

Interim Condensed  
**Financial Statements**  
For the six months ended  
30 June 2007

**The Saudi British Bank**

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*The Saudi British Bank*  
*Saudi Joint Stock Company*

**BALANCE SHEETS**

	<b>30 June 2007 Unaudited SAR' 000</b>	31 December 2006 Audited SAR' 000	30 June 2006 Unaudited SAR' 000
<b>Notes</b>			
<b>ASSETS</b>			
Cash and balances with SAMA	<b>16,790,472</b>	7,795,020	10,288,922
Due from banks and other financial institutions	<b>1,030,856</b>	3,137,510	6,129,558
Investments, net	<b>4 16,371,127</b>	21,702,420	15,262,746
Investment in associates	<b>5 80,526</b>	72,209	-
Loans and advances, net	<b>48,620,158</b>	42,450,243	39,118,169
Property and equipment, net	<b>546,251</b>	541,235	549,673
Other assets	<b>1,667,209</b>	1,490,741	1,430,362
<b>Total assets</b>	<b>85,106,599</b>	77,189,378	72,779,430
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	<b>3,465,692</b>	2,171,835	2,190,600
Customer deposits	<b>65,229,159</b>	59,257,642	55,109,435
Debt securities in issue	<b>3,895,477</b>	3,853,194	3,772,978
Borrowings	<b>187,500</b>	187,500	187,500
Other liabilities	<b>2,667,581</b>	2,314,608	2,638,106
<b>Total liabilities</b>	<b>75,445,409</b>	67,784,779	63,898,619
<b>Shareholders' equity</b>			
Share capital	<b>3,750,000</b>	3,750,000	3,750,000
Statutory reserve	<b>3,750,000</b>	3,750,000	2,952,265
Other reserves	<b>(33,644)</b>	70,385	168,441
Retained earnings	<b>2,194,834</b>	943,589	2,010,105
Proposed dividends	<b>-</b>	890,625	-
<b>Total shareholders' equity</b>	<b>9,661,190</b>	9,404,599	8,880,811
<b>Total liabilities and shareholders' equity</b>	<b>85,106,599</b>	77,189,378	72,779,430

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

**STATEMENTS OF INCOME**  
**Unaudited**

	Notes	Three months ended		Six months ended	
		30 June 2007 SAR'000	30 June 2006 SAR'000	30 June 2007 SAR'000	30 June 2006 SAR'000
Special commission income		1,239,151	1,060,737	2,419,391	2,074,402
Special commission expense		498,276	423,867	967,277	851,234
<b>Net special commission income</b>		<b>740,875</b>	<b>636,870</b>	<b>1,452,114</b>	<b>1,223,168</b>
Fees from banking services, net		215,791	484,818	406,864	1,217,159
Exchange income, net		47,541	39,992	85,573	79,112
Income from FVIS Financial Instruments, net		18,211	32,282	44,853	60,503
Trading (loss) income, net		(4,866)	8,223	11,629	21,841
Dividend income		2,979	2,944	2,979	2,944
Gains on non trading investments, net		5,778	581	50,080	21,410
Other operating income		672	1,187	764	1,542
<b>Total operating income</b>		<b>1,026,981</b>	<b>1,206,897</b>	<b>2,054,856</b>	<b>2,627,679</b>
Salaries and employee related expenses		151,762	192,534	327,895	412,745
Rent and premises related expenses		15,792	15,360	30,070	26,731
Depreciation and amortisation		26,344	24,360	52,004	47,010
Other general and administrative expenses		122,590	114,940	231,623	245,880
Provision for credit losses, net		88,404	36,692	188,532	84,375
Other operating expenses		1,461	128	1,513	1,877
<b>Total operating expenses</b>		<b>406,353</b>	<b>384,014</b>	<b>831,637</b>	<b>818,618</b>
<b>Net income from operating activities</b>		<b>620,628</b>	<b>822,883</b>	<b>1,223,219</b>	<b>1,809,061</b>
Share in earnings of associate	5	14,307	-	28,026	-
<b>Net earnings for the period</b>		<b>634,935</b>	<b>822,883</b>	<b>1,251,245</b>	<b>1,809,061</b>
<b>Basic and fully diluted earnings per share (in SAR)</b>	<b>10</b>	<b>1.69</b>	<b>2.19</b>	<b>3.34</b>	<b>4.82</b>

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**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the six months ended 30 June**

