

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE SIX MONTH PERIOD ENDED
June 30, 2015**



SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

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	Notes	Jun 30, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Jun 30, 2014 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		19,474,233	14,679,399	15,848,462
Due from banks and other financial institutions		7,947,877	7,405,595	5,407,605
Investments, net	5	61,153,652	64,515,698	64,110,568
Loans and advances, net	6	130,548,978	124,079,447	122,163,221
Property and equipment, net		2,177,034	2,066,685	1,918,211
Other assets		4,627,805	4,652,003	4,806,301
Total assets		225,929,579	217,398,827	214,254,368
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		10,189,909	9,385,098	7,966,724
Customer deposits	7	170,582,078	163,794,838	163,643,571
Other liabilities		5,241,088	5,306,894	6,660,611
Total liabilities		186,013,075	178,486,830	178,270,906
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		1,177,626	1,598,463	1,194,223
Retained earnings		7,549,352	12,926,090	11,603,129
Proposed dividend		-	1,197,000	-
Treasury stocks		(1,059,140)	(1,067,451)	(1,075,764)
Total equity attributable to equity holders of the Bank		39,797,838	38,784,102	35,851,588
Non-controlling interest		118,666	127,895	131,874
Total equity		39,916,504	38,911,997	35,983,462
Total liabilities and equity		225,929,579	217,398,827	214,254,368

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, 2015</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2015</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>
Special commission income	1,269,831	1,278,729	2,507,742	2,474,372
Special commission expense	107,113	117,220	217,112	229,788
Special commission income, net	1,162,718	1,161,509	2,290,630	2,244,584
Fees and commission income, net	453,241	454,851	932,624	889,233
Exchange income, net	104,763	110,005	272,631	215,537
(Loss)/Income from investment held at FVIS, net	(31,029)	45,833	22,938	133,066
Trading income (loss), net	48,944	(15,256)	25,816	16,496
Gain on non-trading investments, net	120,804	21,356	288,377	142,462
Other operating income	89,566	65,950	88,941	75,986
Total operating income	1,949,007	1,844,248	3,921,957	3,717,364
Salaries and employee related expenses	330,550	315,159	709,562	628,628
Rent and premises related expenses	76,273	71,648	156,828	145,392
Depreciation	31,477	33,454	62,442	70,431
Other general and administrative expenses	150,623	134,667	305,724	272,831
Provision for credit losses, net of recoveries	27,080	31,908	76,102	102,186
Total operating expenses	616,003	586,836	1,310,658	1,219,468
Net income for the periods	1,333,004	1,257,412	2,611,299	2,497,896
Attributable to:				
Equity holders of the Bank	1,332,417	1,256,997	2,610,363	2,497,093
Non-controlling interest	587	415	936	803
	1,333,004	1,257,412	2,611,299	2,497,896
Basic and diluted earnings per share for the periods (SR) - note 13	0.67	0.63	1.31	1.25

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, 2015</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>	<u>Jun 30, 2015</u> <u>(SR '000)</u>	<u>Jun 30, 2014</u> <u>(SR '000)</u>
Net income for the periods	1,333,004	1,257,412	2,611,299	2,497,896
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	9,363	3,732	(4,872)	33,251
Available for sale financial assets:				
- Change in fair values	(193,091)	162,944	(190,816)	608,271
- Transfers to statements of consolidated income	(120,804)	(21,356)	(288,377)	(142,462)
Cash flow hedges:				
- Change in fair values	9,424	122,608	98,126	164,886
- Transfers to statements of consolidated income	(18,348)	(35,543)	(45,063)	(67,594)
Total comprehensive income for the periods	<u>1,019,548</u>	<u>1,489,797</u>	<u>2,180,297</u>	<u>3,094,248</u>
Attributable to:				
Equity holders of the Bank	1,029,722	1,491,180	2,189,526	3,090,052
Non-controlling interest	(10,174)	(1,383)	(9,229)	4,196
Total	<u>1,019,548</u>	<u>1,489,797</u>	<u>2,180,297</u>	<u>3,094,248</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, 2015												
Balance at the beginning of the period	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
Bonus shares issued	12 8,000,000	-	-	-	-	-	(8,000,000)	-	-	-	-	-
Net changes in treasury stocks	-	-	-	-	-	-	12,899	-	8,311	21,210	-	21,210
2014 final dividend paid	-	-	-	-	-	-	-	(1,197,000)	-	(1,197,000)	-	(1,197,000)
Net income for the period	-	-	-	-	-	-	2,610,363	-	-	2,610,363	936	2,611,299
Other comprehensive income for the period	-	-	-	(6,071)	(467,829)	53,063	-	-	-	(420,837)	(10,165)	(431,002)
Balance at end of the period	20,000,000	12,000,000	130,000	(158,075)	1,317,364	18,337	7,549,352	-	(1,059,140)	39,797,838	118,666	39,916,504
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	3,000,000	-	-	-	-	-	(3,000,000)	-	-	-	-	-
Transfer to statutory reserve	-	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)
Net income for the period	-	-	-	-	-	-	2,497,093	-	-	2,497,093	803	2,497,896
Other comprehensive income for the period	-	-	-	22,668	472,999	97,292	-	-	-	592,959	3,393	596,352
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

