

Interim Condensed

Consolidated Financial Statements

For the three months ended
31 March 2009

The Saudi British Bank

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2009 Unaudited SAR' 000	31 December 2008 Audited SAR' 000	31 March 2008 Unaudited SAR' 000
Notes			
ASSETS			
Cash and balances with SAMA	18,771,046	11,328,253	8,611,497
Due from banks and other financial institutions	3,816,982	6,200,466	3,738,988
Investments, net	4 25,879,473	29,604,346	23,659,243
Loans and advances, net	79,310,245	80,236,757	66,621,422
Investment in associates	5 155,217	148,356	128,609
Property and equipment, net	554,340	561,460	549,276
Other assets	4,078,601	3,581,055	3,099,698
Total assets	132,565,904	131,660,693	106,408,733
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	11,145,626	16,069,492	8,326,782
Customer deposits	96,626,732	92,677,537	78,407,442
Debt securities in issue	5,575,720	5,656,800	4,172,206
Borrowings	187,500	187,500	187,500
Other liabilities	6,548,046	5,435,533	4,973,114
Total liabilities	120,083,624	120,026,862	96,067,044
Shareholders' equity			
Share capital	7,500,000	6,000,000	3,750,000
Statutory reserve	4,480,005	4,480,005	3,750,000
Other reserves	(88,221)	(176,716)	34,151
Retained earnings	590,496	1,330,542	2,807,538
Total shareholders' equity	12,482,280	11,633,831	10,341,689
Total liabilities and shareholders' equity	132,565,904	131,660,693	106,408,733

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

The Saudi British Bank

CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March

Unaudited

	Notes	2009 SAR' 000	2008 SAR' 000
Special commission income		1,373,537	1,384,556
Special commission expense		492,612	530,139
Net special commission income		880,925	854,417
Fees from banking services, net		276,725	316,261
Exchange income, net		33,940	36,349
Income (Loss) from FVIS financial instruments, net		3,342	(5,979)
Trading income, net		90,404	49,668
Dividend income		49	-
Gains (Losses) on non-trading investments, net		8	(59,343)
Other operating income		857	14
Total operating income		1,286,250	1,191,387
Salaries and employee related expenses		226,692	211,164
Rent and premises related expenses		19,873	16,548
Depreciation and amortisation		28,104	25,821
Other general and administrative expenses		142,180	106,854
Provision for credit losses, net		116,292	75,198
Impairment of other financial assets		-	16,875
Other operating expenses		16	79
Total operating expenses		533,157	452,539
Net income from operating activities		753,093	738,848
Share in earnings of associates	5	6,861	18,162
Net income for the period		759,954	757,010
Basic and fully diluted earnings per share (in SAR)	10	1.01	1.01

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March
Unaudited

	2009	2008
	SAR' 000	SAR' 000
Net income for the period	759,954	757,010
Other comprehensive income		
Available for sale financial assets		
- Net change in fair value	76,584	(24,007)
- Transfer to consolidated statement of income	(8)	59,343
	76,576	35,336
Cash flow hedge		
- Net change in fair value	11,919	15,035
	88,495	50,371
Total comprehensive income for the period	848,449	807,381

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

The Saudi British Bank

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended 31 March

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>
2009						
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	-	-	88,495	759,954	-	848,449
Bonus share issue	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>
Balance at end of the period	<u>7,500,000</u>	<u>4,480,005</u>	<u>(88,221)</u>	<u>590,496</u>	<u>-</u>	<u>12,482,280</u>

2008

Balance at beginning of the period	3,750,000	3,750,000	(16,220)	2,050,528	890,625	10,424,933
Total Comprehensive income for the period	-	-	50,371	757,010	-	807,381
2007 final dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(890,625)</u>	<u>(890,625)</u>
Balance at end of the period	<u>3,750,000</u>	<u>3,750,000</u>	<u>34,151</u>	<u>2,807,538</u>	<u>-</u>	<u>10,341,689</u>

