

**Interim Condensed
Consolidated Financial
Statements**

For the three months period ended
31 March 2015

The Saudi British Bank

SABB  **ساب**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2015	31 December 2014	31 March 2014
	Unaudited	Audited	Unaudited
<u>Notes</u>	<u>SAR' 000</u>	<u>SAR' 000</u>	<u>SAR' 000</u>
ASSETS			
Cash and balances with SAMA	13,119,108	19,313,766	19,493,950
Due from banks and other financial institutions	3,396,899	2,468,871	3,399,551
Investments, net	4 47,279,659	45,280,816	38,137,426
Loans and advances, net	5 120,434,693	115,220,797	109,902,201
Investment in a joint venture and an associate	6 691,048	651,674	673,335
Property and equipment, net	905,356	663,401	613,913
Other assets	4,333,917	4,009,943	3,195,647
Total assets	190,160,680	187,609,268	175,416,023
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	2,139,569	4,085,928	4,140,630
Customers' deposits	7 149,002,439	145,870,497	136,979,704
Debt securities in issue	5,259,507	5,264,678	5,249,308
Borrowings	78,125	78,125	109,375
Other liabilities	7,579,747	6,238,828	5,913,810
Total liabilities	164,059,387	161,538,056	152,392,827
Shareholders' equity			
Share capital	15,000,000	10,000,000	10,000,000
Statutory reserve	6,501,019	9,001,019	7,934,504
Other reserves	126,510	61,614	199,133
Retained earnings	4,473,764	5,858,579	4,889,559
Proposed dividends	-	1,150,000	-
Total shareholders' equity	26,101,293	26,071,212	23,023,196
Total liabilities and shareholders' equity	190,160,680	187,609,268	175,416,023

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months period ended 31 March

Unaudited

	Notes	2015 SAR' 000	2014 SAR' 000
Special commission income		1,155,213	1,113,545
Special commission expense		123,750	152,961
Net special commission income		1,031,463	960,584
Fees and commission income, net		412,026	441,810
Exchange income, net		107,290	97,837
Income from FVIS financial instruments		-	3,750
Trading income, net		126,682	111,950
Dividend income		-	1,762
Gains on non-trading investments, net		39,567	2,682
Other operating income		152	567
Total operating income		1,717,180	1,620,942
Salaries and employee related expenses		358,056	291,558
Rent and premises related expenses		29,974	25,626
Depreciation		23,066	21,581
General and administrative expenses		115,317	110,342
Provision for credit losses, net		115,588	118,536
Reversal of impairment of other financial assets		(632)	(949)
Total operating expenses		641,369	566,694
Income from operating activities		1,075,811	1,054,248
Share in earnings of a joint venture and an associate	6	39,374	26,278
Net income for the period		1,115,185	1,080,526
Basic and diluted earnings per share for the period (in SAR)	12	0.74	0.72

The accompanying notes 1 to 16 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 period ended 31 March

Unaudited

	2015	2014
	SAR' 000	SAR' 000
Net income for the period	1,115,185	1,080,526
Other comprehensive income to be reclassified to statement of income in subsequent periods		
Available for sale financial assets		
- Net change in fair value	107,048	207,384
- Transfer to interim consolidated statement of income	(39,567)	2,682
Cash flow hedges		
- Net change in fair value	(2,390)	-
- Transfer to interim consolidated statement of income	(195)	(195)
	64,896	209,871
Total comprehensive income for the period	1,180,081	1,290,397

The accompanying notes 1 to 16 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 period ended 31 March

