB has 98% direct and 2% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The principal activity of the subsidiary is to act as a sole insurance agent for SABB Takaful Company (an associate company of SABB - see note 6) within the Kingdom of Saudi Arabia as per the agreement between the subsidiary and the associate. However, the articles of association of the subsidiary do not restrict the subsidiary from acting as an agent to any other insurance company in the Kingdom of Saudi Arabia.

SABB has 100% (2012:100 %) ownership interest in a subsidiary, Arabian Real Estate Company Limited, a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). SABB has 99% direct and 1% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purpose.

### 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 34 – Interim Financial Reporting. SABB 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 2012.

The preparation of 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 and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2012.

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

## 2(i). Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of SABB and its subsidiaries (collectively referred to as the “Bank”). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SABB. SABB controls an entity (the “investee”) over which 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. Subsidiaries are consolidated from the date on which control is transferred to SABB and cease to be consolidated from the date on which the control is transferred from SABB.

Intra-group transactions and balances have been eliminated in preparing interim condensed consolidated financial statements.

## 3. 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 31 December, 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below, which has an insignificant effect/no financial impact on the interim condensed consolidated interim financial statements of the Bank on the current period or prior period, and is not expected to have any significant effect in future periods:

### a) New standards

- IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).
- IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair value measurements: IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, except for the requirements in case of share based payments, leasing transactions and measurements that have some similarities to fair value but are not fair valued. IFRS 13 does not change requirements when the entity is required to use fair value; rather it provides guidance on how to measure the fair value.
- IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 – Financial Instruments: Disclosures. Some of these disclosures are also specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.



b) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements – The amendment revises the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.
- IAS 27 Separate Financial Statements (2011): now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of Joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.
- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
  - o IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
  - o IAS 16 – Property, plant and equipment: Classification of servicing equipment;
  - o IAS 32 – Financial instruments presentation: Income tax consequences of distributions
  - o IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**4. Investments, net**

Investment securities are classified as follows:

<b>SAR'000</b>	<b>30 June 2013 (Unaudited)</b>	<b>31 December 2012 (Audited)</b>	<b>30 June 2012 (Unaudited)</b>
<b>Investments:</b>			
- Held as FVIS	<b>1,013</b>	4,921	13,472
- Available for sale, net	<b>30,392,081</b>	26,532,390	26,680,285
- Other investments held at amortized cost	<b>449,926</b>	949,863	1,050,490
- Held to maturity	<b>-</b>	100,011	100,156
<b>Total</b>	<b>30,843,020</b>	27,587,185	27,844,403

Investments classified under FVIS are all held for trading.

## 5. Loans and advances, net

Loans and advances are comprised of the following:

<b>SAR'000</b>	<b>30 June 2013 (Unaudited)</b>	<b>31 December 2012 (Audited)</b>	<b>30 June 2012 (Unaudited)</b>
Credit cards	1,972,439	1,767,124	1,696,319
Consumer loans	20,746,999	17,133,422	16,211,133
Commercial loans and overdrafts	84,139,166	78,012,589	77,331,445
Performing loans and advances – gross	106,858,604	96,913,135	95,238,897
Non-performing loans and advances, net	1,620,609	1,598,555	1,677,594
<b>Total loans and advances</b>	<b>108,479,213</b>	<b>98,511,690</b>	<b>96,916,491</b>
Provision for credit losses (specific and collective)	(2,479,420)	(2,413,384)	(2,177,890)
<b>Loans and advances, net</b>	<b>105,999,793</b>	<b>96,098,306</b>	<b>94,738,601</b>

## 6. Investment in associates

<b>SAR'000</b>	<b>30 June 2013 (Unaudited)</b>	<b>31 December 2012 (Audited)</b>	<b>30 June 2012 (Unaudited)</b>
<b>HSBC Saudi Arabia Limited</b>			
Balance at beginning of the period	496,237	453,689	453,689
Share of profit	58,612	106,737	80,590
Dividend received	-	(62,395)	-
Adjustments	-	(1,794)	-
	<b>554,849</b>	<b>496,237</b>	<b>534,279</b>
<b>SABB Takaful</b>			
Balance at beginning of the period	115,995	111,502	111,502
Share of profit	2,336	4,493	1,782
	<b>118,331</b>	<b>115,995</b>	<b>113,284</b>
<b>Total</b>	<b>673,180</b>	<b>612,232</b>	<b>647,563</b>

As set out in note 1, SABB Securities Limited is in the process of being liquidated. During 2011 the assets and liabilities of SABB Securities Limited have been transferred to HSBC Saudi Arabia Limited resulting in an increased shareholding of SABB in HSBC Saudi Arabia Limited from 40% to 51%. However, SABB does not consolidated HSBC Saudi Arabia Limited as it does not have control over it.

