

Interim Condensed

Consolidated Financial Statements

For the nine months ended
30 September 2009

The Saudi British Bank

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	30 September 2009 Unaudited SAR' 000	31 December 2008 Audited SAR' 000	30 September 2008 Unaudited SAR' 000
ASSETS				
Cash and balances with SAMA		7,213,433	11,328,253	8,013,588
Due from banks and other financial institutions		9,288,705	6,200,466	1,940,800
Investments, net	4	24,084,074	29,604,346	35,994,436
Loans and advances, net		78,834,571	80,236,757	83,578,279
Investment in associates	5	278,081	148,356	136,157
Property and equipment, net		557,973	561,460	563,320
Other assets		3,649,096	3,581,055	2,393,375
Total assets		123,905,933	131,660,693	132,619,955
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		10,148,784	16,069,492	15,351,806
Customer deposits		89,246,180	92,677,537	95,734,722
Debt securities in issue		5,741,795	5,656,800	5,699,142
Borrowings		187,500	187,500	187,500
Other liabilities		5,463,538	5,435,533	4,697,212
Total liabilities		110,787,797	120,026,862	121,670,382
Shareholders' equity				
Share capital	10	7,500,000	6,000,000	6,000,000
Statutory reserve		4,981,605	4,480,005	4,315,801
Other reserves		(38,810)	(176,716)	(204,159)
Retained earnings		675,341	1,330,542	837,931
Total shareholders' equity		13,118,136	11,633,831	10,949,573
Total liabilities and shareholders' equity		123,905,933	131,660,693	132,619,955

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

The Saudi British Bank
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Notes	Three months ended		Nine months ended	
		30 September 2009	30 September 2008	30 September 2009	30 September 2008
		SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		1,055,336	1,508,251	3,582,351	4,210,962
Special commission expense		201,194	752,791	953,214	1,782,633
Net special commission income		854,142	755,460	2,629,137	2,428,329
Fees from banking services, net		321,295	307,240	925,331	969,295
Exchange income, net		33,164	32,903	98,805	102,952
Income (losses) from FVIS financial instruments, net		880	(5,752)	6,568	(45,083)
Trading income, net		74,169	86,988	239,222	243,794
Dividend income		-	-	1,049	600
Gains (losses) on non- trading investments, net		16,675	-	49,719	(2,588)
Other operating income		4,163	747	23,800	2,018
Total operating income		1,304,488	1,177,586	3,973,631	3,699,317
Salaries and employee related expenses		217,674	227,542	677,122	682,431
Rent and premises related expenses		20,248	21,014	60,373	57,704
Depreciation and amortisation		27,377	27,079	83,334	80,056
Other general and administrative expenses		135,943	120,694	396,409	369,694
Provision for credit losses, net		351,537	91,773	782,201	276,831
Impairment of other financial assets		-	-	-	60,950
Other operating expenses		-	-	18	77
Total operating expenses		752,779	488,102	1,999,457	1,527,743
Net income from operating activities		551,709	689,484	1,974,174	2,171,574
Share in earnings of associates, net	5	18,748	21,658	32,225	91,630
Net income for the period		570,457	711,142	2,006,399	2,263,204
Basic and diluted earnings per share (in SAR)	10	0.76	0.95	2.68	3.02

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

	Three months ended		Nine months ended	
	30 September 2009 SAR' 000	30 September 2008 SAR' 000	30 September 2009 SAR' 000	30 September 2008 SAR' 000
Net income for the period	570,457	711,142	2,006,399	2,263,204
Other comprehensive income				
Available for sale financial assets				
- Net change in fair value	122,945	(33,957)	200,401	(181,165)
- Transfer to consolidated statement of income	(16,675)	-	(49,719)	2,588
Cash flow hedge				
- Net change in fair value	11,877	4,974	(961)	(9,362)
- Transfer to consolidated statement of income	(11,815)	-	(11,815)	-
	106,332	(28,983)	137,906	(187,939)
Total comprehensive income for the period	676,789	682,159	2,144,305	2,075,265

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

The Saudi British Bank

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended 30 September

Unaudited

	Share Capital	Statutory reserve	Other reserves	Retained earnings	Proposed dividend	Total
<u>Notes</u>	<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>2009</u>						
Balance at beginning of the period	6,000,000	4,480,005	(176,716)	1,330,542	-	11,633,831
Total comprehensive income for the period	-	-	137,906	2,006,399	-	2,144,305
Bonus share issue	10 1,500,000	-	-	(1,500,000)	-	-
Transfer to statutory reserve	-	501,600	-	(501,600)	-	-
Interim gross dividend	-	-	-	(660,000)	660,000	-
Interim gross dividend paid	-	-	-	-	(660,000)	(660,000)
Balance at end of the period	<u>7,500,000</u>	<u>4,981,605</u>	<u>(38,810)</u>	<u>675,341</u>	<u>-</u>	<u>13,118,136</u>
<u>2008</u>						
Balance at beginning of the period	3,750,000	3,750,000	(16,220)	2,050,528	890,625	10,424,933
Total comprehensive income for the period	-	-	(187,939)	2,263,204	-	2,075,265
Bonus share issue	2,250,000	-	-	(2,250,000)	-	-
Transfer to statutory reserve	-	565,801	-	(565,801)	-	-
2007 final dividend paid	-	-	-	-	(890,625)	(890,625)
Interim gross dividend	-	-	-	(660,000)	660,000	-
Interim gross dividend paid	-	-	-	-	(660,000)	(660,000)
Balance at end of the period	<u>6,000,000</u>	<u>4,315,801</u>	<u>(204,159)</u>	<u>837,931</u>	<u>-</u>	<u>10,949,573</u>