**Unaudited**

<b><u>2007 (SAR'000)</u></b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Proposed dividend</b>	<b>Total</b>
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	-	-	(349)	-	-	(349)
Net changes in fair value of available for sale investments	-	-	(64,178)	-	-	(64,178)
Transfer to statement of income	-	-	(39,502)	-	-	(39,502)
Net loss recognised directly in equity	-	-	(104,029)	-	-	(104,029)
Net income for the period	-	-	-	1,251,245	-	1,251,245
Total recognised income and expense for the period	-	-	(104,029)	1,251,245	-	1,147,216
2006 final dividend paid	-	-	-	-	(890,625)	(890,625)
<b>Balance as at the end of the period</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>(33,644)</b>	<b>2,194,834</b>	<b>-</b>	<b>9,661,190</b>
<b><u>2006 (SAR'000)</u></b>						
Balance at beginning of the period	2,500,000	2,500,000	302,843	1,903,309	287,000	7,493,152
Bonus share issue	1,250,000	-	-	(1,250,000)	-	-
Net changes in fair value of cash flow hedges	-	-	3,393	-	-	3,393
Net changes in fair value of available for sale investments	-	-	(116,385)	-	-	(116,385)
Transfer to statement of income	-	-	(21,410)	-	-	(21,410)
Net loss recognised directly in equity	-	-	(134,402)	-	-	(134,402)
Net income for the period	-	-	-	1,809,061	-	1,809,061
Total recognised income and expense for the period	-	-	(134,402)	1,809,061	-	1,674,659
Transfer to statutory reserves	-	452,265	-	(452,265)	-	-
2005 final dividend paid	-	-	-	-	(287,000)	(287,000)
<b>Balance as at the end of the period</b>	<b>3,750,000</b>	<b>2,952,265</b>	<b>168,441</b>	<b>2,010,105</b>	<b>-</b>	<b>8,880,811</b>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

*The Saudi British Bank*  
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**STATEMENTS OF CASH FLOWS**

**For the six months ended 30 June**

**Unaudited**

	<u>Notes</u>	<u>2007</u> <u>SAR' 000</u>	<u>2006</u> <u>SAR' 000</u>
<b>OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>1,251,245</b>	1,809,061
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>			
Amortisation of premium , net		345	1,446
Loss / (Gain) from FVIS financial instruments		4,892	(2,588)
Gain on non trading investments, net		(50,080)	(21,410)
Depreciation and amortisation		52,004	47,010
Gain on disposal of property and equipment and other assets, net		749	115
Share in earnings from associate		(28,026)	-
Provision for credit losses, net		188,532	84,375
Change in fair value		41,661	(2,746)
		<u>1,461,322</u>	<u>1,915,263</u>
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		(30,300)	(584,138)
Investments held for trading		263,608	195,000
Loans and advances		(6,358,447)	1,646,310
Other assets		(175,772)	(512,952)
<b>Net income (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		1,293,857	(1,859,025)
Customer deposits		5,968,948	6,575,447
Other liabilities		346,733	(770,923)
<b>Net cash from operating activities</b>		<u>2,769,949</u>	<u>6,604,982</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of and maturities of non-trading investments		8,085,977	9,534,404
Purchase of non-trading investments		(3,051,861)	(8,742,493)
Purchase of property and equipment		(81,532)	(69,101)
Proceeds from disposal of fixed assets		23,067	28
<b>Net cash from investing activities</b>		<u>4,975,651</u>	<u>722,838</u>
<b>FINANCING ACTIVITIES</b>			
Debt securities in issue		-	1,526,939
Dividend paid		(887,102)	(284,055)
<b>Net cash (used in) from financing activities</b>		<u>(887,102)</u>	<u>1,242,884</u>
<b>Increase in cash and cash equivalents</b>		<b>6,858,498</b>	8,570,704
<b>Cash and cash equivalents at beginning of the period</b>		<b>8,583,113</b>	5,388,091
<b>Cash and cash equivalents at end of the period</b>	<b>8</b>	<u><u>15,441,611</u></u>	<u><u>13,958,795</u></u>
Special Commission received during the period		2,431,197	1,961,051
Special commission paid during the period		<u>975,650</u>	<u>883,571</u>
<b><u>Supplemental non-cash information</u></b>			
Net changes in fair value and cash flow hedges		(104,029)	(134,402)
Share in earnings of associate		28,026	-

The accompanying notes 1 to 11 form an integral part of these interim condensed 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 73 branches (2006: 72) includes 12 exclusive ladies' sections (2006: 12) in the Kingdom of Saudi Arabia. The Bank employed 2,841 staff as at 30 June 2007 (2006: 2,498). 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**  
**30 June 2007**

**4. Investments, net**

Investment securities are classified as follows:

<b>SAR'000</b>	<b>30 June 2007 (Unaudited)</b>	31 December 2006 (Audited)	30 June 2006 (Unaudited)
<b>Investments:</b>			
- Held as FVIS	<b>1,358,053</b>	2,116,621	1,802,620
- Available for sale	<b>8,491,797</b>	12,709,515	6,233,097
- Held at amortized cost, other	<b>6,010,387</b>	6,363,585	6,712,491
- Held to maturity	<b>510,890</b>	512,699	514,538
<b>Total</b>	<b>16,371,127</b>	21,702,420	15,262,746

Investments included in held as FVIS include investments held for trading of SAR 99.0 million (31 December 2006: SAR 327.8 million, 30 June 2006: SAR 75.0 million).

