

SAMBA FINANCIAL GROUP

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

**FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 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 June 30, 2014 and the related interim statements of consolidated income, consolidated comprehensive income for the three month and six month periods then ended, and the interim statements of consolidated changes in equity and cash flows for the six month period then ended and the notes from (1) to (16a), which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (16b), 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.

Report on Review of Interim Condensed Consolidated Financial Statements (continued)

Other Regulatory Matters

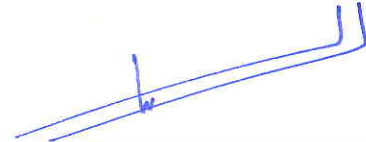
As required by SAMA, certain capital adequacy information has been disclosed in note (16a) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (16a) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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16 Ramadhan 1435H
(July 14, 2014)



SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

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	Notes	Jun 30, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Jun 30, 2013 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		15,848,462	20,383,383	18,483,122
Due from banks and other financial institutions		5,407,605	4,857,552	7,205,179
Investments, net	5	64,110,568	60,340,746	61,409,913
Loans and advances, net	6	122,163,221	113,455,369	109,027,536
Property and equipment, net		1,918,211	1,823,807	1,727,195
Other assets		4,806,301	4,175,772	5,177,662
Total assets		214,254,368	205,036,629	203,030,607
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		7,966,724	7,473,245	9,220,026
Customer deposits	7	163,643,571	158,336,716	156,061,185
Other liabilities		6,660,611	4,296,092	4,528,760
Total liabilities		178,270,906	170,106,053	169,809,971
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		1,194,223	601,264	147,005
Retained earnings		11,603,129	16,141,498	15,921,906
Proposed dividend		-	1,016,000	-
Treasury stocks		-1,075,764	-1,085,864	-1,105,561
Total equity attributable to equity holders of the Bank		35,851,588	34,802,898	33,093,350
Non-controlling interest		131,874	127,678	127,286
Total equity		35,983,462	34,930,576	33,220,636
Total liabilities and equity		214,254,368	205,036,629	203,030,607

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

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED INCOME
Unaudited

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Jun 30, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>
Special commission income	1,278,729	1,254,788	2,474,372	2,451,083
Special commission expense	117,220	105,855	229,788	220,194
Special commission income, net	1,161,509	1,148,933	2,244,584	2,230,889
Fees and commission income, net	454,851	408,796	889,233	893,189
Exchange income, net	110,005	111,580	215,537	212,745
Income from investment held at FVIS, net	45,833	24,138	133,066	97,469
Trading (loss)/income, net	(15,256)	5,274	16,496	56,994
Gain/(loss) on non-trading investments, net	21,356	-13,692	142,462	38,974
Other operating income	65,950	71,205	75,986	122,943
Total operating income	1,844,248	1,756,234	3,717,364	3,653,203
Salaries and employee related expenses	315,159	303,045	628,628	598,912
Rent and premises related expenses	71,648	68,067	145,392	132,003
Depreciation	33,454	36,891	70,431	72,558
Other general and administrative expenses	134,667	113,702	272,831	238,524
Provision for credit losses, net of recoveries	31,908	59,403	102,186	277,598
Total operating expenses	586,836	581,108	1,219,468	1,319,595
Net income for the periods	1,257,412	1,175,126	2,497,896	2,333,608
Attributable to:				
Equity holders of the Bank	1,256,997	1,175,043	2,497,093	2,333,309
Non-controlling interest	415	83	803	299
	1,257,412	1,175,126	2,497,896	2,333,608
Basic and diluted earnings per share for the periods (SR) - note 13	1.05	0.98	2.08	1.94

The accompanying notes 1 to 16 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, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2013</u> <u>(SR '000)</u>
Net income for the periods	1,257,412	1,175,126	2,497,896	2,333,608
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	3,732	(3,850)	33,251	(11,256)
Available for sale financial assets:				
- Change in fair values	162,944	148,655	608,271	276,161
- Transfers to statements of consolidated income	(21,356)	13,692	(142,462)	(38,974)
Cash flow hedges:				
- Change in fair values	122,608	(13,105)	164,886	(100,597)
- Transfers to statements of consolidated income	(35,543)	(81,152)	(67,594)	(54,648)
Total comprehensive income for the periods	<u>1,489,797</u>	<u>1,239,366</u>	<u>3,094,248</u>	<u>2,404,294</u>
Attributable to:				
Equity holders of the Bank	1,491,180	1,211,204	3,090,052	2,378,928
Non-controlling interest	(1,383)	28,162	4,196	25,366
Total	<u>1,489,797</u>	<u>1,239,366</u>	<u>3,094,248</u>	<u>2,404,294</u>

