

Interim Condensed

Consolidated Financial Statements

For the nine months ended
30 September 2010

The Saudi British Bank

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2010 Unaudited SAR' 000	31 December 2009 Audited SAR' 000	30 September 2009 Unaudited SAR' 000
	Notes			
ASSETS				
Cash and balances with SAMA		12,392,715	16,614,885	7,213,433
Due from banks and other financial institutions		5,593,630	6,004,593	9,288,705
Investments, net	4	20,964,708	23,817,550	24,084,074
Loans and advances, net		74,687,164	76,381,599	78,834,571
Investment in associates	5	208,055	180,458	278,081
Property and equipment, net		580,344	594,042	557,973
Other assets		3,919,406	3,244,835	3,649,096
Total assets		118,346,022	126,837,962	123,905,933
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		4,418,984	13,605,744	10,148,784
Customers' deposits		90,667,625	89,186,861	89,246,180
Debt securities in issue		3,368,789	5,709,487	5,741,795
Borrowings		187,500	187,500	187,500
Other liabilities		4,896,249	5,103,081	5,463,538
Total liabilities		103,539,147	113,792,673	110,787,797
Shareholders' equity				
Share capital	10	7,500,000	7,500,000	7,500,000
Statutory reserve		4,988,075	4,988,075	4,981,605
Other reserves		137,540	(137,535)	(38,810)
Retained earnings		2,181,260	694,749	675,341
Total shareholders' equity		14,806,875	13,045,289	13,118,136
Total liabilities and shareholders' equity		118,346,022	126,837,962	123,905,933

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

		Three months ended		Nine months ended	
		30 September 2010	30 September 2009	30 September 2010	30 September 2009
	Notes	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income		898,857	1,055,336	2,849,269	3,582,351
Special commission expense		99,084	201,194	336,509	953,214
Net special commission income		799,773	854,142	2,512,760	2,629,137
Fees and commission income, net		288,223	321,295	898,935	925,331
Exchange income, net		26,897	33,164	89,840	98,805
Income from FVIS financial instruments, net		-	880	-	6,568
Trading income, net		41,434	74,169	201,699	239,222
Dividend income		267	-	2,215	1,049
Gains on non-trading investments, net		-	16,675	250	49,719
Other operating income		1,585	4,163	17,374	23,800
Total operating income		1,158,179	1,304,488	3,723,073	3,973,631
Salaries and employee related expenses		237,782	217,674	684,628	677,122
Rent and premises related expenses		23,943	20,248	67,625	60,373
Depreciation and amortisation		28,244	27,377	85,098	83,334
Other general and administrative expenses		137,860	135,943	421,836	396,427
Provision for credit losses, net		324,483	351,537	1,004,972	782,201
Total operating expenses		752,312	752,779	2,264,159	1,999,457
Net income from operating activities		405,867	551,709	1,458,914	1,974,174
Share in earnings of associates, net	5	13,069	18,748	27,597	32,225
Net income for the period		418,936	570,457	1,486,511	2,006,399
Basic and diluted earnings per share (in SAR)	10	0.56	0.76	1.98	2.68

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

	Three months ended		Nine months ended	
	30 September 2010 SAR' 000	30 September 2009 SAR' 000	30 September 2010 SAR' 000	30 September 2009 SAR' 000
Net income for the period	418,936	570,457	1,486,511	2,006,399
Other comprehensive income				
Available for sale financial assets				
- Net change in fair value	180,063	122,945	321,043	200,401
- Transfer to interim consolidated statement of income	-	(16,675)	-	(49,719)
Cash flow hedges				
- Net change in fair value	(6,510)	11,877	(43,522)	(961)
- Transfer to interim consolidated statement of income	(2,164)	(11,815)	(2,446)	(11,815)
	171,389	106,332	275,075	137,906
Total comprehensive income for the period	590,325	676,789	1,761,586	2,144,305

The accompanying notes 1 to 12 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 <u>SAR '000</u>	Statutory reserve <u>SAR '000</u>	Other reserves <u>SAR '000</u>	Retained earnings <u>SAR '000</u>	Proposed dividend <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	-	-	275,075	1,486,511	-	1,761,586
Balance at end of the period	<u>7,500,000</u>	<u>4,988,075</u>	<u>137,540</u>	<u>2,181,260</u>	<u>-</u>	<u>14,806,875</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	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>

The accompanying notes 1 to 12 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>Notes</u>	2010 SAR' 000	2009 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		1,486,511	2,006,399
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Accretion of discounts on non-trading investments, net		(5,829)	(2,592)
Income from FVIS financial instruments, net		-	(6,568)
Gains on non-trading investments, net		(250)	(49,719)
Depreciation and amortisation		85,098	83,334
Losses on disposal of property and equipment, net		2	14
Share in earnings from associates, net		(27,597)	(32,225)
Provision for credit losses, net		1,004,972	782,201
Change in fair value		(90,698)	84,995
		2,452,209	2,865,839
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		178,195	(29,479)
Investments held as FVIS		322,225	10,732
Loans and advances		689,463	619,985
Other assets		(674,571)	(68,041)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(9,186,760)	(5,920,708)
Customers' deposits		1,480,764	(3,431,357)
Other liabilities		(196,887)	172,553
Net cash used in operating activities		(4,935,362)	(5,780,476)
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		22,439,235	13,716,718
Purchase of non-trading investments		(19,627,464)	(8,148,299)
Purchase of property and equipment		(72,059)	(79,895)
Investment in associates		-	(97,500)
Proceeds from disposal of property and equipment		657	34
Net cash from investing activities		2,740,369	5,391,058
FINANCING ACTIVITIES			
Debt securities issued		(2,250,000)	-
Dividends paid		(9,945)	(666,642)
Net cash used in financing activities		(2,259,945)	(666,642)
Decrease in cash and cash equivalents		(4,454,938)	(1,056,060)
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	13,001,976	11,645,169
Special commission received during the period		2,784,825	3,851,345
Special commission paid during the period		480,460	1,207,888

