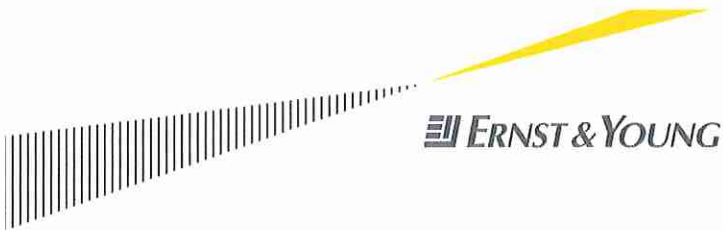


SAMBA FINANCIAL GROUP

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

**FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 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 September 30, 2013, the related interim statements of consolidated income and comprehensive income for the three month and nine month periods then ended, and the interim condensed statements of consolidated changes in equity and cash flows for the nine 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

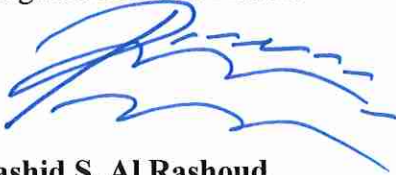
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with 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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License Number 368



18 Dhu Al-Hijah 1434H
(October 23, 2013)

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

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	Notes	Sep 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Sep 30, 2012 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		21,035,789	30,916,137	33,854,923
Due from banks and other financial institutions		4,998,229	3,642,333	7,698,455
Investments, net	5	59,468,810	52,575,973	54,323,526
Loans and advances, net	6	113,673,442	104,786,045	98,064,890
Property and equipment, net		1,783,487	1,547,928	1,435,098
Other assets		4,532,121	5,755,723	6,134,618
Total assets		205,491,878	199,224,139	201,511,510
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		9,872,028	11,956,659	20,714,854
Customer deposits	7	155,157,015	148,736,368	143,215,538
Other liabilities		6,836,496	6,792,325	6,881,657
Total liabilities		171,865,539	167,485,352	170,812,049
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		306,767	101,386	(66,956)
Retained earnings		16,162,848	13,576,835	13,651,263
Proposed dividend		-	943,000	-
Treasury stocks		(1,098,853)	(1,114,354)	(1,118,048)
Total equity attributable to equity holders of the Bank		33,500,762	31,636,867	30,596,259
Non-controlling interest		125,577	101,920	103,202
Total equity		33,626,339	31,738,787	30,699,461
Total liabilities and equity		205,491,878	199,224,139	201,511,510

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>		<u>Nine months ended</u>	
	<u>Sep 30, 2013</u> <u>(SR '000)</u>	<u>Sep 30, 2012</u> <u>(SR '000)</u>	<u>Sep 30, 2013</u> <u>(SR '000)</u>	<u>Sep 30, 2012</u> <u>(SR '000)</u>
Special commission income	1,295,659	1,204,975	3,746,742	3,577,935
Special commission expense	114,847	95,040	335,041	334,557
Special commission income, net	1,180,812	1,109,935	3,411,701	3,243,378
Fees and commission income, net	367,261	381,222	1,260,450	1,358,065
Exchange income, net	102,858	106,337	315,603	321,998
Income from investment held at FVIS, net	27,452	51,138	124,921	80,288
Trading income, net	30,905	9,083	87,899	56,619
Gain/(loss) on non-trading investments, net	4,049	(4,204)	43,023	93,265
Other operating income	32,082	41,412	155,025	82,125
Total operating income	1,745,419	1,694,923	5,398,622	5,235,738
Salaries and employee related expenses	300,910	283,568	899,822	910,279
Rent and premises related expenses	64,945	65,563	196,948	190,905
Depreciation	37,235	34,311	109,793	102,015
Other general and administrative expenses	111,350	115,889	349,874	336,085
Provision for credit losses, net of recoveries	60,449	34,949	338,047	233,352
Total operating expenses	574,889	534,280	1,894,484	1,772,636
Net income for the periods	1,170,530	1,160,643	3,504,138	3,463,102
Attributable to:				
Equity holders of the Bank	1,170,871	1,159,611	3,504,180	3,461,617
Non-controlling interest	(341)	1,032	(42)	1,485
	1,170,530	1,160,643	3,504,138	3,463,102
Basic and diluted earnings per share for the periods (SR) - note 12	1.30	1.29	3.89	3.85

