

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT

FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2011



Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Samba Financial Group (A Saudi 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 of June 30, 2011, and the related interim statement of consolidated income and the interim statements of consolidated comprehensive income for the three-month and six month periods ended June 30, 2011, and the interim statements of consolidated changes in equity and cash flows for the six-month period then ended and the notes from (1) to (14a) for the six-month period then ended. We have not reviewed note (14(b)), nor the information related to “Basel II Pillar III Disclosures” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (14a) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (14a) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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(11 July, 2011)



| | Notes | Jun 30, 2011 (Unaudited) (SR '000) | Dec 31, 2010 (Audited) (SR '000) | Jun 30, 2010 (Unaudited) (SR '000) |
|--|-------|--|--|--|
| ASSETS | | | | |
| Cash and balances with central banks | | 28,664,708 | 32,580,918 | 24,968,308 |
| Due from banks and other financial institutions | | 2,348,773 | 2,490,689 | 4,579,272 |
| Investments, net | 5 | 70,201,055 | 64,882,724 | 67,505,413 |
| Investment in associate | | 218 | 219 | 8,505 |
| Loans and advances, net | 6 | 82,366,166 | 80,250,825 | 82,716,168 |
| Property and equipment, net | | 1,120,663 | 970,245 | 901,291 |
| Other assets | | 5,933,245 | 6,240,220 | 7,677,924 |
| Total assets | | 190,634,828 | 187,415,840 | 188,356,881 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Due to banks and other financial institutions | | 18,310,464 | 19,800,635 | 18,821,240 |
| Customer deposits | 7 | 138,816,201 | 133,462,964 | 136,067,177 |
| Other liabilities | | 6,787,491 | 6,674,635 | 6,838,427 |
| Debt securities issued | | - | 1,874,720 | 1,874,300 |
| Total liabilities | | 163,914,156 | 161,812,954 | 163,601,144 |
| EQUITY | | | | |
| Equity attributable to equity holders of the Bank | | | | |
| Share capital | | 9,000,000 | 9,000,000 | 9,000,000 |
| Statutory reserve | | 9,000,000 | 9,000,000 | 8,249,054 |
| General reserve | | 130,000 | 130,000 | 130,000 |
| Other reserves | | (179,296) | (491,385) | (285,270) |
| Retained earnings | | 9,804,381 | 8,327,508 | 8,641,980 |
| Proposed dividend | | - | 731,889 | - |
| Treasury stocks | | (1,178,362) | (1,268,330) | (1,156,890) |
| Total equity attributable to equity holders of the Bank | | 26,576,723 | 25,429,682 | 24,578,874 |
| Non-controlling interest | | 143,949 | 173,204 | 176,863 |
| Total equity | | 26,720,672 | 25,602,886 | 24,755,737 |
| Total liabilities and equity | | 190,634,828 | 187,415,840 | 188,356,881 |

The accompanying notes 1 to 14 form an integral part of the interim condensed consolidated financial statements.

Unaudited

| | <u>Three months ended</u> | | <u>Six months ended</u> | |
|--|---------------------------|---------------------|-------------------------|---------------------|
| | <u>Jun 30, 2011</u> | <u>Jun 30, 2010</u> | <u>Jun 30, 2011</u> | <u>Jun 30, 2010</u> |
| | <u>(SR '000)</u> | <u>(SR '000)</u> | <u>(SR '000)</u> | <u>(SR '000)</u> |
| Special commission income | 1,248,012 | 1,359,549 | 2,449,862 | 2,708,769 |
| Special commission expense | 114,627 | 157,197 | 247,207 | 334,700 |
| Special commission income, net | 1,133,385 | 1,202,352 | 2,202,655 | 2,374,069 |
| Fees and commission income, net | 396,623 | 319,204 | 757,988 | 638,222 |
| Exchange income, net | 83,825 | 47,886 | 147,359 | 149,980 |
| Income/(loss) from investment held at FVIS, net | (17,796) | 4,488 | 38,825 | 25,500 |
| Trading income, net | (19,085) | (38,698) | (7,432) | 38,200 |
| Gains on non-trading investments, net | 46,815 | 218,282 | 104,483 | 330,133 |
| Other operating income | 10,757 | 18,266 | 91,598 | 56,594 |
| Total operating income | 1,634,524 | 1,771,780 | 3,335,476 | 3,612,698 |
| Salaries and employee related expenses | 347,197 | 317,176 | 648,189 | 612,806 |
| Rent and premises related expenses | 54,505 | 56,098 | 110,744 | 109,381 |
| Depreciation | 34,353 | 34,322 | 66,383 | 68,135 |
| Other general and administrative expenses | 85,254 | 87,055 | 180,832 | 175,571 |
| Provision for credit losses, net of recoveries | 11,043 | 57,440 | 103,840 | 217,540 |
| Total operating expenses | 532,352 | 552,091 | 1,109,988 | 1,183,433 |
| NET INCOME FOR THE PERIODS | 1,102,172 | 1,219,689 | 2,225,488 | 2,429,265 |
| Attributable to non-controlling interest | (116) | 652 | (298) | 1,711 |
| NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | 1,102,056 | 1,220,341 | 2,225,190 | 2,430,976 |
| Basic and diluted earnings per share for the periods (SR) - note 12 | 1.22 | 1.36 | 2.47 | 2.70 |

