

SAMBA FINANCIAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE SIX MONTH PERIOD ENDED
June 30, 2016**



**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS TO THE SHAREHOLDERS OF
SAMBA FINANCIAL GROUP
(A SAUDI ARABIAN JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim statement of consolidated financial position of Samba Financial Group (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) as at June 30, 2016 and the related interim statements of consolidated income, consolidated comprehensive income for the three month and six month periods then ended, and the interim statement of consolidated changes in equity and consolidated cash flows for the six month period then ended and the notes from (1) to (17), which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note (16b), nor the information related to “Other Pillar 3 Disclosures of Basel Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS TO THE SHAREHOLDERS OF
SAMBA FINANCIAL GROUP
(A SAUDI ARABIAN JOINT STOCK COMPANY) (continued)**

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (16a) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (16a) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Abdulaziz A. Al-Sowailim
Certified Public Accountant
License Number 277



PricewaterhouseCoopers
P O Box 8282
Riyadh 11482
Kingdom of Saudi Arabia



Khalid A. Mahdhar
Certified Public Accountant
License Number 368

21 Shawwal 1437H
(July 26, 2016)




SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

	Notes	Jun 30, 2016 (Unaudited) (SR '000)	Dec 31, 2015 (Audited) (SR '000)	Jun 30, 2015 (Unaudited) (SR '000)
ASSETS				
Cash and balances with central banks		19,521,507	15,299,930	19,474,233
Due from banks and other financial institutions		16,562,973	14,415,818	7,958,042
Investments, net	5	58,653,521	69,952,186	61,346,262
Derivatives	8	4,872,279	2,606,132	2,873,695
Loans and advances, net	6	130,819,764	130,001,230	130,882,203
Property and equipment, net		2,405,816	2,267,212	2,177,034
Other assets		1,156,434	700,171	1,218,110
Total assets		233,992,294	235,242,679	225,929,579
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		15,084,045	19,197,230	10,196,907
Customer deposits	7	172,120,823	171,804,534	170,880,944
Derivatives	8	1,614,219	609,901	1,347,676
Other liabilities		4,928,732	3,271,157	3,587,548
Total liabilities		193,747,819	194,882,822	186,013,075
EQUITY				
Equity attributable to equity holders of the Bank				
Share capital	12	20,000,000	20,000,000	20,000,000
Statutory reserve		13,303,555	13,303,555	12,000,000
General reserve		130,000	130,000	130,000
Other reserves		(168,205)	205,507	1,177,626
Retained earnings		7,926,678	6,523,875	7,549,352
Proposed dividend		-	1,134,000	-
Treasury stocks		(1,055,283)	(1,046,336)	(1,059,140)
Total equity attributable to equity holders of the Bank		40,136,745	40,250,601	39,797,838
Non-controlling interest		107,730	109,256	118,666
Total equity		40,244,475	40,359,857	39,916,504
Total liabilities and equity		233,992,294	235,242,679	225,929,579

The accompanying notes 1 to 17 form an integral part of the interim condensed consolidated financial statements.


