

# **SAMBA FINANCIAL GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED  
SEPTEMBER 30, 2015**

## STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

	Notes	Sep 30, 2015 (Unaudited) (SR '000)	Dec 31, 2014 (Audited) (SR '000)	Sep 30, 2014 (Unaudited) (SR '000)
<b>ASSETS</b>				
Cash and balances with central banks		22,845,291	14,679,399	16,898,013
Due from banks and other financial institutions		11,826,253	7,405,595	7,765,766
Investments, net	5	65,294,130	64,515,698	64,205,683
Loans and advances, net	6	127,149,306	124,079,447	120,177,316
Property and equipment, net		2,220,051	2,066,685	1,966,990
Other assets		4,411,749	4,652,003	5,355,791
<b>Total assets</b>		<b>233,746,780</b>	<b>217,398,827</b>	<b>216,369,559</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		14,475,639	9,385,098	9,620,025
Customer deposits	7	174,576,457	163,794,838	163,506,581
Other liabilities		5,030,756	5,306,894	5,252,845
<b>Total liabilities</b>		<b>194,082,852</b>	<b>178,486,830</b>	<b>178,379,451</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Bank</b>				
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		732,138	1,598,463	1,911,979
Retained earnings		7,729,871	12,926,090	12,891,409
Proposed dividend		-	1,197,000	-
Treasury stocks		(1,048,079)	(1,067,451)	(1,069,089)
<b>Total equity attributable to equity holders of the Bank</b>		<b>39,543,930</b>	<b>38,784,102</b>	<b>37,864,299</b>
Non-controlling interest		119,998	127,895	125,809
<b>Total equity</b>		<b>39,663,928</b>	<b>38,911,997</b>	<b>37,990,108</b>
<b>Total liabilities and equity</b>		<b>233,746,780</b>	<b>217,398,827</b>	<b>216,369,559</b>

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>Nine months ended</u>	
	<u>Sep 30, 2015</u> <u>(SR '000)</u>	<u>Sep 30, 2014</u> <u>(SR '000)</u>	<u>Sep 30, 2015</u> <u>(SR '000)</u>	<u>Sep 30, 2014</u> <u>(SR '000)</u>
Special commission income	1,296,968	1,280,649	3,804,710	3,755,021
Special commission expense	113,424	105,591	330,536	335,379
<b>Special commission income, net</b>	<b>1,183,544</b>	<b>1,175,058</b>	<b>3,474,174</b>	<b>3,419,642</b>
Fees and commission income, net	391,105	440,161	1,323,729	1,329,394
Exchange income, net	117,890	129,707	390,521	345,244
Income from investment held at FVIS, net	16,537	31,121	39,475	164,187
Trading income, net	2,363	18,396	28,179	34,892
Gain on non-trading investments, net	137,694	4,907	426,071	147,369
Other operating income	140,867	50,809	229,808	126,795
<b>Total operating income</b>	<b>1,990,000</b>	<b>1,850,159</b>	<b>5,911,957</b>	<b>5,567,523</b>
Salaries and employee related expenses	340,456	326,136	1,050,018	954,764
Rent and premises related expenses	73,376	69,957	230,204	215,349
Depreciation	31,856	32,050	94,298	102,481
Other general and administrative expenses	140,968	133,765	446,692	406,596
Provision for credit losses, net of recoveries	32,786	7,351	108,888	109,537
<b>Total operating expenses</b>	<b>619,442</b>	<b>569,259</b>	<b>1,930,100</b>	<b>1,788,727</b>
<b>Net income for the periods</b>	<b>1,370,558</b>	<b>1,280,900</b>	<b>3,981,857</b>	<b>3,778,796</b>
<b>Attributable to:</b>				
Equity holders of the Bank	1,370,414	1,276,287	3,980,777	3,773,380
Non-controlling interest	144	4,613	1,080	5,416
	<b>1,370,558</b>	<b>1,280,900</b>	<b>3,981,857</b>	<b>3,778,796</b>
<b>Basic and diluted earnings per share for the periods (SR) - note 13</b>	<b>0.69</b>	<b>0.64</b>	<b>1.99</b>	<b>1.89</b>