The accompanying notes 1 to 14 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, 2011</u> <u>(SR '000)</u> | <u>Jun 30, 2010</u> <u>(SR '000)</u> | <u>Jun 30, 2011</u> <u>(SR '000)</u> | <u>Jun 30, 2010</u> <u>(SR '000)</u> |
| Net income for the periods | 1,102,172 | 1,219,689 | 2,225,488 | 2,429,265 |
| Other comprehensive income: | | | | |
| Exchange differences on translation of foreign operations | (3,925) | (6,722) | 5,286 | (19,884) |
| Available for sale financial assets: | | | | |
| - Change in fair values | 131,013 | 855,024 | 405,353 | 1,265,632 |
| - Transfers to statement of consolidated income | (15,918) | (217,314) | (63,378) | (312,584) |
| Cash flow hedges: | | | | |
| - Change in fair values | (89,610) | (55,707) | (226,433) | (77,586) |
| - Transfers to statement of consolidated income | 77,477 | 79,933 | 161,708 | 150,472 |
| Total Comprehensive income for the periods | <u>1,201,209</u> | <u>1,874,903</u> | <u>2,508,024</u> | <u>3,435,315</u> |
| Attributable to: | | | | |
| Equity holders of the Bank | 1,235,350 | 1,880,599 | 2,537,279 | 3,450,021 |
| Non-controlling interest | (34,141) | (5,696) | (29,255) | (14,706) |
| Total | <u>1,201,209</u> | <u>1,874,903</u> | <u>2,508,024</u> | <u>3,435,315</u> |

The accompanying notes 1 to 14 form an integral part of the interim condensed consolidated financial statements.

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

| | Attributable to equity holders of the Bank | | | | | | | | | | | |
|--|--|----------------------------------|--------------------------------|--|--|---------------------------------|----------------------------------|-----------------------------------|--------------------------------|-------------------|--|--------------------------|
| | 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) | | | | | | | |
| <u>For the six months period ended June 30, 2011</u> | | | | | | | | | | | | |
| Balance at the beginning of the period | 9,000,000 | 9,000,000 | 130,000 | (98,407) | (680,511) | 287,533 | 8,327,508 | 731,889 | (1,268,330) | 25,429,682 | 173,204 | 25,602,886 |
| Net changes in treasury stocks | - | - | - | - | - | - | 27,683 | - | 89,968 | 117,651 | - | 117,651 |
| 2010 final dividend paid | - | - | - | - | - | - | - | (731,889) | - | (731,889) | - | (731,889) |
| 2011 interim dividend (note 13) | - | - | - | - | - | - | (776,000) | - | - | (776,000) | - | (776,000) |
| Total comprehensive income for the period | - | - | - | (1,466) | 378,280 | (64,725) | 2,225,190 | - | - | 2,537,279 | (29,255) | 2,508,024 |
| Balance at end of the period | 9,000,000 | 9,000,000 | 130,000 | (99,873) | (302,231) | 222,808 | 9,804,381 | - | (1,178,362) | 26,576,723 | 143,949 | 26,720,672 |
| <u>For the six months period ended June 30, 2010</u> | | | | | | | | | | | | |
| Balance at the beginning of the period | 9,000,000 | 8,249,054 | 130,000 | (89,411) | (1,515,087) | 300,183 | 6,213,843 | 731,889 | (710,393) | 22,310,078 | 191,569 | 22,501,647 |
| Net changes in treasury stocks | - | - | - | - | - | - | (2,839) | - | (446,497) | (449,336) | - | (449,336) |
| 2009 final dividend paid | - | - | - | - | - | - | - | (731,889) | - | (731,889) | - | (731,889) |
| Total comprehensive income for the period | - | - | - | (5,069) | 951,228 | 72,886 | 2,430,976 | - | - | 3,450,021 | (14,706) | 3,435,315 |
| Balance at end of the period | 9,000,000 | 8,249,054 | 130,000 | (94,480) | (563,859) | 373,069 | 8,641,980 | - | (1,156,890) | 24,578,874 | 176,863 | 24,755,737 |

