

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT

**FOR THE THREE MONTH PERIOD ENDED
March 31, 2015**



Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim statement of consolidated financial position of Samba Financial Group (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) as at March 31, 2015 and the related interim statements of consolidated income, comprehensive income, changes in equity and cash flows for the three month period then ended and the notes from (1) to (15a), which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (15b), nor the information related to “Other Pillar 3 Disclosures of Basel Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

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 (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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30 Jumada II 1436H
(April 19, 2015)



SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

Page 3

	Notes	Mar 31, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Mar 31, 2014 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		17,605,226	14,679,399	19,765,946
Due from banks and other financial institutions		9,015,330	7,405,595	5,896,528
Investments, net	5	61,904,638	64,515,698	61,472,783
Loans and advances, net	6	126,687,534	124,079,447	115,614,663
Property and equipment, net		2,114,455	2,066,685	1,891,576
Other assets		5,254,544	4,652,003	4,124,869
Total assets		222,581,727	217,398,827	208,766,365
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		9,887,875	9,385,098	8,882,147
Customer deposits	7	167,708,972	163,794,838	158,772,195
Other liabilities		6,107,719	5,306,894	5,579,935
Total liabilities		183,704,566	178,486,830	173,234,277
EQUITY				
Equity attributable to equity holders of the Bank				
Share capital	12	20,000,000	12,000,000	12,000,000
Statutory reserve		12,000,000	12,000,000	12,000,000
General reserve		130,000	130,000	130,000
Other reserves		1,480,321	1,598,463	960,040
Retained earnings		6,203,973	12,926,090	11,391,132
Proposed dividend		-	1,197,000	-
Treasury stocks		(1,065,973)	(1,067,451)	(1,082,341)
Total equity attributable to equity holders of the Bank		38,748,321	38,784,102	35,398,831
Non-controlling interest		128,840	127,895	133,257
Total equity		38,877,161	38,911,997	35,532,088
Total liabilities and equity		222,581,727	217,398,827	208,766,365

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

Page 4

	<u>Three months ended</u>	
	<u>Mar 31, 2015</u>	<u>Mar 31, 2014</u>
	<u>(SR '000)</u>	<u>(SR '000)</u>
Special commission income	1,237,911	1,195,643
Special commission expense	109,999	112,568
Special commission income, net	1,127,912	1,083,075
Fees and commission income, net	479,383	434,382
Exchange income, net	167,868	105,532
Income from investment held at FVIS, net	53,967	87,233
Trading (loss) income, net	(23,128)	31,752
Gain on non-trading investments, net	167,573	121,106
Other operating income	(625)	10,036
Total operating income	1,972,950	1,873,116
Salaries and employee related expenses	379,012	313,469
Rent and premises related expenses	80,555	73,744
Depreciation	30,965	36,977
Other general and administrative expenses	155,101	138,164
Provision for credit losses, net of recoveries	49,022	70,278
Total operating expenses	694,655	632,632
Net income for the periods	1,278,295	1,240,484
Attributable to:		
Equity holders of the Bank	1,277,946	1,240,096
Non-controlling interest	349	388
	1,278,295	1,240,484
Basic and diluted earnings per share for the periods (SR) - note 13	0.64	0.62

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

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
Unaudited

	<u>Three months ended</u>	
	<u>Mar 31, 2015</u> <u>(SR '000)</u>	<u>Mar 31, 2014</u> <u>(SR '000)</u>
Net income for the periods	1,278,295	1,240,484
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	(14,235)	29,519
Available for sale financial assets:		
- Change in fair values	2,277	445,327
- Transfers to statements of consolidated income	(167,574)	(121,106)
Cash flow hedges:		
- Change in fair values	88,701	42,278
- Transfers to statements of consolidated income	(26,715)	(32,051)
Total comprehensive income for the periods	<u>1,160,749</u>	<u>1,604,451</u>
Attributable to:		
Equity holders of the Bank	1,159,804	1,598,872
Non-controlling interest	945	5,579
Total	<u>1,160,749</u>	<u>1,604,451</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

