

Interim Condensed

Consolidated Financial Statements

For the six months ended
30 June 2010

The Saudi British Bank

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010 Unaudited SAR' 000	31 December 2009 Audited SAR' 000	30 June 2009 Unaudited SAR' 000
<u>Notes</u>			
ASSETS			
Cash and balances with SAMA	8,055,436	16,614,885	8,797,406
Due from banks and other financial institutions	7,440,207	6,004,593	5,517,656
Investments, net	4 25,984,912	23,817,550	24,380,458
Loans and advances, net	74,753,224	76,381,599	78,718,005
Investment in associates	5 194,986	180,458	161,833
Property and equipment, net	586,504	594,042	557,110
Other assets	3,293,962	3,244,835	3,824,782
Total assets	120,309,231	126,837,962	121,957,250
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	3,776,702	13,605,744	6,189,388
Customers' deposits	94,155,842	89,186,861	91,536,307
Debt securities in issue	3,202,599	5,709,487	5,673,937
Borrowings	187,500	187,500	187,500
Other liabilities	4,770,038	5,103,081	5,268,771
Total liabilities	106,092,681	113,792,673	108,855,903
Shareholders' equity			
Share capital	10 7,500,000	7,500,000	7,500,000
Statutory reserve	4,988,075	4,988,075	4,480,005
Other reserves	(33,849)	(137,535)	(145,142)
Retained earnings	1,762,324	694,749	1,266,484
Total shareholders' equity	14,216,550	13,045,289	13,101,347
Total liabilities and shareholders' equity	120,309,231	126,837,962	121,957,250

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENTS OF INCOME

Unaudited

	Notes	Three months ended		Six months ended	
		30 June 2010 SAR'000	30 June 2009 SAR'000	30 June 2010 SAR'000	30 June 2009 SAR'000
Special commission income		1,048,478	1,153,478	1,950,412	2,527,015
Special commission expense		105,629	259,408	237,425	752,020
Net special commission income		942,849	894,070	1,712,987	1,774,995
Fees and commission income, net		307,504	327,311	610,712	604,036
Exchange income, net		32,041	31,701	62,943	65,641
Income from FVIS financial instruments, net		-	2,346	-	5,688
Trading income, net		74,573	74,649	160,265	165,053
Dividend income		638	1,000	1,948	1,049
Gains on non- trading investments, net		-	33,036	250	33,044
Other operating income		2,179	18,780	15,789	19,637
Total operating income		1,359,784	1,382,893	2,564,894	2,669,143
Salaries and employee related expenses		230,981	232,756	446,846	459,448
Rent and premises related expenses		21,091	20,252	43,682	40,125
Depreciation and amortisation		28,751	27,853	56,854	55,957
Other general and administrative expenses		138,435	118,288	283,976	260,484
Provision for credit losses, net		504,022	314,372	680,489	430,664
Total operating expenses		923,280	713,521	1,511,847	1,246,678
Net income from operating activities		436,504	669,372	1,053,047	1,422,465
Share in earnings of associates, net	5	10,264	6,616	14,528	13,477
Net income for the period		446,768	675,988	1,067,575	1,435,942
Basic and diluted earnings per share (in SAR)	10	0.60	0.90	1.42	1.91

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

	Three months ended		Six months ended	
	30 June 2010 SAR' 000	30 June 2009 SAR' 000	30 June 2010 SAR' 000	30 June 2009 SAR' 000
Net income for the period	446,768	675,988	1,067,575	1,435,942
Other comprehensive income				
Available for sale financial assets				
- Net change in fair value	63,479	872	140,980	77,456
- Transfer to interim consolidated statement of income	-	(33,036)	-	(33,044)
Cash flow hedges				
- Net change in fair value	(25,678)	(24,757)	(37,012)	(12,838)
- Transfer to interim consolidated statement of income	(282)	-	(282)	-
	37,519	(56,921)	103,686	31,574
Total comprehensive income for the period	484,287	619,067	1,171,261	1,467,516

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June

Unaudited

	Share Capital <u>SAR '000</u>	Statutory reserve <u>SAR '000</u>	Other reserves <u>SAR '000</u>	Retained earnings <u>SAR '000</u>	Total <u>SAR '000</u>
<u>2010</u>					
Balance at beginning of the period	7,500,000	4,988,075	(137,535)	694,749	13,045,289
Total comprehensive income for the period	-	-	103,686	1,067,575	1,171,261
Balance at end of the period	<u>7,500,000</u>	<u>4,988,075</u>	<u>(33,849)</u>	<u>1,762,324</u>	<u>14,216,550</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	-	-	31,574	1,435,942	1,467,516
Bonus share issue	1,500,000	-	-	(1,500,000)	-
Balance at end of the period	<u>7,500,000</u>	<u>4,480,005</u>	<u>(145,142)</u>	<u>1,266,484</u>	<u>13,101,347</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed consolidated financial statements.

