

Interim Condensed
Financial Statements
For the nine months ended
30 September 2007

The Saudi British Bank

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The Saudi British Bank
Saudi Joint Stock Company

BALANCE SHEETS

	<u>Notes</u>	30 September 2007 Unaudited SAR' 000	31 December 2006 Audited SAR' 000	30 September 2006 Unaudited SAR' 000
ASSETS				
Cash and balances with SAMA		12,752,300	7,795,020	4,734,473
Due from banks and other financial institutions		2,884,400	3,137,510	12,617,042
Investments, net	4	17,022,053	21,702,420	16,585,896
Investment in associates	5	96,573	72,209	46,474
Loans and advances, net		54,185,285	42,450,243	41,186,442
Property and equipment, net		541,843	541,235	559,475
Other assets		2,094,933	1,490,741	1,557,715
Total assets		89,577,387	77,189,378	77,287,517
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		2,030,286	2,171,835	1,712,419
Customer deposits		70,287,216	59,257,642	59,653,017
Debt securities in issue		3,984,374	3,853,194	3,789,700
Borrowings		187,500	187,500	187,500
Other liabilities		3,402,241	2,314,608	3,083,449
Total liabilities		79,891,617	67,784,779	68,426,085
Shareholders' equity				
Share capital		3,750,000	3,750,000	3,750,000
Statutory reserve		3,750,000	3,750,000	2,952,265
Other reserves		(50,551)	70,385	112,746
Retained earnings		2,236,321	943,589	2,046,421
Proposed dividends		-	890,625	-
Total shareholders' equity		9,685,770	9,404,599	8,861,432
Total liabilities and shareholders' equity		89,577,387	77,189,378	77,287,517

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 INCOME

Unaudited

	Notes	Three months ended		Nine months ended	
		30 September 2007 SAR'000	30 September 2006 SAR'000	30 September 2007 SAR'000	30 September 2006 SAR'000
Special commission income		1,377,127	1,143,103	3,796,518	3,217,505
Special commission expense		594,097	472,542	1,561,374	1,323,776
Net special commission income		783,030	670,561	2,235,144	1,893,729
Fees from banking services, net		201,276	185,392	608,140	1,402,551
Exchange income, net		49,161	38,749	134,734	117,861
Income from FVIS Financial Instruments, net		20,142	40,168	64,995	100,671
Trading income, net		23,758	1,295	35,387	23,136
Dividend income		-	-	2,979	2,944
Gains on non trading investments, net		20,373	39,955	70,453	61,365
Other operating income		2,304	897	3,068	2,439
Total operating income		1,100,044	977,017	3,154,900	3,604,696
Salaries and employee related expenses		197,792	171,307	525,687	584,052
Rent and premises related expenses		16,879	15,843	46,949	42,574
Depreciation and amortisation		25,859	25,450	77,863	72,460
Other general and administrative expenses		121,420	102,192	353,043	348,072
Provision for credit losses, net		103,279	42,870	291,811	127,245
Other operating expenses		-	138	1,513	2,015
Total operating expenses		465,229	357,800	1,296,866	1,176,418
Net income from operating activities		634,815	619,217	1,858,034	2,428,278
Share in earnings of associates, net	5	16,047	26,474	44,073	26,474
Net income for the period		650,862	645,691	1,902,107	2,454,752
Basic and fully diluted earnings per share (in SAR)	10	1.74	1.72	5.07	6.55

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 CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended 30 September

Unaudited

2007 (SAR'000)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Total
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	-	-	(2,091)	-	-	(2,091)
Net changes in fair value of available for sale investments	-	-	(62,587)	-	-	(62,587)
Transfer to statement of income	-	-	(56,258)	-	-	(56,258)
Net loss recognised directly in equity	-	-	(120,936)	-	-	(120,936)
Net income for the period	-	-	-	1,902,107	-	1,902,107
Total recognised income and expense for the period	-	-	(120,936)	1,902,107	-	1,781,171
2006 final dividend paid	-	-	-	-	(890,625)	(890,625)
Interim gross dividend	-	-	-	(609,375)	609,375	-
Interim gross dividend paid	-	-	-	-	(609,375)	(609,375)
Balance as at the end of the period	3,750,000	3,750,000	(50,551)	2,236,321	-	9,685,770