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

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Unaudited

		Six months ended	
	Note	Jun 30, 2015	Jun 30, 2014
		(SR '000)	(SR '000)
<u>OPERATING ACTIVITIES</u>			
Net income for the periods		2,611,299	2,497,896
Adjustments to reconcile net income to net cash from/(used in) operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		11,149	35,579
Income from investments held at FVIS, net		(22,938)	(133,066)
Gain on non-trading investments, net		(288,377)	(142,462)
Depreciation		62,442	70,431
Loss on disposal of property and equipment, net		51	395
Provision for credit losses, net of recoveries		76,102	102,186
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		(266,112)	(670,923)
Due from banks and other financial institutions maturing after ninety days		(2,257,035)	(739,939)
Investments held for trading		475,795	(483,919)
Loans and advances		(6,545,633)	(8,810,038)
Other assets		24,198	(630,529)
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		804,811	493,479
Customer deposits		6,787,240	5,306,855
Other liabilities		(30,459)	1,419,467
Net cash from/(used in) operating activities		1,442,533	(1,684,588)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of and matured non-trading investments		42,341,808	28,759,632
Purchase of non-trading investments		(39,623,220)	(31,332,587)
Purchase of property and equipment, net		(173,847)	(162,372)
Proceeds from sale of property and equipment		1,005	911
Net cash from/(used in) investing activities		2,545,746	(2,734,416)
<u>FINANCING ACTIVITIES</u>			
Treasury stocks, net		21,210	19,638
Dividends paid		(1,195,520)	(996,364)
Net cash used in financing activities		(1,174,310)	(976,726)
Increase/(decrease) in cash and cash equivalents		2,813,969	(5,395,730)
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	13,080,170	8,263,598
Special commission received during the period		2,571,526	2,473,433
Special commission paid during the period		250,279	147,955
<u>Supplemental non-cash information</u>			
Net changes in fair value and transfers to Statements of Consolidated Income		(426,130)	563,101

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 (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 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 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 of discounting is immaterial.

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, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Jun 30, 2014 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	3,333,638	3,600,661	3,796,745
Available for sale (AFS)	53,732,950	54,206,502	52,546,742
Held to maturity	3,191,798	5,949,719	5,926,059
Other investments held at amortized cost	895,266	758,816	1,841,022
TOTAL	61,153,652	64,515,698	64,110,568

FVIS investments above include investments held for trading amounting to SR 920.0 million (December 31, 2014: SR 1,394.8 million, June 30, 2014: SR 1,742.3 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, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Jun 30, 2014 (Unaudited) (SR'000)
Credit cards	1,346,982	1,386,869	1,408,784
Consumer loans	18,978,083	18,453,491	18,302,266
Commercial loans and advances	111,246,973	105,246,981	103,410,589
Performing loans and advances	131,572,038	125,087,341	123,121,639
Non performing loans and advances	1,645,553	1,659,746	2,012,474
Gross loans and advances	133,217,591	126,747,087	125,134,113
Provision for credit losses	(2,668,613)	(2,667,640)	(2,970,892)
TOTAL	130,548,978	124,079,447	122,163,221

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

	Jun 30, 2015 (Unaudited) (SR'000)	Dec 31, 2014 (Audited) (SR'000)	Jun 30, 2014 (Unaudited) (SR'000)
Demand	115,797,152	107,671,371	108,061,929
Saving	6,821,895	6,356,616	5,988,562
Time	40,216,807	40,852,140	42,424,187
Other	7,746,224	8,914,711	7,168,893
TOTAL	170,582,078	163,794,838	163,643,571

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.

