

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT

FOR THE THREE MONTH PERIOD ENDED
March 31, 2014



CONFIDENTIAL

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Samba Financial Group
(A Saudi Arabian Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of consolidated financial position of Samba Financial Group (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) as at March 31, 2014 and the related interim statements of consolidated income, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the three month period then ended and the notes from (1) to (15a), which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (15b), nor the information related to “Other Pillar 3 Disclosures of Basel Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

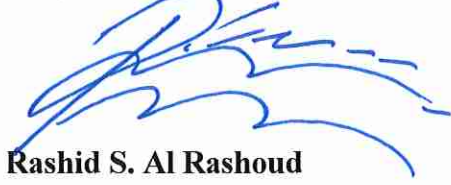
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (15a) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (15a) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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14 Jumada II 1435H
(April 14, 2014)



SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

Page 3

	Notes	Mar 31, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Mar 31, 2013 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		19,765,946	20,383,383	18,212,726
Due from banks and other financial institutions		5,896,528	4,857,552	5,014,224
Investments, net	5	61,472,783	60,340,746	63,749,218
Loans and advances, net	6	115,614,663	113,455,369	104,298,931
Property and equipment, net		1,891,576	1,823,807	1,644,837
Other assets		4,124,869	4,175,772	5,623,233
Total assets		208,766,365	205,036,629	198,543,169
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		8,882,147	7,473,245	9,408,101
Customer deposits	7	158,772,195	158,336,716	151,686,312
Other liabilities		5,579,935	4,296,092	5,486,241
Total liabilities		173,234,277	170,106,053	166,580,654
EQUITY				
Equity attributable to equity holders of the Bank				
Share capital	12	12,000,000	9,000,000	9,000,000
Statutory reserve	12	12,000,000	9,000,000	9,000,000
General reserve		130,000	130,000	130,000
Other reserves		960,040	601,264	110,844
Retained earnings		11,391,132	16,141,498	14,735,101
Proposed dividend		-	1,016,000	-
Treasury stocks		(1,082,341)	(1,085,864)	(1,112,554)
Total equity attributable to equity holders of the Bank		35,398,831	34,802,898	31,863,391
Non-controlling interest		133,257	127,678	99,124
Total equity		35,532,088	34,930,576	31,962,515
Total liabilities and equity		208,766,365	205,036,629	198,543,169

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

SAMBA FINANCIAL GROUP
 STATEMENTS OF CONSOLIDATED INCOME
Unaudited

	<u>Three months ended</u>	
	Mar 31, 2014 (SR '000)	Mar 31, 2013 (SR '000)
Special commission income	1,195,643	1,196,295
Special commission expense	112,568	114,339
Special commission income, net	1,083,075	1,081,956
Fees and commission income, net	434,382	484,393
Exchange income, net	105,532	101,165
Income from investment held at FVIS, net	87,233	73,331
Trading income, net	31,752	51,720
Gain on non-trading investments, net	121,106	52,666
Other operating income	10,036	51,738
Total operating income	1,873,116	1,896,969
Salaries and employee related expenses	313,469	295,867
Rent and premises related expenses	73,744	63,936
Depreciation	36,977	35,667
Other general and administrative expenses	138,164	124,822
Provision for credit losses, net of recoveries	70,278	218,195
Total operating expenses	632,632	738,487
Net income for the periods	1,240,484	1,158,482
Attributable to:		
Equity holders of the Bank	1,240,096	1,158,266
Non-controlling interest	388	216
	1,240,484	1,158,482
Basic and diluted earnings per share for the periods (SR) - note 13	1.03	0.97

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

SAMBA FINANCIAL GROUP
 STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
Unaudited

	<u>Three months ended</u>	
	<u>Mar 31, 2014</u>	<u>Mar 31, 2013</u>
	(SR '000)	(SR '000)
Net income for the periods	1,240,484	1,158,482
Other comprehensive income for the periods - items that may be reclassified subsequently to the statement of consolidated income:		
Exchange differences on translation of foreign operations	29,519	(7,406)
Available for sale financial assets:		
- Change in fair values	445,327	127,506
- Transfers to statements of consolidated income	(121,106)	(52,666)
Cash flow hedges:		
- Change in fair values	42,278	(87,492)
- Transfers to statements of consolidated income	(32,051)	26,504
Total comprehensive income for the periods	<u><u>1,604,451</u></u>	<u><u>1,164,928</u></u>
Attributable to:		
Equity holders of the Bank	1,598,872	1,167,724
Non-controlling interest	5,579	(2,796)
Total	<u><u>1,604,451</u></u>	<u><u>1,164,928</u></u>

