

Interim Condensed
Financial Statements

For the three months ended
31 March 2007

The Saudi British Bank

SABB  ساب

BALANCE SHEETS

	31 March 2007 Unaudited SAR' 000	31 December 2006 Audited SAR' 000	31 March 2006 Unaudited SAR' 000
	<u>Notes</u>		
ASSETS			
Cash and balances with SAMA	13,700,209	7,795,020	8,291,151
Due from banks and other financial institutions	3,274,259	3,137,510	5,552,769
Investments, net	4 17,578,771	21,702,420	18,334,174
Investment in associates	5 118,428	72,209	-
Loans and advances, net	42,748,231	42,450,243	39,504,658
Property and equipment, net	561,606	541,235	547,284
Other assets	1,551,488	1,490,741	1,435,807
Total assets	79,532,992	77,189,378	73,665,843
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	3,012,094	2,171,835	4,627,080
Customer deposits	59,834,676	59,257,642	54,522,603
Debt securities in issue	3,872,537	3,853,194	2,247,114
Borrowings	187,500	187,500	187,500
Other liabilities	3,541,484	2,314,608	3,922,872
Total liabilities	70,448,291	67,784,779	65,507,169
Shareholders' equity			
Share capital	3,750,000	3,750,000	3,750,000
Statutory reserve	3,750,000	3,750,000	2,500,000
Other reserves	24,802	70,385	269,187
Retained earnings	1,559,899	943,589	1,639,487
Proposed dividend	-	890,625	-
Total shareholders' equity	9,084,701	9,404,599	8,158,674
Total liabilities and shareholders' equity	79,532,992	77,189,378	73,665,843

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

STATEMENTS OF INCOME
For the three months ended 31 March
Unaudited

	<u>Notes</u>	<u>2007</u> <u>SAR' 000</u>	<u>2006</u> <u>SAR' 000</u>
Special commission income		1,180,240	1,013,665
Special commission expense		469,001	427,367
Net special commission income		711,239	586,298
Fees from banking services, net		191,073	732,341
Exchange income, net		38,032	39,120
Income from FVIS Financial Instruments, net		26,642	28,221
Trading Income, net		16,495	13,618
Gains on non-trading investments, net		44,302	20,829
Other operating income		92	355
Total operating income		1,027,875	1,420,782
Salaries and employee related expenses		176,133	220,211
Rent and premises related expenses		14,278	11,371
Depreciation and amortisation		25,660	22,650
Other general and administrative expenses		109,033	130,940
Provision for credit losses, net		100,128	47,683
Other operating expenses		52	1,749
Total operating expenses		425,284	434,604
Net income from operating activities		602,591	986,178
Share in earnings of associate	5	13,719	-
Net income for the period		616,310	986,178
Basic and fully diluted earnings per share (in SAR)	10	1.64	2.63

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended 31 March
Unaudited

	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Total
	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>
<u>2007</u>						
Balance at beginning of the period	3,750,000	3,750,000	70,385	943,589	890,625	9,404,599
Net changes in fair value of cash flow hedges	-	-	(126)	-	-	(126)
Net changes in fair value of available for sale investments	-	-	(5,955)	-	-	(5,955)
Transfer to statement of income	-	-	(39,502)	-	-	(39,502)
Net income recognised directly in equity	-	-	(45,583)	-	-	(45,583)
Net income for the period	-	-	-	616,310	-	616,310
Total recognised income and expense for the period	-	-	(45,583)	616,310	-	570,727
2006 final dividend paid	-	-	-	-	(890,625)	(890,625)
Balance at end of the period	<u>3,750,000</u>	<u>3,750,000</u>	<u>24,802</u>	<u>1,559,899</u>	<u>-</u>	<u>9,084,701</u>