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The Saudi British Bank

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March

Unaudited

	<u>Notes</u>	2009 SAR' 000	2008 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		759,954	757,010
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Accretion of discounts) amortisation of premium, net		(107)	498
(Income) losses from FVIS financial instruments		(3,342)	5,979
(Gains) losses on non trading investments, net		(8)	59,343
Depreciation and amortisation		28,104	25,821
Losses on disposal of property and equipment, net		-	77
Share in earnings from associates		(6,861)	(18,162)
Provision for credit losses, net		116,292	75,198
Impairment of other financial assets, net		-	16,875
Change in fair value		(81,693)	133,308
		812,339	1,055,947
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(275,217)	(816,870)
Investments held for trading		2,996	(269,896)
Loans and advances		810,220	(4,695,762)
Other assets		(497,546)	(776,002)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,923,866)	281,735
Customer deposits		3,949,195	6,559,590
Other liabilities		1,205,681	408,162
Net cash from operating activities		1,083,802	1,746,904
INVESTING ACTIVITIES			
Proceeds from sale of and maturities of non-trading investments		9,790,488	2,140,115
Purchase of non-trading investments		(6,064,541)	(10,693,536)
Purchase of property and equipment		(20,984)	(23,334)
Net cash from (used in) investing activities		3,704,963	(8,576,755)
FINANCING ACTIVITIES			
Dividends paid		(4,673)	(3,856)
Net cash used in financing activities		(4,673)	(3,856)
Increase (Decrease) in cash and cash equivalents		4,784,092	(6,833,707)
Cash and cash equivalents at beginning of the period		12,701,229	15,046,057
Cash and cash equivalents at end of the period	8	17,485,321	8,212,350
Special commission received during the period		1,532,223	1,309,223
Special commission paid during the period		769,002	457,828

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

1. General

The Saudi British Bank (the Bank) is a Saudi Joint Stock Company and was established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978). The Bank formally commenced business on 26 Rajab 1398H (1 July 1978) with the taking over of the operations of The British Bank of the Middle East in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration No. 1010025779 dated 22 Dhul Qadah 1399H (13 October 1979) as a commercial bank through a network of 68 branches (2008: 63) and 31 exclusive ladies' sections (2008: 14) in the Kingdom of Saudi Arabia. The Bank employed 3,425 staff as at 31 March 2009 (2008: 3,160). 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% (March 2008: 100%) ownership interest in a subsidiary, SABB Securities Limited, a Saudi Limited Liability Company formed in accordance with Capital Market Authority's Resolution No. 2007-35-7 dated 10 Jamada II 1428H (25 June 2007) and registered in the Kingdom of Saudi Arabia under commercial registration No. 1010235982 dated 8 Rajab 1428 H (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). Activities of subsidiary are to engage in business of custody and dealing as an agent excluding underwriting.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

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.

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

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

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

3. Accounting policies

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

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

4. Investments, net

Investment securities are classified as follows:

SAR'000	31 March 2009 (Unaudited)	31 December 2008 (Audited)	31 March 2008 (Unaudited)
Investments:			
- Held as FVIS	411,249	401,295	592,952
- Available for sale	20,272,457	23,906,848	17,034,309
- Other investments held at amortized cost	4,691,272	4,790,809	5,523,840
- Held to maturity	504,495	505,394	508,142
Total	25,879,473	29,604,346	23,659,243

Investments included in held as FVIS include investments held for trading of SAR 357.9 million (31 December 2008: SAR 350.9 million, 31 March 2008: SAR 475.8 million).

5. Investment in associates

SAR'000	31 March 2009 (Unaudited)	31 December 2008 (Audited)	31 March 2008 (Unaudited)
HSBC Saudi Arabia Limited			
Balance at beginning of the period	130,150	90,411	90,411
Dividend received	-	(70,412)	-
Share of undistributed profit	8,341	110,151	22,782
	138,491	130,150	113,193
SABB Takaful			
Balance at beginning of the period	18,206	20,036	20,036
Share of losses	(1,480)	(1,830)	(4,620)
	16,726	18,206	15,416
Total	155,217	148,356	128,609