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

The Saudi British Bank

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September

Unaudited

	<u>Notes</u>	<u>2009</u> SAR' 000	<u>2008</u> SAR' 000
OPERATING ACTIVITIES			
Net income for the period		2,006,399	2,263,204
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Accretion of discounts) amortisation of premiums on non trading investments net		(2,592)	771
(Income) losses from FVIS financial instruments		(6,568)	45,083
(Gains) losses on non trading investments, net		(49,719)	2,588
Depreciation and amortisation		83,334	80,056
Losses on disposal of property and equipment, net		14	23
Share in earnings from associates, net		(32,225)	(91,630)
Provision for credit losses, net		782,201	276,831
Impairment of other financial assets, net		-	60,950
Change in fair value		84,995	(45,851)
		<u>2,865,839</u>	<u>2,592,025</u>
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(29,479)	(3,249,259)
Investments held for trading		10,732	(191,733)
Loans and advances		619,985	(21,854,252)
Other assets		(68,041)	(69,679)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(5,920,708)	7,306,759
Customer deposits		(3,431,357)	23,886,870
Other liabilities		172,553	831,538
Net cash (used in) from operating activities		<u>(5,780,476)</u>	<u>9,252,269</u>
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		13,716,718	27,703,022
Purchase of non-trading investments		(8,148,299)	(48,752,156)
Dividend received from associates		-	65,920
Purchase of property and equipment		(79,895)	(91,559)
Investment in associates		(97,500)	-
Proceeds from disposal of property and equipment		34	-
Net cash from (used in) investing activities		<u>5,391,058</u>	<u>(21,074,773)</u>
FINANCING ACTIVITIES			
Debt securities issued		-	1,705,000
Dividends paid		(666,642)	(1,544,689)
Net cash (used in) from financing activities		<u>(666,642)</u>	<u>160,311</u>
Decrease in cash and cash equivalents		<u>(1,056,060)</u>	<u>(11,662,193)</u>
Cash and cash equivalents at beginning of the period		12,701,229	15,046,057
Cash and cash equivalents at end of the period	8	<u>11,645,169</u>	<u>3,383,864</u>
Special commission received during the period		3,851,345	4,187,933
Special commission paid during the period		1,207,888	1,424,169

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated 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 70 branches (2008: 68) and 31 exclusive ladies' sections (2008: 21) in the Kingdom of Saudi Arabia. The Bank employed 3,425 staff as at 30 September 2009 (2008: 3,303). 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 established by the Bank.

The Bank has 100% (September 2008: 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 Jamada 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 Bank has 98% direct and 2% indirect ownership interest in its subsidiary (the indirect ownership is held via a Limited Liability Company registered in the Kingdom of Saudi Arabia). The activities of subsidiary are to engage in the business of custody and dealing as an agent, excluding underwriting.

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 IAS 34 – Interim Financial Reporting. The Bank also 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. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

The interim condensed consolidated financial statements comprise the financial statements of "The Saudi British Bank" and its subsidiary, SABB Securities Limited. The financial statements of the subsidiary are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries to align with the Bank's financial statements.

A subsidiary is an entity over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Balances between the Bank and its subsidiary, and any unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the interim condensed consolidated financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, as described in the annual consolidated financial statements for the year ended 31 December 2008 except for the adoption of IFRS 8 Operating Segments and amendments to existing standards, as mentioned below. The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Bank. The comparative information has been restated, where required, to conform to current period presentation.

- IFRS 8 Operating Segments, which supersedes IAS 14 Segment Reporting and requires disclosure of information about the Bank's operating segments; and
- the revisions and amendments to IAS 1 Presentation of Financial Statements.

4. Investments, net

Investment securities are classified as follows:

SAR'000	30 September 2009 (Unaudited)	31 December 2008 (Audited)	30 September 2008 (Unaudited)
Investments:			
- Held as FVIS	351,524	401,295	406,318
- Available for sale	18,687,670	23,906,848	30,252,430
- Other investments held at amortized cost	4,542,214	4,790,809	4,829,374
- Held to maturity	502,666	505,394	506,314
Total	24,084,074	29,604,346	35,994,436

Investments held as FVIS include investments held for trading amounting to SAR 351.5 million (31 December 2008: SAR 350.9 million, 30 September 2008: SAR 358.5 million).

