

**Interim Condensed  
Consolidated Financial  
Statements**

For the nine months ended  
30 September 2013

**The Saudi British Bank**

**SABB**  **ساب**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 September 2013</b>	31 December 2012	30 September 2012
	<u>Notes</u>	<u>Unaudited SAR' 000</u>	Audited SAR' 000	Unaudited SAR' 000
<b>ASSETS</b>				
Cash and balances with SAMA		<b>18,113,886</b>	20,403,864	10,513,608
Due from banks and other financial institutions		<b>4,291,592</b>	8,091,410	13,493,165
Investments, net	<b>4</b>	<b>31,007,774</b>	27,587,185	29,337,212
Loans and advances, net	<b>5</b>	<b>107,834,795</b>	96,098,306	97,800,730
Investment in associates	<b>6</b>	<b>608,600</b>	612,232	662,292
Property and equipment, net		<b>611,928</b>	604,509	529,287
Other assets		<b>3,810,654</b>	3,254,831	3,900,354
<b>Total assets</b>		<b>166,279,229</b>	156,652,337	156,236,648
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>3,774,726</b>	5,931,850	6,638,854
Customers' deposits	<b>7</b>	<b>129,915,047</b>	120,433,716	119,697,567
Debt securities in issue		<b>3,785,406</b>	4,505,780	4,510,491
Borrowings		<b>125,000</b>	140,625	156,250
Other liabilities		<b>6,771,671</b>	5,574,859	6,034,413
<b>Total liabilities</b>		<b>144,371,850</b>	136,586,830	137,037,575
<b>Shareholders' equity</b>				
Share capital		<b>10,000,000</b>	10,000,000	10,000,000
Statutory reserve		<b>6,991,051</b>	6,991,051	6,180,972
Other reserves		<b>39,347</b>	(4,220)	(55,253)
Retained earnings		<b>4,876,981</b>	2,078,676	3,073,354
Proposed dividends		-	1,000,000	-
<b>Total shareholders' equity</b>		<b>21,907,379</b>	20,065,507	19,199,073
<b>Total liabilities and shareholders' equity</b>		<b>166,279,229</b>	156,652,337	156,236,648

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

# The Saudi British Bank

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Unaudited

	Three months ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Notes	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	1,071,720	1,014,808	3,162,536	2,904,007
Special commission expense	121,804	173,145	388,462	460,657
<b>Net special commission income</b>	<b>949,916</b>	841,663	<b>2,774,074</b>	2,443,350
Fee and commission income, net	337,067	330,286	1,087,912	1,023,673
Exchange income, net	112,655	66,714	309,882	167,232
Income from FVIS financial instruments, net	-	-	9,375	-
Trading income, net	40,983	71,489	151,342	253,735
Dividend income	18,066	16,017	38,629	32,868
Gains (losses) on non-trading investments, net	14,974	(994)	40,279	16,930
Other operating income	364	319	1,745	473
<b>Total operating income</b>	<b>1,474,025</b>	1,325,494	<b>4,413,238</b>	3,938,261
Salaries and employee related expenses	291,407	245,082	815,980	721,933
Rent and premises related expenses	28,327	25,547	77,979	71,418
Depreciation	24,056	29,181	69,193	76,109
General and administrative expenses	93,420	98,759	311,305	304,402
Provision for credit losses, net	216,164	288,247	357,334	439,968
Impairment (reversal of impairment) of other financial assets	(1,362)	(541)	67,855	(1,589)
<b>Total operating expenses</b>	<b>652,012</b>	686,275	<b>1,699,646</b>	1,612,241
<b>Net income from operating activities</b>	<b>822,013</b>	639,219	<b>2,713,592</b>	2,326,020
Share in earnings of associates	6	16,523	84,713	98,895
<b>Net income for the period</b>	<b>845,778</b>	655,742	<b>2,798,305</b>	2,424,915
<b>Basic and diluted earnings per share (in SAR)</b>	<b>12</b>	0.66	<b>2.80</b>	2.42

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

	Three months ended		Nine months ended	
	30 September 2013 SAR' 000	30 September 2012 SAR' 000	30 September 2013 SAR' 000	30 September 2012 SAR' 000
<b>Net income for the period</b>	<b>845,778</b>	655,742	<b>2,798,305</b>	2,424,915
<b>Other comprehensive income to be reclassified to statement of income in subsequent period</b>				
Available for sale financial assets				
- Net change in fair value	<b>96,988</b>	76,377	<b>4,853</b>	175,918
- Transfer to interim consolidated statement of income	<b>(14,974)</b>	994	<b>29,721</b>	(16,930)
Cash flow hedges				
- Net change in fair value	<b>1,039</b>	6,134	<b>9,585</b>	16,209
- Transfer to interim consolidated statement of income	<b>(200)</b>	(460)	<b>(592)</b>	(4,740)
	<b>82,853</b>	83,045	<b>43,567</b>	170,457
<b>Total comprehensive income for the period</b>	<b>928,631</b>	738,787	<b>2,841,872</b>	2,595,372