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

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

Unaudited

Attributable to equity holders of the Bank

<u>Note</u>	Share capital (SR'000)	Statutory reserve (SR'000)	General reserve (SR'000)	Other reserves			Retained earnings (SR'000)	Proposed dividends (SR'000)	Treasury stocks (SR'000)	Total (SR'000)	Non controlling interest (SR'000)	Total equity (SR'000)
				Exchange translation reserve (SR'000)	AFS financial assets (SR'000)	Cash flow hedges (SR'000)						
For the three months period ended March 31, 2014												
Balance at the beginning of the period	9,000,000	9,000,000	130,000	(168,992)	955,864	(185,608)	16,141,498	1,016,000	(1,085,864)	34,802,898	127,678	34,930,576
Bonus shares issued	12	3,000,000	-	-	-	-	(3,000,000)	-	-	-	-	-
Transfer to statutory reserve	12	-	3,000,000	-	-	-	(3,000,000)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	9,538	-	3,523	13,061	-	13,061
2013 final dividend payable		-	-	-	-	-	-	(1,016,000)	-	(1,016,000)	-	(1,016,000)
Total comprehensive income for the period		-	-	23,718	324,831	10,227	1,240,096	-	-	1,598,872	5,579	1,604,451
Balance at end of the period	12,000,000	12,000,000	130,000	(145,274)	1,280,695	(175,381)	11,391,132	-	(1,082,341)	35,398,831	133,257	35,532,088
For the three months period ended March 31, 2013												
Balance at the beginning of the period	9,000,000	9,000,000	130,000	(137,703)	205,390	33,699	13,576,835	943,000	(1,114,354)	31,636,867	101,920	31,738,787
Net changes in treasury stocks		-	-	-	-	-	-	-	1,800	1,800	-	1,800
2012 final dividend paid		-	-	-	-	-	-	(943,000)	-	(943,000)	-	(943,000)
Total comprehensive income for the period		-	-	(5,090)	75,536	(60,988)	1,158,266	-	-	1,167,724	(2,796)	1,164,928
Balance at end of the period	9,000,000	9,000,000	130,000	(142,793)	280,926	(27,289)	14,735,101	-	(1,112,554)	31,863,391	99,124	31,962,515

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

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SAMBA FINANCIAL GROUP
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 Unaudited

Page 7

	Note	Three months ended	
		Mar 31, 2014 (SR '000)	Mar 31, 2013 (SR '000)
<u>OPERATING ACTIVITIES</u>			
Net income for the periods		1,240,484	1,158,482
Adjustments to reconcile net income to net cash from/(used in) operating activities			
Accretion of discount and amortization of premium on non-trading investments, net		17,319	21,875
Income from investments held at FVIS, net		(87,233)	(73,331)
Gain on non-trading investments, net		(121,106)	(52,666)
Depreciation		36,977	35,667
Loss on disposal of property and equipment, net		86	222
Provision for credit losses, net of recoveries		70,278	218,195
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(241,097)	(62,572)
Due from banks and other financial institutions maturing after ninety days		(569,909)	(236,457)
Investments held for trading		(33,189)	(386,034)
Loans and advances		(2,229,572)	(1,886,064)
Other assets		50,903	132,490
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		1,408,902	(2,548,558)
Customer deposits		435,479	2,949,944
Other liabilities		670,259	44,257
Net cash from/(used in) operating activities		648,581	(684,550)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		21,315,012	13,268,281
Purchase of non-trading investments		(21,898,008)	(23,875,835)
Purchase of property and equipment, net		(101,433)	(133,076)
Proceeds from sale of property and equipment		509	278
Net cash used in investing activities		(683,920)	(10,740,352)
<u>FINANCING ACTIVITIES</u>			
Treasury stocks, net		13,061	1,800
Dividends paid		(367,189)	(207,447)
Net cash used in financing activities		(354,128)	(205,647)
Decrease in cash and cash equivalents		(389,467)	(11,630,549)
Cash and cash equivalents at the beginning of the period	10	13,659,328	24,319,939
Cash and cash equivalents at the end of the period	10	13,269,861	12,689,390
Special commission received during the period		1,225,618	1,187,831
Special commission paid during the period		107,676	154,693
<u>Supplemental non-cash information</u>			
Net changes in fair value and transfers to Statements of Consolidated Income		334,448	13,852

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited)****1. GENERAL**

Samba Financial Group ("the Bank"), a Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shabaan 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980). The Bank's head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides its customers Shariah approved Islamic banking products.