The accompanying notes 1 to 14 form an integral part of the interim condensed consolidated financial statements.

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED CASH FLOWS
Unaudited

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| | Note | Six Months Ended | |
|---|------|---------------------------|---------------------------|
| | | Jun 30, 2011 (SR '000) | Jun 30, 2010 (SR '000) |
| <u>OPERATING ACTIVITIES</u> | | | |
| Net income attributable to equity holders of the Bank | | 2,225,190 | 2,430,976 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Accretion of discount and amortization of premium on non-trading investments, net | | (10,929) | 74,418 |
| Accretion of discount on debt securities issued | | - | 420 |
| Income from investments held at FVIS, net | | (38,825) | (25,500) |
| Gain on non-trading investments, net | | (104,483) | (330,133) |
| Depreciation | | 66,383 | 68,135 |
| (Gain)/Loss on disposal of property and equipment, net | | (2,168) | 429 |
| Provision for credit losses, net of recoveries | | 103,840 | 217,540 |
| Net (increase)/decrease in operating assets: | | | |
| Statutory deposits with central banks | | (1,234,497) | (19,752) |
| Due from banks and other financial institutions maturing after ninety days | | (93,414) | 681,377 |
| Investments held for trading | | (472,640) | (35,789) |
| Loans and advances | | (2,219,181) | 1,212,815 |
| Other assets | | 306,975 | (1,523,884) |
| Net increase/(decrease) in operating liabilities: | | | |
| Due to banks and other financial institutions | | (1,490,171) | 11,502,021 |
| Customer deposits | | 5,353,237 | (11,061,585) |
| Other liabilities | | (761,680) | 330,347 |
| Net cash from operating activities | | 1,627,637 | 3,521,835 |
| <u>INVESTING ACTIVITIES</u> | | | |
| Proceeds from sale of and matured non-trading investments | | 26,716,979 | 19,046,457 |
| Purchase of non-trading investments | | (31,030,154) | (30,315,645) |
| Purchase of property and equipment, net | | (236,145) | (74,526) |
| Proceeds from sale of property and equipment | | 21,512 | 544 |
| Net cash used in investing activities | | (4,527,808) | (11,343,170) |
| <u>FINANCING ACTIVITIES</u> | | | |
| Repayment of debt securities | | (1,874,720) | - |
| Treasury stocks, net | | 117,651 | (449,336) |
| Dividends paid | | (728,797) | (866,777) |
| Net cash used in financing activities | | (2,485,866) | (1,316,113) |
| Decrease in cash and cash equivalents | | (5,386,037) | (9,137,448) |
| Cash and cash equivalents at the beginning of the period | 10 | 27,259,113 | 29,510,691 |
| Cash and cash equivalents at the end of the period | 10 | 21,873,076 | 20,373,243 |
| Special commission received during the period | | 2,444,184 | 2,927,033 |
| Special commission paid during the period | | 405,885 | 483,861 |
| <u>Supplemental non-cash information</u> | | | |
| Net changes in fair value and transfers to statements of consolidated income | | 277,250 | 1,025,934 |

The accompanying notes 1 to 14 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, is formed pursuant to Royal Decree No. M/3 dated 26 Rabie Al-Awal 1400H (February 12, 1980). The Bank commenced business on 29 Shabaan 1400H (July 12, 1980) when it took over the operations of Citibank in the Kingdom of Saudi Arabia. The Bank operates under commercial registration no. 1010035319 dated 6 Safar 1401H (December 13, 1980). The Bank's head office is located at King Abdul Aziz Road, P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia.