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>Nine months ended</u>	
	<u>Sep 30, 2013</u> <u>(SR '000)</u>	<u>Sep 30, 2012</u> <u>(SR '000)</u>	<u>Sep 30, 2013</u> <u>(SR '000)</u>	<u>Sep 30, 2012</u> <u>(SR '000)</u>
Net income for the periods	1,170,530	1,160,643	3,504,138	3,463,102
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	(15,360)	4,288	(26,616)	(22,825)
Available for sale financial assets:				
- Change in fair values	189,622	249,484	465,783	641,696
- Transfers to statements of consolidated income	(4,049)	(99)	(43,023)	(89,911)
Cash flow hedges:				
- Change in fair values	14,101	(48,463)	(86,496)	(46,945)
- Transfers to statements of consolidated income	(25,920)	43,447	(80,568)	151,952
Total comprehensive income for the periods	1,328,924	1,409,300	3,733,218	4,097,069
Attributable to:				
Equity holders of the Bank	1,330,633	1,416,720	3,709,561	4,121,326
Non-controlling interest	(1,709)	(7,420)	23,657	(24,257)
Total	1,328,924	1,409,300	3,733,218	4,097,069

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 nine months period ended Sep 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	-	-	-	-	-	-	22,833	-	15,501	38,334	-	38,334
2012 final dividend paid	-	-	-	-	-	-	-	(943,000)	-	(943,000)	-	(943,000)
2013 interim dividend paid (note 13)	-	-	-	-	-	-	(941,000)	-	-	(941,000)	-	(941,000)
Total comprehensive income for the period	-	-	-	(31,352)	403,797	(167,064)	3,504,180	-	-	3,709,561	23,657	3,733,218
Balance at end of the period	9,000,000	9,000,000	130,000	(169,055)	609,187	(133,365)	16,162,848	-	(1,098,853)	33,500,762	125,577	33,626,339
For the nine months period ended Sep 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	-	-	-	-	-	-	28,186	-	37,844	66,030	-	66,030
2011 final dividend paid	-	-	-	-	-	-	-	(831,000)	-	(831,000)	-	(831,000)
2012 interim dividend paid (note 13)	-	-	-	-	-	-	(890,000)	-	-	(890,000)	-	(890,000)
Total comprehensive income for the period	-	-	-	(17,155)	571,857	105,007	3,461,617	-	-	4,121,326	(24,257)	4,097,069
Balance at end of the period	9,000,000	9,000,000	130,000	(130,655)	(73,525)	137,224	13,651,263	-	(1,118,048)	30,596,259	103,202	30,699,461

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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		<u>Nine Months Ended</u>	
	<u>Note</u>	<u>Sep 30, 2013</u> <u>(SR '000)</u>	<u>Sep 30, 2012</u> <u>(SR '000)</u>
<u>OPERATING ACTIVITIES</u>			
Net income for the periods		3,504,138	3,463,102
Adjustments to reconcile net income to net cash used in operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		69,689	67,051
Income from investments held at FVIS, net		(124,921)	(80,288)
Gain on non-trading investments, net		(43,023)	(93,265)
Depreciation		109,793	102,015
Loss/(gain) on disposal of property and equipment, net		586	(3,361)
Provision for credit losses, net of recoveries		338,047	233,352
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(753,305)	(606,263)
Due from banks and other financial institutions maturing after ninety days		(248,460)	(4,642,311)
Investments held for trading		685,838	(183,769)
Loans and advances		(9,225,444)	(9,186,813)
Other assets		1,223,602	(56,854)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,084,631)	86,561
Customer deposits		6,420,647	5,958,674
Other liabilities		(151,450)	351,877
Net cash used in operating activities		<u>(278,894)</u>	<u>(4,590,292)</u>
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		29,295,685	45,706,900
Purchase of non-trading investments		(36,372,307)	(38,993,579)
Purchase of property and equipment, net		(353,453)	(367,604)
Proceeds from sale of property and equipment		2,635	10,359
Net cash (used in)/from investing activities		<u>(7,427,440)</u>	<u>6,356,076</u>
<u>FINANCING ACTIVITIES</u>			
Treasury stocks, net		38,334	66,030
Dividends paid		(1,858,217)	(1,767,554)
Net cash used in financing activities		<u>(1,819,883)</u>	<u>(1,701,524)</u>
(Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	10	<u>24,319,939</u>	<u>26,507,147</u>
Cash and cash equivalents at the end of the period	10	<u>14,793,722</u>	<u>26,571,407</u>
Special commission received during the period		3,777,301	3,527,312
Special commission paid during the period		387,007	343,871
<u>Supplemental non-cash information</u>			
Net changes in fair value and transfers to Statements of Consolidated Income		255,696	656,792