The interim condensed consolidated financial statements include financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group":

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the Securities Business Regulations issued by the Capital Market Authority ("CMA"), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company formed as a limited liability company under commercial registration number 1010237159 issued in Riyadh dated 6 Shabaan 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advisory and custody businesses. The Company has been licensed by the CMA and has commenced its business effective January 19, 2008.

Samba Bank Limited, Pakistan (SBL)

A majority owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and is listed on all stock exchanges in Pakistan. On March 31, 2014, the ownership of the Bank was increased to 84.51% from 80.68% through participation in a right shares issue by SBL.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments, through an entity controlled by COCL.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757, issued in Riyadh, dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed with the approval of SAMA for the purpose of managing real estate projects on behalf of Samba Real Estate Fund, a fund under management by Samba Capital and the Bank.

2. BASIS OF PREPARATION

The Bank prepares these interim condensed consolidated financial statements in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard (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. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2013.

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and amounts are rounded to the nearest thousand. The comparative information has been reclassified, where required, to conform to current period presentation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements include the financial position and results of Samba Financial Group and its subsidiary companies. The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank except for COCL whose financial statements are as of previous quarter end for consolidation purposes to meet the group reporting timetable. Wherever necessary, adjustments have been made to the financial statements of the subsidiaries to align with the Bank's financial statements. Significant inter-group balances and transactions are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Bank. The Bank controls an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred from the Bank. The results of subsidiaries acquired or disposed off during the period are included in the statements of consolidated income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank in subsidiaries and are presented in the interim statements of consolidated income and within equity in the statements of consolidated financial position, separately from the equity holders of the Bank.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended December 31, 2013 except for the amendments to existing standards and interpretation and new standards mentioned below, which the Bank has adopted:

- Amendments to IFRS 10, IFRS 12 and IAS 27 - These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10.
- Amendments to IAS 32 - Offsetting financial assets and financial liabilities.
- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets.
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The adoption of the above new amendments do not impact the interim condensed consolidated financial statements of the Group.

5. INVESTMENTS, NET

Investment securities are classified as follows:

	Mar 31, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Mar 31, 2013 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	3,356,239	3,373,472	4,139,754
Available for sale (AFS)	50,301,623	48,950,972	48,749,904
Held to maturity	5,923,968	5,729,046	5,589,936
Other investments held at amortized cost	1,890,953	2,287,256	5,269,624
TOTAL	61,472,783	60,340,746	63,749,218

FVIS investments above include investments held for trading amounting to SR 1,291.5 million (December 31, 2013: SR 1,258.3 million, March 31, 2013: SR 1,916.7 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

6. LOANS AND ADVANCES, NET

The total loans and advances, which are held at amortised cost, are classified as follows:

	Mar 31, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Mar 31, 2013 (Unaudited) (SR'000)
Credit cards	1,316,691	1,356,174	1,315,270
Consumer loans	17,849,850	17,613,136	16,559,119
Commercial loans and advances	97,380,769	95,400,966	87,283,717
Performing loans and advances	116,547,310	114,370,276	105,158,106
Non performing loans and advances	2,026,731	2,011,634	2,454,756
Gross loans and advances	118,574,041	116,381,910	107,612,862
Provision for credit losses	(2,959,378)	(2,926,541)	(3,313,931)
TOTAL	115,614,663	113,455,369	104,298,931

The unearned special commission income on loans and advances, which was previously shown under 'Other liabilities', has now been netted against the related asset as required by IFRS for better presentation purposes. Accordingly, prior period numbers have also been reclassified and 'Loans and Advances' for the period ended March 31, 2013 have been reduced by an amount of SR 2,251 million.

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Mar 31, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Mar 31, 2013 (Unaudited) (SR'000)
Demand	102,607,717	102,097,586	95,351,041
Saving	5,990,079	5,739,260	5,075,210
Time	43,443,324	43,944,862	45,244,517
Other	6,731,075	6,555,008	6,015,544
TOTAL	158,772,195	158,336,716	151,686,312

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

8. DERIVATIVES

The table below sets out the positive and negative fair values of derivative financial instruments, which have been accounted for in these interim condensed consolidated financial statements, 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 Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk. Positive and negative fair values are classified under other assets and other liabilities respectively.

All derivatives are reported in the interim condensed consolidated statement of financial position at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive or negative fair values are netted with the cash collateral received or paid to a given counterparty pursuant to a valid master netting agreement.

