

SAMBA FINANCIAL GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT**

**FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2013**



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 June 30, 2013, the related interim statements of consolidated income and comprehensive income for the three month and six month periods then ended, and the interim condensed statements of consolidated changes in equity and cash flows for the six 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 "Basel II Pillar III Disclosures" 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.

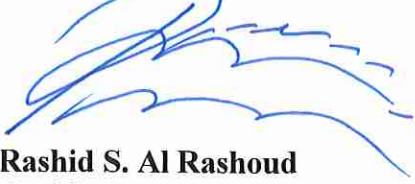
Conclusion

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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6 Ramadan 1434H
(July 14, 2013)

	Notes	Jun 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Jun 30, 2012 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		18,483,122	30,916,137	28,805,446
Due from banks and other financial institutions		7,205,179	3,642,333	10,344,900
Investments, net	5	61,409,913	52,575,973	56,916,826
Loans and advances, net	6	111,400,135	104,786,045	95,727,368
Property and equipment, net		1,727,195	1,547,928	1,366,022
Other assets		5,177,662	5,755,723	6,348,372
Total assets		205,403,206	199,224,139	199,508,934
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		9,220,026	11,956,659	20,013,459
Customer deposits	7	156,061,185	148,736,368	142,355,103
Other liabilities		6,901,359	6,792,325	7,870,871
Total liabilities		172,182,570	167,485,352	170,239,433
EQUITY				
Equity attributable to equity holders of the Bank				
Share capital		9,000,000	9,000,000	9,000,000
Statutory reserve		9,000,000	9,000,000	9,000,000
General reserve		130,000	130,000	130,000
Other reserves		147,005	101,386	-324,065
Retained earnings		15,921,906	13,576,835	12,480,582
Proposed dividend		-	943,000	-
Treasury stocks		(1,105,561)	(1,114,354)	(1,127,638)
Total equity attributable to equity holders of the Bank		33,093,350	31,636,867	29,158,879
Non-controlling interest		127,286	101,920	110,622
Total equity		33,220,636	31,738,787	29,269,501
Total liabilities and equity		205,403,206	199,224,139	199,508,934

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

Unaudited

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2012</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2012</u> <u>(SR '000)</u>
Special commission income	1,254,788	1,174,536	2,451,083	2,372,960
Special commission expense	105,855	95,902	220,194	239,517
Special commission income, net	1,148,933	1,078,634	2,230,889	2,133,443
Fees and commission income, net	408,796	482,023	893,189	976,843
Exchange income, net	111,580	102,221	212,745	215,661
Income/(loss) from investment held at FVIS, net	24,138	-6,266	97,469	29,150
Trading income, net	5,274	15,148	56,994	47,536
(Loss)/gain on non-trading investments, net	(13,692)	69,058	38,974	97,469
Other operating income	71,205	3,841	122,943	40,713
Total operating income	1,756,234	1,744,659	3,653,203	3,540,815
Salaries and employee related expenses	303,045	327,621	598,912	626,711
Rent and premises related expenses	68,067	63,375	132,003	125,342
Depreciation	36,891	33,812	72,558	67,704
Other general and administrative expenses	113,702	101,154	238,524	220,196
Provision for credit losses, net of recoveries	59,403	60,860	277,598	198,403
Total operating expenses	581,108	586,822	1,319,595	1,238,356
Net income for the periods	1,175,126	1,157,837	2,333,608	2,302,459
Attributable to:				
Equity holders of the Bank	1,175,043	1,157,502	2,333,309	2,302,006
Non-controlling interest	83	335	299	453
	1,175,126	1,157,837	2,333,608	2,302,459
Basic and diluted earnings per share for the periods (SR) - note 12	1.30	1.29	2.59	2.56