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:

	Sep 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Sep 30, 2012 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	2,823,945	3,571,735	2,791,007
Available for sale (AFS)	47,524,908	37,840,846	36,561,813
Held to maturity	5,683,609	5,587,593	5,585,354
Other investments held at amortized cost	3,436,348	5,575,799	9,385,352
TOTAL	59,468,810	52,575,973	54,323,526

FVIS investments above include investments held for trading amounting to SR 844.8 million (December 31, 2012: SR 1,530.7 million, Sep 30, 2012: SR 849.4 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:

	Sep 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Sep 30, 2012 (Unaudited) (SR'000)
Credit cards	1,423,392	1,312,529	1,353,393
Consumer loans	19,954,041	18,192,313	17,549,194
Commercial loans and advances	93,222,512	86,059,033	79,888,517
Performing loans and advances	114,599,945	105,563,875	98,791,104
Non performing loans and advances	2,255,679	2,340,966	2,351,981
Gross loans and advances	116,855,624	107,904,841	101,143,085
Provision for credit losses	-3,182,182	-3,118,796	-3,078,195
TOTAL	113,673,442	104,786,045	98,064,890

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Sep 30, 2013 (Unaudited) (SR'000)	Dec 31, 2012 (Audited) (SR'000)	Sep 30, 2012 (Unaudited) (SR'000)
Demand	95,295,990	88,740,230	86,544,928
Saving	5,344,617	4,830,960	4,647,136
Time	46,835,981	49,250,228	45,913,596
Other	7,680,427	5,914,950	6,109,878
TOTAL	155,157,015	148,736,368	143,215,538

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.

	Sep 30, 2013 (Unaudited) (SR '000)			Dec 31, 2012 (Audited) (SR '000)			Sep 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	2,837,901	966,847	100,019,081	3,907,342	1,348,025	101,137,292	4,162,465	1,467,201	99,855,329
Commission rate futures, options and guarantees	13,560	16,981	2,702,154	1,335	2,336	112,520	2,634	2,593	685,154
Forward foreign exchange contracts	57,302	49,805	37,270,970	128,040	125,016	34,416,867	96,131	96,487	23,484,747
Currency options	366,978	367,564	92,504,004	398,560	393,022	47,828,620	591,481	589,384	75,711,256
Swaptions	28,149	28,336	2,021,538	35,203	38,584	2,630,787	34,028	41,778	2,843,578
Equity & commodity options	24,157	18,364	948,323	22,709	23,267	662,520	11,499	10,132	376,192
Other	2,086	6,769	251,109	-	2,390	64,333	2,738	1,238	113,318
Held as fair value hedges									
Commission rate swaps	-	-	-	-	1,096	46,875		1,095	46,875
Held as cash flow hedges									
Commission rate swaps	79,176	193,196	3,798,750	159,959	97,041	4,473,750	171,080	13,130	5,470,000
TOTAL	3,409,309	1,647,862	239,515,929	4,653,148	2,030,777	191,373,564	5,072,056	2,223,038	208,586,449

