

Saudi Hollandi Bank
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(Un-audited)**

**FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2015**



KPMG Al Fozan & Al Sadhan

**Report on Review of Interim Condensed Consolidated Financial Statements
to the Shareholders of Saudi Hollandi Bank (A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Saudi Hollandi Bank** (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as at March 31, 2015, and the related interim consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the three month period then ended and the notes from (1) to (19) which form an integral part of these interim condensed consolidated financial statements. We have neither reviewed note (18), nor the information related to “Disclosures under Basel III 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 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.



KPMG Al Fozan & Al Sadhan

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (17) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (17) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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Sha'aban 2, 1436H
May 20, 2015



Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SAR'000

	<i>Notes</i>	<i>March 31, 2015 (Unaudited)</i>	<i>December 31,2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
ASSETS				
Cash and balances with SAMA		5,666,897	9,523,463	5,619,785
Due from banks and other financial institutions		1,212,073	538,789	1,240,693
Investments, net	5	20,400,355	18,783,967	19,249,118
Loans and advances, net	6	66,862,536	65,147,828	57,008,467
Investment in an associate		14,644	12,793	12,045
Property and equipment, net		649,966	526,388	507,376
Other assets	7	2,177,814	2,085,990	1,385,032
Total assets		96,984,285	96,619,218	85,022,516
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		2,181,586	3,054,640	3,281,154
Customers' deposits	8	77,767,445	76,813,865	65,799,311
Subordinated debt		3,900,000	3,900,000	4,625,000
Other liabilities		2,557,743	2,108,831	1,963,072
Total liabilities		86,406,774	85,877,336	75,668,537
Shareholders' equity				
Share capital		5,715,360	4,762,800	4,762,800
Statutory reserve		3,536,355	3,536,355	3,081,128
General reserve		130,000	130,000	130,000
Reserve for bonus shares	14	-	952,560	-
Other reserves		13,611	3,564	34,112
Retained earnings		1,248,244	709,306	1,332,313
Proposed gross dividends		-	619,164	-
Share based plan reserve	15	(66,059)	28,133	13,626
Total shareholders' equity		10,577,511	10,741,882	9,353,979
Total liabilities and shareholders' equity		96,984,285	96,619,218	85,022,516

The accompanying notes 1 to 19 form an integral part of these interim consolidated financial statements

Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month period ended March 31, 2015

Amounts in SAR'000(Un-audited)

	<i>Note</i>	2015	2014
Special commission income		666,448	573,229
Special commission expense		130,766	126,471
Net special commission income		535,682	446,758
Fee and commission income, net		235,868	222,246
Exchange income, net		45,736	35,742
Trading income, net		97,677	33,989
Dividend income		2,178	688
Gains on non-trading investments, net		14,554	17,732
Total operating income		931,695	757,155
Salaries and employee-related expenses		173,838	139,029
Rent and premises-related expenses		30,376	25,730
Depreciation and amortisation		28,326	25,324
General and administrative expenses		60,760	55,692
Impairment charge for credit losses, net		101,308	89,227
Total operating expenses		394,608	335,002
Operating income		537,087	422,153
Share in earnings / (loss) of an associate		1,851	(5,188)
Net income for the period		538,938	416,965
Basic and diluted earnings per share (Expressed in SAR per share)	14	0.94	0.73

The accompanying notes 1 to 19 form an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended March 31, 2015

Amounts in SAR'000(Un-audited)

	2015	2014
Net income for the period	538,938	416,965
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to interim consolidated income statement in subsequent periods</i>		
Available for sale investments:		
- Net change in fair value	24,152	29,705
- Net amounts transferred to the interim consolidated income statement	(14,105)	(17,283)
Total other comprehensive income	<u>10,047</u>	<u>12,422</u>
Total comprehensive income for the period	<u><u>548,985</u></u>	<u><u>429,387</u></u>

The accompanying notes 1 to 19 form an integral part of these interim consolidated financial statements

Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended March 31, 2015
Amounts in SAR '000(Un-audited)

	Note	Share capital	Statutory reserve	General reserve	Reserve for bonus shares	Other reserves	Retained earnings	Proposed gross dividend	Share based plan reserve	Total shareholders' equity
Balance at the beginning of the period		4,762,800	3,536,355	130,000	952,560	3,564	709,306	619,164	28,133	10,741,882
Net income for the period		-	-	-	-	-	538,938	-	-	538,938
Net change in fair value		-	-	-	-	24,152	-	-	-	24,152
Net amounts transferred to the interim consolidated income statement		-	-	-	-	(14,105)	-	-	-	(14,105)
Total comprehensive income for the period		-	-	-	-	10,047	538,938	-	-	548,985
Bonus shares issued	14	952,560	-	-	(952,560)	-	-	-	-	-
Dividends paid		-	-	-	-	-	(619,164)	-	-	(619,164)
Bank's shares held by SHB staff share Plan Fund	15	-	-	-	-	-	-	-	(99,813)	(99,813)
Charge for the period		-	-	-	-	-	-	-	5,621	5,621
Balance at the end of the period		5,715,360	3,536,355	130,000	-	13,611	1,248,244	-	(66,059)	10,577,511
Balance at the beginning of the period		3,969,000	3,081,128	130,000	793,800	21,690	915,348	468,342	22,120	9,401,428
Net income for the period		-	-	-	-	-	416,965	-	-	416,965
Net change in fair value		-	-	-	-	29,705	-	-	-	29,705
Net amounts transferred to the interim consolidated income statement		-	-	-	-	(17,283)	-	-	-	(17,283)
Total comprehensive income for the period		-	-	-	-	12,422	416,965	-	-	429,387
Bonus shares issued	14	793,800	-	-	(793,800)	-	-	-	-	-
Dividends paid		-	-	-	-	-	(468,342)	-	-	(468,342)
Share based plan payments		-	-	-	-	-	-	-	(8,494)	(8,494)
Balance at the end of the period		4,762,800	3,081,128	130,000	-	34,112	1,332,313	-	13,626	9,353,979