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>Six months ended</u>	
	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2012</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2012</u> <u>(SR '000)</u>
Net income for the periods	1,175,126	1,157,837	2,333,608	2,302,459
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	(3,850)	(31,130)	(11,256)	(27,113)
Available for sale financial assets:				
- Change in fair values	148,655	(364,501)	276,161	392,212
- Transfers to statement of consolidated income	13,692	(61,963)	(38,974)	(89,812)
Cash flow hedges:				
- Change in fair values	(13,105)	34,059	(100,597)	1,518
- Transfers to statement of consolidated income	(81,152)	46,622	(54,648)	108,505
Total Comprehensive income for the periods	<u>1,239,366</u>	<u>780,924</u>	<u>2,404,294</u>	<u>2,687,769</u>
Attributable to:				
Equity holders of the Bank	1,211,204	799,103	2,378,928	2,704,606
Non-controlling interest	28,162	(18,179)	25,366	(16,837)
Total	<u>1,239,366</u>	<u>780,924</u>	<u>2,404,294</u>	<u>2,687,769</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											
	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 six months period ended June 30, 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	-	-	-	-	-	-	11,762	-	8,793	20,555	-	20,555
2012 final dividend paid	-	-	-	-	-	-	-	(943,000)	-	(943,000)	-	(943,000)
Total comprehensive income for the period	-	-	-	(8,902)	209,766	(155,245)	2,333,309	-	-	2,378,928	25,366	2,404,294
Balance at end of the period	9,000,000	9,000,000	130,000	(146,605)	415,156	(121,546)	15,921,906	-	(1,105,561)	33,093,350	127,286	33,220,636
For the six months period ended June 30, 2012												
Balance at the beginning of the period	9,000,000	9,000,000	130,000	(113,500)	(645,382)	32,217	11,051,460	831,000	(1,155,892)	28,129,903	127,459	28,257,362
Net changes in treasury stocks	-	-	-	-	-	-	17,116	-	28,254	45,370	-	45,370
2011 final dividend paid	-	-	-	-	-	-	-	(831,000)	-	(831,000)	-	(831,000)
2012 interim dividend	-	-	-	-	-	-	(890,000)	-	-	(890,000)	-	(890,000)
Total comprehensive income for the period	-	-	-	(15,109)	307,686	110,023	2,302,006	-	-	2,704,606	(16,837)	2,687,769
Balance at end of the period	9,000,000	9,000,000	130,000	(128,609)	(337,696)	142,240	12,480,582	-	(1,127,638)	29,158,879	110,622	29,269,501

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

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED CASH FLOWS
Unaudited

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	Note	Six Months Ended	
		Jun 30, 2013	Jun 30, 2012
		(SR '000)	(SR '000)
<u>OPERATING ACTIVITIES</u>			
Net income for the periods		2,333,608	2,302,459
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		62,573	36,918
Income from investments held at FVIS, net		(97,469)	(29,150)
Gain on non-trading investments, net		(38,974)	(97,469)
Depreciation		72,558	67,704
(Gain)/loss on disposal of property and equipment, net		(1,484)	1,539
Provision for credit losses, net of recoveries		277,598	198,403
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(923,691)	(564,891)
Due from banks and other financial institutions maturing after ninety days		94,084	(7,052,151)
Investments held for trading		578,724	(27,505)
Loans and advances		(6,891,688)	(6,814,342)
Other assets		578,061	(270,608)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,736,633)	(614,834)
Customer deposits		7,324,817	5,098,239
Other liabilities		(37,355)	473,813
Net cash from/(used in) operating activities		594,729	(7,291,875)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		22,430,422	32,207,596
Purchase of non-trading investments		(31,559,450)	(28,524,810)
Purchase of property and equipment, net		(253,671)	(264,158)
Proceeds from sale of property and equipment		1,850	5,282
Net cash (used in)/from investing activities		(9,380,849)	3,423,910
<u>FINANCING ACTIVITIES</u>			
Treasury stocks, net		20,555	45,370
Dividends paid		(934,211)	(884,645)
Net cash used in financing activities		(913,656)	(839,275)
Decrease in cash and cash equivalents		(9,699,776)	(4,707,240)
Cash and cash equivalents at the beginning of the period	10	24,319,939	26,507,147
Cash and cash equivalents at the end of the period	10	14,620,163	21,799,907
Special commission received during the period		2,494,969	2,356,085
Special commission paid during the period		279,428	259,179
<u>Supplemental non-cash information</u>			
Net changes in fair value and transfers to Statements of Consolidated Income		81,942	412,423

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 non-interest based banking products that are approved and supervised by an independent Shariah Board established by the Bank.