Note	Share capital (SR'000)	Statutory reserve (SR'000)	General reserve (SR'000)	Other reserves		Cash flow hedges (SR'000)	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)							
For the three month period ended March 31, 2015												
	12,000,000	12,000,000	130,000	(152,004)	1,785,193	(34,726)	12,926,090	1,197,000	(1,067,451)	38,784,102	127,895	38,911,997
Balance at the beginning of the period												
Bonus shares issued	12 8,000,000	-	-	-	-	-	(8,000,000)	-	-	-	-	-
Net changes in treasury stocks	-	-	-	-	-	-	(63)	-	1,478	1,415	-	1,415
2014 final dividend paid	-	-	-	-	-	-	-	(1,197,000)	-	(1,197,000)	-	(1,197,000)
Net Income for the period	-	-	-	-	-	-	1,277,946	-	-	1,277,946	-	1,277,946
Other comprehensive income for the period	-	-	-	(6,019)	(174,109)	61,986	-	-	-	(118,142)	945	(117,197)
Balance at end of the period	20,000,000	12,000,000	130,000	(158,023)	1,611,084	27,260	6,203,973	-	(1,065,973)	38,748,321	128,840	38,877,161
For the three month period ended March 31, 2014												
	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
Balance at the beginning of the period												
Bonus shares issued	12 3,000,000	-	-	-	-	-	(3,000,000)	-	-	-	-	-
Transfer to statutory reserve	12 -	3,000,000	-	-	-	-	(3,000,000)	-	-	-	-	-
Net changes in treasury stocks	-	-	-	-	-	-	9,538	-	3,523	13,061	-	13,061
2013 final dividend paid	-	-	-	-	-	-	-	(1,016,000)	-	(1,016,000)	-	(1,016,000)
Net Income for the period	-	-	-	-	-	-	1,240,096	-	-	1,240,096	-	1,240,096
Other comprehensive income for the period	-	-	-	23,718	324,831	10,227	-	-	-	358,776	5,579	364,355
Balance at end of the period	12,000,000	12,000,000	130,000	(145,274)	1,280,695	(175,381)	11,391,132	-	(1,082,341)	35,398,831	133,257	35,532,088

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

Page 7

	Note	Three months ended	
		Mar 31, 2015 (SR '000)	Mar 31, 2014 (SR '000)
OPERATING ACTIVITIES			
Net income for the periods		1,278,295	1,240,484
Adjustments to reconcile net income to net cash from operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		(3,997)	17,319
Income from investments held at FVIS, net		(53,967)	(87,233)
Gain on non-trading investments, net		(167,573)	(121,106)
Depreciation		30,965	36,977
Loss on disposal of property and equipment, net		51	86
Provision for credit losses, net of recoveries		49,022	70,278
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(76,688)	(241,097)
Due from banks and other financial institutions maturing after ninety days		(1,210,493)	(569,909)
Investments held for trading		366,406	(33,189)
Loans and advances		(2,657,109)	(2,229,572)
Other assets		(602,541)	50,903
Net increase in operating liabilities:			
Due to banks and other financial institutions		502,777	1,408,902
Customer deposits		3,914,134	435,479
Other liabilities		673,121	670,259
Net cash from operating activities		2,042,403	648,581
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		37,729,358	21,315,012
Purchase of non-trading investments		(35,433,276)	(21,898,008)
Purchase of property and equipment, net		(79,640)	(101,433)
Proceeds from sale of property and equipment		796	509
Net cash from/(used in) investing activities		2,217,238	(683,920)
FINANCING ACTIVITIES			
Treasury stocks, net		1,415	13,061
Dividends paid		(1,012,675)	(367,189)
Net cash used in financing activities		(1,011,260)	(354,128)
Increase/(decrease) in cash and cash equivalents		3,248,381	(389,467)
Cash and cash equivalents at the beginning of the period	10	10,266,201	13,659,328
Cash and cash equivalents at the end of the period	10	13,514,582	13,269,861
Special commission received during the period		1,236,174	1,225,618
Special commission paid during the period		135,820	107,676
Supplemental non-cash information			
Net changes in fair value and transfers to Statements of Consolidated Income		(103,311)	334,448

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 (12 February 1980). The Bank commenced business on 29 Shabaan 1400H (12 July 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 (13 December 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 (19 August 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advisory and custody businesses. The Company is licensed by the CMA and commenced its business effective 19 January 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 listed on all stock exchanges in Pakistan. On 31 March 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 (24 June 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 31 December 2014.