The objective of the Bank is to provide a full range of banking and related services. The Bank also provides its customers non-interest based banking products that are approved and supervised by an independent Shariah Board established by the Bank.

The interim condensed consolidated financial statements include the financial statements of the Bank and its following subsidiaries, hereinafter collectively referred to as "the Group":

Samba Capital and Investment Management Company (Samba Capital)

In accordance with the Securities Business Regulations issued by the Capital Market Authority ("CMA"), the Bank has established a wholly owned subsidiary, Samba Capital and Investment Management Company formed as a limited liability company under commercial registration number 1010237159 issued in Riyadh dated 6 Shabaan 1428H (August 19, 2007), to manage the Bank's investment services and asset management activities related to dealing, arranging, managing, advisory and custody businesses. The Company has been licensed by the CMA and has commenced its business effective January 19, 2008.

Samba Bank Limited, Pakistan (SBL)

A majority owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on all stock exchanges in Pakistan. In May 2010, the ownership of the Bank was increased to 80.68% from 68.42% through participation in a right shares issue.

Co-Invest Offshore Capital Limited (COCL)

A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments, through an entity controlled by COCL.

Samba Real Estate Company

A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration no. 1010234757, issued in Riyadh, dated 9 Jumada II, 1428H (June 24, 2007). The company has been formed with the approval of SAMA for the purpose of managing real estate projects on behalf of Samba Real Estate Fund, a fund under management by Samba Capital and the Bank.

2. BASIS OF PREPARATION

The Bank prepares these interim condensed consolidated financial statements in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard (IAS) 34 - Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2010.

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 restated, 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 all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Bank. The results of subsidiaries acquired or disposed off during the year are included in the statements of consolidated income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank in subsidiaries and are presented in the interim statements of consolidated income and within equity in the statements of consolidated financial position, separately from the equity holders of the Bank.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended December 31, 2010, except for the amendments to existing standards and interpretation mentioned below, which the Bank has adopted:

- Revision to IAS 24 - Related Party Disclosures;
- Improvements in IFRS 7 - Financial Instruments: Disclosures;
- Improvements in IAS 1 - Presentation of Financial Statements;
- Improvements in IAS 34 - Interim Financial Reporting; and
- Amendments to IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction.

The adoption of these amendments has no impact on the financial position or financial performance of the Group.

5. INVESTMENTS, NET

Investment securities are classified as follows:

| | Jun 30, 2011 (Unaudited) (SR'000) | Dec 31, 2010 (Audited) (SR'000) | Jun 30, 2010 (Unaudited) (SR'000) |
|--|---|---------------------------------------|---|
| Held at fair value through income statement (FVIS) | 2,608,508 | 1,961,298 | 2,034,764 |
| Available for sale | 44,914,264 | 39,173,127 | 41,708,812 |
| Held to maturity | 5,574,123 | 5,569,286 | 5,173,967 |
| Other investments held at amortized cost | 17,104,160 | 18,179,013 | 18,587,870 |
| TOTAL | 70,201,055 | 64,882,724 | 67,505,413 |

FVIS investments above include investments held for trading amounting to SR 943.1 million (December 31, 2010: SR 587.6 million, June 30, 2010: SR 557.9 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, 2011 (Unaudited) (SR'000) | Dec 31, 2010 (Audited) (SR'000) | Jun 30, 2010 (Unaudited) (SR'000) |
|--------------------------------------|---|---------------------------------------|---|
| Credit cards | 1,425,226 | 1,553,368 | 1,466,119 |
| Consumer loans | 14,967,989 | 14,194,437 | 13,901,857 |
| Commercial loans and advances | 66,634,078 | 65,071,323 | 67,712,230 |
| Performing loans and advances | 83,027,293 | 80,819,128 | 83,080,206 |
| Non performing loans and advances | 3,034,874 | 3,138,698 | 3,055,551 |
| Gross Loans and Advances | 86,062,167 | 83,957,826 | 86,135,757 |
| Provision for credit losses | (3,696,001) | (3,707,001) | (3,419,589) |
| TOTAL | 82,366,166 | 80,250,825 | 82,716,168 |

