البنك
السعودي
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Banque
Saudi
Fransi

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED

September 30, 2015

pwc

KPMG Al Fozan & Al Sadhan

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Banque Saudi Fransi
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Banque Saudi Fransi (the "Bank") and its subsidiaries as of September 30, 2015, the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three months and nine months period then ended, the interim condensed consolidated statement of changes in equity for the nine months period then ended, the interim condensed statement of cash flows for the nine months period then ended and the notes from (1) to (15) for the nine months period then ended. We have not reviewed note 16, nor the information related to "Basel III 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, 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 International Accounting Standard No. 34.

KPMG Al Fozan & Al Sadhan

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note 15 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 15 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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12 Muharram 1437H
(October 25, 2015)

بريس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
س.ت: ١٠١٠٣٧١٦٢٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25
C.R. 1010371622

كي. بي. إم. جي الفوزان والسدحان
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C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

SAR '000	Notes	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
ASSETS				
Cash and balances with SAMA		11,737,608	20,013,841	10,308,529
Due from banks and other financial institutions		7,294,392	2,008,673	2,967,959
Investments, net	3	35,600,513	45,102,281	47,078,229
Loans and advances, net	4	123,972,005	116,540,684	118,223,940
Investment in associates	5	105,070	99,069	117,086
Property and equipment, net		670,997	605,076	604,559
Other assets		5,605,605	4,407,279	3,941,014
Total assets		184,986,190	188,776,903	183,241,316
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		878,812	3,863,482	12,051,258
Customers' deposits	6	143,875,540	145,275,245	131,941,533
Debt Securities and Sukuks		6,712,874	9,131,067	9,129,623
Other liabilities		5,158,231	4,035,772	4,878,057
Total liabilities		156,625,457	162,305,566	158,000,471
Equity				
Share capital	12	12,053,572	12,053,572	12,053,572
Statutory reserve		10,435,817	9,919,264	9,475,184
General reserve		982,857	982,857	982,857
Other reserves		732,115	592,944	213,163
Retained earnings		4,156,372	2,251,660	2,516,069
Proposed dividend		-	671,040	-
Total equity		28,360,733	26,471,337	25,240,845
Total liabilities and equity		184,986,190	188,776,903	183,241,316

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

BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
Unaudited

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Special commission income	1,244,110	1,163,522	3,597,221	3,402,607
Special commission expense	199,998	183,396	574,074	556,076
Net special commission income	1,044,112	980,126	3,023,147	2,846,531
Fee and commission income, net	337,409	322,389	1,049,573	991,479
Exchange income, net	108,230	92,790	298,180	260,205
Trading income / (loss), net	69,817	51,678	273,589	165,149
Dividend income	9,858	11,608	16,913	16,007
Gains on non-trading investments, net	-	13,650	14,531	33,635
Other operating income	18,848	14,418	81,183	53,150
Total operating income	1,588,274	1,486,659	4,757,116	4,366,156
Salaries and employee related expenses	303,589	274,027	900,323	778,550
Rent and premises related expenses	38,655	39,965	119,216	117,725
Depreciation and amortization	31,757	31,246	96,816	92,276
Other general and administrative expenses	144,760	142,237	424,697	381,080
Impairment charge for credit losses, net	50,225	72,551	130,392	286,499
Impairment charge for investments, net	-	-	(11,250)	36,750
Other operating expenses	520	1,570	16,461	6,462
Total operating expenses	569,506	561,596	1,676,655	1,699,342
Net operating income	1,018,768	925,063	3,080,461	2,666,814
Share in earnings / (losses) of associates, net	1,485	546	6,001	(1,184)
Net income for the period	1,020,253	925,609	3,086,462	2,665,630
Weighted average number of outstanding shares	1,205,357	1,205,357	1,205,357	1,205,357
Basic and diluted earnings per share for the period (SAR) - note 12	0.85	0.77	2.56	2.21

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Unaudited

SAR '000	For the three months ended		For the nine months ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Net income for the period	1,020,253	925,609	3,086,462	2,665,630
Other comprehensive income (loss):				
Items that can be recycled back to consolidated statement of income in subsequent periods				
Available for sale investments				
Net change in the fair value	(79,851)	51,832	(233)	88,547
Income transferred to interim condensed consolidated statement of income	-	(13,650)	(14,531)	(33,635)
Cash flow hedge				
Net change in the fair value	354,841	(188,468)	775,730	371,879
Income transferred to interim condensed consolidated statement of income	(218,971)	(168,325)	(621,795)	(482,296)
Total comprehensive income for the period	1,076,272	606,998	3,225,633	2,610,125

