

**Interim Condensed  
Consolidated Financial  
Statements**

For the nine months ended  
30 September 2015

**The Saudi British Bank**

**SABB**  **ساب**

# The Saudi British Bank

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 September 2015</b>	31 December 2014	30 September 2014
	<u>Notes</u>	<u>Unaudited SAR' 000</u>	Audited SAR' 000	Unaudited SAR' 000
<b>ASSETS</b>				
Cash and balances with SAMA		<b>11,602,170</b>	19,313,766	15,748,557
Due from banks and other financial institutions		<b>8,157,261</b>	2,468,871	4,627,368
Investments, net	<b>4</b>	<b>43,354,431</b>	45,280,816	40,928,999
Loans and advances, net	<b>5</b>	<b>128,883,540</b>	115,220,797	116,667,761
Investment in a joint venture and an associate	<b>6</b>	<b>668,449</b>	651,674	746,087
Property and equipment, net		<b>965,807</b>	663,401	640,143
Other assets		<b>3,565,677</b>	4,009,943	3,598,937
<b>Total assets</b>		<b>197,197,335</b>	187,609,268	182,957,852
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>2,311,419</b>	4,085,928	2,768,293
Customers' deposits	<b>7</b>	<b>155,585,581</b>	145,870,497	143,687,301
Debt securities in issue		<b>6,753,185</b>	5,264,678	5,267,001
Borrowings		<b>62,500</b>	78,125	93,750
Other liabilities		<b>5,085,354</b>	6,238,828	5,741,833
<b>Total liabilities</b>		<b>169,798,039</b>	161,538,056	157,558,178
<b>Shareholders' equity</b>				
Share capital		<b>15,000,000</b>	10,000,000	10,000,000
Statutory reserve		<b>7,064,131</b>	9,001,019	7,934,504
Other reserves		<b>(177,310)</b>	61,614	359,422
Retained earnings		<b>5,512,475</b>	5,858,579	7,105,748
Proposed dividends		-	1,150,000	-
<b>Total shareholders' equity</b>		<b>27,399,296</b>	26,071,212	25,399,674
<b>Total liabilities and shareholders' equity</b>		<b>197,197,335</b>	187,609,268	182,957,852

The accompanying notes 1 to 16 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 2015	30 September 2014	30 September 2015	30 September 2014
Notes	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	1,190,572	1,159,900	3,557,040	3,425,832
Special commission expense	111,561	130,443	379,514	427,143
<b>Net special commission income</b>	<b>1,079,011</b>	1,029,457	<b>3,177,526</b>	2,998,689
Fee and commission income, net	400,809	387,689	1,211,517	1,276,178
Exchange income, net	124,814	124,901	350,299	336,704
Income from FVIS financial instruments	-	-	3,750	3,750
Trading income, net	53,184	64,275	234,277	249,480
Dividend income	19,410	45,271	37,050	64,798
Gain on non-trading investments, net	11,948	2,894	66,692	10,180
Other operating gain (loss), net	81	113	305	(490)
<b>Total operating income</b>	<b>1,689,257</b>	1,654,600	<b>5,081,416</b>	4,939,289
Salaries and employee related expenses	305,390	286,261	947,395	857,739
Rent and premises related expenses	33,650	28,672	96,681	82,863
Depreciation	24,260	18,526	70,113	66,975
General and administrative expenses	122,958	132,168	373,770	377,286
Provision for credit losses, net	88,004	157,782	316,641	357,690
Reversal of impairment of other financial assets	-	-	(9,632)	(949)
<b>Total operating expenses</b>	<b>574,262</b>	623,409	<b>1,794,968</b>	1,741,604
<b>Net income from operating activities</b>	<b>1,114,995</b>	1,031,191	<b>3,286,448</b>	3,197,685
Share in earnings of a joint venture and an associate	6	27,764	105,560	99,030
<b>Net income for the period</b>	<b>1,139,559</b>	1,058,955	<b>3,392,008</b>	3,296,715
<b>Basic and diluted earnings per share (in SAR)</b>	<b>12</b>	0.71	<b>2.26</b>	2.20