HSBC Saudi Arabia Limited is involved in investment banking services in addition to being engaged in the business of custody and dealing as an agent excluding underwriting in the Kingdom of Saudi Arabia.

SABB 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.

# The Saudi British Bank

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2013

### 7. Customers' deposits

SAR'000	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
Demand	69,052,065	63,417,449	58,411,603
Savings	6,267,198	6,096,869	5,843,480
Time	47,809,914	49,526,952	52,184,698
Other	2,758,835	1,392,446	1,139,336
<b>Total</b>	<b>125,888,012</b>	<b>120,433,716</b>	<b>117,579,117</b>

### 8. 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	30 June 2013 (Unaudited)			31 December 2012 (Audited)			30 June 2012 (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
<b>Derivatives held for trading:</b>									
Special commission rate swaps	795,557	(609,684)	51,159,299	1,024,433	(916,708)	47,681,937	1,117,596	(992,170)	52,871,308
Currency swaps	21,678	(21,678)	484,090	-	-	-	-	-	-
Special commission rate futures and options	41,969	(41,969)	3,125,996	35,381	(35,381)	5,495,972	46,500	(46,500)	5,495,972
Spot and forward foreign exchange contracts	29,066	(30,407)	27,255,164	32,419	(23,455)	24,692,588	53,165	(39,551)	28,012,193
Currency options	1,023,426	(1,023,426)	99,664,272	750,414	(750,414)	37,052,768	764,189	(764,189)	39,849,064
Others	69,304	(69,304)	1,305,000	57,368	(57,368)	1,388,576	52,436	(52,436)	1,365,000
<b>Derivatives held as fair value hedges:</b>									
Special commission rate swaps	42,928	(32,913)	4,189,412	62,616	(55,104)	4,407,851	56,338	(62,413)	4,601,135
<b>Derivatives held as cash flow hedges:</b>									
Special commission rate swaps	-	(1,038)	1,250,000	-	(9,585)	1,250,000	2,668	(18,582)	1,500,000
<b>Total</b>	<b>2,023,928</b>	<b>(1,830,419)</b>	<b>188,433,233</b>	<b>1,962,631</b>	<b>(1,848,015)</b>	<b>121,969,692</b>	<b>2,092,892</b>	<b>(1,975,841)</b>	<b>133,694,672</b>

## 9. Credit related commitments and contingencies

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

SAR'000	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
Letters of credit	17,679,720	15,813,888	15,434,482
Letters of guarantee	52,872,969	50,651,881	45,215,971
Acceptances	3,918,668	3,346,625	3,430,499
Irrevocable commitments to extend credit	2,650,274	1,790,491	2,827,935
<b>Total</b>	<b>77,121,631</b>	<b>71,602,885</b>	<b>66,908,887</b>

## 10. Cash and cash equivalents

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

SAR'000	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,224,477	13,501,513	7,139,923
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition.	4,981,122	8,091,410	11,170,817
<b>Total</b>	<b>12,205,599</b>	<b>21,592,923</b>	<b>18,310,740</b>

## 11. 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 operating 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 operating segments are on normal commercial terms and conditions. There are no material items of income or expense between the operating segments. Revenue from external parties reported to operating chief decision maker is measured in a manner consistent with that in the interim consolidated statement of income. Operating segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

There have been no changes to the basis of segmentation or the measurement basis for the operating segment profit or loss since 31 December 2012.

The Bank is organised into the following main operating 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.