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 167.6 million (Dec 31, 2012: SR 292.8 million, Sep 30, 2012: SR 455.2 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR 1,996.3 million (Dec 31, 2012: SR 2,829 million, Sep 30, 2012: SR 3,093.3 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:

	Sep 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Sep 30, 2012 (Unaudited) (SR '000)
Letters of credit	9,354,930	8,670,011	8,177,461
Letters of guarantee	31,486,163	29,685,267	29,750,624
Acceptances	2,002,953	1,910,949	1,827,515
Irrevocable commitments to extend credit	4,791,744	4,778,055	3,887,835
Other	253,536	296,812	329,595
TOTAL	47,889,326	45,341,094	43,973,030

10. CASH AND CASH EQUIVALENTS

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

	Sep 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Sep 30, 2012 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	12,366,996	23,000,649	26,202,964
Due from banks and other financial institutions maturing within ninety days	2,426,726	1,319,290	368,443
TOTAL	14,793,722	24,319,939	26,571,407

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 September 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:

September 30, 2013 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	38,374,702	89,838,856	77,180,757	97,563	205,491,878
Total liabilities	86,348,069	74,334,930	11,117,384	65,156	171,865,539
Total operating income	1,754,928	1,921,241	1,210,436	512,017	5,398,622
Total operating expenses	1,003,928	671,888	90,686	127,982	1,894,484
of which:					
Depreciation	38,309	63,616	1,082	6,786	109,793
Provisions for credit losses	65,138	272,909	-	-	338,047
Net income for the period	751,000	1,249,353	1,119,750	384,035	3,504,138
Capital expenditure	33,727	311,287	8,166	273	353,453

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

11. OPERATING SEGMENTS (continued)

September 30, 2012 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	35,323,362	76,444,275	89,645,233	98,640	201,511,510
Total liabilities	70,472,466	78,139,720	22,139,249	60,614	170,812,049
Total operating income	1,797,417	1,819,441	956,602	662,278	5,235,738
Total operating expenses	931,975	608,061	104,882	127,718	1,772,636
of which:					
Depreciation	34,949	59,785	1,107	6,174	102,015
Provisions for credit losses	32,931	200,421	-	-	233,352
Net income for the period	865,442	1,211,380	851,720	534,560	3,463,102
Capital expenditure	37,638	329,076	711	179	367,604

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended September 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 resulted 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.

September 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	442,397	2,381,548	-	2,823,945
Financial investments available for sale	16,371,169	30,278,430	875,309	47,524,908
Total	16,813,566	32,659,978	875,309	50,348,853
Financial liabilities designated at FVIS	-	70,541	-	70,541
Total	-	70,541	-	70,541
Derivative financial instruments				
Financial assets	3,321	3,405,988	-	3,409,309
Financial liabilities	1,049	1,646,813	-	1,647,862

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 September 30, 2013, the fair values of investments held to maturity and other investments held at amortized cost amounted to SR 6,074 million and SR 3,444 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:

	Sep 30, 2013 (Unaudited) (SR '000)	Dec 31, 2012 (Audited) (SR '000)	Sep 30, 2012 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	157,999,146	142,000,392	141,422,475
Operational risk RWA	11,662,960	11,733,132	11,735,166
Market risk RWA	14,841,988	12,936,644	12,173,585
Total RWA	184,504,094	166,670,168	165,331,226
Tier I capital	33,734,051	31,714,417	27,212,906
Tier II capital	1,659,690	1,696,695	5,229,397
Total tier I & II capital	35,393,741	33,411,112	32,442,303
Capital Adequacy Ratio %			
Tier I ratio	18.3%	19.0%	16.5%
Tier I + II ratio	19.2%	20.0%	19.6%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	53.8%	45.9%	52.1%
Tier I + II ratio	53.8%	46.0%	52.3%

For the purposes of presentation, the RWAs, total capital and related ratios as at September 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 September 30, 2012 are calculated under Basel II and have not been restated.

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.