Abdul Haleem Sheikh
Chief Financial Officer


Fahd Al-Mufarrij
Director


Sajjad Razvi
General Manager

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED INCOME
Unaudited

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
	<u>(SR '000)</u>	<u>(SR '000)</u>	<u>(SR '000)</u>	<u>(SR '000)</u>
Special commission income	1,619,614	1,269,831	3,114,028	2,507,742
Special commission expense	280,776	107,113	523,061	217,112
Special commission income, net	1,338,838	1,162,718	2,590,967	2,290,630
Fees and commission income, net	392,021	453,241	831,312	932,624
Exchange income, net	128,886	104,763	306,429	272,631
Income/(loss) from investment held at FVIS, net	30,662	(31,029)	48,095	22,938
Trading income/(loss), net	7,031	48,944	(56,753)	25,816
Gain on non-trading investments, net	29,115	120,804	78,672	288,377
Other operating income	43,207	89,566	94,462	88,941
Total operating income	1,969,760	1,949,007	3,893,184	3,921,957
Salaries and employee related expenses	350,930	330,550	692,205	709,562
Rent and premises related expenses	85,197	76,273	177,072	156,828
Depreciation	30,254	31,477	61,149	62,442
Other general and administrative expenses	151,135	150,623	305,645	305,724
Provision for credit losses, net of recoveries	38,046	27,080	82,756	76,102
Total operating expenses	655,562	616,003	1,318,827	1,310,658
Net income for the periods	1,314,198	1,333,004	2,574,357	2,611,299
Attributable to:				
Equity holders of the Bank	1,313,026	1,332,417	2,572,182	2,610,363
Non-controlling interest	1,172	587	2,175	936
	1,314,198	1,333,004	2,574,357	2,611,299
Basic and diluted earnings per share for the periods (SR) - note 13	0.66	0.67	1.29	1.31

The accompanying notes 1 to 17 form an integral part of the interim condensed consolidated financial statements.


Abdul Haleem Sheikh
Chief Financial Officer


Fahd Al-Mufarrij
Director


Sajjad Razvi
General Manager

SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(Unaudited)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
	<u>(SR '000)</u>	<u>(SR '000)</u>	<u>(SR '000)</u>	<u>(SR '000)</u>
Net income for the periods	1,314,198	1,333,004	2,574,357	2,611,299
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	(10,941)	9,363	(17,180)	(4,872)
Available for sale financial assets:				
- Change in fair values	(163,655)	(193,091)	(223,539)	(190,816)
- Transfers to statements of consolidated income	(29,115)	(120,804)	(78,672)	(288,377)
Cash flow hedges:				
- Change in fair values	(35,668)	9,424	(32,447)	98,126
- Transfers to statements of consolidated income	(13,532)	(18,348)	(25,575)	(45,063)
Total comprehensive income for the periods	<u>1,061,287</u>	<u>1,019,548</u>	<u>2,196,944</u>	<u>2,180,297</u>
Attributable to:				
Equity holders of the Bank	1,064,370	1,029,722	2,198,470	2,189,526
Non-controlling interest	<u>(3,083)</u>	<u>(10,174)</u>	<u>(1,526)</u>	<u>(9,229)</u>
Total	<u>1,061,287</u>	<u>1,019,548</u>	<u>2,196,944</u>	<u>2,180,297</u>

The accompanying notes 1 to 17 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	Statutory reserve	General reserve	Other reserves			Retained earnings	Proposed dividends	Treasury stocks	Total	Non-controlling interest	Total equity
				Exchange translation reserve	AFS financial assets	Cash flow hedges						
<u>For the six months period ended June 30, 2016</u>	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)	(SR'000)
Balance at the beginning of the period	20,000,000	13,303,555	130,000	(168,374)	365,824	8,057	6,523,875	1,134,000	(1,046,336)	40,250,601	109,256	40,359,857
Net changes in treasury stocks	-	-	-	-	-	-	30,621	-	(8,947)	21,674	-	21,674
2016 interim dividend	-	-	-	-	-	-	(1,200,000)	-	-	(1,200,000)	-	(1,200,000)
2015 final dividend paid	-	-	-	-	-	-	-	(1,134,000)	-	(1,134,000)	-	(1,134,000)
Net income for the period	-	-	-	-	-	-	2,572,182	-	-	2,572,182	2,175	2,574,357
Other comprehensive income(loss)for the period	-	-	-	230	(315,920)	(58,022)	-	-	-	(373,712)	(3,701)	(377,413)
Balance at end of the period	20,000,000	13,303,555	130,000	(168,144)	49,904	(49,965)	7,926,678	-	(1,055,283)	40,136,745	107,730	40,244,475
<u>For the six months period ended June 30, 2015</u>												
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(loss)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

The accompanying notes 1 to 17 form an integral part of the interim condensed consolidated financial statements.