The accompanying notes 1 to 16 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 six months period ended June 30, 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	-	10,100	19,638	-	19,638
2013 final dividend paid	-	-	-	-	-	-	-	(1,016,000)	-	(1,016,000)	-	(1,016,000)
2014 interim dividend	-	-	-	-	-	-	(1,045,000)	-	-	(1,045,000)	-	(1,045,000)
Total comprehensive income for the period	-	-	-	22,668	472,999	97,292	2,497,093	-	-	3,090,052	4,196	3,094,248
Balance at end of the period	12,000,000	12,000,000	130,000	(146,324)	1,428,863	(88,316)	11,603,129	-	(1,075,764)	35,851,588	131,874	35,983,462
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

The accompanying notes 1 to 16 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, 2014 (SR '000)	Jun 30, 2013 (SR '000)
OPERATING ACTIVITIES			
Net income for the periods		2,497,896	2,333,608
Adjustments to reconcile net income to net cash (used in)/from operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		35,579	62,573
Income from investments held at FVIS, net		(133,066)	-97,469
Gain on non-trading investments, net		(142,462)	-38,974
Depreciation		70,431	72,558
Loss/(gain) on disposal of property and equipment, net		395	-1,484
Provision for credit losses, net of recoveries		102,186	277,598
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(670,923)	-923,691
Due from banks and other financial institutions maturing after ninety days		(739,939)	94,084
Investments held for trading		(483,919)	578,724
Loans and advances		(8,810,038)	-6,674,072
Other assets		(630,529)	578,061
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		493,479	-2,736,633
Customer deposits		5,306,855	7,324,817
Other liabilities		1,419,467	-254,971
Net cash (used in)/from operating activities		(1,684,588)	594,729
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		28,759,632	22,430,422
Purchase of non-trading investments		(31,332,587)	-31,559,450
Purchase of property and equipment, net		(162,372)	-253,671
Proceeds from sale of property and equipment		911	1,850
Net cash used in investing activities		(2,734,416)	(9,380,849)
FINANCING ACTIVITIES			
Treasury stocks, net		19,638	20,555
Dividends paid		(996,364)	-934,211
Net cash used in financing activities		(976,726)	(913,656)
Decrease in cash and cash equivalents		(5,395,730)	(9,699,776)
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	8,263,598	14,620,163
Special commission received during the period		2,473,433	2,494,969
Special commission paid during the period		147,955	279,428
Supplemental non-cash information			
Net changes in fair value and transfers to Statements of Consolidated Income		563,101	81,942

The accompanying notes 1 to 16 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:

	Jun 30, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Jun 30, 2013 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	3,796,745	3,373,472	2,988,415
Available for sale (AFS)	52,546,742	48,950,972	48,235,121
Held to maturity	5,926,059	5,729,046	5,592,308
Other investments held at amortized cost	1,841,022	2,287,256	4,594,069
TOTAL	64,110,568	60,340,746	61,409,913

FVIS investments above include investments held for trading amounting to SR 1,742.3 million (December 31, 2013: SR 1,258.3 million, June 30, 2013: SR 952.0 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, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Jun 30, 2013 (Unaudited) (SR'000)
Credit cards	1,408,784	1,356,174	1,389,153
Consumer loans	18,302,266	17,613,136	17,347,575
Commercial loans and advances	103,410,589	95,400,966	91,220,223
Performing loans and advances	123,121,639	114,370,276	109,956,951
Non performing loans and advances	2,012,474	2,011,634	2,318,754
	125,134,113	116,381,910	112,275,705
Provision for credit losses	(2,970,892)	(2,926,541)	(3,248,169)
TOTAL	122,163,221	113,455,369	109,027,536

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 June 30, 2013 have been reduced by an amount of SR 2,373 million.

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Jun 30, 2014 (Unaudited) (SR'000)	Dec 31, 2013 (Audited) (SR'000)	Jun 30, 2013 (Unaudited) (SR'000)
Demand	108,061,929	102,097,586	95,576,270
Saving	5,988,562	5,739,260	5,225,738
Time	42,424,187	43,944,862	49,699,541
Other	7,168,893	6,555,008	5,559,636
TOTAL	163,643,571	158,336,716	156,061,185

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, 2014 (Unaudited) (SR '000)			Dec 31, 2013 (Audited) (SR '000)			Jun 30, 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	2,504,141	955,028	100,360,344	2,513,856	899,730	104,183,905	3,027,856	1,196,945	102,205,148
Commission rate futures, options and guarantees	10,421	3,628	9,513,260	6,604	6,730	884,496	7,930	8,228	2,792,200
Forward foreign exchange contracts	53,930	45,425	54,388,904	63,862	58,099	32,534,813	51,307	64,525	33,265,853
Currency options	400,170	400,045	112,072,672	220,724	222,214	75,153,727	521,720	519,471	108,725,333
Swaptions	24,648	33,499	2,085,320	27,046	27,235	1,905,308	26,613	47,610	2,379,551
Equity & commodity options	163,668	136,565	5,927,259	90,318	73,271	2,855,816	23,764	19,297	981,513
Other	4,212	1,860	310,307	3,829	10,834	182,239	777	6,713	140,552
Held as cash flow hedges									
Commission rate swaps	66,197	132,718	5,586,200	73,977	225,713	3,784,950	97,268	190,956	4,298,750
TOTAL	3,227,387	1,708,768	290,244,266	3,000,216	1,523,826	221,485,254	3,757,235	2,053,745	254,788,900