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)

An 80.68% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on all stock exchanges in Pakistan.

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, 2012.

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, 2012 except for the amendments to existing standards and interpretation and new standards mentioned below, which the Bank has adopted:

- Amendments - IAS 1 - Presentation of Items of Other Comprehensive Income.
- Amendments - IAS 34 - Interim financial reporting and segment information for total assets and liabilities.
- Amendments - IFRS 7 - Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities.
- IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements.
- IFRS 12 - Disclosure of Interests in Other Entities.
- IFRS 13 - Fair Value Measurement.

5. INVESTMENTS, NET

Investment securities are classified as follows:

	Jun 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Jun 30, 2012 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	2,988,415	3,571,735	2,692,189
Available for sale (AFS)	48,235,121	37,840,846	38,070,788
Held to maturity	5,592,308	5,587,593	5,582,942
Other investments held at amortized cost	4,594,069	5,575,799	10,570,907
TOTAL	61,409,913	52,575,973	56,916,826

FVIS investments above include investments held for trading amounting to SR 952.0 million (December 31, 2012: SR 1,530.7 million, June 30, 2012: SR 693.1 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:

	Jun 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Jun 30, 2012 (Unaudited) (SR'000)
Credit cards	1,389,153	1,312,529	1,287,392
Consumer loans	19,624,484	18,192,313	17,262,590
Commercial loans and advances	91,315,913	86,059,033	77,883,832
Performing loans and advances	112,329,550	105,563,875	96,433,814
Non performing loans and advances	2,318,754	2,340,966	2,355,402
Gross loans and advances	114,648,304	107,904,841	98,789,216
Provision for credit losses	-3,248,169	-3,118,796	-3,061,848
TOTAL	111,400,135	104,786,045	95,727,368

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Jun 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Jun 30, 2012 (Unaudited) (SR'000)
Demand	95,576,270	88,740,230	89,105,999
Saving	5,225,738	4,830,960	4,625,588
Time	49,699,541	49,250,228	43,437,784
Other	5,559,636	5,914,950	5,185,732
TOTAL	156,061,185	148,736,368	142,355,103

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.

	Jun 30, 2013 (Unaudited) (SR '000)			Dec 31, 2012 (Audited) (SR '000)			Jun 30, 2012 (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	3,027,856	1,196,945	102,205,148	3,907,342	1,348,025	101,137,292	4,267,055	1,544,029	99,428,047
Commission rate futures, options and guarantees	7,930	8,228	2,792,200	1,335	2,336	112,520	7,243	6,041	976,115
Forward foreign exchange contracts	51,307	64,525	33,265,853	128,040	125,016	34,416,867	162,336	112,002	34,347,771
Currency options	521,720	519,471	108,725,333	398,560	393,022	47,828,620	603,801	603,773	78,661,182
Swaptions	26,613	47,610	2,379,551	35,203	38,584	2,630,787	32,327	32,294	2,420,298
Equity & commodity options	23,764	19,297	981,513	22,709	23,267	662,520	15,902	12,821	562,650
Other	777	6,713	140,552	-	2,390	64,333	1,929	-	110,456
Held as fair value hedges									
Commission rate swaps	-	-	-	-	1,096	46,875	-	2,214	46,875
Held as cash flow hedges									
Commission rate swaps	97,268	190,956	4,298,750	159,959	97,041	4,473,750	246,487	30,495	7,826,000
TOTAL	3,757,235	2,053,745	254,788,900	4,653,148	2,030,777	191,373,564	5,337,080	2,343,669	224,379,394

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SAR 136 million (Dec 31, 2012: SAR 292.8 million, Jun 30, 2012: SAR 461 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SAR 1,942 million (Dec 31, 2012: SAR 2,829 million, Jun 30, 2012: SAR 3,114 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:

	Jun 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Jun 30, 2012 (Unaudited) (SR '000)
Letters of credit	9,288,067	8,670,011	8,607,621
Letters of guarantee	29,955,767	29,685,267	30,170,451
Acceptances	1,991,587	1,910,949	2,303,037
Irrevocable commitments to extend credit	5,254,702	4,778,055	4,400,884
Other	257,295	296,812	338,962
TOTAL	46,747,418	45,341,094	45,820,955