7. CUSTOMER DEPOSITS

Customer deposits are classified as follows:

| | Jun 30, 2011 (Unaudited) (SR'000) | Dec 31, 2010 (Audited) (SR'000) | Jun 30, 2010 (Unaudited) (SR'000) |
|--------------|---|---------------------------------------|---|
| Demand | 73,489,909 | 68,046,850 | 61,684,824 |
| Saving | 4,281,601 | 3,461,591 | 3,189,598 |
| Time | 55,657,490 | 55,561,083 | 66,059,752 |
| Other | 5,387,201 | 6,393,440 | 5,133,003 |
| TOTAL | 138,816,201 | 133,462,964 | 136,067,177 |

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 market risk. Positive and negative fair values are classified under other assets and other liabilities respectively.

| | Jun 30, 2011 (Unaudited) (SR '000) | | | Dec 31, 2010 (Audited) (SR '000) | | | Jun 30, 2010 (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 | 3,747,574 | 1,691,738 | 100,559,336 | 3,794,120 | 1,957,247 | 109,187,163 | 4,419,977 | 2,106,773 | 101,832,248 |
| Commission rate futures, options and guarantees | 18,869 | 15,358 | 2,162,752 | 276,642 | 276,704 | 11,132,006 | 306,086 | 306,124 | 11,502,891 |
| Forward foreign exchange contracts | 111,111 | 115,727 | 43,209,234 | 153,117 | 151,281 | 43,295,640 | 339,566 | 322,388 | 49,827,877 |
| Currency options | 111,023 | 109,339 | 13,771,657 | 63,554 | 65,755 | 5,844,674 | 184,766 | 179,893 | 11,204,937 |
| Swaptions | 84,966 | 102,581 | 9,528,745 | 68,113 | 64,706 | 6,931,831 | 29,982 | 23,395 | 3,210,322 |
| Equity & commodity options | 27,862 | 27,482 | 661,930 | 51,289 | 50,406 | 617,258 | 46,145 | 42,697 | 905,835 |
| Other | 5,580 | 24,408 | 758,425 | 5,956 | 963 | 212,308 | 30,651 | 6,033 | 950,010 |
| Held as fair value hedges | | | | | | | | | |
| Commission rate swaps | - | 32,007 | 2,296,875 | - | 5,237 | 46,875 | - | 5,922 | 46,875 |
| Held as cash flow hedges | | | | | | | | | |
| Commission rate swaps | 363,408 | 43,016 | 9,437,500 | 414,841 | 559 | 11,821,250 | 462,991 | 939 | 12,154,250 |
| TOTAL | 4,470,393 | 2,161,656 | 182,386,454 | 4,827,632 | 2,572,858 | 189,089,005 | 5,820,164 | 2,994,164 | 191,635,245 |

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, 2011 (Unaudited) (SR '000) | Dec 31, 2010 (Audited) (SR '000) | Jun 30, 2010 (Unaudited) (SR '000) |
|--|--|--|--|
| Letters of credit | 9,538,691 | 6,939,029 | 7,528,766 |
| Letters of guarantee | 25,812,807 | 24,482,152 | 23,528,881 |
| Acceptances | 1,859,098 | 2,008,992 | 2,064,317 |
| Irrevocable commitments to extend credit | 5,316,244 | 4,050,853 | 3,425,990 |
| Other | 293,283 | 288,655 | 4,018,258 |
| TOTAL | 42,820,123 | 37,769,681 | 40,566,212 |

10. CASH AND CASH EQUIVALENTS

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

| | Jun 30, 2011 (Unaudited) (SR '000) | Dec 31, 2010 (Audited) (SR '000) | Jun 30, 2010 (Unaudited) (SR '000) |
|---|--|--|--|
| Cash and balances with central banks excluding statutory deposits | 21,132,745 | 26,283,452 | 18,411,304 |
| Due from banks and other financial institutions maturing within ninety days | 740,331 | 975,661 | 1,961,939 |
| TOTAL | 21,873,076 | 27,259,113 | 20,373,243 |

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 and consumer loans.