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Unaudited

	Three months ended		Nine months ended	
	30 September 2015 SAR' 000	30 September 2014 SAR' 000	30 September 2015 SAR' 000	30 September 2014 SAR' 000
<b>Net income for the period</b>	<b>1,139,559</b>	1,058,955	<b>3,392,008</b>	3,296,715
<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	(309,780)	193,980	(162,160)	380,932
- Transfer to interim consolidated statement of income	(11,947)	(2,894)	(66,692)	(10,180)
Cash flow hedges				
- Net change in fair value	2,346	-	780	-
- Transfer to interim consolidated statement of income	(397)	(199)	(591)	(592)
	(319,778)	190,887	(228,663)	370,160
<b>Total comprehensive income for the period</b>	<b>819,781</b>	1,249,842	<b>3,163,345</b>	3,666,875

The accompanying notes 1 to 16 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 period 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>2015</b>						
Balance at beginning of the period	<u>10,000,000</u>	<u>9,001,019</u>	<u>61,614</u>	<u>5,858,579</u>	<u>1,150,000</u>	<u>26,071,212</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	3,392,008	-	3,392,008
Net changes in fair value of cash flow hedges	-	-	780	-	-	780
Net changes in fair value of available for sale investments	-	-	(162,160)	-	-	(162,160)
Transfer to interim consolidated statement of income	-	-	(67,283)	-	-	(67,283)
			<u>(228,663)</u>	<u>3,392,008</u>		<u>3,163,345</u>
Bonus share issue	5,000,000	(2,500,000)	-	(2,500,000)	-	-
Treasury Shares	-	-	(25,792)	-	-	(25,792)
Employee share plan reserve	-	-	15,531	-	-	15,531
Transfer to statutory reserve	-	563,112	-	(563,112)	-	-
2014 Final dividend paid	-	-	-	-	(1,150,000)	(1,150,000)
2015 Proposed interim dividend	-	-	-	(675,000)	675,000	-
2015 Interim dividend paid	-	-	-	-	(675,000)	(675,000)
Balance at end of the period	<u>15,000,000</u>	<u>7,064,131</u>	<u>(177,310)</u>	<u>5,512,475</u>	<u>-</u>	<u>27,399,296</u>
<b>2014</b>						
Balance at beginning of the period	<u>10,000,000</u>	<u>7,934,504</u>	<u>(10,738)</u>	<u>3,809,033</u>	<u>1,100,000</u>	<u>22,832,799</u>
Total comprehensive income for the period						
Net income for the period	-	-	-	3,296,715	-	3,296,715
Net changes in fair value of cash flow hedges	-	-	-	-	-	-
Net changes in fair value of available for sale investments	-	-	380,932	-	-	380,932
Transfer to interim consolidated statement of income	-	-	(10,772)	-	-	(10,772)
			<u>370,160</u>	<u>3,296,715</u>		<u>3,666,875</u>
2013 final dividend paid	-	-	-	-	(1,100,000)	(1,100,000)
Balance at end of the period	<u>10,000,000</u>	<u>7,934,504</u>	<u>359,422</u>	<u>7,105,748</u>	<u>-</u>	<u>25,399,674</u>

The accompanying notes 1 to 16 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 period ended 30 September

Unaudited

	Note	2015 SAR' 000	2014 SAR' 000
<b>OPERATING ACTIVITIES</b>			
<b>Net income for the period</b>		<b>3,392,008</b>	3,296,715
<b>Adjustments to reconcile net income to net cash from (used in) operating activities:</b>			
Amortisation of premium on non-trading investments, net		38,460	25,760
Depreciation		70,113	66,975
Income from FVIS financial instruments		-	(3,750)
Gains on non-trading investments, net		(66,992)	(10,180)
Share in earnings of a joint venture and an associate		(16,775)	(99,030)
Provision for credit losses, net		316,641	357,690
Losses on disposal of property and equipment, net		-	1,321
Reversal of impairment of other financial assets		(9,632)	(949)
Change in carrying value of debt securities in issue		(11,493)	(15,872)
		<b>3,712,330</b>	3,618,680
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposit with SAMA		(421,645)	(571,527)
Due from banks and other financial institutions with an original maturity of more than three months from date of acquisition		(117,968)	(93,750)
Investments held for trading		-	1,007
Loans and advances		(13,979,384)	(10,910,521)
Other assets		444,266	(471,905)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(1,774,509)	(1,001,347)
Customers' deposits		9,715,084	4,725,831
Other liabilities		(1,190,460)	(662,797)
<b>Net cash used in operating activities</b>		<b>(3,612,286)</b>	(5,366,329)
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of and maturities of non-trading investments		23,119,220	20,079,764
Purchase of non-trading investments		(21,168,876)	(23,250,932)
Purchase of property and equipment		(372,520)	(108,783)
Proceeds from disposal of property and equipment		-	4,000
<b>Net cash from (used) in investing activities</b>		<b>1,577,824</b>	(3,275,951)
<b>FINANCING ACTIVITIES</b>			
Debt securities in issue		1,500,000	-
Borrowings		(15,625)	(15,625)
Dividends paid		(1,788,014)	(1,041,413)
Treasury Shares purchased		(13,000)	-
<b>Net cash used in financing activities</b>		<b>(316,639)</b>	(1,057,038)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,351,101)</b>	(9,699,318)
<b>Cash and cash equivalents at beginning of the period</b>		<b>13,012,041</b>	21,682,842
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>10,660,940</b>	11,983,524
Special commission received during the period		3,261,584	3,348,185
Special commission paid during the period		270,163	470,895
<b>Supplemental non cash information</b>			
Net changes in fair value and transfer to interim consolidated statement of income		(228,663)	370,160