The accompanying notes 1 to 15 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 nine months ended 30 September

Unaudited

	Share capital SAR '000	Statutory reserve SAR '000	Other reserves SAR '000	Retained earnings SAR '000	Proposed dividends SAR '000	Total SAR '000
<b>2013</b>						
Balance at beginning of the period	<u>10,000,000</u>	<u>6,991,051</u>	<u>(4,220)</u>	<u>2,078,676</u>	<u>1,000,000</u>	<u>20,065,507</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	2,798,305	-	2,798,305
Net changes in fair value of cash flow hedges	-	-	9,585	-	-	9,585
Net changes in fair value of available for sale investments	-	-	4,853	-	-	4,853
Transfer to interim consolidated statement of income	-	-	29,129	-	-	29,129
	-	-	43,567	2,798,305	-	2,841,872
2012 final dividend paid	-	-	-	-	(1,000,000)	(1,000,000)
Balance at end of the period	<u>10,000,000</u>	<u>6,991,051</u>	<u>39,347</u>	<u>4,876,981</u>	<u>-</u>	<u>21,907,379</u>
<b>2012</b>						
Balance at beginning of the period	<u>7,500,000</u>	<u>6,180,972</u>	<u>(225,710)</u>	<u>3,148,439</u>	<u>562,500</u>	<u>17,166,201</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	2,424,915	-	2,424,915
Net changes in fair value of cash flow hedges	-	-	16,209	-	-	16,209
Net changes in fair value of available for sale investments	-	-	175,918	-	-	175,918
Transfer to interim consolidated statement of income	-	-	(21,670)	-	-	(21,670)
	-	-	170,457	2,424,915	-	2,595,372
Bonus share issued	2,500,000	-	-	(2,500,000)	-	-
2011 final dividend paid	-	-	-	-	(562,500)	(562,500)
Balance at end of the period	<u>10,000,000</u>	<u>6,180,972</u>	<u>(55,253)</u>	<u>3,073,354</u>	<u>-</u>	<u>19,199,073</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

# The Saudi British Bank

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September

Unaudited

	<u>Note</u>	<u>2013</u> SAR' 000	<u>2012</u> SAR' 000
<b>OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>2,798,305</b>	2,424,915
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>			
Amortisation of premium on non trading investments, net		27,036	11,840
Depreciation		69,193	76,109
Income from FVIS financial instruments, net		(9,375)	-
Gains on non-trading investments, net		(40,279)	(16,930)
Share in earnings from associates		(84,713)	(98,895)
Provision for credit losses, net		357,334	439,968
Gains on disposal of property and equipment , net		(145)	(70)
Impairment (reversal of impairment) of other financial assets		67,855	(1,589)
Change in carrying value of debt securities in issue		(15,374)	31,831
		<b>3,169,837</b>	2,867,179
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		(382,493)	(1,218,059)
Investments held for trading		3,911	12,454
Loans and advances		(12,093,823)	(13,429,411)
Other assets		(555,823)	(84,014)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(2,157,124)	744,798
Customers' deposits		9,481,331	14,121,025
Other liabilities		1,198,039	166,158
<b>Net cash (used in) from operating activities</b>		<b>(1,336,145)</b>	3,180,130
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale/maturities of non-trading investments		16,981,147	9,189,371
Purchase of non-trading investments		(20,407,317)	(16,161,779)
Investment in associates		-	1,794
Dividend received from associates		88,345	-
Purchase of property and equipment		(78,387)	(68,478)
Proceeds from disposal of property and equipment		1,920	74
<b>Net cash used in investing activities</b>		<b>(3,414,292)</b>	(7,039,018)
<b>FINANCING ACTIVITIES</b>			
Debt securities in issue		(705,000)	500,000
Borrowings		(15,625)	(15,625)
Dividends paid		(1,001,227)	(564,416)
<b>Net cash used in financing activities</b>		<b>(1,721,852)</b>	(80,041)
<b>Net decrease in cash and cash equivalents</b>		<b>(6,472,289)</b>	(3,938,929)
<b>Cash and cash equivalents at beginning of the period</b>		<b>21,592,923</b>	20,932,974
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>15,120,634</b>	16,994,045
Special commission received during the period		3,145,828	2,703,139
Special commission paid during the period		408,396	401,275
<b>Supplemental non cash information</b>			
Other comprehensive income		43,567	170,457