10. CASH AND CASH EQUIVALENTS

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

	Jun 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Jun 30, 2012 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	9,643,943	23,000,649	21,194,859
Due from banks and other financial institutions maturing within ninety days	4,976,220	1,319,290	605,048
TOTAL	14,620,163	24,319,939	21,799,907

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 investment, trading and 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 June 30, 2013 and 2012, 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:

June 30, 2013 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	38,142,872	88,204,975	78,957,618	97,741	205,403,206
Total liabilities	84,352,321	77,122,089	10,646,673	61,487	172,182,570
Total operating income	1,175,339	1,285,936	824,063	367,865	3,653,203
Total operating expenses	662,053	513,932	59,373	84,237	1,319,595
of which:					
Depreciation	25,192	42,207	720	4,439	72,558
Provisions for credit losses	35,734	241,864	-	-	277,598
Net income for the period	513,286	772,004	764,690	283,628	2,333,608
Capital expenditure	25,881	219,950	919	6,921	253,671

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

11. OPERATING SEGMENTS (continued)

June 30, 2012 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	34,694,082	74,687,741	90,023,354	103,757	199,508,934
Total liabilities	69,493,215	78,905,618	21,790,446	50,154	170,239,433
Total operating income	1,178,986	1,202,672	658,087	501,070	3,540,815
Total operating expenses	625,103	472,116	58,249	82,888	1,238,356
of which:					
Depreciation	23,671	39,272	752	4,009	67,704
Provisions for credit losses	13,807	184,596	-	-	198,403
Net income for the period	553,883	730,556	599,838	418,182	2,302,459
Capital expenditure	25,893	237,791	372	102	264,158

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended June 30, 2013 and 2012 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank, by 900 million shares.

13. INTERIM DIVIDEND

An interim dividend of SR 941 million from the net income for the six-month period ended June 30, 2013 (June 30, 2012: SR 890 million) has been approved on July 8, 2013 for payment to shareholders. After deducting zakat, this interim dividend will result in a net payment of SR 0.80 per share (June 30, 2012: SR 0.80 per share) to the Saudi Shareholders.

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.

June 30, 2013 (Unaudited) - SR'000

Financial Assets

Financial assets held at FVIS

Financial investments available for sale

Total

Financial Liabilities

Financial liabilities designated at FVIS

Total

Derivative financial instruments

Financial assets

Financial liabilities

	Level 1	Level 2	Level 3	Total
Financial assets held at FVIS	744,181	2,244,234	-	2,988,415
Financial investments available for sale	16,517,407	30,875,069	842,645	48,235,121
Total	17,261,588	33,119,303	842,645	51,223,536
Financial liabilities designated at FVIS	-	75,706	-	75,706
Total	-	75,706	-	75,706
Derivative financial instruments				
Financial assets	304	3,756,931	-	3,757,235
Financial liabilities	82	2,053,663	-	2,053,745

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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. At June 30, 2013, the fair values of investments held to maturity and other investments held at amortized cost amounted to SR 6,004 million and SR 4,537 million respectively. 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.

The comparative figures are not presented as per the requirement of the applicable accounting standards.

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:

	Jun 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Jun 30, 2012 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	160,028,274	142,000,392	146,589,032
Operational risk RWA	11,669,197	11,733,132	11,735,626
Market risk RWA	13,816,113	12,936,644	12,551,163
Total RWA	185,513,584	166,670,168	170,875,821
Tier I capital	33,297,871	31,714,417	26,942,430
Tier II capital	1,728,195	1,696,695	4,134,369
Total tier I & II capital	35,026,066	33,411,112	31,076,799
Capital Adequacy Ratio %			
Tier I ratio	17.9%	19.0%	15.8%
Tier I + II ratio	18.9%	20.0%	18.2%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	53.6%	45.9%	47.4%
Tier I + II ratio	53.8%	46.0%	47.4%

For the purposes of presentation, the RWAs, total capital and related ratios as at June 30, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 and June 30, 2012 are calculated under Basel II and have not been restated.

15(b) OTHER PILLAR 3 DISCLOSURES

Certain quantitative disclosures as required by SAMA under pillar 3 of Basel II, have been published on Bank's official website www.samba.com.

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