	Mar 31, 2014 (Unaudited) (SR '000)			Dec 31, 2013 (Audited) (SR '000)			Mar 31, 2013 (Unaudited) (SR '000)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading									
Commission rate swaps	2,475,517	848,712	105,787,701	2,513,856	899,730	104,183,905	3,585,661	1,147,704	105,710,925
Commission rate futures, options and guarantees	2,867	1,974	811,471	6,604	6,730	884,496	3,084	3,187	251,298
Forward foreign exchange contracts	60,982	60,002	47,678,056	63,862	58,099	32,534,813	66,365	51,574	32,722,540
Currency options	308,970	301,433	92,842,708	220,724	222,214	75,153,727	616,959	610,756	104,980,783
Swaptions	27,750	27,934	1,937,048	27,046	27,235	1,905,308	29,897	35,804	2,466,276
Equity & commodity options	49,684	51,363	3,630,143	90,318	73,271	2,855,816	12,755	15,402	387,364
Other	2,291	1,186	265,812	3,829	10,834	182,239	707	2,730	147,650
Held as fair value hedges									
Commission rate swaps	-	-	-	-	-	-	-	-	-
Held as cash flow hedges									
Commission rate swaps	85,466	216,710	5,586,200	73,977	225,713	3,784,950	160,562	135,564	4,698,750
TOTAL	3,013,527	1,509,314	258,539,139	3,000,216	1,523,826	221,485,254	4,475,990	2,002,721	251,365,586

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 220 million (Dec 31, 2013: SR 194 million, Mar 31, 2013: SR 266 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR 1,850 million (Dec 31, 2013: SR 1,788 million, Mar 31, 2013: SR 2,648 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	Mar 31, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Mar 31, 2013 (Unaudited) (SR '000)
Letters of credit	10,710,714	9,621,822	8,622,577
Letters of guarantee	32,566,443	32,576,670	29,750,408
Acceptances	2,261,013	2,746,118	1,855,157
Irrevocable commitments to extend credit	6,140,272	5,199,730	4,980,203
Other	374,267	386,617	268,018
TOTAL	52,052,709	50,530,957	45,476,363

10. CASH AND CASH EQUIVALENTS

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

	Mar 31, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Mar 31, 2013 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	10,718,952	11,577,486	10,234,666
Due from banks and other financial institutions maturing within ninety days	2,550,909	2,081,842	2,454,724
TOTAL	13,269,861	13,659,328	12,689,390

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

11. OPERATING SEGMENTS

The Group is organised into the following main operating segments:

Consumer banking - comprises of individual customer time deposits, current, call and savings accounts, as well as credit cards, retail investment products, individual and consumer loans.

Corporate banking - comprises of corporate time deposits, current and call accounts, overdrafts, loans and other credit facilities as well as the Group's customer derivative portfolios and its corporate advisory business.

Treasury - principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Group's own account. It is also responsible for funding the Group's operations, maintaining liquidity and managing the Group's investment portfolio and statement of financial position.

Investment banking - engaged in investment management services and asset management activities related to dealing, managing, arranging, advising and custody businesses. The investment banking business is housed under a separate legal entity Samba Capital and Investment Management Company.

The Group's primary business is conducted in the Kingdom of Saudi Arabia with three overseas branches and two overseas subsidiaries. However, the results of overseas operations are not material to the Group's overall interim condensed consolidated financial statements.

Transactions between the operating segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on interbank rates. There are no other material items of income or expense between the operating segments. The Group's total assets and liabilities as at March 31, 2014 and 2013, together with total operating income, total operating expenses, provisions for credit losses, net income, capital expenditure, and depreciation expense for the periods then ended, by operating segments, are as follows:

March 31, 2014 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	35,980,424	94,327,951	78,345,119	112,871	208,766,365
Total liabilities	87,761,051	74,723,316	10,633,976	115,934	173,234,277
Total operating income	503,618	590,311	573,826	205,361	1,873,116
Total operating expenses	371,372	185,731	30,205	45,324	632,632
of which:					
Depreciation	12,407	17,568	302	6,700	36,977
Provisions for credit losses	29,171	41,107	-	-	70,278
Net income for the period	132,246	404,580	543,621	160,037	1,240,484
Capital expenditure	44,152	45,401	11,642	238	101,433