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

### 1. General

The Saudi British Bank (SABB) is a Saudi Joint Stock Company and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). SABB 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. SABB operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 79 branches (30 September 2012: 79) in the Kingdom of Saudi Arabia. SABB employed 3,120 staff as at 30 September 2013 (30 September 2012: 3,035). The address of SABB's head office is as follows:

The Saudi British Bank  
P.O. Box 9084  
Riyadh 11413  
Kingdom of Saudi Arabia

SABB's objectives are to provide a range of banking services. SABB also provides Shariah approved products, which are approved and supervised by an independent Shariah Board established by SABB.

SABB has 100% (2012:100%) 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 Jumada 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 subsidiary is currently not carrying out any activity and is in the process of being liquidated.

SABB has 100% (2012 : 100 %) ownership interest in a subsidiary, SABB Insurance Agency, a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). SABB has 98% direct and 2% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The principal activity of the subsidiary is to act as a sole insurance agent for SABB Takaful Company (an associate company of SABB - see note 6) within the Kingdom of Saudi Arabia as per the agreement between the subsidiary and the associate. However, the articles of association of the subsidiary do not restrict the subsidiary from acting as an agent to any other insurance company in the Kingdom of Saudi Arabia.

SABB has 100% (2012:100 %) ownership interest in a subsidiary, Arabian Real Estate Company Limited, a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). SABB has 99% direct and 1% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The subsidiary is engaged in the purchase, sale and lease of land and real estate for investment purpose.

### 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 International Accounting Standard 34 – Interim Financial Reporting. SABB 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 2012.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2012.

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

## 2(i). Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of SABB and its subsidiaries (collectively referred to as the “Bank”). The financial statements of the subsidiaries are prepared for the same reporting period as that of SABB, using consistent accounting policies.

Subsidiaries are entities which are directly or indirectly controlled by SABB. SABB controls an entity (the “investee”) over which it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is transferred to SABB and cease to be consolidated from the date on which the control is transferred from SABB.

Intra-group transactions and balances have been eliminated in preparing interim condensed consolidated financial statements.

## 3. Accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December, 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below, which has an insignificant effect/no financial impact on the interim condensed consolidated interim financial statements of the Bank on the current period or prior period, and is not expected to have any significant effect in future periods:

### a) New standards

- IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).
- IFRS 11 Joint arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair value measurements: IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, except for the requirements in case of share based payments, leasing transactions and measurements that have some similarities to fair value but are not fair valued. IFRS 13 does not change requirements when the entity is required to use fair value; rather it provides guidance on how to measure the fair value.
- IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 – Financial Instruments: Disclosures. Some of these disclosures are also specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.



b) Amendments to existing standards

- Amendments to IAS 1 Presentation of financial statements – The amendment revises the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.
- IAS 27 Separate Financial Statements (2011): now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of Joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.
- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:
  - o IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
  - o IAS 16 – Property, plant and equipment: Classification of servicing equipment;
  - o IAS 32 – Financial instruments presentation: Income tax consequences of distributions
  - o IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**4. Investments, net**

Investment securities are classified as follows:

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
<b>Investments:</b>			
- Held as FVIS	1,010	4,921	1,018
- Available for sale, net	30,706,805	26,532,390	28,185,946
- Other investments held at amortized cost	299,959	949,863	1,050,165
- Held to maturity	-	100,011	100,083
<b>Total</b>	<b>31,007,774</b>	<b>27,587,185</b>	<b>29,337,212</b>

Investments classified under FVIS are all held for trading.

**5. Loans and advances, net**

Loans and advances are comprised of the following:

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
Credit cards	1,960,645	1,767,124	1,783,260
Consumer loans	19,531,785	17,133,422	16,786,049
Commercial loans and overdrafts	86,987,738	78,012,589	79,998,655
Performing loans and advances – gross	108,480,168	96,913,135	98,567,964
Non-performing loans and advances, net	1,612,119	1,598,555	1,671,741
<b>Total loans and advances</b>	<b>110,092,287</b>	<b>98,511,690</b>	<b>100,239,705</b>
Provision for credit losses (specific and collective)	(2,257,492)	(2,413,384)	(2,438,975)
<b>Loans and advances, net</b>	<b>107,834,795</b>	<b>96,098,306</b>	<b>97,800,730</b>