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 195 million (Dec 31, 2013: SR 194 million, Jun 30, 2013: SR 136 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR 1,748 million (Dec 31, 2013: SR 1,788 million, Jun 30, 2013: SR 1,942 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, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Jun 30, 2013 (Unaudited) (SR '000)
Letters of credit	10,924,271	9,621,822	9,288,067
Letters of guarantee	33,649,128	32,576,670	29,955,767
Acceptances	2,224,818	2,746,118	1,991,587
Irrevocable commitments to extend credit	5,418,028	5,199,730	5,254,702
Other	359,787	386,617	257,295
TOTAL	52,576,032	50,530,957	46,747,418

10. CASH AND CASH EQUIVALENTS

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

	Jun 30, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Jun 30, 2013 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	6,371,642	11,577,486	9,643,943
Due from banks and other financial institutions maturing within ninety days	1,891,956	2,081,842	4,976,220
TOTAL	8,263,598	13,659,328	14,620,163

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 June 30, 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:

June 30, 2014 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	37,472,461	100,153,295	76,508,219	120,393	214,254,368
Total liabilities	90,682,044	77,076,063	9,815,025	697,774	178,270,906
Total operating income	1,047,870	1,249,009	1,004,685	415,800	3,717,364
Total operating expenses	730,316	337,863	61,594	89,695	1,219,468
of which:					
Depreciation	23,260	41,228	582	5,361	70,431
Provisions for credit losses	48,611	53,575	-	-	102,186
Net income for the period	317,554	911,146	943,091	326,105	2,497,896
Capital expenditure	64,326	82,848	820	14,378	162,372

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

11. OPERATING SEGMENTS (continued)

<u>SR'000</u>	June 30, 2013 (Unaudited)				
	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	35,865,963	88,109,285	78,957,618	97,741	203,030,607
Total liabilities	82,075,412	77,026,399	10,646,673	61,487	169,809,971
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

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 June 30, 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. INTERIM DIVIDEND

An interim dividend of SR 1,045 million from the net income for the six-month period ended June 30, 2014 (June 30, 2013: SR 941 million) has been approved on June 30, 2014 for payment to shareholders. After deducting zakat, this interim dividend will result in a net payment of SR 0.65 per share (June 30, 2013: SR 0.80 per share) to the Saudi Shareholders.

15. 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)

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		June 30, 2014 (Unaudited)			
SR'000		Level 1	Level 2	Level 3	Total
Financial Assets					
	Financial investments held at FVIS	1,636,569	2,160,176	-	3,796,745
	Financial investments available for sale	16,806,148	34,871,525	869,069	52,546,742
	Financial investments held to maturity	5,899,556	331,596	-	6,231,152
	Other investments held at amortized cost	-	560,808	1,289,759	1,850,567
	Total	24,342,273	37,924,105	2,158,828	64,425,206
	Financial liabilities designated at FVIS	-	711,767	-	711,767
	Total	-	711,767	-	711,767
Derivative financial instruments					
	Financial assets	2,060	3,225,327	-	3,227,387
	Financial liabilities	2,988	1,705,780	-	1,708,768

		June 30, 2013 (Unaudited)			
SR'000		Level 1	Level 2	Level 3	Total
Financial Assets					
	Financial investments 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
	Financial investments held to maturity	5,992,507	11,283	-	6,003,790
	Other investments held at amortized cost	-	1,379,396	3,157,204	4,536,600
	Total	23,254,095	34,509,982	3,999,849	61,763,926
	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

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)

16(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, 2014 (Unaudited) (SR '000)	Dec 31, 2013 (Audited) (SR '000)	Jun 30, 2013 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	172,677,344	161,664,756	160,028,274
Operational risk RWA	12,190,051	11,663,496	11,669,197
Market risk RWA	15,332,200	14,967,138	13,816,113
Total RWA	200,199,595	188,295,390	185,513,584
Tier I capital	35,905,215	34,954,464	33,297,871
Tier II capital	1,492,780	1,569,404	1,728,195
Total tier I & II capital	37,397,995	36,523,868	35,026,066
Capital Adequacy Ratio %			
Tier I ratio	17.9%	18.6%	17.9%
Tier I + II ratio	18.7%	19.4%	18.9%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	40.3%	47.1%	53.6%
Tier I + II ratio	40.3%	47.1%	53.8%

16(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.