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

BANQUE SAUDI FRANSI
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited

SAR '000	Share capital	Statutory reserve	General reserve	Retained earnings	Other reserves		Proposed dividend	Total
					Available for sale investments	Cash flow hedge		
For the Nine months period ended Sep 30, 2015								
Balance at the beginning of the period	12,053,572	9,919,264	982,857	2,251,660	102,147	490,797	671,040	26,471,337
Total comprehensive income for the period								
Net income for the period	-	-	-	3,086,462	-	-	-	3,086,462
Net change in the fair value	-	-	-	-	(233)	775,730	-	775,497
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(14,531)	(621,795)	-	(636,326)
Interim gross dividend	-	-	-	(665,197)	-	-	-	(665,197)
Transferred to statutory reserves	-	516,553	-	(516,553)	-	-	-	-
Final Dividend paid (2014)	-	-	-	-	-	-	(671,040)	(671,040)
Balance at the end of the period	12,053,572	10,435,817	982,857	4,156,372	87,383	644,732	-	28,360,733
For the Nine months period ended Sep 30, 2014								
Balance at the beginning of the period	9,040,179	9,040,179	982,857	3,884,748	(30,625)	299,293	-	23,216,631
Total comprehensive income for the period								
Net income for the period	-	-	-	2,665,630	-	-	-	2,665,630
Net change in the fair value	-	-	-	-	88,547	371,879	-	460,426
Net amount transferred to interim condensed consolidated statement of income	-	-	-	-	(33,635)	(482,296)	-	(515,931)
Interim gross dividend	-	-	-	(585,911)	-	-	-	(585,911)
Transferred to statutory reserves		435,005	-	(435,005)	-	-	-	-
Stock dividend	3,013,393	-	-	(3,013,393)	-	-	-	-
Balance at the end of the period	12,053,572	9,475,184	982,857	2,516,069	24,287	188,876	-	25,240,845

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
Unaudited

SAR '000	Note	For the nine months ended Sep 30, 2015	Sep 30, 2014
OPERATING ACTIVITIES			
Net income for the period		**3,086,462**	**2,665,630**
Adjustments to reconcile net income to net cash (used in) / from operating activities:			
Accretion of discounts on non trading investments, net		(105,890)	(149,848)
(Gains) on non trading investments, net		(14,531)	(33,635)
Depreciation and amortization		96,816	92,276
Gain on disposal of property and equipment, net		(32)	(108)
Impairment charge for credit losses, net		130,392	286,499
Impairment charge for investment in associate		-	48,000
Share in (earnings) / losses of associates, net		(6,001)	1,184
Change in fair value of financial instruments		(97,043)	9,927
Operating income before changes in operating assets and liabilities		**3,090,173**	**2,919,925**
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(644,126)	(660,824)
Investments held as FVSI, trading		1,881,081	(1,197,067)
Loans and advances, net		(7,559,244)	(7,205,196)
Other assets		(1,092,651)	(108,319)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(2,984,670)	8,383,365
Customers' deposits		(1,237,564)	368,444
Other liabilities		1,122,459	437,256
Net cash (used in) / from operating activities		**(7,424,542)**	**2,937,584**
INVESTING ACTIVITIES			
Proceeds from sales and maturities of non trading investments		41,835,300	23,760,342
Purchase of non trading investments		(34,109,570)	(35,105,496)
Dividend received from subsidiaries		614	1,260
Purchase of property and equipment		(162,873)	(77,192)
Proceeds from sale of property and equipment		168	383
Net cash from / (used in) investing activities		**7,563,639**	**(11,420,703)**
FINANCING ACTIVITIES			
Sukuk and term loan		(2,437,500)	2,000,000
Dividends Paid		(1,336,237)	(585,911)
Net cash (used in) / from financing activities		**(3,773,737)**	**1,414,089**
Decrease in cash and cash equivalents		**(3,634,640)**	**(7,069,030)**
Cash and cash equivalents at the beginning of the period		13,483,141	11,896,047
Cash and cash equivalents at the end of the period	9	**9,848,501**	**4,827,017**
Special commission received during the period		3,364,536	3,243,761
Special commission paid during the period		572,218	626,474
Supplemental non-cash information			
Net changes in fair value and transferred to interim condensed consolidated statement of income		139,171	(55,505)