The accompanying notes 1 to 19 form an integral part of these interim consolidated financial statements

Saudi Hollandi Bank
A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended March 31, 2015

Amounts in SAR'000(Un-audited)

	<i>Note</i>	2015	2014
OPERATING ACTIVITIES			
Net income for the period		538,938	416,965
Adjustments to reconcile net income to net cash (used in) / from operating activities:			
(Accretion of discounts) and amortisation of premium on non-trading investments, net		(28,570)	(22,918)
Gains on non-trading investments		(14,554)	(17,732)
Depreciation and amortisation		28,326	25,324
Gain on disposal of property and equipment		(100)	-
Share based plan transactions		4,046	3,271
Impairment charge for credit losses		101,308	89,227
Share in (earnings) / loss of an associate		(1,851)	5,188
		<u>627,543</u>	<u>499,325</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(130,038)	(91,850)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		-	937,000
Loans and advances, net		(1,816,016)	(3,886,434)
Other assets		(178,301)	(99,797)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(873,054)	786,876
Customers' deposits		953,580	3,923,862
Other liabilities		104,024	(109,034)
		<u>(1,312,262)</u>	<u>1,959,948</u>
Net cash (used in) / from operating activities			
INVESTING ACTIVITIES			
Proceeds from sale and maturity of non-trading investments		5,403,852	5,734,024
Purchase of non-trading investments		(6,967,518)	(8,093,330)
Purchase of property and equipment		(151,904)	(27,898)
Proceeds from disposal of property and equipment		100	-
		<u>(1,715,470)</u>	<u>(2,387,204)</u>
FINANCING ACTIVITIES			
Dividends paid net of Zakat and tax recovered from shareholders		(285,768)	(281,005)
		<u>(285,768)</u>	<u>(281,005)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		6,310,428	4,373,210
Cash and cash equivalents at end of the period	10	<u>2,996,928</u>	<u>3,664,949</u>
Special commission received during the period		<u>631,684</u>	<u>545,348</u>
Special commission paid during the period		<u>104,722</u>	<u>98,034</u>
Supplemental non-cash information			
Net changes in fair value and transfers to interim consolidated income statement		<u>10,047</u>	<u>12,422</u>

The accompanying notes 1 to 19 form an integral part of these interim consolidated financial statements

Saudi Hollandi Bank

A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

1. GENERAL

Saudi Hollandi Bank (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and was formed pursuant to Royal Decree No. M/85 dated 29 Dhul Hijjah 1396H (corresponding to December 21, 1976). The Bank commenced business on 16 Shaaban 1397H (corresponding to August 1, 1977) when it took over the operations of Algemene Bank Nederland N.V. in the Kingdom of Saudi Arabia. The Bank operates under commercial registration No. 1010064925 dated 6 Jumada II 1407H (corresponding to February 5, 1987) through its 56 branches (December 31, 2014: 55 branches and March 31, 2014: 50 branches) in the Kingdom of Saudi Arabia. The postal address of the Bank's head office is:

Saudi Hollandi Bank
Head Office
Al - Dhabab Street
P O Box 1467
Riyadh 11431
Kingdom of Saudi Arabia

The objective of the Bank and its following subsidiaries (collectively referred to as "the Group") is to provide a full range of banking and investment services. The Group also provides to its customers Islamic (non commission based) banking products which 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 subsidiaries. The details of these subsidiaries are set out below:

Saudi Hollandi Capital ("SHC")

SHC, a limited liability company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank, was formed in accordance with the Capital Market Authority's (CMA) Resolution number 1-39-2007 under commercial registration number 1010242378 dated 30 Dhul Hijjah 1428H (corresponding to January 9, 2008) to take over and manage the Group's Investment Services and Asset Management activities regulated by CMA related to dealing, managing, arranging, advising and taking custody of securities. SHC commenced its operations effective 2 Rabi'II 1429H (corresponding to April 9, 2008).

Saudi Hollandi Real Estate Company ("SHREC")

SHREC, a limited liability company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank through direct ownership was established under commercial registration number 1010250772 dated 21 Jumada I 1429H (corresponding to May 26, 2008) with the approval of the Saudi Arabian Monetary Agency (SAMA). The Company was formed to register real estate assets under its name which are received by the Bank from its borrowers as collateral.