CONFIDENTIAL

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

11. OPERATING SEGMENTS (continued)

March 31, 2013 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	34,406,678	83,836,464	80,205,974	94,053	198,543,169
Total liabilities	75,371,458	79,956,515	11,143,003	109,678	166,580,654
Total operating income	582,760	644,808	465,720	203,681	1,896,969
Total operating expenses	326,493	340,913	29,280	41,801	738,487
of which:					
Depreciation	11,994	21,306	361	2,006	35,667
Provisions for credit losses	17,400	200,795	-	-	218,195
Net income for the period	256,267	303,895	436,440	161,880	1,158,482
Capital expenditure	12,461	116,896	359	3,360	133,076

12. SHARE CAPITAL AND STATUTORY RESERVE

The shareholders have approved a bonus issue of one share for every three shares held at their extraordinary general assembly meeting held on March 20, 2014. The bonus shares have been issued to the shareholders effective the date of the extraordinary general assembly meeting. As a result of the bonus issue, the share capital of the Bank has increased to SR 12,000 million comprising of 1,200 million issued and paid up shares. The Board of Directors has also decided to transfer SR 3,000 million to the statutory reserve during the period.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended March 31, 2014 and 2013 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank by 1,200 million shares.

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 between market participants at the measurement date. The Group 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		March 31, 2014 (Unaudited)			
<u>SR'000</u>		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial investments held at FVIS		997,796	2,358,443	-	3,356,239
Financial investments available for sale		15,390,669	34,036,098	874,856	50,301,623
Financial investments held to maturity		5,894,319	338,714	-	6,233,033
Other investments held at amortized cost		-	586,006	1,313,133	1,899,139
Total		22,282,784	37,319,261	2,187,989	61,790,034
Financial Liabilities					
Financial liabilities designated at FVIS		-	69,732	-	69,732
Total		-	69,732	-	69,732
Derivative financial instruments					
Financial assets		2,226	3,011,301	-	3,013,527
Financial liabilities		1,548	1,507,766	-	1,509,314

		March 31, 2013 (Unaudited)			
<u>SR'000</u>		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial investments held at FVIS		1,359,912	2,779,842	-	4,139,754
Financial investments available for sale		17,390,461	30,505,630	853,813	48,749,904
Financial investments held to maturity		6,137,417	11,360	-	6,148,777
Other investments held at amortized cost		-	1,780,478	3,436,416	5,216,894
Total		24,887,790	35,077,310	4,290,229	64,255,329
Financial Liabilities					
Financial liabilities designated at FVIS		-	54,700	-	54,700
Total		-	54,700	-	54,700
Derivative financial instruments					
Financial assets		1,642	4,474,348	-	4,475,990
Financial liabilities		1,677	2,001,044	-	2,002,721

The fair values of on-balance sheet financial instruments, except for other investments held at amortised cost and held-to-maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of loans and advances, commission bearing customer deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

15(a) CAPITAL ADEQUACY

The Group monitors the adequacy of its capital using the methodologies and ratios established by the Basel Committee on Banking Supervision and as adopted by SAMA, with a view to maintain a sound capital base to support its business development and meet regulatory capital requirement as defined by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, commitments and contingencies, notional amount of derivatives at a weighted amount to reflect their relative credit risk, market risk and operational risk. During the period, the Group has fully complied with such regulatory capital requirement.

The Group management reviews on a periodical basis its capital base and level of risk weighted assets to ensure that capital is adequate for risks inherent in its current business activities and future growth plans. In making such assessments, the management also considers Group's business plans along with economic conditions which directly and indirectly affects business environment. The overseas subsidiary manages its own capital as prescribed by local regulatory requirements.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III and the related disclosures which are effective from January 1, 2013. Accordingly, calculated under the Basel III framework, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis and on a standalone basis for its significant banking subsidiary calculated for the credit, market and operational risks, are as follows:

	Mar 31, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Mar 31, 2013 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	165,210,921	161,664,756	161,963,669
Operational risk RWA	12,190,338	11,663,496	11,670,285
Market risk RWA	15,416,700	14,967,138	13,237,775
Total RWA	192,817,959	188,295,390	186,871,729
Tier I capital	35,538,420	34,954,464	31,847,683
Tier II capital	1,563,989	1,569,404	1,840,293
Total tier I & II capital	37,102,409	36,523,868	33,687,976
Capital Adequacy Ratio %			
Tier I ratio	18.4%	18.6%	17.0%
Tier I + II ratio	19.2%	19.4%	18.0%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	43.3%	47.1%	55.3%
Tier I + II ratio	43.4%	47.1%	55.4%

15(b) OTHER PILLAR 3 DISCLOSURES

Certain quantitative disclosures including those related to Group's Capital Structure, as required by SAMA under pillar 3 of Basel framework, have been published on the Bank's official website www.samba.com.