SAMBA FINANCIAL GROUP
STATEMENTS OF CONSOLIDATED CASH FLOWS (Unaudited)

		Six months ended	
	Note	Jun 30, 2016 (SR '000)	Jun 30, 2015 (SR '000)
OPERATING ACTIVITIES			
Net income for the periods		2,574,357	2,611,299
Adjustments to reconcile net income to net cash (used in)/from operating activities:			
Accretion of discount and amortization of premium on non-trading investments, net		(35,055)	11,149
Income from investments held at FVIS, net		(48,095)	(22,938)
Gain on non-trading investments, net		(78,672)	(288,377)
Depreciation		61,149	62,442
(Gain)/loss on disposal of property and equipment, net		(332)	51
Provision for credit losses, net of recoveries		82,756	76,102
Net (increase)/decrease in operating assets:			
Statutory deposits with central banks		619,759	(266,112)
Due from banks and other financial institutions maturing after ninety days		(670,421)	(2,257,035)
Investments held for trading		332,649	475,795
Derivatives		(2,266,147)	(414,926)
Loans and advances		(901,290)	(6,545,633)
Other assets		(456,263)	439,124
Net increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(4,113,185)	804,811
Customer deposits		316,289	6,787,240
Derivatives		1,004,318	(194,218)
Other liabilities		268,368	163,759
Net cash (used in)/from operating activities		(3,309,815)	1,442,533
INVESTING ACTIVITIES			
Proceeds from sale of and matured non-trading investments		67,086,973	42,341,808
Purchase of non-trading investments		(56,275,055)	(39,623,220)
Purchase of property and equipment, net of exchange adjustments		(204,879)	(173,847)
Proceeds from sale of property and equipment		5,458	1,005
Net cash from investing activities		10,612,497	2,545,746
FINANCING ACTIVITIES			
Treasury stocks, net		21,674	21,210
Dividends paid		(1,006,286)	(1,195,520)
Net cash used in financing activities		(984,612)	(1,174,310)
Increase in cash and cash equivalents		6,318,070	2,813,969
Cash and cash equivalents at the beginning of the period	10	17,151,011	10,266,201
Cash and cash equivalents at the end of the period	10	23,469,081	13,080,170
Special commission received during the period		3,091,318	2,571,526
Special commission paid during the period		329,271	250,279
Supplemental non-cash information			
Net changes in fair value and transfers to Statements of Consolidated Income		(360,233)	(426,130)

The accompanying notes 1 to 17 form an integral part of the interim condensed consolidated financial statements.


Abdul Haleem Sheikh
Chief Financial Officer


Fahd Al-Mufarrij
Director


Sajjad Razvi
General Manager

SAMBA FINANCIAL GROUP
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)

An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services, and listed on Pakistan Stock Exchange.

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; Investment Capital (Cayman) Limited (ICCL) which is fully owned by COCL. ICCL has invested in approximately 41.2% of the share capital of Access Co-Invest Limited, also a Cayman Island limited liability company, which manages these overseas investments.

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 do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2015.

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the interim consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and amounts are rounded to the nearest thousand.

SAMBA FINANCIAL GROUP

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 made up to the 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 statement of consolidated income and within equity in the statement of consolidated financial position, separately from the equity holders of the Bank.

In addition to the subsidiaries stated above under note 1, the Bank is party to certain special purpose entities which are formed with the approval of SAMA solely to facilitate certain Shariah compliant financing arrangements. The Bank has concluded that these entities cannot be consolidated as it could not establish control over these entities. However, the exposures to these entities are included in the Bank's loans and advances portfolio.

The Bank has formed a wholly owned company called Samba Global Markets Limited, a limited liability company registered in the Cayman Islands on 1st February 2016, with the objective of managing certain treasury related transactions. The commercial operations of this subsidiary have not commenced up till the date of these interim condensed consolidated financial statement.

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 2015 except for the amendments to existing standards and new standards mentioned below effective as of 1 January 2016, which the Bank has adopted:

- Amendments to IAS 27: Equity Method in Separate Financial Statements - The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Effective for annual periods beginning on or after 1 January 2016.

- IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 1 January 2016.

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - Effective for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortizations - Effective prospectively for annual periods beginning on or after 1 January 2016.

- IFRS 10, IFRS 12 and IAS 28 Investment Entities – Amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Annual improvements to International Financial Reporting Standards - 2012-2014 cycle. Effective for annual periods beginning on or after 1 January 2016. These include:-

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

SAMBA FINANCIAL GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

- IFRS 7 Financial Instruments: Disclosures - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- IAS 19 Employee Benefits - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 Interim Financial Reporting - The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.
- IAS 1 Disclosure Initiative - The amendments clarify:
 - The materiality requirements in IAS 1.
 - That specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
 - Those entities have flexibility as to the order in which they present the notes to financial statements.
 - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to income.
 - Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income

5. Investments, net

Investment securities are classified as follows:

	Jun 30, 2016 (Unaudited) (SR'000)	Dec 31, 2015 (Audited) (SR'000)	Jun 30, 2015 (Unaudited) (SR'000)
Held at fair value through income statement (FVIS)	2,795,153	3,478,326	3,341,810
Available for sale (AFS)	26,526,966	52,762,805	53,894,824
Held to maturity	3,290,012	3,204,434	3,211,767
Other investments held at amortized cost	26,041,390	10,506,621	897,861
TOTAL	58,653,521	69,952,186	61,346,262

FVIS investments above include investments held for trading amounting to SR 794.2 million (December 31, 2015: SR 1,126.8 million, June 30, 2015: SR 920 million).

SAMBA FINANCIAL GROUP**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 as follows:

	Jun 30, 2016 (Unaudited) (SR'000)	Dec 31, 2015 (Audited) (SR'000)	Jun 30, 2015 (Unaudited) (SR'000)
Credit cards	1,343,478	1,378,443	1,356,012
Consumer loans	19,074,298	19,234,950	18,979,775
Commercial loans and advances	111,210,632	110,291,758	111,569,476
Performing loans and advances	131,628,408	130,905,151	131,905,263
Non-performing loans and advances	1,238,056	1,113,829	1,645,553
Gross loans and advances	132,866,464	132,018,980	133,550,816
Provision for credit losses	(2,046,700)	(2,017,750)	(2,668,613)
Total	130,819,764	130,001,230	130,882,203

7. Customer deposits

Customer deposits are as follows:

	Jun 30, 2016 (Unaudited) (SR'000)	Dec 31, 2015 (Audited) (SR'000)	Jun 30, 2015 (Unaudited) (SR'000)
Demand	104,970,316	110,631,912	115,797,152
Saving	7,263,354	6,869,525	6,823,031
Time	52,851,687	46,973,806	40,514,537
Other	7,035,466	7,329,291	7,746,224
Total	172,120,823	171,804,534	170,880,944

SAMBA FINANCIAL GROUP
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.

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.

	June 30, 2016 (Unaudited) (SR'000)			December 31, 2015 (Audited) (SR'000)			June 30, 2015 (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	4,026,409	3,993,716	105,187,817	2,184,469	2,177,894	88,575,410	2,362,981	2,357,488	94,843,447
Commission rate futures, options and guarantees	83,870	105,516	4,995,815	34,524	29,179	2,264,016	23,888	18,232	1,857,926
Forward foreign exchange contracts	221,842	87,164	34,796,481	65,487	117,603	28,761,712	117,332	55,682	42,854,300
Currency Options	467,703	427,679	60,247,067	287,822	274,990	70,967,792	367,489	362,644	71,279,032
Swaptions	-	-	-	18,967	22,875	1,875,000	17,906	22,993	1,875,000
Equity & commodity options	194,025	200,021	2,485,885	176,384	178,999	2,585,483	189,586	193,218	2,810,278
Other	2,409	2,376	89,604	1,787	1,690	82,467	2,812	2,556	217,083
Held as cash flow hedges									
Commission rate swaps	54,671	88,226	5,578,200	54,567	36,725	2,376,950	50,357	27,658	2,376,950
Sub-total	5,050,929	4,904,698	213,380,869	2,824,007	2,839,955	197,488,830	3,132,351	3,040,471	218,114,016
Cash collateral received / paid	(178,650)	(3,290,479)		(217,875)	(2,230,054)		(258,656)	(1,692,795)	
TOTAL	4,872,279	1,614,219		2,606,132	609,901		2,873,695	1,347,676	