2006

Balance at beginning of the period	2,500,000	2,500,000	302,843	1,903,309	287,000	7,493,152
Net changes in fair value of cash flow hedges	-	-	415	-	-	415
Net changes in fair value of available for sale investments	-	-	(16,533)	-	-	(16,533)
Transfer to statement of income	-	-	(17,538)	-	-	(17,538)
Net income recognised directly in equity	-	-	(33,656)	-	-	(33,656)
Net income for the period	-	-	-	986,178	-	986,178
Total recognised income and expense for the period	-	-	(33,656)	986,178	-	952,522
2005 final dividend paid	-	-	-	-	(287,000)	(287,000)
Bonus share issue	1,250,000	-	-	(1,250,000)	-	-
Balance at end of the period	<u>3,750,000</u>	<u>2,500,000</u>	<u>269,187</u>	<u>1,639,487</u>	<u>-</u>	<u>8,158,674</u>

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

The Saudi British Bank
Saudi Joint Stock Company

STATEMENTS OF CASH FLOWS
For the three months ended 31 March
Unaudited

	<u>Notes</u>	<u>2007</u> <u>SAR' 000</u>	<u>2006</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		616,310	986,178
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortisation of premium and (accretion of discounts), net		171	527
Income from FVIS financial instruments		(26,642)	(28,221)
Gain on non trading investments, net		(44,302)	(20,829)
Depreciation and amortisation		25,660	22,650
(Gain) losses on disposal of property and equipment and other assets, net		(8)	71
Share in earnings from associate		(13,719)	-
Provision for credit losses, net		100,128	47,683
Change in fair value		18,492	(2,055)
		<u>676,090</u>	<u>1,006,004</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(10,573)	(467,292)
Investments held for trading		27,642	93,221
Loans and advances		(398,116)	1,290,601
Other assets		(60,747)	(469,497)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		840,259	577,455
Customer deposits		576,229	5,988,754
Other liabilities		480,222	448,625
Net cash from operating activities		<u>2,131,006</u>	<u>8,467,871</u>
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		5,965,006	1,657,956
Purchase of non-trading investments		(1,873,372)	(3,711,317)
Purchase of property and equipment		(46,090)	(42,209)
Proceeds from disposal of property and equipment		67	-
Net cash from (used in) investing activities		<u>4,045,611</u>	<u>(2,095,570)</u>
FINANCING ACTIVITIES			
Dividends paid		(145,252)	(259,311)
Net cash used in financing activities		<u>(145,252)</u>	<u>(259,311)</u>
Increase in cash and cash equivalents		<u>6,031,365</u>	<u>6,112,990</u>
Cash and cash equivalents at beginning of the period		<u>8,583,113</u>	<u>5,388,091</u>
Cash and cash equivalents at end of the period	8	<u>14,614,478</u>	<u>11,501,081</u>
Special commission received during the period		1,209,470	959,962
Special commission paid during the period		467,082	406,307
Supplemental non-cash information			
Net changes in fair value and cash flow hedges		(45,583)	(33,656)
Share in earnings of associate		13,719	-

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

Notes To The Interim Condensed Financial Statements
31 March 2007

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 73 branches (2006: 72) and 12 exclusive ladies' sections (2006: 12) in the Kingdom of Saudi Arabia. The Bank employed 2,781 staff as at 31 March 2007 (2006: 2,362). 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.

2. Basis of preparation

These interim condensed 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 financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The Bank has adopted IFRS 7, financial Instruments: disclosures and amendments to IAS 1 Presentation of Financial Statements – Capital Disclosures effective 1 January 2007 with retrospective effect, wherever applicable. IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level of capital and how it manages capital. The changes introduced by these standards do not have any significant implication to these interim financial statements as they are condensed financial statements.