**Others** – includes activities of investment in associates

The Bank's total assets and liabilities as at 30 June 2013 and 2012, their total operating income and expenses, and the net income for the six-month periods then ended, by operating segment, are as follows:

**30 June 2013**  
**(Unaudited)**  
**SAR' 000**

	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Total assets	31,440,783	77,816,196	52,004,958	673,180	161,935,117
Total liabilities	52,088,402	66,166,118	22,701,849	-	140,956,369
Total operating income	963,452	1,391,003	584,758	-	2,939,213
Total operating expenses	588,870	391,456	67,308	-	1,047,634
Share in earnings of associates, net	-	-	-	60,948	60,948
Net income for the period	374,582	999,547	517,450	60,948	1,952,527
Credit losses and impairment provision, net	95,941	108,032	6,414	-	210,387

**30 June 2012**  
**(Unaudited)**  
**SAR' 000**

	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Total assets	24,151,117	72,413,893	54,692,341	647,563	151,904,914
Total liabilities	45,550,767	60,377,505	27,516,356	-	133,444,628
Total operating income	796,795	1,255,984	559,988	-	2,612,767
Total operating expenses	497,373	374,571	54,022	-	925,966
Share in earnings of associates, net	-	-	-	82,372	82,372
Net income for the period	299,422	881,413	505,966	82,372	1,769,173
Credit losses and impairment provision (reversal), net	47,651	104,070	(1,048)	-	150,673

**12. Earnings per share**

Basic and fully diluted earnings per share for the period ended 30 June 2013 and 2012 is calculated by dividing the net income for the period attributable to the equity holders by 1,000 million shares.

### 13. 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 monitored regularly by the Bank's management. SAMA requires the Bank to hold the minimum level of the regulatory capital and to maintain a ratio of total regulatory capital to the risk-weighted assets at or above the agreed minimum of 8%.

The Bank monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

	30 June 2013 SAR'000 (Unaudited)	31 December 2012 SAR'000 (Audited)	30 June 2012 SAR'000 (Unaudited)
<b>Risk Weighted Assets (RWA)</b>			
Credit Risk RWA	141,585,985	126,036,229	121,735,850
Operational Risk RWA	10,264,016	10,004,373	9,919,927
Market Risk RWA	2,391,313	1,829,900	1,954,838
<b>Total RWA</b>	<b>154,241,314</b>	<b>137,870,502</b>	<b>133,610,615</b>
<b>Tier I Capital</b>	<b>20,923,126</b>	<b>16,531,191</b>	<b>16,442,380</b>
<b>Tier II Capital</b>	<b>1,878,588</b>	<b>5,100,494</b>	<b>3,594,942</b>
<b>Total I &amp; II Capital</b>	<b>22,801,714</b>	<b>21,631,685</b>	<b>20,037,322</b>
<b>Capital Adequacy Ratio %</b>			
<b>Tier I ratio</b>	<b>13.57%</b>	11.99%	12.31%
<b>Tier I + Tier II ratio</b>	<b>14.78%</b>	15.69%	15.00%

The amounts and ratios disclosed above for 30 June 2013 have been calculated based on Basel III, whereas, comparative information has been calculated based on Basel II.

### 14. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of recognised financial instruments are not materially different from their carrying values, except for loans and advances and customer deposits.

It is not practicable to determine the fair value of loans and advances, customer deposits with sufficient reliability except as disclosed below.

### Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking):

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.

SAR' 000	Level 1	Level 2	Level 3	Total
<b>30 June 2013</b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	2,023,928	-	2,023,928
Financial assets held as FVIS	1,013	-	-	1,013
Financial investments available for sale	8,459,759	21,854,165	69,776	30,383,700
Loans and advances – Fair value hedged	-	758,488	-	758,488
<b>Total</b>	<b>8,460,772</b>	<b>24,636,581</b>	<b>69,776</b>	<b>33,167,129</b>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	-	1,830,419	-	1,830,419
Debt securities in issue- Fair value hedged	2,281,776	-	-	2,281,776
<b>Total</b>	<b>2,281,776</b>	<b>1,830,419</b>	<b>-</b>	<b>4,112,195</b>

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate futures and options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

Available for sale investments classified as Level 2 include plain vanilla bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads. During the period an amount of SAR 1.3 billion was transferred from Level I to Level II on account of certain local corporate bonds as their quoted market prices are no longer available.

Available for sale investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value (NAV) as at the balance sheet date. The movement in Level 3 financial instruments during the period relates to fair value adjustment only.

### 15. Capital adequacy – Basel III

Certain additional quantitative disclosures are required under the Basel Pillar 3 framework. These disclosures will be published on the Bank's website [www.sabb.com](http://www.sabb.com) within 60 days after 30 June 2013 as required by SAMA.