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>Nine months ended</u>	
	<u>Sep 30, 2015</u> <u>(SR '000)</u>	<u>Sep 30, 2014</u> <u>(SR '000)</u>	<u>Sep 30, 2015</u> <u>(SR '000)</u>	<u>Sep 30, 2014</u> <u>(SR '000)</u>
Net income for the periods	1,370,558	1,280,900	3,981,857	3,778,796
<b>Other comprehensive income for the periods - items that may be reclassified subsequently to the statement of consolidated income:</b>				
Exchange differences on translation of foreign operations	(18,386)	(26,190)	(23,258)	7,061
<b>Available for sale financial assets:</b>				
- Change in fair values	(320,790)	760,521	(511,606)	1,368,792
- Transfers to statements of consolidated income	(137,694)	(4,907)	(426,071)	(147,369)
<b>Cash flow hedges:</b>				
- Change in fair values	47,673	12,299	145,799	177,185
- Transfers to statements of consolidated income	(15,103)	(34,645)	(60,166)	(102,239)
<b>Total comprehensive income for the periods</b>	<b>926,258</b>	<b>1,987,978</b>	<b>3,106,555</b>	<b>5,082,226</b>
<b>Attributable to:</b>				
Equity holders of the Bank	924,926	1,994,043	3,114,452	5,084,095
Non-controlling interest	1,332	(6,065)	(7,897)	(1,869)
<b>Total</b>	<b>926,258</b>	<b>1,987,978</b>	<b>3,106,555</b>	<b>5,082,226</b>

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>	Other reserves									Total (SR'000)	Non controlling interest (SR'000)	Total equity (SR'000)
		Share capital (SR'000)	Statutory reserve (SR'000)	General reserve (SR'000)	Exchange translation reserve (SR'000)	AFS financial assets (SR'000)	Cash flow hedges (SR'000)	Retained earnings (SR'000)	Proposed dividends (SR'000)	Treasury stocks (SR'000)			
<b>For the nine months period ended Sep 30, 2015</b>													
<b>Balance at the beginning of the period</b>		<b>12,000,000</b>	<b>12,000,000</b>	<b>130,000</b>	<b>(152,004)</b>	<b>1,785,193</b>	<b>(34,726)</b>	<b>12,926,090</b>	<b>1,197,000</b>	<b>(1,067,451)</b>	<b>38,784,102</b>	<b>127,895</b>	<b>38,911,997</b>
Bonus shares issued	12	8,000,000	-	-	-	-	-	(8,000,000)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	23,004	-	19,372	<b>42,376</b>	-	<b>42,376</b>
2014 final dividend paid		-	-	-	-	-	-	-	(1,197,000)	-	<b>(1,197,000)</b>	-	<b>(1,197,000)</b>
2015 interim dividend		-	-	-	-	-	-	(1,200,000)	-	-	<b>(1,200,000)</b>	-	<b>(1,200,000)</b>
Net income for the period		-	-	-	-	-	-	3,980,777	-	-	<b>3,980,777</b>	1,080	<b>3,981,857</b>
Other comprehensive income for the period		-	-	-	(15,359)	(936,599)	85,633	-	-	-	<b>(866,325)</b>	(8,977)	<b>(875,302)</b>
<b>Balance at end of the period</b>		<b>20,000,000</b>	<b>12,000,000</b>	<b>130,000</b>	<b>(167,363)</b>	<b>848,594</b>	<b>50,907</b>	<b>7,729,871</b>	<b>-</b>	<b>(1,048,079)</b>	<b>39,543,930</b>	<b>119,998</b>	<b>39,663,928</b>
<b>For the nine months period ended Sep 30, 2014</b>													
<b>Balance at the beginning of the period</b>		<b>9,000,000</b>	<b>9,000,000</b>	<b>130,000</b>	<b>(168,992)</b>	<b>955,864</b>	<b>(185,608)</b>	<b>16,141,498</b>	<b>1,016,000</b>	<b>(1,085,864)</b>	<b>34,802,898</b>	<b>127,678</b>	<b>34,930,576</b>
Bonus shares issued		3,000,000	-	-	-	-	-	(3,000,000)	-	-	-	-	-
Transfer to statutory reserve		-	3,000,000	-	-	-	-	(3,000,000)	-	-	-	-	-
Net changes in treasury stocks		-	-	-	-	-	-	21,531	-	16,775	<b>38,306</b>	-	<b>38,306</b>
2013 final dividend paid		-	-	-	-	-	-	-	(1,016,000)	-	<b>(1,016,000)</b>	-	<b>(1,016,000)</b>
2014 interim dividend		-	-	-	-	-	-	(1,045,000)	-	-	<b>(1,045,000)</b>	-	<b>(1,045,000)</b>
Net income for the period		-	-	-	-	-	-	3,773,380	-	-	<b>3,773,380</b>	5,416	<b>3,778,796</b>
Other comprehensive income for the period		-	-	-	8,692	1,227,077	74,946	-	-	-	<b>1,310,715</b>	(7,285)	<b>1,303,430</b>
<b>Balance at end of the period</b>		<b>12,000,000</b>	<b>12,000,000</b>	<b>130,000</b>	<b>(160,300)</b>	<b>2,182,941</b>	<b>(110,662)</b>	<b>12,891,409</b>	<b>-</b>	<b>(1,069,089)</b>	<b>37,864,299</b>	<b>125,809</b>	<b>37,990,108</b>