The accompanying notes 1 to 12 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 79 branches (2009: 70) and 31 exclusive ladies' sections (2009: 31) in the Kingdom of Saudi Arabia. The Bank employed 3,405 staff as at 30 September 2010 (2009: 3,425). 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 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 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 condensed 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 September 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 September 2010 (Unaudited)	31 December 2009 (Audited)	30 September 2009 (Unaudited)
Investments:			
- Held as FVIS	32,176	346,203	351,524
- Available for sale	18,341,655	18,676,927	18,687,670
- Other investments held at amortized cost	2,490,218	4,392,648	4,542,214
- Held to maturity	100,659	401,772	502,666
Total	20,964,708	23,817,550	24,084,074

Investments classified under FVIS are all held for trading.

5. Investment in associates

SAR'000	30 September 2010 (Unaudited)	31 December 2009 (Audited)	30 September 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	29,507	51,422	36,178
	99,633	70,126	166,328
SABB Takaful			
Balance at beginning of the period	110,332	18,206	18,206
Cost of investment during the period	-	97,500	97,500
Share of losses	(1,910)	(5,374)	(3,953)
	108,422	110,332	111,753
Total	208,055	180,458	278,081

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 September 2010 (Unaudited)			31 December 2009 (Audited)			30 September 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	1,710,930	(1,618,190)	51,330,295	1,410,339	(1,318,875)	53,314,211	1,660,582	(1,563,782)	53,424,272
Currency swaps	190,807	-	1,475,297	284,116	-	1,475,297	317,778	-	1,475,297
Special commission rate futures and options	62,768	(62,768)	2,887,500	34,021	(34,021)	2,887,500	22,711	(22,711)	2,887,500
Spot and forward foreign exchange contracts	120,280	(142,793)	35,044,839	39,918	(52,381)	17,026,881	63,901	(84,023)	17,411,211
Currency options	66,182	(66,182)	5,076,306	72,118	(72,118)	3,037,146	77,143	(77,143)	3,414,262
Others	2,268	(2,268)	675,000	3,831	(3,831)	725,000	2,680	(2,680)	725,000
Derivatives held as fair value hedges:									
Special commission rate swaps	-	(75,887)	1,877,524	4,824	(29,539)	835,182	2,050	(32,863)	747,674
Derivatives held as cash flow hedges:									
Special commission rate swaps	6,902	(39,771)	1,343,750	29,844	(1,386)	1,381,250	26,528	(3,057)	581,250
Total	2,160,137	(2,007,859)	99,710,511	1,879,011	(1,512,151)	80,682,467	2,173,373	(1,786,259)	80,666,466

7. Credit related commitments and contingencies

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

SAR'000	30 September 2010 (Unaudited)	31 December 2009 (Audited)	30 September 2009 (Unaudited)
Letters of credit	8,830,122	7,741,632	8,218,802
Letters of guarantee	31,909,511	27,740,924	25,756,141
Acceptances	2,388,916	2,468,011	2,490,431
Irrevocable commitments to extend credit	251,131	834,765	1,407,045
Total	43,379,680	38,785,332	37,872,419

8. Cash and cash equivalents

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

SAR'000	30 September 2010 (Unaudited)	31 December 2009 (Audited)	30 September 2009 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	7,408,346	11,452,321	2,356,464
Due from banks and other financial institutions maturing within three months of acquisition date	5,593,630	6,004,593	9,288,705
Total	13,001,976	17,456,914	11,645,169

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 September 2010 and 2009, 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 2010 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,859,595	56,056,031	41,216,488	213,908	118,346,022
Total liabilities	36,656,615	37,531,679	29,315,263	35,590	103,539,147
Total operating income	1,186,314	1,751,212	668,209	117,338	3,723,073
Total operating expenses	1,285,649	840,158	78,801	59,551	2,264,159
Share in earnings of associates, net	-	-	-	27,597	27,597
Net income for the period	(99,335)	911,054	589,408	85,384	1,486,511
Provision for credit losses, net	562,247	442,725	-	-	1,004,972

The Saudi British Bank

Notes To The Interim Condensed Consolidated Financial Statements (continued) 30 September 2010

30 September 2009
(Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Others	Total
Total assets	20,822,246	59,902,066	42,900,460	281,161	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	111,965	2,006,399
Provision for credit losses, net	280,143	502,058	-	-	782,201

10. Earnings per share

Basic and fully diluted earnings per share for the period ended 30 September 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	September 2010		September 2009	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	14.0	12.0	12.7	10.1

12. Comparative figures

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