2006 (SAR'000)

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	-	-	2,245	-	-	2,245
Net changes in fair value of available for sale investments	-	-	(130,857)	-	-	(130,857)
Transfer to statement of income	-	-	(61,485)	-	-	(61,485)
Net loss recognised directly in equity	-	-	(190,097)	-	-	(190,097)
Net income for the period	-	-	-	2,454,752	-	2,454,752
Total recognised income and expense for the period	-	-	(190,097)	2,454,752	-	2,264,655
Transfer to statutory reserves	-	452,265	-	(452,265)	-	-
2005 final dividend paid	-	-	-	-	(287,000)	(287,000)
Interim gross dividend	-	-	-	(609,375)	609,375	-
Interim gross dividend paid	-	-	-	-	(609,375)	(609,375)
Balance as at the end of the period	3,750,000	2,952,265	112,746	2,046,421	-	8,861,432

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 nine months ended 30 September
(Unaudited)

	Notes	2007 SAR' 000	2006 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		1,902,107	2,454,752
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortisation of premium , net		201	1,981
Loss (Gain) from FVIS financial instruments		9,234	(7,386)
Gain on non trading investments, net		(70,453)	(61,365)
Depreciation and amortisation		77,863	72,460
(Gain) loss on disposal of property and equipment and other assets, net		(1,555)	262
Share in earnings from associate,net		(44,073)	(26,474)
Provision for credit losses, net		291,811	127,245
Change in fair value		129,987	(1,370)
		2,295,122	2,560,105
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(293,448)	(452,250)
Investments held for trading		30,530	(110,190)
Due from banks and other financial institutions after ninety days		-	(3,750)
Loans and advances		(12,026,853)	(467,095)
Other assets		(603,261)	(640,305)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(141,549)	(2,337,206)
Customer deposits		11,029,574	11,119,759
Other liabilities		1,069,210	(353,471)
Net cash from operating activities		1,359,325	9,315,597
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		9,155,216	10,674,611
Purchase of non-trading investments		(4,539,972)	(10,901,978)
Investment in associates		-	(20,000)
Purchase of property and equipment		(102,983)	(105,204)
Proceeds from disposal of property and equipment		23,078	732
Net cash from (used in) investing activities		4,535,339	(351,839)
FINANCING ACTIVITIES			
Debt securities in issue		-	1,541,419
Dividend paid		(1,483,942)	(873,300)
Net cash (used in) from financing activities		(1,483,942)	668,119
Increase in cash and cash equivalents		4,410,722	9,631,877
Cash and cash equivalents at beginning of the period		8,583,113	5,388,091
Cash and cash equivalents at end of the period	8	12,993,835	15,019,968
Special Commission received during the period		3,672,154	3,117,991
Special commission paid during the period		1,508,838	1,297,494
Supplemental non-cash information			
Net changes in fair value and cash flow hedges		(120,936)	(190,097)
Share in earnings of associates,net		44,073	26,474

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

The Saudi British Bank
Saudi Joint Stock Company

Notes To The Interim Condensed Financial Statements
30 September 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 74 branches (2006: 73) including 12 exclusive ladies' sections (2006: 12) in the Kingdom of Saudi Arabia. The Bank employed 2,944 staff as at 30 September 2007 (2006: 2,673). 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.