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

Treasury - principally manages money market, foreign exchange, commission rate trading and derivatives for corporate and institutional customers as well as for the Bank'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 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, 2011 and 2010, together with total operating income, total operating expenses, provisions for credit losses, net income, capital expenditure, and depreciation expenses for the periods then ended, by operating segments, are as follows:

June 30, 2011 (Unaudited)

| <u>SR'000</u> | Consumer | Corporate | Treasury | Investment banking | Total |
|------------------------------|------------|------------|------------|--------------------|-------------|
| Total assets | 31,050,509 | 64,034,721 | 95,449,599 | 99,999 | 190,634,828 |
| Total liabilities | 69,332,377 | 74,907,380 | 19,660,851 | 13,548 | 163,914,156 |
| Total operating income | 1,342,844 | 1,290,182 | 418,169 | 284,281 | 3,335,476 |
| Total operating expenses | 594,558 | 289,458 | 56,166 | 65,966 | 1,006,148 |
| Provisions for credit losses | 31,744 | 72,096 | - | - | 103,840 |
| Net income for the period | 716,542 | 928,628 | 362,003 | 218,315 | 2,225,488 |
| Capital expenditure | 13,042 | 181,690 | 718 | 40,695 | 236,145 |
| Depreciation | 25,902 | 35,464 | 1,315 | 3,702 | 66,383 |

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

11. OPERATING SEGMENTS (continued)

| <u>SR'000</u> | June 30, 2010 (Unaudited) | | | | |
|------------------------------|---------------------------|------------|------------|--------------------|-------------|
| | Consumer | Corporate | Treasury | Investment banking | Total |
| Total assets | 29,493,870 | 64,640,314 | 94,154,367 | 68,330 | 188,356,881 |
| Total liabilities | 56,982,036 | 86,329,452 | 20,270,015 | 19,641 | 163,601,144 |
| Total operating income | 1,392,526 | 1,337,086 | 670,435 | 212,651 | 3,612,698 |
| Total operating expenses | 528,104 | 248,776 | 97,891 | 91,122 | 965,893 |
| Provisions for credit losses | 52,675 | 164,865 | - | - | 217,540 |
| Net income for the period | 811,747 | 923,445 | 572,544 | 121,529 | 2,429,265 |
| Capital expenditure | 43,710 | 27,792 | 2,741 | 283 | 74,526 |
| Depreciation | 28,476 | 35,986 | 1,607 | 2,066 | 68,135 |

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the periods ended June 30, 2011 and 2010 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank, by 900 million shares.

13. INTERIM DIVIDEND

An interim dividend of SR 776 million from the net income for the six-month period ended June 30, 2011 (2010: SR 875 million) has been approved by the Board of Directors for payment to shareholders. After deducting zakat, this interim dividend will result in a net payment of SR 0.80 per share (June 30, 2010: SR 0.90 per share) to the Saudi Shareholders.

14(a) CAPITAL ADEQUACY

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the guidelines established by the Basel Committee on Banking Supervision and as adopted by SAMA in supervising the Group.

The Group's total capital and Tier I capital ratios on a consolidated group basis and on a standalone basis for Samba Bank Limited, Pakistan calculated for the credit, market and operational risks, at June 30, 2011 and 2010 are as follows:

| Entity | Jun 30, 2011 | | Jun 30, 2010 | |
|------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | Total Capital Ratio (%) | Tier 1 Capital Ratio (%) | Total Capital Ratio (%) | Tier 1 Capital Ratio (%) |
| Samba Financial Group consolidated | 18.7% | 16.2% | 18.0% | 15.3% |
| Samba Bank Limited, Pakistan | 51.9% | 51.8% | 64.8% | 65.0% |

14(b) OTHER PILLAR 3 DISCLOSURES

Certain quantitative disclosures as required by SAMA under pillar 3 of Basel II, have been published on Bank's official website www.samba.com.