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 of 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 31 December 2014 except for the amendments to existing standards and interpretation and new standards mentioned below effective as of 1 January 2015, which the Bank has adopted:

- IFRS 2 Share-based Payment - This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. Effective for annual periods beginning on or after 1 July 2014.
- IFRS 3 Business Combinations - The amendment clarifies the scope exceptions within IFRS 3 and that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). Effective for annual periods beginning on or after 1 July 2014.
- IFRS 8 Operating Segments - The amendments clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8 and the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. Effective for annual periods beginning on or after 1 July 2014.
- Amendments to IAS 16 and IAS 38: This amendment clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. Effective for annual periods beginning on or after 1 July 2014.
- IAS 24 Related Party Disclosures - The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures and an entity that uses a management entity is required to disclose the expenses incurred for management services. Effective for annual periods beginning on or after 1 July 2014.
- IFRS 13 Fair Value Measurement - The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). Effective for annual periods beginning on or after 1 July 2014. Further, an amendment to clarify measurement of special commission expense, short term receivable and payable at their invoiced amount without discounting, if the effect

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

5. INVESTMENTS, NET

Investment securities are classified as follows:

	Mar 31, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Mar 31, 2014 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	3,252,712	3,600,661	3,356,239
Available for sale (AFS)	54,637,475	54,206,502	50,301,623
Held to maturity	3,189,790	5,949,719	5,923,968
Other investments held at amortized cost	824,661	758,816	1,890,953
TOTAL	61,904,638	64,515,698	61,472,783

FVIS investments above include investments held for trading amounting to SR 1,029.5 million (December 31, 2014: SR 1,394.8 million, March 31, 2014: SR 1,291.5 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

6. LOANS AND ADVANCES, NET

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

	Mar 31, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Mar 31, 2014 (Unaudited) (SR'000)
Credit cards	1,337,658	1,386,869	1,316,691
Consumer loans	18,719,016	18,453,491	17,849,850
Commercial loans and advances	107,656,014	105,246,981	97,380,769
Performing loans and advances	127,712,688	125,087,341	116,547,310
Non performing loans and advances	1,650,519	1,659,746	2,026,731
Gross loans and advances	129,363,207	126,747,087	118,574,041
Provision for credit losses	(2,675,673)	(2,667,640)	(2,959,378)
TOTAL	126,687,534	124,079,447	115,614,663

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Mar 31, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Mar 31, 2014 (Unaudited) (SR'000)
Demand	114,583,161	107,671,371	102,607,717
Saving	6,808,080	6,356,616	5,990,079
Time	38,105,998	40,852,140	43,443,324
Other	8,211,733	8,914,711	6,731,075
TOTAL	167,708,972	163,794,838	158,772,195

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

	Mar 31, 2015 (Unaudited) (SR '000)			Dec 31, 2014 (Audited) (SR '000)			Mar 31, 2014 (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	2,371,595	554,415	99,431,225	2,341,034	653,660	98,799,220	2,475,517	848,712	105,787,701
Commission rate futures, options and guarantees	17,389	14,711	1,628,486	14,256	9,000	5,143,181	2,867	1,974	811,471
Forward foreign exchange contracts	156,859	133,247	59,133,921	163,141	167,751	44,417,987	60,982	60,002	47,678,056
Currency options	647,081	629,365	79,586,340	350,473	327,233	73,514,981	308,970	301,433	92,842,708
Swaptions	18,029	15,722	1,884,375	-	6,882	9,375	27,750	27,934	1,937,048
Equity & commodity options	327,812	339,919	5,931,136	313,643	293,794	5,124,312	49,684	51,363	3,630,143
Other	3,638	3,243	595,445	20,996	4,517	357,254	2,291	1,186	265,812
Held as cash flow hedges									
Commission rate swaps	117,407	55,819	4,619,450	81,049	85,174	5,238,200	85,466	216,710	5,586,200
TOTAL	3,659,810	1,746,441	252,810,378	3,284,592	1,548,011	232,604,510	3,013,527	1,509,314	258,539,139

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 371 million (Dec 31, 2014: SR 224 million, Mar 31, 2014: SR 220 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR 2,205 million (Dec 31, 2014: SR 1,917 million, Mar 31, 2014: SR 1,850 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)**9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES**

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

	Mar 31, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Mar 31, 2014 (Unaudited) (SR '000)
Letters of credit	10,332,076	10,349,587	10,710,714
Letters of guarantee	38,255,302	37,594,587	32,566,443
Acceptances	2,226,417	2,982,697	2,261,013
Irrevocable commitments to extend credit	6,090,763	5,893,276	6,140,272
Other	328,262	325,174	374,267
TOTAL	57,232,820	57,145,321	52,052,709