Unaudited

	Share capital SAR '000	Statutory reserve SAR '000	Other reserves SAR '000	Retained earnings SAR '000	Proposed dividends SAR '000	Total SAR '000
2015						
Balance at beginning of the period	<u>10,000,000</u>	<u>9,001,019</u>	<u>61,614</u>	<u>5,858,579</u>	<u>1,150,000</u>	<u>26,071,212</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	1,115,185	-	1,115,185
Net changes in fair value of cash flow hedges	-	-	(2,390)	-	-	(2,390)
Net changes in fair value of available for sale investments	-	-	107,048	-	-	107,048
Transfer to interim consolidated statement of income	-	-	(39,762)	-	-	(39,762)
			<u>64,896</u>	<u>1,115,185</u>		<u>1,180,081</u>
Bonus share issue (note 12)	5,000,000	(2,500,000)	-	(2,500,000)	-	-
2014 final dividend paid	-	-	-	-	(1,150,000)	(1,150,000)
Balance at end of the period	<u>15,000,000</u>	<u>6,501,019</u>	<u>126,510</u>	<u>4,473,764</u>	-	<u>26,101,293</u>
2014						
Balance at beginning of the period	<u>10,000,000</u>	<u>7,934,504</u>	<u>(10,738)</u>	<u>3,809,033</u>	<u>1,100,000</u>	<u>22,832,799</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	1,080,526	-	1,080,526
Net changes in fair value of cash flow hedges	-	-	-	-	-	-
Net changes in fair value of available for sale investments	-	-	207,384	-	-	207,384
Transfer to interim consolidated statement of income	-	-	2,487	-	-	2,487
	-	-	<u>209,871</u>	<u>1,080,526</u>	-	<u>1,290,397</u>
2013 final dividend paid	-	-	-	-	(1,100,000)	(1,100,000)
Balance at end of the period	<u>10,000,000</u>	<u>7,934,504</u>	<u>199,133</u>	<u>4,889,559</u>	-	<u>23,023,196</u>

The accompanying notes 1 to 16 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 period ended 31 March

Unaudited

	<u>Notes</u>	2015 SAR' 000	2014 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		1,115,185	1,080,526
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortisation of premium on non-trading investments, net		13,050	8,857
Depreciation		23,066	21,581
Gains on non-trading investments, net		(39,567)	(2,682)
Share in earnings of a joint venture and associate		(39,374)	(26,278)
Provision for credit losses, net		115,588	118,536
Reversal of impairment of other financial assets		(632)	(949)
Change in carrying value of debt securities in issue		(5,171)	(33,565)
		1,182,145	1,166,026
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(200,569)	(182,218)
Investments held for trading		-	3
Loans and advances		(5,329,484)	(3,905,807)
Other assets		(323,974)	(68,615)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,946,359)	370,990
Customers' deposits		3,131,942	(1,981,766)
Other liabilities		1,319,450	(431,745)
Net cash used in operating activities		(2,166,849)	(5,033,132)
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		10,197,204	8,851,474
Purchase of non-trading investments		(12,104,002)	(9,384,699)
Purchase of property and equipment		(265,021)	(31,838)
Net cash used in investing activities		(2,171,819)	(565,063)
FINANCING ACTIVITY			
Dividends paid		(1,128,531)	(1,100,488)
Net cash used in financing activity		(1,128,531)	(1,100,488)
Net decrease in cash and cash equivalents		(5,467,199)	(6,698,683)
Cash and cash equivalents at beginning of the period		13,012,041	21,682,842
Cash and cash equivalents at end of the period	10	7,544,842	14,984,159
Special commission received during the period		1,079,076	1,022,578
Special commission paid during the period		109,230	153,829
<u>Supplemental non cash information</u>			
Other comprehensive income		64,896	209,871

The accompanying notes 1 to 16 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 81 branches (2014: 80 branches) in the Kingdom of Saudi Arabia. SABB employed 3,413 staff as at 31 March 2015 (2014: 3,206). The address of SABB’s head office is as follows:

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

The objectives of SABB 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% (2014:100%) 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% (2014:100%) 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% (2014:100%) 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.

SABB has 100% ownership interest in a subsidiary, SABB Real Estate Company Limited, a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (4 December 2014). SABB has 99.8% direct and 0.2% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The subsidiary’s main purpose is the registration of real estates.

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 consolidated financial statements for the year ended 31 December 2014.

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 2014.

Notes To The Interim Condensed Consolidated Financial Statements (continued) 31 March 2015

The Bank presents its statement of financial position in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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, as mentioned in note 1 (collectively referred to as the “Bank”). The financial statements of the subsidiaries are prepared for the same reporting period as that of SABB, 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 2014 except for the adoption of the following amendments to existing standards mentioned below, which has had 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:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions are satisfied, to reduce service cost in period in which the related service is rendered.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
 - o IFRS 1 – “first time adoption of IFRS”: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
 - o IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.
 - o IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
 - o IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
 - o IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

Notes To The Interim Condensed Consolidated Financial Statements (continued)
31 March 2015

- IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
- IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

4. Investments, net

Investment securities are classified as follows:

SAR’000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Investments:			
- Held as FVIS	-	-	1,004
- Available for sale, net	47,279,659	45,180,816	38,036,440
- Held at amortised cost, net	-	100,000	99,982
Total	47,279,659	45,280,816	38,137,426

Investments classified under FVIS are all held for trading.