The accompanying notes 1 to 16 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 82 branches (30 September 2014: 81) in the Kingdom of Saudi Arabia. SABB employed 3,364 staff as at 30 September 2015 (30 September 2014: 3,244). The address of SABB's head office is as follows:

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

The objectives of SABB 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% (2014:100%) 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% (2014:100%) 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 the 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 an insurance agent for SABB Takaful Company (an associate company of SABB - see note 6) within the Kingdom of Saudi Arabia.

SABB has 100% (2014:100%) 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.

SABB has 100% ownership interest in a subsidiary, SABB Real Estate Company Limited, a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (4 December 2014). SABB has 99.8% direct and 0.2% indirect ownership interest in its subsidiary (the indirect ownership is held via a subsidiary registered in the Kingdom of Saudi Arabia). The subsidiary's main purpose is the registration of real estates.

#### 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 consolidated financial statements for the year ended 31 December 2014.

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 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 2014.

## 2. Basis of preparation (continued)

The Bank presents its statement of financial position in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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

### 2(i). Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of SABB and its subsidiaries, as mentioned in note 1 (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 2014 except for the adoption of the following amendments to existing standards mentioned below, which has had 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:

Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions are satisfied, to reduce service cost in the period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

IFRS 1 – “first time adoption of IFRS”: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.

IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.



IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

#### 4. Investments, net

Investment securities are classified as follows:

SAR’000	<b>30 September 2015 (Unaudited)</b>	31 December 2014 (Audited)	30 September 2014 (Unaudited)
<b>Investments:</b>			
- Available for sale, net	<b>41,354,431</b>	45,180,816	40,829,006
- Held at amortised cost, net	<b>2,000,000</b>	100,000	99,993
<b>Total</b>	<b>43,354,431</b>	45,280,816	40,928,999

#### 5. Loans and advances, net

Loans and advances are comprised of the following:

SAR’000	<b>30 September 2015 (Unaudited)</b>	31 December 2014 (Audited)	30 September 2014 (Unaudited)
Credit cards	<b>2,254,071</b>	2,091,725	2,094,721
Consumer loans	<b>24,490,876</b>	24,027,009	24,269,140
Commercial loans and overdrafts	<b>103,047,552</b>	90,009,676	91,169,866
Performing loans and advances, gross	<b>129,792,499</b>	116,128,410	117,533,727
Non-performing loans and advances, net	<b>1,512,422</b>	1,494,932	1,500,742
<b>Total loans and advances</b>	<b>131,304,921</b>	117,623,342	119,034,469
Provision for credit losses (specific and collective)	<b>(2,421,381)</b>	(2,402,545)	(2,366,708)
<b>Loans and advances, net</b>	<b>128,883,540</b>	115,220,797	116,667,761

6. Investment in associate and joint venture

SAR'000	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
<b>HSBC Saudi Arabia Limited</b>			
Balance at beginning of the period	526,221	526,302	526,302
Share of undistributed profit	104,016	104,755	95,403
Dividend received	(88,785)	(104,836)	-
	<u>541,452</u>	<u>526,221</u>	<u>621,705</u>
<b>SABB Takaful</b>			
Balance at beginning of the period	125,453	120,755	120,755
Share of undistributed profit	1,544	4,698	3,627
	<u>126,997</u>	<u>125,453</u>	<u>124,382</u>
<b>Total</b>	<u><u>668,449</u></u>	<u><u>651,674</u></u>	<u><u>746,087</u></u>

SABB owns 51% (2014:51%) of the shares of HSBC Saudi Arabia Limited, a joint venture with HSBC. SABB does not consolidate the entity as it does not have management control, nor the power to govern the financial and operating policies of the entity. The main activities of HSBC Saudi Arabia Limited are to provide a full range of investment banking services including investment banking advisory, brokerage, debt and project finance as well as Islamic finance. It also manages mutual funds and discretionary portfolios.