SAMBA FINANCIAL GROUP**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, 2016 (Unaudited) (SR '000)	Dec 31, 2015 (Audited) (SR '000)	Jun 30, 2015 (Unaudited) (SR '000)
Letters of credit	6,872,800	8,348,011	9,848,827
Letters of guarantee	38,647,169	40,291,388	38,621,136
Acceptances	2,034,280	2,547,728	2,366,964
Irrevocable commitments to extend credit	4,586,766	5,509,770	5,981,407
Other	232,564	239,337	303,451
TOTAL	52,373,579	56,936,234	57,121,785

10. Cash and Cash Equivalents

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

	Jun 30, 2016 (Unaudited) (SR '000)	Dec 31, 2015 (Audited) (SR '000)	Jun 30, 2015 (Unaudited) (SR '000)
Cash and balances with central banks excluding statutory deposits	10,314,450	5,473,114	9,562,583
Due from banks and other financial institutions maturing within ninety days	13,154,631	11,677,897	3,517,587
TOTAL	23,469,081	17,151,011	13,080,170

SAMBA FINANCIAL GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

11. Operating Segments

The Group is organized 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.

On 8 June 2016, the Board of Directors of the Group has decided to close the operations of UK branch as its operations are no longer consistent with the business strategy of the Group. The management believes that the financial impact of this decision will not be material to the overall operations of the Group.

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 markets-based 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, 2016 and 2015, 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, 2016 (Unaudited)

SR'000	Consumer	Corporate	Treasury	Investment banking	Total
Total assets	38,851,854	108,093,120	86,939,737	107,583	233,992,294
Total liabilities	99,715,714	77,141,131	16,806,757	84,217	193,747,819
Total operating income	1,231,486	1,401,027	892,905	367,766	3,893,184
Total operating expenses	832,804	324,379	64,014	97,630	1,318,827
of which:					
Depreciation	24,255	31,416	404	5,074	61,149
Provisions for credit losses	58,579	24,177	-	-	82,756
Net income for the period	398,682	1,076,648	828,891	270,136	2,574,357
Capital expenditure	102,860	88,351	13,217	451	204,879

SAMBA FINANCIAL GROUP**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(Unaudited)****June 30, 2015 (Unaudited)**

SR'000	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

12. Share Capital

The authorized, issued and fully paid share capital of the Bank consists of 2,000 million shares (2015: 2,000 million shares) of SAR 10 each. During the year 2015, the shareholders approved a bonus issue of two shares for every three shares held at their extraordinary general assembly meeting held on 18 March, 2015. The bonus shares have been issued to the shareholders effective the date of the extraordinary general assembly meeting.

13. Basic and Diluted Earnings per Share

Basic and diluted earnings per share for the periods ended 30 June, 2016 and 2015 are calculated by dividing the net income for the periods attributable to the equity holders of the Bank by 2,000 million shares.

14. Interim Dividend

An interim dividend of SR 1,200 million from the net income for the six-month period ended June 30, 2016 (June 30, 2015: SR 1,200 million) has been approved on June 30, 2016 for payment to shareholders. After deducting zakat, this interim dividend will result in a net payment of SR 0.45 per share (June 30, 2015: SR 0.45 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.