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

1. General

Banque Saudi Fransi (the Bank) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977). The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977), by taking over the branches of the Banque de l'Indochine et de Suez in the Kingdom of Saudi Arabia. The Bank operates under Commercial Registration Number 1010073368 dated Safar 4, 1410H (corresponding to September 5, 1989), through its 83 branches (September 30, 2014: 82 branches) in the Kingdom of Saudi Arabia, employing 3,062 people (September 30, 2014: 2,990).

The objective of the Bank is to provide a full range of banking services, including Islamic products, which are approved and supervised by an independent Shariah Board. The Bank's Head Office is located at King Saud Road, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia.

The Bank owns a subsidiary, Saudi Fransi Capital (100% share in equity) engaged in brokerage, asset management and corporate finance business. The Bank owns Saudi Fransi Insurance Agency (SAFIA), Saudi Fransi Financing & Leasing, Sofinco Saudi Fransi and Sakan Real Estate Financing having 100% share in equity. These subsidiaries are incorporated in the Kingdom of Saudi Arabia. The Bank also owns BSF Sukuk Limited having 100% share in equity, incorporated in the Cayman Islands.

The Bank has investments in associates and owns 27% shareholding in Banque BEMO Saudi Fransi, incorporated in Syria and 32.5% shareholding in Saudi Fransi Corporative Insurance Company (Allianz Saudi Fransi) incorporated in the Kingdom of Saudi Arabia.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and 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.

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.

The interim condensed consolidated financial statements do not include all information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group'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 December 31, 2014

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended December 31, 2014 as described in the annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of amendments to the existing standards as mentioned below which has had no significant financial impact on the financial statements of the Bank. These interim condensed consolidated financial statements do not necessarily constitute an indication of the year-end financial results.

2. Basis of preparation (continued)

Amendments to existing standards

-IFRS 1 "first time adoption of IFRS" : the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

-IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

-IFRS 3 "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

-IFRS 8 "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

-IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

-IAS 16 "Property plant and equipment" and IAS 38 – "intangible assets": – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

-IAS 24 "related party disclosures"– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

-IAS 40 "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

-IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

-IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

The new standards, amendments to standards and interpretations to IFRS which are mandatory for the first time for the financial year beginning January 2015 did not result in material amendments to the presentation and disclosure of the accompanying interim condensed consolidated financial statements. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries; Saudi Fransi Capital, Saudi Fransi Insurance Agency, Saudi Fransi Financing & Leasing, Sofinco Saudi Fransi, Sakan real estate financing and BSF Sukuk Limited. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. Adjustments are made wherever necessary in the financial statements of the subsidiaries to align with the Bank's interim condensed consolidated financial statements.

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 the control is transferred from the Bank. The results of subsidiaries acquired or disposed-off during the period, if any, are included in the interim condensed consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. Investments, net

Investment securities are classified as follows:

SAR '000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Held as FVSI	270,191	2,151,272	1,523,238
Available for sale	7,727,940	8,840,060	7,879,070
Held to maturity	86,456	12,271	12,913
Other investments held at amortised cost	27,515,926	34,098,678	37,663,008
Total	35,600,513	45,102,281	47,078,229

Investments held as FVSI represent investments held for trading.

4. Loans and advances, net

SAR'000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Consumer loans	9,489,787	8,683,773	8,769,286
Commercial loans and overdrafts	104,272,708	100,301,744	102,005,810
Credit cards	549,910	544,420	564,710
Others	10,915,164	8,131,472	7,931,485
Performing loans and advances	125,227,569	117,661,409	119,271,291
Non-performing loans and advances ,net	1,060,627	1,182,455	1,285,434
Gross loans and advances	126,288,196	118,843,864	120,556,725
Allowance for impairment	(2,316,191)	(2,303,180)	(2,332,785)
Loans and advances, net	123,972,005	116,540,684	118,223,940

5. Investment in associates

SAR '000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Cost	151,645	151,645	151,645
Share of earnings / (losses), net	55,425	49,424	47,441
Impairment provision	(102,000)	(102,000)	(82,000)
Total	105,070	99,069	117,086

6. Customers' deposits

SAR'000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Demand	105,921,293	102,369,250	85,065,052
Saving	503,937	437,508	427,896
Time	31,253,824	38,215,470	42,980,724
Other	6,196,486	4,253,017	3,467,861
Total	143,875,540	145,275,245	131,941,533

7. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments held, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk (which is generally limited to the positive fair value of the derivatives) nor to market risk.