SABB owns 32.5% (2014: 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 market value of investment in SABB Takaful as of 30 September 2015 is SAR 448.1 million (30 September 2014: SAR 572.7 million).

7. Customers' deposits

SAR'000	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
Demand	92,767,845	86,583,535	83,775,049
Savings	7,237,140	6,865,211	6,802,848
Time	52,214,963	50,235,555	50,101,995
Margin deposits	3,365,633	2,186,196	3,007,409
<b>Total</b>	<u><u>155,585,581</u></u>	<u><u>145,870,497</u></u>	<u><u>143,687,301</u></u>

# The Saudi British Bank

## Notes to the Interim Condensed Consolidated Financial Statements (continued) 30 September 2015

### 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 2015 (Unaudited)			31 December 2014 (Audited)			30 September 2014 (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	482,672	(383,340)	46,415,559	548,911	(465,354)	51,325,703	533,553	(388,231)	52,641,238
Special commission rate futures and options	28,948	(28,948)	1,944,550	43,078	(43,078)	2,249,929	52,342	(52,342)	2,249,929
Spot and forward foreign exchange contracts	39,518	(31,161)	22,140,732	60,153	(61,514)	26,635,831	45,511	(51,038)	25,108,482
Currency options	186,446	(193,699)	214,309,659	151,473	(154,264)	193,156,074	133,994	(130,343)	215,283,537
Currency swaps	79,434	(79,809)	417,262	37,967	(37,967)	461,211	23,159	(23,159)	475,369
Others	9,924	(9,924)	408,895	166,038	(166,038)	833,565	154,362	(154,362)	835,365
<b>Derivatives held as fair value hedges:</b>									
Special commission rate swaps	2,842	(70,237)	3,796,696	17,266	(48,199)	4,121,257	23,529	(27,432)	4,160,349
<b>Derivatives held as cash flow hedges:</b>									
Commission rate swaps	5,089	-	1,100,000	-	-	-	-	-	-
Currency swaps	-	(4,309)	304,688	-	-	-	-	-	-
<b>Total</b>	<b>834,873</b>	<b>(801,427)</b>	<b>290,838,041</b>	<b>1,024,886</b>	<b>(976,414)</b>	<b>278,783,570</b>	<b>966,450</b>	<b>(826,907)</b>	<b>300,754,269</b>

### 9. Credit related commitments and contingencies

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

SAR'000	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
Letters of credit	15,610,655	15,131,587	15,546,815
Letters of guarantee	63,378,128	61,458,178	59,375,362
Acceptances	4,080,923	3,190,107	2,917,343
Irrevocable commitments to extend credit	2,592,317	1,712,325	2,771,981
<b>Total</b>	<b>85,662,023</b>	<b>81,492,197</b>	<b>80,611,501</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 2015	31 December 2014	30 September 2014
	(Unaudited)	(Audited)	(Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,503,679	10,636,920	7,449,906
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition	8,157,261	2,375,121	4,533,618
<b>Total</b>	<b>10,660,940</b>	<b>13,012,041</b>	<b>11,983,524</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 significant changes to the basis of segmentation or the measurement basis for the operating segment profit or loss since 31 December 2014.