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

**SAMBA FINANCIAL GROUP**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
Unaudited

Page 7

	Note	<u>Nine months ended</u>	
		<u>Sep 30, 2015</u>	<u>Sep 30, 2014</u>
		<u>(SR '000)</u>	<u>(SR '000)</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Net income for the periods</b>		<b>3,981,857</b>	<b>3,778,796</b>
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Accretion of discount and amortization of premium on non-trading investments, net		53,174	51,711
Income from investments held at FVIS, net		(39,475)	(164,187)
Gain on non-trading investments, net		(426,071)	(147,369)
Depreciation		94,298	102,481
Loss on disposal of property and equipment, net		308	477
Provision for credit losses, net of recoveries		108,888	109,537
<b>Net (increase)/decrease in operating assets:</b>			
Statutory deposits with central banks		(184,434)	(521,047)
Due from banks and other financial institutions maturing after ninety days		(2,902,849)	466,031
Investments held for trading		522,876	(209,957)
Loans and advances		(3,178,747)	(6,831,484)
Other assets		240,254	(1,180,019)
<b>Net increase/(decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		5,090,541	2,146,780
Customer deposits		10,781,619	5,169,865
Other liabilities		(279,366)	1,214,042
<b>Net cash from operating activities</b>		<b>13,862,873</b>	<b>3,985,657</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Proceeds from sale of and matured non-trading investments		53,685,020	34,928,080
Purchase of non-trading investments		(55,510,554)	(37,096,138)
Purchase of property and equipment, net		(250,527)	(253,657)
Proceeds from sale of property and equipment		44	9,040
<b>Net cash used in investing activities</b>		<b>(2,076,017)</b>	<b>(2,412,675)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Treasury stocks, net		42,376	38,306
Dividends paid		(2,329,965)	(2,243,459)
<b>Net cash used in financing activities</b>		<b>(2,287,589)</b>	<b>(2,205,153)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>9,499,267</b>	<b>(632,171)</b>
Cash and cash equivalents at the beginning of the period	10	10,266,201	13,659,328
<b>Cash and cash equivalents at the end of the period</b>	10	<b>19,765,468</b>	<b>13,027,157</b>
Special commission received during the period		3,915,275	3,721,944
Special commission paid during the period		323,435	251,063
<b><u>Supplemental non-cash information</u></b>			
Net changes in fair value and transfers to Statements of Consolidated Income		(852,044)	1,296,369

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 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:

	<b>Sep 30, 2015 (Unaudited) (SR'000)</b>	<b>Dec 31, 2014 (Audited) (SR'000)</b>	<b>Sep 30, 2014 (Unaudited) (SR'000)</b>
Held at fair value through income statement (FVIS)	3,244,995	3,600,661	3,658,980
Available for sale (AFS)	55,054,093	54,206,502	53,830,417
Held to maturity	3,183,793	5,949,719	5,939,180
Other investments held at amortized cost	3,811,249	758,816	777,106
<b>TOTAL</b>	<b>65,294,130</b>	<b>64,515,698</b>	<b>64,205,683</b>

FVIS investments above include investments held for trading amounting to SR 871.9 million (Dec 31, 2014: SR 1,394.8 million, Sep 30, 2014: SR 1,468.3 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:

	<b>Sep 30, 2015 (Unaudited) (SR'000)</b>	<b>Dec 31, 2014 (Audited) (SR'000)</b>	<b>Sep 30, 2014 (Unaudited) (SR'000)</b>
Credit cards	1,436,132	1,386,869	1,400,795
Consumer loans	19,079,918	18,453,491	18,365,412
Commercial loans and advances	107,558,012	105,246,981	101,397,077
<b>Performing loans and advances</b>	<b>128,074,062</b>	<b>125,087,341</b>	<b>121,163,284</b>
Non performing loans and advances	1,085,701	1,659,746	1,942,728
<b>Gross loans and advances</b>	<b>129,159,763</b>	<b>126,747,087</b>	<b>123,106,012</b>
Provision for credit losses	(2,010,457)	(2,667,640)	(2,928,696)
<b>TOTAL</b>	<b>127,149,306</b>	<b>124,079,447</b>	<b>120,177,316</b>