10. CASH AND CASH EQUIVALENTS

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

	Mar 31, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Mar 31, 2014 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	7,883,000	5,033,861	10,718,952
Due from banks and other financial institutions maturing within ninety days	5,631,582	5,232,340	2,550,909
TOTAL	13,514,582	10,266,201	13,269,861

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)**11. OPERATING SEGMENTS**

The Group is organised into the following main operating segments:

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

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

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

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

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

Transactions between the operating segments are on normal commercial terms. Funds are ordinarily reallocated between segments, resulting in funding cost transfers. Special commission charged for these funds is based on interbank rates. There are no other material items of income or expense between the operating segments. The Group's total assets and liabilities as at March 31, 2015 and 2014, together with total operating income, total operating expenses, provisions for credit losses, net income, capital expenditure, and depreciation expense for the periods then ended, by operating segments, are as follows:

March 31, 2015 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	39,463,281	103,466,167	79,467,469	184,810	222,581,727
Total liabilities	96,588,298	75,181,353	11,803,009	131,906	183,704,566
Total operating income	490,537	639,483	601,786	241,144	1,972,950
Total operating expenses	417,839	177,846	52,117	46,853	694,655
of which:					
Depreciation	10,732	17,225	221	2,787	30,965
Provisions for credit losses	21,214	27,808	-	-	49,022
Net income for the period	72,698	461,637	549,669	194,291	1,278,295
Capital expenditure	11,385	64,972	3,145	138	79,640

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

11. OPERATING SEGMENTS (continued)

March 31, 2014 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	35,980,424	94,327,951	78,345,119	112,871	208,766,365
Total liabilities	87,761,051	74,723,316	10,633,976	115,934	173,234,277
Total operating income	503,618	590,311	573,826	205,361	1,873,116
Total operating expenses	371,372	185,731	30,205	45,324	632,632
of which:					
Depreciation	12,407	21,587	301	2,682	36,977
Provisions for credit losses	29,171	41,107	-	-	70,278
Net income for the period	132,246	404,580	543,621	160,037	1,240,484
Capital expenditure	44,152	45,401	11,642	238	101,433

12. SHARE CAPITAL AND STATUTORY RESERVE

The shareholders have approved a bonus issue of two shares for every three shares held at their extraordinary general assembly meeting held on March 18, 2015. 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 20,000 million (2014: SR 12,000 million) comprising of 2,000 million issued and paid up shares.

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended March 31, 2015 and 2014 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank by 2,000 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus share issue.

14. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);

Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 - Valuation techniques for which any significant input is not based on observable market data.

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

14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		March 31, 2015 (Unaudited)			
<u>SR'000</u>		Level 1	Level 2	Level 3	Total
Financial Assets					
	Financial investments held at FVIS	974,663	2,278,049	-	3,252,712
	Financial investments available for sale	16,532,553	37,402,083	702,839	54,637,475
	Financial investments held to maturity	3,048,354	423,347	-	3,471,701
	Other investments held at amortized cost	-	421,662	411,657	833,319
	Total	20,555,570	40,525,141	1,114,496	62,195,207
Financial Liabilities					
	Financial liabilities designated at FVIS	-	166,943	-	166,943
	Total	-	166,943	-	166,943
Derivative financial instruments					
	Financial assets	5,502	3,654,308	-	3,659,810
	Financial liabilities	6,743	1,739,698	-	1,746,441

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

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 on account of the short duration of due from and due to banks. During the period, there have been no transfers within levels of the fair value hierarchy.

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

15(a) CAPITAL ADEQUACY

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

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

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

	Mar 31, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Mar 31, 2014 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	179,453,960	173,822,138	165,210,921
Operational risk RWA	13,096,307	12,188,338	12,190,338
Market risk RWA	14,258,613	16,570,138	15,416,700
Total RWA	206,808,880	202,580,614	192,817,959
Tier I capital	38,714,222	38,798,653	35,538,420
Tier II capital	1,156,736	1,442,075	1,563,989
Total tier I & II capital	39,870,958	40,240,728	37,102,409
Capital Adequacy Ratio %			
Tier I ratio	18.7%	19.2%	18.4%
Tier I + II ratio	19.3%	19.9%	19.2%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	31.6%	39.3%	43.3%
Tier I + II ratio	32.8%	40.1%	43.4%

15(b) OTHER PILLAR 3 DISCLOSURES

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