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

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

Notes To The Interim Condensed Financial Statements
31 March 2007

4. Investments, net

Investment securities are classified as follows:

SAR'000	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
Investments:			
- Held as FVIS	1,552,055	2,116,621	1,928,572
- Available for sale	9,200,788	12,709,515	8,627,976
- Other investments held at amortized cost	6,314,128	6,363,585	7,262,179
- Held to maturity	511,800	512,699	515,447
Total	17,578,771	21,702,420	18,334,174

Investments included in held as FVIS include investments held for trading of SAR 289.0 million (31 December 2006: SAR 327.8million, 31 March 2006: 205.2 million).

5. Investment in associates

SAR'000	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
HSBC Saudi Arabia Limited			
Cost	20,000	20,000	-
Share of undistributed profit	65,928	52,209	-
	85,928	72,209	-
SABB Takaful			
Cost	32,500	-	-
Total	118,428	72,209	-

During 2006, the Bank made an investment in 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 equity of SABB Takaful, under formation. SABB Takaful will carry out Shariah compliant insurance activities and will offer family and general Takaful products.

Notes To The Interim Condensed Financial Statements
31 March 2007

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 2007 (Unaudited)			31 December 2006 (Audited)			31 March 2006 (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	159,837	(105,785)	23,497,217	124,500	(90,606)	14,058,291	187,841	(157,349)	11,599,920
Currency swaps	151,530	-	1,475,297	130,913	-	1,475,297	-	(133)	15,981
Special commission rate futures and options	186	(186)	400,000	396	(396)	400,000	1,452	(1,452)	400,000
Spot and forward foreign exchange contracts	49,324	(38,284)	16,094,095	50,290	(41,181)	21,449,674	30,639	(56,765)	19,427,161
Currency options	937	(937)	150,736	1,046	(1,046)	407,136	4,640	(4,640)	565,266
Derivatives held as fair value hedges:									
Special commission rate swaps	23,285	(12,221)	2,793,742	23,848	(12,308)	3,106,820	35,138	(12,713)	1,747,301
Derivatives held as cash flow hedges:									
Special commission rate swaps	5,844	(3,075)	727,500	6,711	(3,818)	727,500	6,153	(9,857)	577,500
Total	390,943	(160,488)	45,138,587	337,704	(149,355)	41,624,718	265,863	(242,909)	34,333,129

7. Credit related commitments and contingencies

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

SAR'000	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
Letters of credit	5,557,117	5,284,930	5,535,706
Letters of guarantee	10,706,048	9,812,180	8,283,043
Acceptances	2,745,117	2,308,954	1,826,781
Irrevocable commitments to extend credit	1,968,798	1,693,860	1,909,821
Total	20,977,080	19,099,924	17,555,351

Notes To The Interim Condensed Financial Statements
31 March 2007

8. Cash and cash equivalents

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

SAR'000	31 March 2007 (Unaudited)	31 December 2006 (Audited)	31 March 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	11,340,219	5,445,603	5,948,312
Due from banks and other financial institutions maturing within ninety days of original acquisition	3,274,259	3,137,510	5,552,769
Total	14,614,478	8,583,113	11,501,081

9. Business segments

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 balance sheet.

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 2007 and 2006, 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 2007 (Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	17,882,282	26,846,487	34,804,223	79,532,992
Total liabilities	29,381,393	28,164,738	12,902,160	70,448,291
Total operating income	535,507	408,172	97,915	1,041,594
Total operating expenses	325,628	85,156	14,500	425,284
Net income for the period	209,879	323,016	83,415	616,310

31 March 2006 (Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	18,168,613	22,825,567	32,671,663	73,665,843
Total liabilities	28,417,311	21,074,113	16,015,745	65,507,169
Total operating income	985,638	297,667	137,477	1,420,782
Total operating expenses	316,325	100,619	17,660	434,604
Net income for the period	669,313	197,048	119,817	986,178

Notes To The Interim Condensed Financial Statements
31 March 2007

10. Share capital and Earnings per share

Basic and fully diluted earnings per share for the period ended 31 March 2007 and 2006 is calculated by dividing the net income for the period attributable to the equity holders by 375 million shares