SAR '000	Sep 30, 2015 (Unaudited)			Dec 31, 2014 (Audited)			Sep 30, 2014 (Unaudited)		
	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									
Special commission rate swaps	1,426,913	1,508,352	138,610,803	1,169,854	1,187,968	128,091,488	1,137,978	1,041,793	116,663,501
Special commission rate futures and options	449	-	59,493,832	93	-	35,032,365	637	-	32,081,156
Forward foreign exchange contracts	261,999	221,316	69,423,768	99,195	69,062	65,425,936	110,135	69,599	50,262,276
Currency options	92,014	-	61,495,578	57,593	-	58,472,384	53,056	4,336	57,599,543
Others	25,947	-	2,605,204	24,291	4,240	2,027,163	20,227	-	2,063,101
Held as fair value hedges									
Special commission rate swaps	29,111	10,173	3,076,500	36,208	10,197	5,581,500	20,377	7,360	5,581,500
Held as cash flow hedges									
Special commission rate swaps	1,331,040	359	79,458,836	1,245,213	2,967	71,020,073	820,827	45,737	70,792,526
Total	3,167,473	1,740,200	414,164,521	2,632,447	1,274,434	365,650,909	2,163,237	1,168,825	335,043,603

8. Credit related commitments and contingencies

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

SAR '000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Letters of credit	9,024,328	11,437,777	11,521,648
Letters of guarantee	55,070,728	58,186,768	53,841,841
Acceptances	3,605,360	3,650,573	3,233,888
Irrevocable commitments to extend credit	5,322,420	3,786,543	3,937,494
Total	73,022,836	77,061,661	72,534,871

9. Cash and cash equivalents

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

SAR '000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposit	2,554,109	11,474,468	1,859,058
Due from banks and other financial institutions maturing within three months from the date of acquisition	7,294,392	2,008,673	2,967,959
Total	9,848,501	13,483,141	4,827,017

10. Segment information

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Bank's Board of Directors in their function as chief decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between operating segments are approved by the management as per agreed terms and are reported according to the Bank's internal transfer pricing policy. These terms are in line with normal commercial terms and conditions. The revenue from external parties report to the Board is measured in a manner consistent with that in the consolidated statement of income.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2014.

The Bank is organised into the following main operating segments:

Retail banking – incorporates private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, consumer loans, certain forex products and auto leasing.

Corporate banking – incorporates corporate and medium establishment customers' demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

Treasury – incorporates treasury services, trading activities, investment securities, money market, the Bank's funding operations and derivative products.

Investment banking and brokerage – Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities, retail investments products, corporate finance and international and local shares brokerage services and insurance.

The Bank's total assets and liabilities as at September 30, 2015 and 2014, together with total operating income, total operating expenses and net income for the nine months then ended, by operating segments, are as follows:

(Unaudited) SAR '000"	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Total
September 30, 2015					
Total assets	16,397,292	110,069,883	56,806,147	1,712,868	184,986,190
Total liabilities	72,922,628	71,690,008	10,464,137	1,548,684	156,625,457
Total operating income	1,128,108	2,324,969	1,043,006	261,033	4,757,116
Total operating expenses	834,870	504,959	181,445	155,381	1,676,655
Share in earnings of associates, net	-	-	6,001	-	6,001
Net income for the period	293,238	1,820,010	867,562	105,652	3,086,462
Impairment charges for credit losses, net	48,805	81,587	-	-	130,392
September 30, 2014					
Total assets	14,349,901	106,456,373	59,954,237	2,480,805	183,241,316
Total liabilities	65,880,977	66,537,574	23,268,056	2,313,864	158,000,471
Total operating income	1,081,864	2,030,440	967,965	285,887	4,366,156
Total operating expenses	913,396	487,142	156,906	141,898	1,699,342
Share in (losses) of associates, net	-	-	(1,184)	-	(1,184)
Net income for the period	168,468	1,543,298	809,875	143,989	2,665,630
Impairment charges for credit losses, net	136,789	149,710	-	-	286,499

11. Fair values of financial assets and liabilities

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability

The Bank 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.