The Bank is organised into the following main operating segments:

**Retail Banking** – caters mainly to the banking requirements of personal and private banking customers.

**Corporate Banking** – caters mainly to the banking requirements of commercial and corporate banking customers.

**Treasury** – 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 liquidity position.

**Others** – includes activities of investment in a joint venture and an associate.

The Bank's total assets and liabilities as at 30 September 2015 and 2014, their total operating income and expenses, and the net income for the nine-month periods then ended, by operating segment, are as follows:

30 September 2015 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	35,492,461	98,429,488	62,606,937	668,449	197,197,335
Total liabilities	64,095,002	80,407,490	25,295,547	-	169,798,039
Total operating income	1,740,445	2,277,455	1,063,516	-	5,081,416
Total operating expenses	881,673	498,443	107,843	-	1,487,959
Share in earnings of a joint venture and an associate	-	-	-	105,560	105,560
Net income for the period	662,237	1,658,906	965,305	105,560	3,392,008
Credit losses and impairment provision (reversal), net	196,535	120,106	(9,632)	-	307,009

# The Saudi British Bank

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

### 30 September 2015

30 September 2014

(Unaudited)

SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	36,651,847	84,990,272	60,569,646	746,087	182,957,852
Total liabilities	55,862,654	81,020,209	20,675,315	-	157,558,178
Total operating income	1,729,582	2,231,207	978,500	-	4,939,289
Total operating expenses	813,677	460,671	110,515	-	1,384,863
Share in earnings of a joint venture and an associate	-	-	-	99,030	99,030
Net income for the period	728,737	1,600,014	868,934	99,030	3,296,715
Credit losses and impairment provision (reversal), net	187,168	170,522	(949)	-	356,741

### 12. Basic and diluted earnings per share

Basic and diluted earnings per share for the period ended 30 September 2015 and 30 September 2014 is calculated by dividing the net income for the period attributable to the equity holders by the weighted average number of issued shares of 1,500 million. The weighted average number of shares have been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

### 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 2015 SAR'000 (Unaudited)	31 December 2014 SAR'000 (Audited)	30 September 2014 SAR'000 (Unaudited)
<b>Risk Weighted Assets (RWA)</b>			
Credit Risk RWA	170,392,859	151,267,712	152,275,517
Operational Risk RWA	12,536,760	11,688,587	11,413,677
Market Risk RWA	1,832,750	3,841,275	2,211,663
<b>Total RWA</b>	<b>184,762,369</b>	<b>166,797,574</b>	<b>165,900,857</b>
<b>Tier I Capital</b>	<b>27,399,296</b>	<b>26,071,212</b>	<b>25,371,343</b>
<b>Tier II Capital</b>	<b>4,382,209</b>	<b>3,128,106</b>	<b>3,155,337</b>
<b>Total I &amp; II Capital</b>	<b>31,781,505</b>	<b>29,199,318</b>	<b>28,526,680</b>
<b>Capital Adequacy Ratio %</b>			
<b>Tier I ratio</b>	<b>14.83%</b>	15.63%	15.29%
<b>Tier I + Tier II ratio</b>	<b>17.20%</b>	17.51%	17.20%

**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. The fair value of loans and advances held at amortised cost and commission-bearing customers' deposits are not significantly different from their book values since the current market commission rates for similar financial assets are not significantly different from the contracted rates .

**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 2015</b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	834,873	-	834,873
Financial investments available for sale	9,311,812	31,989,922	52,697	41,354,431
Investments held at amortised cost	-	2,000,000	-	2,000,000
Loans and advances – Fair value hedged	-	54,370	-	54,370
<b>Total</b>	<b>9,311,812</b>	<b>34,879,165</b>	<b>52,697</b>	<b>44,243,674</b>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	-	801,427	-	801,427
Debt securities in issue- Fair value hedged	2,252,848	-	-	2,252,848
<b>Total</b>	<b>2,252,848</b>	<b>801,427</b>	<b>-</b>	<b>3,054,275</b>

Notes To The Interim Condensed Consolidated Financial Statements (continued)  
30 September 2015

SAR' 000	Level 1	Level 2	Level 3	Total
<b>30 September 2014</b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	966,450	-	966,450
Financial investments available for sale	9,210,193	31,529,046	89,767	40,829,006
Investments held at amortised cost	-	101,165	-	101,165
Loans and advances – Fair value hedged	-	198,403	-	198,403
<b>Total</b>	9,210,193	32,795,064	89,767	42,095,024
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	-	826,907	-	826,907
Debt securities in issue- Fair value hedged	2,267,001	-	-	2,267,001
<b>Total</b>	2,267,001	826,907	-	3,093,908

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 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.

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 movement only.

The total amount of the changes in fair value recognised in the statement of income, which was estimated using valuation technique, is positive SAR 25.9 million (2014: positive SAR 56.7 million).

#### 15. Disclosures under Basel III framework

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website [www.sabb.com](http://www.sabb.com) within prescribed time as required by SAMA.

#### 16. Comparative figures

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