

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2004 (Unaudited)

1. Accounting policies

The Bank follows the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), and International Financial Reporting Standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The Bank also complies with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed financial statements are prepared in accordance with International Accounting Standard No. 34 Interim Financial Reporting. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2003.

Reclassification

Certain prior period amounts have been reclassified to conform with the current period presentation.

2. Investments, net

The analysis of investments is as follows:

SAR'000	At 31 March 2004 (Unaudited)	At 31 December 2003 (Audited)	At 31 March 2003 (Unaudited)
Available for sale investments	6,768,325	6,902,239	11,973,452
Originated debt securities	9,934,361	8,340,486	7,649,291
Held to maturity investments	726,819	728,523	734,705
Total	17,429,505	15,971,248	20,357,448

3. Bonus share issue and earnings per share

A bonus issue of one share for every four shares held, was approved in the Annual General Meeting on 15 March 2004. The calculation of earnings per share for the three months ended 31 March 2003 has been adjusted to reflect the bonus share issue in 2004.

4. Cash and cash equivalents

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

SAR'000	At 31 March 2004 (Unaudited)	At 31 December 2003 (Audited)	At 31 March 2003 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	530,259	1,069,315	626,508
Due from banks and other financial institutions within ninety days	2,140,787	338,483	982,361
Total	2,671,046	1,407,798	1,608,869

5. Derivatives

The table below sets out the positive and negative fair values of the Bank's 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 related future cash flows. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk nor market risk.

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SAR'000	At 31 March 2004 (Unaudited)			At 31 December 2003 (Audited)			At 31 March 2003 (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:									
Spot and forward foreign exchange contracts	40,364	(65,391)	12,255,852	90,086	(101,874)	9,144,696	72,547	(77,975)	20,479,869
Currency options	12,093	(12,093)	1,427,106	10,544	(10,544)	1,155,354	2,838	(2,838)	424,238
Special commission rate swaps	5,858	(5,752)	1,542,187	18,444	(18,382)	1,617,188	57,986	(42,318)	1,647,500
Special commission rate options	-	-	-	-	-	-	7,672	(7,672)	1,500,000
Derivatives held as fair value hedges:									
Special commission rate swaps	-	(32,278)	162,278	-	(27,891)	166,481	-	(36,189)	338,185
Derivatives held as cash flow hedges:									
Currency swaps	-	(1,773)	18,063	-	(1,941)	17,539	-	(2,220)	15,805
Special commission rate swaps	10,187	-	287,500	3,810	-	287,500	1,935	-	100,000
Total	68,502	(117,287)	15,692,986	122,884	(160,632)	12,388,758	142,978	(169,212)	24,505,597

6. Credit related commitments and contingencies

The analysis of credit related commitments and contingencies is as follows:

SAR'000	At 31 March 2004 (Unaudited)	At 31 December 2003 (Audited)	At 31 March 2003 (Unaudited)
Letters of credit	3,728,511	2,782,354	2,847,417
Guarantees	3,806,112	3,919,289	3,550,727
Acceptances	1,491,105	1,753,485	1,590,687
Irrevocable commitments to extend credit	1,130,592	1,140,856	1,258,673
Total	10,156,320	9,595,984	9,247,504

7. Business segments

The Bank is organised into the following main business segments:

Personal Banking – which caters primarily to the personal banking requirements of individuals.

Corporate Banking – which is responsible for products and services required by corporate entities.

Treasury – which manages the Bank's trading and investment portfolios and the Bank's liquidity, currency and special commission rate risks.

Other – which comprises investment banking and other residual business together with central services and pool funds.

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 2004 and 2003, its total operating income and expenses, and its net income for the three month periods then ended, by business segment, are as follows:

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31 March 2004 (Unaudited)

SAR'000	Personal Banking	Corporate Banking	Treasury	Other	Total
Total assets	8,520,067	17,219,727	16,723,746	7,345,972	49,809,512
Total liabilities	15,787,129	10,054,159	15,183,642	3,642,850	44,667,780
Total operating income	244,581	107,164	95,782	125,973	573,500
Total operating expenses	136,786	41,377	11,299	24,842	214,304
Net income	107,795	65,787	84,483	101,131	359,196

31 March 2003 (Unaudited)

SAR'000	Personal Banking	Corporate Banking	Treasury	Other	Total
Total assets	5,720,412	15,548,454	18,940,607	6,926,239	47,135,712
Total liabilities	14,481,375	6,900,113	15,230,007	5,956,742	42,568,237
Total operating income	206,819	99,410	77,012	109,054	492,295
Total operating expenses	138,375	45,191	12,114	21,045	216,725
Net income	68,444	54,219	64,898	88,009	275,570