**6. Investment in associates**

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
<b>HSBC Saudi Arabia Limited</b>			
Balance at beginning of the period	496,237	453,689	453,689
Share of profit	81,324	106,737	95,817
Dividend received	(88,345)	(62,395)	-
Adjustments	-	(1,794)	(1,794)
	<b>489,216</b>	<b>496,237</b>	<b>547,712</b>
<b>SABB Takaful</b>			
Balance at beginning of the period	115,995	111,502	111,502
Share of profit	3,389	4,493	3,078
	<b>119,384</b>	<b>115,995</b>	<b>114,580</b>
<b>Total</b>	<b>608,600</b>	<b>612,232</b>	<b>662,292</b>

As set out in note 1, SABB Securities Limited is in the process of being liquidated. During 2011 the assets and liabilities of SABB Securities Limited had been transferred by SABB to HSBC Saudi Arabia Limited resulting in an increased shareholding of SABB in HSBC Saudi Arabia Limited from 40% to 51%. However, SABB does not consolidated HSBC Saudi Arabia Limited as it does not have control over it.

HSBC Saudi Arabia Limited is involved in investment banking services in addition to being engaged in the business of custody and dealing as an agent excluding underwriting in the Kingdom of Saudi Arabia.

SABB 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.

# The Saudi British Bank

## Notes to the Interim Condensed Consolidated Financial Statements (continued) 30 September 2013

### 7. Customers' deposits

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
Demand	73,414,399	63,417,449	59,490,287
Savings	6,233,893	6,096,869	5,830,139
Time	46,551,561	49,526,952	53,234,372
Other	3,715,194	1,392,446	1,142,769
<b>Total</b>	<b>129,915,047</b>	<b>120,433,716</b>	<b>119,697,567</b>

### 8. 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 2013 (Unaudited)			31 December 2012 (Audited)			30 September 2012 (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	708,753	(528,431)	45,413,511	1,024,433	(916,708)	47,681,937	1,136,483	(1,020,887)	43,913,243
Currency swaps	24,375	(24,375)	476,913	-	-	-	-	-	-
Special commission rate futures and options	45,453	(45,453)	2,645,996	35,381	(35,381)	5,495,972	36,062	(36,062)	5,495,972
Spot and forward foreign exchange contracts	34,144	(38,447)	28,068,294	32,419	(23,455)	24,692,588	43,322	(36,531)	25,948,430
Currency options	148,167	(148,167)	113,212,464	750,414	(750,414)	37,052,768	803,488	(803,488)	43,069,716
Others	96,713	(96,713)	1,417,500	57,368	(57,368)	1,388,576	72,309	(72,309)	1,365,000
<b>Derivatives held as fair value hedges:</b>									
Special commission rate swaps	45,154	(27,603)	4,115,510	62,616	(55,104)	4,407,851	67,558	(63,244)	4,505,693
<b>Derivatives held as cash flow hedges:</b>									
Special commission rate swaps	-	-	-	-	(9,585)	1,250,000	-	(13,556)	1,250,000
<b>Total</b>	<b>1,102,759</b>	<b>(909,189)</b>	<b>195,350,188</b>	<b>1,962,631</b>	<b>(1,848,015)</b>	<b>121,969,692</b>	<b>2,159,222</b>	<b>(2,046,077)</b>	<b>125,548,054</b>

## 9. Credit related commitments and contingencies

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

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
Letters of credit	16,977,910	15,813,888	15,308,227
Letters of guarantee	58,157,738	50,651,881	44,796,517
Acceptances	3,236,868	3,346,625	3,387,009
Irrevocable commitments to extend credit	1,950,839	1,790,491	2,183,005
<b>Total</b>	<b>80,323,355</b>	<b>71,602,885</b>	<b>65,674,758</b>

## 10. Cash and cash equivalents

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

SAR'000	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	10,829,042	13,501,513	3,500,880
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition.	4,291,592	8,091,410	13,493,165
<b>Total</b>	<b>15,120,634</b>	<b>21,592,923</b>	<b>16,994,045</b>

## 11. 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 operating 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 operating segments are on normal commercial terms and conditions. There are no material items of income or expense between the operating segments. Revenue from external parties reported to operating chief decision maker is measured in a manner consistent with that in the interim consolidated statement of income. Operating 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 operating segment profit or loss since 31 December 2012.

The Bank is organised into the following main operating 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.