SAR' 000	Level 1	Level 2	Level 3	Total
September 30, 2015 (Unaudited)				
Financial assets				
Derivative financial instruments positive fair value	-	3,167,473	-	3,167,473
Financial investments designated at FVSI (trading)	267,038	3,153	-	270,191
Financial investments available for sale	2,588,897	2,742,551	2,396,492	7,727,940
Total	2,855,935	5,913,177	2,396,492	11,165,604
Financial Liabilities				
Derivative financial instruments negative fair value	-	1,740,200	-	1,740,200
Total	-	1,740,200	-	1,740,200
September 30, 2014 (Unaudited)				
Financial assets				
Derivative financial instruments positive fair value	-	2,163,237	-	2,163,237
Financial investments designated at FVSI (trading)	142,241	1,380,997	-	1,523,238
Financial investments available for sale	1,013,998	3,157,432	3,707,640	7,879,070
Total	1,156,239	6,701,666	3,707,640	11,565,545
Financial Liabilities				
Derivative financial instruments negative fair value	-	1,168,825	-	1,168,825
Total	-	1,168,825	-	1,168,825

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The fair values of on-statement of financial position financial instruments, except for held to maturity and other financial instruments held at amortized cost are not significantly different from the carrying values included in the consolidated financial statements.

The fair values of loans and advances, commission bearing customers' deposits, debt securities, 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 due to the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Bank intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

The estimated fair values of the held to maturity investments and other investments held at amortized cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds. Consequently, differences can arise between carrying values and fair value estimates. The fair values of derivatives are based on the quoted market prices when available or by using the appropriate valuation technique. Financial investments available for sale comprise Mudarabah SAR 2,361 million (September 30, 2014: 3,496 million) which is classified as level 3.

12. Share capital and Earnings per share

The authorised, issued and fully paid share capital of the Bank consists of 1,205.36 million shares of SAR 10 each (December 31, 2014: 1,205.36 million shares of SAR 10 each and September 30, 2014: 1,205.36 million shares of SAR 10 each).

Basic and diluted earnings per share for the periods ended September 30, 2015 and 2014 are calculated by dividing the net income for the period by 1,205.36 million shares.

The final net dividend of SAR 0.50 per share for the year ended 2014 has been approved by the shareholders at the General Assembly Meeting held on April 15, 2015.

13. Interim dividends

The Board of Directors recommended on July 9, 2015 an interim gross dividend of SAR 665 million. Zakat attributable to Saudi shareholders for the period amounted to SAR 43 million approximately. This was deducted from their share of the dividend, resulting in net dividend to Saudi shareholders of SAR 0.50 per share. The income tax liability of the foreign shareholders has been deducted from their share of the dividend.

14. Comparative figures

Certain prior period figures have been reclassified to conform to the current period presentation.

15. Capital Adequacy

The Bank's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset (RWA) at or above the agreed minimum of 8%.

The Bank's total risk weighted assets and total Tier I & II Capital are as follows:

SAR' 000	Sep 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)	Sep 30, 2014 (Unaudited)
Credit Risk RWA	172,710,928	163,526,870	163,114,663
Operational Risk RWA	10,521,737	9,825,237	9,619,750
Market Risk RWA	5,804,021	5,138,115	2,942,019
Total RWA	189,036,686	178,490,222	175,676,432
Tier I Capital	28,102,840	26,373,178	25,132,766
Tier II Capital	4,423,722	4,425,556	4,678,160
Total Tier I & II Capital	32,526,562	30,798,734	29,810,926
Capital Adequacy Ratio %			
Tier I ratio	14.87%	14.78%	14.31%
Tier I + Tier II ratio	17.21%	17.26%	16.97%

16. Basel III - Capital Structure

Certain disclosures on the Bank's capital structure are required to be published on the Bank's website. In due course, these disclosures will be published on the Bank's website (www.Alfransi.com.sa) as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.