The Saudi British Bank

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

Unaudited

	<u>Notes</u>	2010 SAR' 000	2009 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		1,067,575	1,435,942
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Accretion of discounts on non- trading investments net		(3,584)	(1,089)
Income from FVIS financial instruments, net		-	(5,688)
Gains on non - trading investments, net		(250)	(33,044)
Depreciation and amortisation		56,854	55,957
Losses on disposal of property and equipment, net		2	14
Share in earnings from associates, net		(14,528)	(13,477)
Provision for credit losses, net		680,489	430,664
Change in fair value		(256,888)	16,631
		1,529,670	1,885,910
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		29,334	(17,717)
Investments held as FVIS		322,228	17,899
Loans and advances		947,886	1,088,088
Other assets		(49,127)	(243,727)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(9,829,042)	(9,880,104)
Customers' deposits		4,968,981	(1,141,230)
Other liabilities		(327,202)	(129,204)
Net cash used in operating activities		(2,407,272)	(8,420,085)
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		13,255,030	12,368,944
Purchase of non-trading investments		(15,637,100)	(7,122,628)
Purchase of property and equipment		(49,975)	(51,655)
Proceeds from disposal of property and equipment		657	34
Net cash (used in) from investing activities		(2,431,388)	5,194,695
FINANCING ACTIVITIES			
Debt securities issued		(2,250,000)	-
Dividends paid		(5,841)	(5,984)
Net cash used in financing activities		(2,255,841)	(5,984)
Decrease in cash and cash equivalents		(7,094,501)	(3,231,374)
Cash and cash equivalents at beginning of the period		17,456,914	12,701,229
Cash and cash equivalents at end of the period	8	10,362,413	9,469,855
Special commission received during the period		1,930,597	2,811,620
Special commission paid during the period		409,324	1,034,132

The accompanying notes 1 to 13 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 78 branches (2009: 69) and 31 exclusive ladies' sections (2009: 31) in the Kingdom of Saudi Arabia. The Bank employed 3,416 staff as at 30 June 2010 (2009: 3,393). 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.

The Bank has 100% (2009: 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 the subsidiary are to engage in the business of custody and dealing as an agent excluding underwriting.

The Bank has 100% (2009: 100 %) ownership interest in a subsidiary, SABB Insurance Agency Company Limited, a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010235187 dated 18 Jumada II 1428H (3 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 Kingdom of Saudi Arabia). The principal activity is to act as a sole insurance agent for SABB Takaful Company (an associate company- see note 5) within the Kingdom of Saudi Arabia as per the agreement between them. However, the articles of association do not restrict the Company from acting as an agent to any other insurance company in the Kingdom of Saudi Arabia.

The Bank has 51% (2009: 51 %) ownership interest in a subsidiary, SABB Insurance Services Limited, a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010241209 dated 24 Dhul Qadah 1428H (4 December 2007). The principal activity is to act as insurance brokers and consultants to consumers operating within the Kingdom of Saudi Arabia. The Company commenced its operations from 24 Dhul Qadah 1428H (4 December 2007).

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. The interim condensed consolidated financial statements do not include all information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2009. 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. The Bank has not consolidated SABB Insurance Agency Company Limited and SABB Insurance Services Limited as their total assets, liabilities and their income and expenses are not significant to the Bank's overall interim consolidated 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.

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

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 interim 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 2009, as described in the annual consolidated financial statements for the year ended 31 December 2009.

4. Investments, net

Investment securities are classified as follows:

SAR'000	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
Investments:			
- Held as FVIS	32,160	346,203	401,205
- Available for sale	22,578,839	18,676,927	18,783,927
- Other investments held at amortized cost	3,273,182	4,392,648	4,691,741
- Held to maturity	100,731	401,772	503,585
Total	25,984,912	23,817,550	24,380,458

Investments held as FVIS represent investments held for trading as at 30 June 2010 and 31 December 2009 (30 June 2009: SAR 345.8 million).