	Jun 30, 2015 (Unaudited) (SR '000)			Dec 31, 2014 (Audited) (SR '000)			Jun 30, 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	2,104,325	664,693	94,843,447	2,341,034	653,660	98,799,220	2,504,141	955,028	100,360,344
Commission rate futures, options and guarantees	23,888	18,232	1,857,926	14,256	9,000	5,143,181	10,421	3,628	9,513,260
Forward foreign exchange contracts	117,332	55,682	42,854,300	163,141	167,751	44,417,987	53,930	45,425	54,388,904
Currency options	367,489	362,644	71,279,032	350,473	327,233	73,514,981	400,170	400,045	112,072,672
Swaptions	17,906	22,993	1,875,000	-	6,882	9,375	24,648	33,499	2,085,320
Equity & commodity options	189,586	193,218	2,810,278	313,643	293,794	5,124,312	163,668	136,565	5,927,259
Other	2,812	2,556	217,083	20,996	4,517	357,254	4,212	1,860	310,307
Held as cash flow hedges									
Commission rate swaps	50,357	27,658	2,376,950	81,049	85,174	5,238,200	66,197	132,718	5,586,200
TOTAL	2,873,695	1,347,676	218,114,016	3,284,592	1,548,011	232,604,510	3,227,387	1,708,768	290,244,266

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 258 million (Dec 31, 2014: SR 224 million, June 30, 2014: SR 195 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR1,693 million (Dec 31, 2014: SR 1,917 million, June 30, 2014: SR 1,748 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, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Jun 30, 2014 (Unaudited) (SR '000)
Letters of credit	9,848,827	10,349,587	10,924,271
Letters of guarantee	38,621,136	37,594,587	33,649,128
Acceptances	2,366,964	2,982,697	2,224,818
Irrevocable commitments to extend credit	5,981,407	5,893,276	5,418,028
Other	303,451	325,174	359,787
TOTAL	57,121,785	57,145,321	52,576,032

10. CASH AND CASH EQUIVALENTS

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

	Jun 30, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Jun 30, 2014 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	9,562,583	5,033,861	6,371,642
Due from banks and other financial institutions maturing within ninety days	3,517,587	5,232,340	1,891,956
TOTAL	13,080,170	10,266,201	8,263,598

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, 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:

June 30, 2015 (Unaudited)

<u>SR'000</u>	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	38,909,566	107,787,848	79,033,320	198,845	225,929,579
Total liabilities	99,184,850	75,098,335	11,653,659	76,231	186,013,075
Total operating income	1,013,226	1,412,139	1,092,658	403,934	3,921,957
Total operating expenses	793,565	339,468	80,485	97,140	1,310,658
of which:					
Depreciation	22,359	34,377	452	5,254	62,442
Provisions for credit losses	45,807	30,295	-	-	76,102
Net income for the period	219,661	1,072,671	1,012,173	306,794	2,611,299
Capital expenditure	76,248	95,259	1,772	568	173,847

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

11. OPERATING SEGMENTS (continued)

<u>SR'000</u>	June 30, 2014 (Unaudited)				Total
	Consumer	Corporate	Treasury	Investment banking	
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

12. SHARE CAPITAL

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 June 30, 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. INTERIM DIVIDEND

An interim dividend of SR 1,200 million from the net income for the six-month period ended June 30, 2015 (June 30, 2014: SR 1,045 million) has been approved on July 7, 2015 for payment to shareholders. After deducting zakat, this interim dividend will result in a net payment of SR 0.45 per share (June 30, 2014: SR 0.65 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, 2015 (Unaudited)			
SR'000		Level 1	Level 2	Level 3	Total
Financial Assets					
Financial investments held at FVIS		844,580	2,489,058	-	3,333,638
Financial investments available for sale		16,526,380	36,411,795	794,775	53,732,950
Financial investments held to maturity		3,022,368	421,885	-	3,444,253
Other investments held at amortized cost		-	424,486	518,936	943,422
Total		20,393,328	39,747,224	1,313,711	61,454,263
Financial Liabilities					
Financial liabilities designated at FVIS		-	100,313	-	100,313
Total		-	100,313	-	100,313
Derivative financial instruments					
Financial assets		5,502	2,868,193	-	2,873,695
Financial liabilities		6,743	1,340,933	-	1,347,676

		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					
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

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)

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, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Jun30 , 2014 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	178,832,335	173,822,138	172,677,344
Operational risk RWA	13,094,420	12,188,338	12,190,051
Market risk RWA	14,657,450	16,570,138	15,332,200
Total RWA	206,584,205	202,580,614	200,199,595
Tier I capital	39,767,786	38,798,653	35,905,215
Tier II capital	1,171,417	1,442,075	1,492,780
Total tier I & II capital	40,939,203	40,240,728	37,397,995
Capital Adequacy Ratio %			
Tier I ratio	19.3%	19.2%	17.9%
Tier I + II ratio	19.8%	19.9%	18.7%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	31.9%	39.3%	40.3%
Tier I + II ratio	32.7%	40.1%	40.3%

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.