**5. Investment in associates**

<b>SAR'000</b>	<b>30 June 2007 (Unaudited)</b>	31 December 2006 (Audited)	30 June 2006 (Unaudited)
<b>HSBC Saudi Arabia Limited</b>			
Cost	<b>20,000</b>	20,000	-
Share of undistributed profit	<b>28,026</b>	52,209	-
	<b>48,026</b>	72,209	-
<b>SABB Takaful</b>			
Cost	<b>32,500</b>	-	-
<b>Total</b>	<b>80,526</b>	72,209	-

The Bank owns 40% of the equity 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 shares of SABB Takaful, SABB Takaful carries out Shariah compliant insurance activities and offers family and general Takaful products.

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**Notes To The Interim Condensed Financial Statements**  
**30 June 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	30 June 2007 (Unaudited)			31 December 2006 (Audited)			30 June 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
<b>Derivatives held for trading:</b>									
Special commission rate swaps	211,749	(165,238)	23,622,149	124,500	(90,606)	14,058,291	129,739	(103,228)	9,801,694
Currency swaps	174,996	-	1,475,297	130,913	-	1,475,297	33,963	(38,736)	1,475,297
Special commission rate futures and options	280	(280)	400,000	396	(396)	400,000	1,569	(1,569)	400,000
Spot and forward foreign exchange contracts	57,744	(35,583)	14,816,207	50,290	(41,181)	21,449,674	80,284	(56,956)	18,792,169
Currency options	1,327	(1,327)	247,486	1,046	(1,046)	407,136	3,512	(3,512)	370,910
<b>Derivatives held as fair value hedges:</b>									
Special commission rate swaps	31,558	(8,144)	2,110,692	23,848	(12,308)	3,106,820	35,395	(8,448)	1,935,502
<b>Derivatives held as cash flow hedges:</b>									
Special commission rate swaps	5,602	(2,885)	727,500	6,711	(3,818)	727,500	9,622	(10,112)	577,500
<b>Total</b>	<b>483,256</b>	<b>(213,457)</b>	<b>43,399,331</b>	<b>337,704</b>	<b>(149,355)</b>	<b>41,624,718</b>	<b>294,084</b>	<b>(222,561)</b>	<b>33,353,072</b>

**7. Credit related commitments and contingencies**

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

SAR'000	30 June 2007 (Unaudited)	31 December 2006 (Audited)	30 June 2006 (Unaudited)
Letters of credit	6,258,486	5,284,930	5,269,633
Letters of guarantee	11,376,376	9,812,180	8,346,741
Acceptances	2,759,424	2,308,954	1,993,043
Irrevocable commitments to extend credit	2,514,268	1,693,860	1,610,213
<b>Total</b>	<b>22,908,554</b>	<b>19,099,924</b>	<b>17,219,630</b>

## 8. Cash and cash equivalents

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

SAR'000	30 June 2007 (Unaudited)	31 December 2006 (Audited)	30 June 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	14,410,755	5,445,603	7,829,237
Due from banks and other financial institutions maturing within ninety days of original acquisition	1,030,856	3,137,510	6,129,558
<b>Total</b>	<b>15,441,611</b>	<b>8,583,113</b>	<b>13,958,795</b>

## 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 30 June 2007 and 2006, their total operating income and expenses, and the net income for the six-month periods then ended, by business segment, are as follows:

### 30 June 2007 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	18,337,555	32,350,894	34,418,150	85,106,599
Total liabilities	28,714,401	31,739,698	14,991,310	75,445,409
Total operating income	1,003,398	885,072	194,412	2,082,882
Total operating expenses	653,014	151,255	27,368	831,637
Net income for the period	350,384	733,817	167,044	1,251,245

### 30 June 2006 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	18,247,517	22,610,360	31,921,553	72,779,430
Total liabilities	28,132,728	22,935,602	12,830,289	63,898,619
Total operating income	1,767,105	675,588	184,986	2,627,679
Total operating expenses	642,634	149,073	26,911	818,618
Net income for the period	1,124,471	526,515	158,075	1,809,061

**10. Share capital and Earnings per share**

Basic and fully diluted earnings per share for the periods ended 30 June 2007 and 2006 is calculated by dividing the net income for the period attributable to the equity holders by 375 million shares.

**11. Interim dividend**

On 8 July 2007 corresponding to 23 Jumada Al Thani 1428 H, the Board of Directors has approved an interim dividend of SAR 609.4 million for distribution to the shareholders from the net income of the Bank for the period ended 30 June 2007.