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	31 March 2009 (Unaudited)			31 December 2008 (Audited)			31 March 2008 (Unaudited)		
	Positive fair Value	Negative fair value	Notional Amount	Positive fair Value	Negative fair value	Notional Amount	Positive fair Value	Negative fair value	Notional Amount
Derivatives held for trading:									
Special commission rate swaps	1,924,270	(1,826,777)	52,336,836	1,650,294	(1,542,308)	54,598,298	1,019,996	(934,432)	37,988,274
Currency swaps	154,848	-	1,475,297	235,304	-	1,475,297	460,397	-	1,475,297
Special commission rate futures and options	13,907	(13,907)	2,887,500	12,416	(12,416)	2,767,500	729	(729)	400,000
Spot and forward foreign exchange contracts	64,796	(71,730)	11,529,419	88,279	(147,072)	9,046,726	121,636	(175,627)	11,894,820
Currency options	108,767	(108,767)	3,420,258	142,941	(142,941)	3,045,939	81,730	(82,236)	3,555,411
Others	2,100	(2,100)	725,000	6,337	(6,337)	725,000	-	-	-
Derivatives held as fair value hedges:									
Special commission rate swaps	339	(34,938)	578,154	851	(28,420)	1,319,505	10,164	(28,668)	2,405,517
Derivatives held as cash flow hedges:									
Special commission rate swaps	51,674	(3,507)	731,250	40,369	(4,632)	731,250	29,224	(6,437)	921,250
Total	2,320,701	(2,061,726)	73,683,714	2,176,791	(1,884,126)	73,709,515	1,723,876	(1,228,129)	58,640,569

7. Credit related commitments and contingencies

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

SAR'000	31 March 2009 (Unaudited)	31 December 2008 (Audited)	31 March 2008 (Unaudited)
Letters of credit	7,644,563	8,713,407	9,787,987
Letters of guarantee	23,943,470	20,019,780	14,181,642
Acceptances	2,869,850	3,142,116	3,297,731
Irrevocable commitments to extend credit	4,323,612	4,570,379	4,507,102
Total	38,781,495	36,445,682	31,774,462

8. Cash and cash equivalents

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

SAR'000	31 March 2009 (Unaudited)	31 December 2008 (Audited)	31 March 2008 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	13,668,339	6,500,763	4,473,362
Due from banks and other financial institutions maturing within three months of acquisition date	3,816,982	6,200,466	3,738,988
Total	17,485,321	12,701,229	8,212,350

9. Business segments

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

The Bank is organised into the following main business segments:

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

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

Treasury – which manages the Bank's liquidity, currency and special commission rate risks. It is also responsible for funding the Bank's operations and for managing the Bank's investment portfolio and balance sheet.

Securities – activities related to dealing and custody of securities

Others – represents investment in associates assets and its income.

Transactions between the business segments are reported as recorded by the Bank's transfer pricing system. The Bank's total assets and liabilities as at 31 March 2009 and 2008, their total operating income and expenses, and the net income for the three-month periods then ended, by business segment, are as follows:

31 March 2009 (Unaudited) SAR' 000	Retail Banking	Corporate Banking	Treasury	Securities	Others	Total
Total assets	20,764,566	60,571,149	51,067,766	7,206	155,217	132,565,904
Total liabilities	37,301,956	39,271,474	43,498,293	11,901	-	120,083,624
Total operating income	484,364	524,073	227,286	50,527	-	1,286,250
Total operating expenses	370,179	118,979	11,043	32,956	-	533,157
Share in earnings of associates, net	-	-	-	-	6,861	6,861
Net income for the period	114,185	405,094	216,243	17,571	6,861	759,954
Credit losses and impairment provision, net	86,927	29,992	(627)	-	-	116,292

Notes To The Interim Condensed Consolidated Financial Statements 31 March 2009

31 March 2008 (Unaudited)
SAR' 000

	Retail Banking	Corporate Banking	Treasury	Securities	Others	Total
Total assets	24,262,930	44,647,284	37,369,910	-	128,609	106,408,733
Total liabilities	33,423,753	33,582,548	29,060,290	453	-	96,067,044
Total operating income	591,817	388,176	77,523	133,871	-	1,191,387
Total operating expenses	325,051	79,888	25,657	21,943	-	452,539
Share in earnings of associates, net	-	-	-		18,162	18,162
Net income for the period	266,766	308,288	51,866	111,928	18,162	757,010
Credit losses and impairment provision, net	61,590	13,608	16,875	-	-	92,073

10. Share capital and earnings per share

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

Basic and fully diluted earnings per share for the period ended 31 March 2009 and 2008 is calculated by dividing the net income for the period attributable to the equity holders by 750 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue.

11. Capital adequacy

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

Capital Adequacy Ratios	March 2009		March 2008	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	11.67	10.30	13.19	11.47