5. Investment in associates

SAR'000	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
HSBC Saudi Arabia Limited			
Balance at beginning of the period	70,126	130,150	130,150
Dividend received	-	(111,446)	-
Share of undistributed profit	15,951	51,422	16,660
	86,077	70,126	146,810
SABB Takaful			
Balance at beginning of the period	110,332	18,206	18,206
Cost of investment during the period	-	97,500	-
Share of losses	(1,423)	(5,374)	(3,183)
	108,909	110,332	15,023
Total	194,986	180,458	161,833

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.

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 2010 (Unaudited)			31 December 2009 (Audited)			30 June 2009 (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	1,688,763	(1,593,087)	59,099,292	1,410,339	(1,318,875)	53,314,211	1,659,564	(1,563,398)	52,465,481
Currency swaps	24,286	-	1,475,297	284,116	-	1,475,297	249,388	-	1,475,297
Special commission rate futures and options	51,487	(51,487)	2,887,500	34,021	(34,021)	2,887,500	10,875	(10,875)	2,887,500
Spot and forward foreign exchange contracts	89,924	(109,888)	39,315,709	39,918	(52,381)	17,026,881	122,278	(85,600)	15,100,243
Currency options	98,886	(98,886)	5,795,651	72,118	(72,118)	3,037,146	137,837	(137,837)	3,672,256
Others	2,165	(2,165)	725,000	3,831	(3,831)	725,000	2,600	(2,600)	725,000
Derivatives held as fair value hedges:									
Special commission rate swaps	-	(58,369)	1,917,966	4,824	(29,539)	835,182	6,145	(30,154)	748,919
Derivatives held as cash flow hedges:									
Special commission rate swaps	7,210	(33,569)	1,343,750	29,844	(1,386)	1,381,250	27,092	(3,682)	581,250
Total	1,962,721	(1,947,451)	112,560,165	1,879,011	(1,512,151)	80,682,467	2,215,779	(1,834,146)	77,655,946

7. Credit related commitments and contingencies

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

SAR'000	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
Letters of credit	8,588,264	7,741,632	7,117,311
Letters of guarantee	29,526,431	27,740,924	23,871,081
Acceptances	2,388,893	2,468,011	3,186,470
Irrevocable commitments to extend credit	398,094	834,765	2,493,913
Total	40,901,682	38,785,332	36,668,775

8. Cash and cash equivalents

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

SAR'000	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,922,206	11,452,321	3,952,199
Due from banks and other financial institutions maturing within three months of acquisition date	7,440,207	6,004,593	5,517,656
Total	10,362,413	17,456,914	9,469,855

9. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's management in its function as chief decision maker in order to allocate resources to the segments and to assess its performance. All operating segments used by the Bank meet the definition of reportable segments under IFRS 8.

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. Revenue from external parties is measured in a manner consistent with that in the interim consolidated statement of income. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2009.

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 financial position.

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 2010 and 2009, 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 2010 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,551,377	56,236,401	43,316,130	205,323	120,309,231
Total liabilities	37,082,213	40,294,476	28,692,154	23,838	106,092,681
Total operating income	787,806	1,210,215	476,156	90,717	2,564,894
Total operating expenses	922,667	499,758	50,668	38,754	1,511,847
Share in earnings of associates, net	-	-	-	14,528	14,528
Net income for the period	(134,861)	710,457	425,488	66,491	1,067,575
Provision for credit losses, net	439,961	240,528	-	-	680,489

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued)

30 June 2010

30 June 2009

(Unaudited)

SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,370,896	60,208,047	41,159,174	219,133	121,957,250
Total liabilities	35,912,320	34,256,604	38,657,620	29,359	108,855,903
Total operating income	987,400	1,142,841	416,640	122,262	2,669,143
Total operating expenses	717,176	438,424	28,203	62,875	1,246,678
Share in earnings of associates, net	-	-	-	13,477	13,477
Net income for the period	270,224	704,417	388,437	72,864	1,435,942
Provision for credit losses, net	175,826	254,838	-	-	430,664

10. Earnings per share

Basic and fully diluted earnings per share for the period ended 30 June 2010 and 2009 is calculated by dividing the net income for the period attributable to the equity holders by 750 million.

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	June 2010		June 2009	
	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	13.6	12.0	12.6	10.5

12. Comparative figures

Certain prior period figures have been reclassified to confirm with the current period's presentation.

13. Capital adequacy – Basel II

Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be published on the Bank's website www.sabb.com within 60 days after 30 June 2010 as required by SAMA.