5. Investment in associates

SAR'000	30 September 2009 (Unaudited)	31 December 2008 (Audited)	30 September 2008 (Unaudited)
HSBC Saudi Arabia Limited			
Balance at beginning of the period	130,150	90,411	90,411
Dividend received	-	(70,412)	(65,920)
Share of undistributed profit	36,178	110,151	93,020
	166,328	130,150	117,511
SABB Takaful			
Balance at beginning of the period	18,206	20,036	20,036
Cost of investment during the period	97,500	-	-
Share of losses	(3,953)	(1,830)	(1,390)
	111,753	18,206	18,646
Total	278,081	148,356	136,157

The Bank owns 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 shares of SABB Takaful, a Saudi Joint Stock Company. SABB Takaful carries out Shariah compliant insurance activities and offers family and general takaful products. During the quarter the Bank has fully subscribed to the right share issue of SABB Takaful.

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 2009 (Unaudited)			31 December 2008 (Audited)			30 September 2008 (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	1,660,582	(1,563,782)	53,424,272	1,650,294	(1,542,308)	54,598,298	496,649	(378,641)	55,767,244
Currency swaps	317,778	-	1,475,297	235,304	-	1,475,297	284,883	-	1,475,297
Special commission rate futures and options	22,711	(22,711)	2,887,500	12,416	(12,416)	2,767,500	7,525	(7,525)	2,767,500
Spot and forward foreign exchange contracts	63,901	(84,023)	17,411,211	88,279	(147,072)	9,046,726	98,130	(150,973)	13,508,579
Currency options	77,143	(77,143)	3,414,262	142,941	(142,941)	3,045,939	76,189	(76,189)	3,649,978
Others	2,680	(2,680)	725,000	6,337	(6,337)	725,000	35,737	(35,737)	725,000
Derivatives held as fair value hedges:									
Special commission rate swaps	2,050	(32,863)	747,674	851	(28,420)	1,319,505	16,301	(19,144)	1,452,128
Derivatives held as cash flow hedges:									
Special commission rate swaps	26,528	(3,057)	581,250	40,369	(4,632)	731,250	7,433	(9,044)	731,250
Total	2,173,373	(1,786,259)	80,666,466	2,176,791	(1,884,126)	73,709,515	1,022,847	(677,253)	80,076,976

7. Credit related commitments and contingencies

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

SAR'000	30 September 2009 (Unaudited)	31 December 2008 (Audited)	30 September 2008 (Unaudited)
Letters of credit	8,218,802	8,713,407	10,175,896
Letters of guarantee	25,756,141	20,019,780	18,333,564
Acceptances	2,490,431	3,142,116	3,345,497
Irrevocable commitments to extend credit	1,407,045	4,570,379	4,081,573
Total	37,872,419	36,445,682	35,936,530

8. Cash and cash equivalents

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

SAR'000	30 September 2009 (Unaudited)	31 December 2008 (Audited)	30 September 2008 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,356,464	6,500,763	1,443,064
Due from banks and other financial institutions maturing within three months of acquisition date	9,288,705	6,200,466	1,940,800
Total	11,645,169	12,701,229	3,383,864

9. Business segments

The Bank's primary business is conducted in the Kingdom of Saudi Arabia. Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

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 statement of financial position.

Securities – activities related to dealing and custody of securities

Others – represents investment in associates assets and its income.

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 2009 and 2008, 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 2009 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Securities	Others	Total
Total assets	20,822,246	59,902,066	42,900,460	3,080	278,081	123,905,933
Total liabilities	33,827,895	38,908,834	38,022,259	28,809	-	110,787,797
Total operating income	1,454,632	1,736,603	613,051	169,345	-	3,973,631
Total operating expenses	1,099,805	766,557	43,490	89,605	-	1,999,457
Share in earnings of associates, net	-	-	-	-	32,225	32,225
Net income for the period	354,827	970,046	569,561	79,740	32,225	2,006,399
Credit losses, net	280,143	502,058	-	-	-	782,201
Provision for impairment of investments, net	-	-	-	-	-	-

30 September 2008
(Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Securities	Others	Total
Total assets	26,250,375	60,126,282	46,096,052	11,089	136,157	132,619,955
Total liabilities	31,936,557	48,948,650	40,769,593	15,582	-	121,670,382
Total operating income	1,512,668	1,375,235	460,565	350,849	-	3,699,317
Total operating expenses	1,020,530	317,311	106,509	83,393	-	1,527,743
Share in earnings of associates, net	-	-	-	-	91,630	91,630
Net income for the period	492,138	1,057,924	354,056	267,456	91,630	2,263,204
Credit losses, net	217,640	59,191	-	-	-	276,831
Provision for impairment of investments, net	-	-	60,950	-	-	60,950

10. Share capital and earnings per share

The shareholders of the Bank approved a bonus issue of one share for every four shares in their Extraordinary General Meeting held on 10 March 2009. As a result 150 million shares of SAR 10 each were issued by capitalising retained earnings.

Basic and diluted earnings per share for the period ended 30 September 2009 and 2008 is calculated by dividing the net income for the period attributable to the equity holders by 750 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue.

11. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

Capital Adequacy Ratios	September 2009		September 2008	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
Particulars	%		%	
Top consolidated level	12.7	10.1	11.6	8.4