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Notes To The Interim Condensed Financial Statements
30 September 2007

4. Investments, net

Investment securities are classified as follows:

SAR'000	30 September 2007 (Unaudited)	31 December 2006 (Audited)	30 September 2006 (Unaudited)
Investments:			
- Held as FVIS	1,549,918	2,116,621	2,170,578
- Available for sale	9,099,512	12,709,515	7,538,676
- Held at amortized cost, other	5,861,733	6,363,585	6,363,023
- Held to maturity	510,890	512,699	513,619
Total	17,022,053	21,702,420	16,585,896

Investments included in held as FVIS include investments held for trading of SAR 296.5 million (31 December 2006: SAR 327.8 million, 30 September 2006: SAR 382.0 million).

5. Investment in associates

SAR'000	30 September 2007 (Unaudited)	31 December 2006 (Audited)	30 September 2006 (Unaudited)
HSBC Saudi Arabia Limited			
Cost	20,000	20,000	20,000
Share of undistributed profit	48,073	52,209	26,474
	68,073	72,209	46,474
SABB Takaful			
Cost	32,500	-	-
Share of losses	(4,000)	-	-
	28,500	-	-
Total	96,573	72,209	46,474

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. It carries out Shariah compliant insurance activities and offers family and general Takaful products.

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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 September 2007 (Unaudited)			31 December 2006 (Audited)			30 September 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	292,307	(218,096)	34,768,628	124,500	(90,606)	14,058,291	119,686	(88,411)	14,288,135
Currency swaps	265,767	-	1,475,297	130,913	-	1,475,297	46,624	(60,111)	1,475,297
Special commission rate futures and options	18	(18)	400,000	396	(396)	400,000	780	(780)	400,000
Spot and forward foreign exchange contracts	87,837	(101,842)	12,138,655	50,290	(41,181)	21,449,674	60,383	(32,017)	13,722,635
Currency options	937	(937)	433,236	1,046	(1,046)	407,136	2,087	(2,087)	340,456
Derivatives held as fair value hedges:									
Special commission rate swaps	23,713	(11,143)	1,633,657	23,848	(12,308)	3,106,820	22,760	(12,637)	2,194,287
Derivatives held as cash flow hedges:									
Special commission rate swaps	6,727	(1,733)	721,250	6,711	(3,818)	727,500	5,340	(5,711)	727,500
Total	677,306	(333,769)	51,570,723	337,704	(149,355)	41,624,718	257,660	(201,754)	33,148,310

7. Credit related commitments and contingencies

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

SAR'000	30 September 2007 (Unaudited)	31 December 2006 (Audited)	30 September 2006 (Unaudited)
Letters of credit	6,651,017	5,284,930	5,042,838
Letters of guarantee	12,069,598	9,812,180	8,931,060
Acceptances	2,876,734	2,308,954	2,044,853
Irrevocable commitments to extend credit	4,008,154	1,693,860	1,815,500
Total	25,605,503	19,099,924	17,834,251

8. Cash and cash equivalents

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

SAR'000	30 September 2007 (Unaudited)	31 December 2006 (Audited)	30 September 2006 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	10,109,435	5,445,603	2,406,676
Due from banks and other financial institutions maturing within ninety days of original acquisition	2,884,400	3,137,510	12,613,292
Total	12,993,835	8,583,113	15,019,968

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

30 September 2007 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	19,868,036	36,003,692	33,705,659	89,577,387
Total liabilities	30,077,887	34,231,334	15,582,396	79,891,617
Total operating income (including share in earnings of associates)	1,516,888	1,366,506	315,579	3,198,973
Total operating expenses	1,008,196	246,674	41,996	1,296,866
Net income for the period	508,692	1,119,832	273,583	1,902,107

30 September 2006 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Total
Total assets	18,957,194	24,156,449	34,173,874	77,287,517
Total liabilities	26,109,022	29,442,670	12,874,393	68,426,085
Total operating income (including share in earnings of associates)	2,371,200	964,269	295,701	3,631,170
Total operating expenses	957,616	178,312	40,490	1,176,418
Net income for the period	1,413,584	785,957	255,211	2,454,752

Notes To The Interim Condensed Financial Statements
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10. Earnings per share

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