**7. CUSTOMER DEPOSITS**

Customer deposits are classified as follows:

	<b>Sep 30, 2015 (Unaudited) (SR'000)</b>	<b>Dec 31, 2014 (Audited) (SR'000)</b>	<b>Sep 30, 2014 (Unaudited) (SR'000)</b>
Demand	116,338,333	107,671,371	107,650,088
Saving	6,788,200	6,356,616	6,071,137
Time	44,189,083	40,852,140	42,218,092
Other	7,260,841	8,914,711	7,567,264
<b>TOTAL</b>	<b>174,576,457</b>	<b>163,794,838</b>	<b>163,506,581</b>

## 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.

	Sep 30, 2015 (Unaudited) (SR '000)			Dec 31, 2014 (Audited) (SR '000)			Sep 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
<b>Held for trading</b>									
Commission rate swaps	2,308,052	369,326	93,058,652	2,341,034	653,660	98,799,220	2,240,943	630,226	102,630,264
Commission rate futures, options and guarantees	24,259	21,988	2,122,850	14,256	9,000	5,143,181	35,335	8,300	6,677,873
Forward foreign exchange contracts	75,060	70,505	38,053,466	163,141	167,751	44,417,987	155,939	178,319	51,414,160
Currency options	316,586	316,586	80,578,652	350,473	327,233	73,514,981	529,600	525,973	105,459,873
Swaptions	19,493	20,854	1,875,000	-	6,882	9,375	23,172	32,108	1,691,828
Equity & commodity options	192,300	191,994	2,732,374	313,643	293,794	5,124,312	153,141	146,008	4,867,495
Other	1,212	1,114	72,821	20,996	4,517	357,254	10,963	1,515	389,173
<b>Held as fair value hedges</b>									
Commission rate futures	-	-	-	-	-	-	-	18,713	1,819,500
<b>Held as cash flow hedges</b>									
Commission rate swaps	69,224	10,131	2,376,950	81,049	85,174	5,238,200	54,725	141,633	5,238,200
<b>TOTAL</b>	<b>3,006,186</b>	<b>1,002,498</b>	<b>220,870,765</b>	<b>3,284,592</b>	<b>1,548,011</b>	<b>232,604,510</b>	<b>3,203,818</b>	<b>1,682,795</b>	<b>280,188,366</b>

The amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives is SR 335 million (Dec 31, 2014: SR 224 million, Sep 30, 2014: SR 184 million). The amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives is SR 2,245 million (Dec 31, 2014: SR 1,917 million, Sep 30, 2014: SR 1,774 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:

	<b>Sep 30, 2015 (Unaudited) (SR '000)</b>	<b>Dec 31, 2014 (Audited) (SR '000)</b>	<b>Sep 30, 2014 (Unaudited) (SR '000)</b>
Letters of credit	8,575,947	10,349,587	12,600,075
Letters of guarantee	41,335,210	37,594,587	36,851,306
Acceptances	2,312,672	2,982,697	2,542,673
Irrevocable commitments to extend credit	5,792,726	5,893,276	5,631,661
Other	285,033	325,174	342,553
<b>TOTAL</b>	<b>58,301,588</b>	<b>57,145,321</b>	<b>57,968,268</b>

**10. CASH AND CASH EQUIVALENTS**

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

	<b>Sep 30, 2015 (Unaudited) (SR '000)</b>	<b>Dec 31, 2014 (Audited) (SR '000)</b>	<b>Sep 30, 2014 (Unaudited) (SR '000)</b>
Cash and balances with central banks excluding statutory deposits	13,015,319	5,033,861	7,571,070
Due from banks and other financial institutions maturing within ninety days	6,750,149	5,232,340	5,456,087
<b>TOTAL</b>	<b>19,765,468</b>	<b>10,266,201</b>	<b>13,027,157</b>

**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 September 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:

**Sep 30, 2015 (Unaudited)**

<b><u>SR'000</u></b>	<b>Consumer</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Investment banking</b>	<b>Total</b>
Total assets	39,512,676	103,823,967	90,223,585	186,552	<b>233,746,780</b>
Total liabilities	98,709,373	79,505,804	15,783,918	83,757	<b>194,082,852</b>
Total operating income	1,694,769	2,198,681	1,450,720	567,787	<b>5,911,957</b>
Total operating expenses	1,202,799	468,098	113,126	146,077	<b>1,930,100</b>
of which:					
Depreciation	33,979	51,863	678	7,778	<b>94,298</b>
Provisions for credit losses	81,445	27,443	-	-	<b>108,888</b>
Net income for the period	491,970	1,730,583	1,337,594	421,710	<b>3,981,857</b>
Capital expenditure	128,202	116,706	5,060	559	<b>250,527</b>