SAMBA FINANCIAL GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
SR '000
June 30, 2016 (Unaudited)
Financial Assets:

Investments held at FVIS	
Investments available for sale	
Investments held to maturity	
Other Investments held at amortised cost	
Loans and advances, net	
Total	

Level 1	Level 2	Level 3	Total
788,753	2,006,400	-	2,795,153
12,381,352	13,029,891	1,115,723	26,526,966
3,029,439	490,670	-	3,520,109
-	26,361,971	172,026	26,533,997
-	131,064,608	-	131,064,608
16,199,544	172,953,540	1,287,749	190,440,833

Financial Liabilities:

Financial liabilities designated at FVIS	
Total	

-	329,606	-	329,606
-	329,606	-	329,606

Derivative financial instruments:

Financial assets	
Financial liabilities	

45	4,872,234	-	4,872,279
60,309	1,553,910	-	1,614,219

SR '000
June 30, 2015 (Unaudited)
Financial Assets:

Investments held at FVIS	
Investments available for sale	
Investments held to maturity	
Other Investments held at amortised cost	
Loans and advances, net	
Total	

Level 1	Level 2	Level 3	Total
846,623	2,495,187	-	3,341,810
16,576,167	36,521,488	797,169	53,894,824
3,039,891	424,331	-	3,464,222
-	425,652	520,364	946,016
	131,653,400		131,653,400
20,462,681	171,520,058	1,317,533	193,300,272

Financial Liabilities:

Financial liabilities designated at FVIS	
Total	

-	100,313	-	100,313
-	100,313	-	100,313

Derivative financial instruments:

Financial assets	
Financial liabilities	

5,502	2,868,193	-	2,873,695
6,743	1,340,933	-	1,347,676

SAMBA FINANCIAL GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The fair values of on-balance sheet financial instruments, except for other investments held at amortized cost and held-to-maturity investments which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The Group's portfolio of loans and advances to customers is well diversified by industry. More than three quarters of the portfolio reprices within less than a year and accordingly the fair value of this portfolio approximates its carrying value, subject to any significant movement in credit spreads. The fair values of commission bearing customers' 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 special commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks. During the period, there have been no transfers within levels of the fair value hierarchy.

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.

Investments classified as Level 2 are fair valued using discounted cash flow techniques that generally use observable market data inputs for yield curves, credit spreads and reported net asset values of the funds. Derivatives classified as level 2 are fair valued using the Bank's proprietary valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters in which they are traded and are sourced from independent brokers.

Fair values of private equity investments classified in Level 3 are determined based on the investees' latest reported net asset values as at the date of statements of financial position.

16. (a) Capital Adequacy

The Group monitors the adequacy of its capital using the methodology 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 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:

SAMBA FINANCIAL GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Jun 30, 2016 (Unaudited) (SR '000)	Dec 31, 2015 (Audited) (SR '000)	Jun 30, 2015 (Unaudited) (SR '000)
Samba Financial Group (consolidated)			
Credit risk RWA	183,024,127	181,689,185	178,832,335
Operational risk RWA	13,122,515	13,091,257	13,094,420
Market risk RWA	10,581,763	11,862,675	14,657,450
Total RWA	206,728,405	206,643,117	206,584,205
Tier I capital	40,190,108	40,237,264	39,767,786
Tier II capital	1,241,880	1,209,835	1,171,417
Total tier I & II capital	41,431,988	41,447,099	40,939,203
Capital Adequacy Ratio %			
Tier I ratio	19.4%	19.5%	19.3%
Tier I + II ratio	20.0%	20.1%	19.8%
Capital adequacy ratios for SBL are as follows:			
Tier I ratio	25.8%	29.4%	31.9%
Tier I + II ratio	28.0%	30.6%	32.7%

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, will be published on the Bank's official website www.samba.com in due course within the deadlines mandated by SAMA.

17. Prior Period Reclassifications

The Accrued Special Commission Receivable or Payable on Financial Assets or Financial Liabilities, which was previously shown under "Other Assets" or "Other Liabilities" respectively, has now been shown together with the related asset or liability as required by IFRS for better presentation purposes. Accordingly, prior period numbers for the related assets or liabilities have been reclassified to conform to current period's presentation.