5. Loans and advances, net

Loans and advances are comprised of the following:

SAR’000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Credit cards	2,051,422	2,091,725	1,968,734
Consumer loans	24,170,262	24,027,009	22,826,580
Commercial loans and overdrafts	95,089,072	90,009,676	85,874,714
Performing loans and advances – gross	121,310,756	116,128,410	110,670,028
Non performing loans and advances, net	1,508,208	1,494,932	1,525,971
Total loans and advances	122,818,964	117,623,342	112,195,999
Provision for credit losses (specific and collective)	(2,384,271)	(2,402,545)	(2,293,798)
Loans and advances, net	120,434,693	115,220,797	109,902,201

Notes To The Interim Condensed Consolidated Financial Statements (continued)
31 March 2015

6. Investment in a joint venture and an associate

SAR'000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
HSBC Saudi Arabia Limited			
Balance at beginning of the period	526,221	526,302	526,302
Share of undistributed profit	38,905	104,755	25,188
Dividend received	-	(104,836)	-
	<u>565,126</u>	<u>526,221</u>	<u>551,490</u>
SABB Takaful			
Balance at beginning of the period	125,453	120,755	120,755
Share of undistributed profit	469	4,698	1,090
	<u>125,922</u>	<u>125,453</u>	<u>121,845</u>
Total	<u>691,048</u>	<u>651,674</u>	<u>673,335</u>

SABB owns 51% of the shares of HSBC Saudi Arabia Limited, a joint venture with HSBC. SABB does not consolidate the entity as it does not have management control, nor the power to govern the financial and operating policies of the entity. The main activities of HSBC Saudi Arabia Limited are to provide a full range of investment banking services including investment banking advisory, debt and project finance as well as Islamic finance. It also manages mutual funds and discretionary portfolios.

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 market value of investment in SABB Takaful as of 31 March 2015 is SAR 381.3 million (2014: SAR 428.7 million).

7. Customers' deposits

SAR'000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Demand	91,815,119	86,583,535	80,860,423
Savings	7,512,710	6,865,211	6,994,494
Time	47,422,409	50,235,555	46,799,357
Margin deposits	2,252,201	2,186,196	2,325,430
Total	<u>149,002,439</u>	<u>145,870,497</u>	<u>136,979,704</u>

Notes To The Interim Condensed Consolidated Financial Statements (continued)
31 March 2015

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	31 March 2015 (Unaudited)			31 December 2014 (Audited)			31 March 2014 (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	570,984	(511,383)	50,369,265	548,911	(465,354)	51,325,703	601,342	(446,102)	47,609,843
Special commission rate futures and options	36,349	(36,349)	2,286,979	43,078	(43,078)	2,249,929	48,102	(48,102)	2,270,997
Spot and forward foreign exchange contracts	79,473	(73,827)	26,360,669	60,153	(61,514)	26,635,831	25,658	(20,704)	27,270,679
Currency options	249,728	(254,776)	221,952,136	151,473	(154,264)	193,156,074	55,579	(56,083)	157,269,101
Currency swaps	49,451	(49,451)	449,219	37,967	(37,967)	461,211	24,376	(24,376)	476,455
Others	250,749	(250,749)	1,104,688	166,038	(166,038)	833,565	146,937	(147,079)	1,140,604
Derivatives held as fair value hedges:									
Special commission rate swaps	11,459	(64,870)	3,878,781	17,266	(48,199)	4,121,257	34,087	(18,303)	3,849,709
Derivatives held as cash flow hedges:									
Currency swaps	-	(2,390)	289,688	-	-	-	-	-	-
Total	1,248,193	(1,243,795)	306,691,425	1,024,886	(976,414)	278,783,570	936,081	(760,749)	239,887,388

9. Credit related commitments and contingencies

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

SAR'000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Letters of credit	15,221,782	15,131,587	14,441,751
Letters of guarantee	62,225,391	61,458,178	56,072,037
Acceptances	3,645,229	3,190,107	2,758,105
Irrevocable commitments to extend credit	1,775,387	1,712,325	2,760,002
Total	82,867,789	81,492,197	76,031,895

Notes To The Interim Condensed Consolidated Financial Statements (continued)
31 March 2015

10. Cash and cash equivalents

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

SAR'000	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	4,241,693	10,636,920	11,584,608
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition	3,303,149	2,375,121	3,399,551
Total	7,544,842	13,012,041	14,984,159

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 significant changes to the basis of segmentation or the measurement basis for the operating segment profit or loss since 31 December 2014.