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

**11. OPERATING SEGMENTS (continued)**

<u>SR'000</u>	Sep 30, 2014 (Unaudited)				Total
	Consumer	Corporate	Treasury	Investment banking	
Total assets	38,177,303	98,544,571	79,519,448	128,237	<b>216,369,559</b>
Total liabilities	89,941,425	77,241,244	11,117,537	79,245	<b>178,379,451</b>
Total operating income	1,598,759	1,921,810	1,450,575	596,379	<b>5,567,523</b>
Total operating expenses	1,100,709	453,613	93,877	140,528	<b>1,788,727</b>
of which:					
Depreciation	34,367	59,370	775	7,969	<b>102,481</b>
Provisions for credit losses	81,617	27,920	-	-	<b>109,537</b>
Net income for the period	498,050	1,468,197	1,356,698	455,851	<b>3,778,796</b>
Capital expenditure	86,752	145,913	17,409	3,583	<b>253,657</b>

**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 shares (2014: 1,200 million shares) issued and paid up shares.

**13. BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share for the periods ended September 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 (2014: SR 1,045 million) from the net income has been approved on July 7, 2015 for payment to shareholders. After deducting zakat, this interim dividend resulted in a net payment of SR 0.45 per share (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)

<u>SR'000</u>	Sep 30, 2015 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial investments held at FVIS	801,602	2,443,393	-	3,244,995
Financial investments available for sale	17,079,667	37,225,602	748,824	55,054,093
Financial investments held to maturity	3,035,874	412,186	-	3,448,060
Other investments held at amortized cost	-	3,197,533	518,936	3,716,469
<b>Total</b>	<b>20,917,143</b>	<b>43,278,714</b>	<b>1,267,760</b>	<b>65,463,617</b>
<b>Financial Liabilities</b>				
Financial liabilities designated at FVIS	-	57,816	-	57,816
<b>Total</b>	<b>-</b>	<b>57,816</b>	<b>-</b>	<b>57,816</b>
<b>Derivative financial instruments</b>				
Financial assets	2,984	3,003,202	-	3,006,186
Financial liabilities	4,438	998,060	-	1,002,498

<u>SR'000</u>	Sep 30, 2014 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial investments held at FVIS	1,379,883	2,279,097	-	3,658,980
Financial investments available for sale	17,660,261	35,313,662	856,494	53,830,417
Financial investments held to maturity	5,860,833	344,848	-	6,205,681
Other investments held at amortized cost	-	450,517	338,661	789,178
<b>Total</b>	<b>24,900,977</b>	<b>38,388,124</b>	<b>1,195,155</b>	<b>64,484,256</b>
<b>Financial Liabilities</b>				
Financial liabilities designated at FVIS	-	539,729	-	539,729
<b>Total</b>	<b>-</b>	<b>539,729</b>	<b>-</b>	<b>539,729</b>
<b>Derivative financial instruments</b>				
Financial assets	32,570	3,171,248	-	3,203,818
Financial liabilities	970	1,681,825	-	1,682,795

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:

	<b>Sep 30, 2015 (Unaudited) (SR '000)</b>	<b>Dec 31, 2014 (Audited) (SR '000)</b>	<b>Sep 30, 2014 (Unaudited) (SR '000)</b>
<b>Samba Financial Group (consolidated)</b>			
Credit risk RWA	181,941,117	173,822,138	172,491,121
Operational risk RWA	13,091,570	12,188,338	12,185,913
Market risk RWA	13,314,188	16,570,138	18,715,900
<b>Total RWA</b>	<b>208,346,875</b>	<b>202,580,614</b>	<b>203,392,934</b>
Tier I capital	39,459,303	38,798,653	37,941,505
Tier II capital	1,170,578	1,442,075	1,502,004
<b>Total tier I &amp; II capital</b>	<b>40,629,881</b>	<b>40,240,728</b>	<b>39,443,509</b>
<b>Capital Adequacy Ratio %</b>			
Tier I ratio	18.9%	19.2%	18.7%
Tier I + II ratio	19.5%	19.9%	19.4%
<b>Capital adequacy ratios for SBL are as follows:</b>			
Tier I ratio	31.7%	39.3%	41.4%
Tier I + II ratio	34.1%	40.1%	41.4%

**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](http://www.samba.com).