**Others** – includes activities of investment in associates

The Bank's total assets and liabilities as at 30 September 2013 and 2012, their total operating income and expenses, and the net income for the nine-month periods then ended, by operating segment, are as follows:

# The Saudi British Bank

## Notes to the Interim Condensed Consolidated Financial Statements (continued) 30 September 2013

### 30 September 2013 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	33,315,494	78,863,533	53,491,602	608,600	166,279,229
Total liabilities	54,796,229	65,902,692	23,672,929	-	144,371,850
Total operating income	1,451,640	2,073,968	887,630	-	4,413,238
Total operating expenses	909,291	690,061	100,294	-	1,699,646
Share in earnings of associates, net	-	-	-	84,713	84,713
Net income for the period	542,349	1,383,907	787,336	84,713	2,798,305
Credit losses and impairment provision, net	160,785	257,812	6,592	-	425,189

### 30 September 2012 (Unaudited) SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	25,267,014	74,622,085	55,685,257	662,292	156,236,648
Total liabilities	46,964,246	59,251,428	30,821,901	-	137,037,575
Total operating income	1,206,706	1,895,933	835,622	-	3,938,261
Total operating expenses	803,293	728,251	80,697	-	1,612,241
Share in earnings of associates, net	-	-	-	98,895	98,895
Net income for the period	403,413	1,167,682	754,925	98,895	2,424,915
Credit losses and impairment provision (reversal), net	114,551	325,417	(1,589)	-	438,379

## 12. Basic and diluted earnings per share

Basic and fully diluted earnings per share for the period ended 30 September 2013 and 2012 is calculated by dividing the net income for the period attributable to the equity holders by 1,000 million shares.

### 13. Capital adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management. SAMA requires the Bank to hold the minimum level of the regulatory capital and to maintain a ratio of total regulatory capital to the risk-weighted assets at or above the agreed minimum of 8%.

The Bank monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its assets, commitments and contingencies, and notional amount of derivatives at a weighted amount to reflect their relative risk.

	30 September 2013 SAR'000 (Unaudited)	31 December 2012 SAR'000 (Audited)	30 September 2012 SAR'000 (Unaudited)
<b>Risk Weighted Assets (RWA)</b>			
Credit Risk RWA	<b>143,581,116</b>	126,036,229	124,877,698
Operational Risk RWA	<b>10,487,951</b>	10,004,373	9,983,349
Market Risk RWA	<b>1,395,088</b>	1,829,900	1,565,388
<b>Total RWA</b>	<b>155,464,155</b>	137,870,502	136,426,435
<b>Tier I Capital</b>	<b>21,907,379</b>	16,531,191	16,484,770
<b>Tier II Capital</b>	<b>1,869,486</b>	5,100,494	4,276,611
<b>Total I &amp; II Capital</b>	<b>23,776,865</b>	21,631,685	20,761,381
<b>Capital Adequacy Ratio %</b>			
<b>Tier I ratio</b>	<b>14.09%</b>	11.99%	12.08%
<b>Tier I + Tier II ratio</b>	<b>15.29%</b>	15.69%	15.22%

The amounts and ratios disclosed above for the period ended 30 September 2013 have been calculated based on Basel III, whereas, comparative information has been calculated based on Basel II.

### 14. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of recognised financial instruments are not materially different from their carrying values, except for loans and advances and customer deposits.

It is not practicable to determine the fair value of loans and advances, customer deposits with sufficient reliability except as disclosed below.

**Determination of fair value and fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking):

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

SAR' 000	Level 1	Level 2	Level 3	Total
<b>30 September 2013</b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	1,102,759	-	1,102,759
Financial assets held as FVIS	1,010	-	-	1,010
Financial investments available for sale	8,515,601	22,103,362	79,441	30,698,404
Loans and advances – Fair value hedged	-	673,060	-	673,060
<b>Total</b>	<b>8,516,611</b>	<b>23,879,181</b>	<b>79,441</b>	<b>32,475,233</b>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	-	909,189	-	909,189
Debt securities in issue- Fair value hedged	2,285,406	-	-	2,285,406
<b>Total</b>	<b>2,285,406</b>	<b>909,189</b>	<b>-</b>	<b>3,194,595</b>

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate futures and options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using the bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

Available for sale investments classified as Level 2 include plain vanilla bonds for which market quotes are not available. These are fair valued using simple discounted cash flow techniques that use observable market data inputs for yield curves and credit spreads. During the period an amount of SAR 1.3 billion was transferred from Level I to Level II on account of certain local corporate bonds as their quoted market prices are no longer available.

Available for sale investments classified as Level 3 include Private Equity Funds, the fair value of which is determined based on the fund's latest reported net assets value (NAV) as at the balance sheet date. The movement in Level 3 financial instruments during the period relates to fair value adjustment only.

**15. Basel III - Capital Structure**

Certain disclosures on the Bank's capital structure are required to be published on Bank's website. These disclosures will be published on the Bank's website [www.sabb.com](http://www.sabb.com) as required by SAMA.