The Bank is organised into the following main operating segments:

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

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

Treasury –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 liquidity position.

Others – includes activities of investment in a joint venture and an associate.

The Bank's total assets and liabilities as at 31 March 2015 and 2014, their total operating income and expenses, and the net income for the three-month periods then ended, by operating segment, are as follows:

31 March 2015 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	35,696,143	89,370,786	64,402,703	691,048	190,160,680
Total liabilities	63,285,013	77,573,504	23,200,870	-	164,059,387
Total operating income	556,609	764,091	396,480	-	1,717,180
Total operating expenses	381,747	222,171	37,451	-	641,369
Share in earnings of joint venture and associate	-	-	-	39,374	39,374
Net income for the period	174,862	541,920	359,029	39,374	1,115,185
Credit losses and impairment provision (reversal), net	69,007	46,581	(632)	-	114,956

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued)

31 March 2015

31 March 2014 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	34,032,426	80,240,370	60,469,892	673,335	175,416,023
Total liabilities	60,897,404	68,510,244	22,985,179	-	152,392,827
Total operating income	539,972	749,614	331,356	-	1,620,942
Total operating expenses	304,122	226,309	36,263	-	566,694
Share in earnings of joint venture and associate	-	-	-	26,278	26,278
Net income for the period	235,850	523,305	295,093	26,278	1,080,526
Credit losses and impairment provision (reversal), net	42,211	76,325	(949)	-	117,587

12. Basic and diluted earnings per share

The shareholders of SABB approved a bonus issue of one share for every two shares in their Extra Ordinary General Meeting held on 11 March 2015. As a result 500 million shares of SAR 10 each were issued by capitalizing retained earnings and statutory reserve.

Basic and fully diluted earnings per share for the period ended 31 March 2015 and 2014 is calculated by dividing the net income for the period attributable to the equity holders by 1,500 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue.

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.

	31 March 2015 SAR'000 (Unaudited)	31 December 2014 SAR'000 (Audited)	31 March 2014 SAR'000 (Unaudited)
Risk Weighted Assets (RWA)			
Credit Risk RWA	158,183,197	151,267,712	142,726,036
Operational Risk RWA	11,906,446	11,688,587	10,932,736
Market Risk RWA	2,205,075	3,841,275	3,233,100
Total RWA	172,294,718	166,797,574	156,891,872
Tier I Capital	26,101,293	26,071,212	23,023,196
Tier II Capital	2,874,326	3,128,106	3,103,146
Total I & II Capital	28,975,619	29,199,318	26,126,342
Capital Adequacy Ratio %			
Tier I ratio	15.15%	15.63%	14.67%
Tier I + Tier II ratio	16.82%	17.51%	16.65%

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
31 March 2015				
<u>Financial assets</u>				
Derivative financial instruments	-	1,248,193	-	1,248,193
Financial assets held as FVIS	-	-	-	-
Financial investments available for sale	9,850,116	37,377,326	43,927	47,271,369
Investments held at amortised cost	-	-	-	-
Loans and advances – Fair value hedged	-	140,742	-	140,742
Total	9,850,116	38,766,261	43,927	48,660,304
<u>Financial Liabilities</u>				
Derivative financial instruments	-	1,243,795	-	1,243,795
Debt securities in issue- Fair value hedged	2,259,507	-	-	2,259,507
Total	2,259,507	1,243,795	-	3,503,302

SAR' 000	Level 1	Level 2	Level 3	Total
31 March 2014				
<u>Financial assets</u>				
Derivative financial instruments	-	936,081	-	936,081
Financial assets held as FVIS	1,004	-	-	1,004
Financial investments available for sale	8,774,473	29,176,622	76,934	38,028,029
Investments held at amortised cost	-	103,039	-	103,039
Loans and advances – Fair value hedged	-	478,347	-	478,347
Total	8,775,477	30,694,089	76,934	39,546,500
<u>Financial Liabilities</u>				
Derivative financial instruments	-	760,749	-	760,749
Debt securities in issue- Fair value hedged	2,260,778	-	-	2,260,778
Total	2,260,778	760,749	-	3,021,527

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 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.

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 movement only.

The total amount of the changes in fair value recognised in the interim consolidated statement of income, which was estimated using valuation technique, is negative SAR 6.91 million (2014: positive SAR 43.07 million).

15. Disclosures under Basel III framework

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the SABB's website www.sabb.com within prescribed time as required by SAMA.

16. Comparative figures

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