Saudi Hollandi Insurance Agency Company ("SHIAC")

SHIAC, a limited liability company incorporated in the Kingdom of Saudi Arabia, a wholly owned subsidiary of the Bank through direct ownership was established under commercial registration number 1010300250 dated 29 Muharram 1432H (corresponding to January 4, 2011) with the approval of SAMA. The Company was formed to act as an agent for Wataniya Insurance Company (WIC), an associate, for selling its insurance products.

2. BASIS OF PREPARATION

These interim consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – "Interim Financial Reporting". The Bank 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 interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2014.

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 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. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

3. BASIS OF CONSOLIDATION

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank and changes have been made to their accounting policies where necessary to align them with the accounting policies of the Bank.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the year, if any, are included in the interim condensed consolidated income statement from the date of the acquisition or up to the date of disposal, as appropriate. The interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these interim condensed consolidated financial statements except when the Group controls the entity.

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 preparation of the annual consolidated financial statements for the year ended December 31, 2014 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the interim condensed consolidated financial statements of the Group on the current period or prior period and is expected to have no significant effect in future periods:

Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 are applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle is applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

5. INVESTMENTS, NET

a) Investment securities are classified as follows:

	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
Available for sale (AFS)	536,702	566,926	516,944
Other investments held at amortised cost (OI)	19,779,237	18,131,282	18,637,513
Held to maturity (HTM)	<u>84,416</u>	<u>85,759</u>	<u>94,661</u>
Total	<u>20,400,355</u>	<u>18,783,967</u>	<u>19,249,118</u>

b) Investments reclassification

Management identified certain AFS investments, for which at July 1, 2008, it had a clear intention to hold the instruments for the foreseeable future rather than to exit or trade in the short term. As a result, these instruments were reclassified at that date from AFS to OI at fair value. Had the reclassification not been made, other reserves would have included unrealised fair value gains amounting to SAR 11.96 million (December 31, 2014: SAR 12.7 million and March 31, 2014: SAR 7.2 million) and shareholders' equity would have been higher by the same amount.

The following table shows carrying values and fair values of the reclassified investments.

	<i>Carrying value</i>			<i>Fair value</i>		
	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
AFS securities reclassified	<u>148,872</u>	<u>148,516</u>	<u>146,941</u>	<u>149,081</u>	<u>149,617</u>	<u>144,147</u>

Further, with effect from July 20, 2011, the Group had reclassified certain trading investments amounting to SAR 17.5 million to OI, as it no longer had the intention to hold these investments for the purpose of selling in the short term. The Group had the intention and ability to hold these reclassified investments for the foreseeable future or until maturity. These investments have matured during the year ended December 31, 2014.

6. LOANS AND ADVANCES, NET

	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
Consumer loans	12,161,689	11,342,508	8,724,159
Commercial loans and overdrafts	54,948,309	54,043,993	48,480,931
Credit cards	<u>279,152</u>	<u>271,756</u>	<u>248,623</u>
Performing loans and advances	67,389,150	65,658,257	57,453,713
Non-performing loans and advances	<u>832,173</u>	<u>841,622</u>	<u>736,524</u>
Gross loans and advances	68,221,323	66,499,879	58,190,237
Allowance for impairment of credit losses	<u>(1,358,787)</u>	<u>(1,352,051)</u>	<u>(1,181,770)</u>
Loans and advances, net	<u>66,862,536</u>	<u>65,147,828</u>	<u>57,008,467</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

7. OTHER ASSETS

Other assets include an amount of SAR 442.85 million (December 31, 2014: SAR 444.82 million and March 31, 2014: SAR 444.54 million) expected to be recovered from a related party.

8. CUSTOMERS' DEPOSITS

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
Time	45,287,715	45,257,743	36,987,992
Demand	30,811,043	29,964,157	27,372,492
Saving	437,182	407,754	461,485
Other	1,231,505	1,184,211	977,342
Total	77,767,445	76,813,865	65,799,311

9. DERIVATIVES

The table below sets out the positive and negative fair values and notional amounts of derivative financial instruments. 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.

Derivative financial instruments	March 31, 2015 (Un-audited)			December 31, 2014 (Audited)			March 31, 2014 (Un-audited)		
	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	161,256	65,982	28,486,638	121,637	35,434	27,079,104	132,737	55,260	24,412,249
Foreign exchange and commodity forward contracts	139,586	122,274	22,130,102	113,854	96,299	21,060,276	50,140	20,313	21,422,365
Currency and commodity options	303,569	300,446	60,561,267	119,130	119,130	44,267,042	32,822	32,181	28,364,907
Commission rate options	14,872	14,464	470,800	1	1	1,000,000	1	1	1,000,000
Held as fair value hedges:									
Commission rate swaps	-	2,345	131,292	-	2,402	187,730	-	4,994	373,361
Total	619,283	505,511	111,780,099	354,622	253,266	93,594,152	215,700	112,749	75,572,882

10. CASH AND CASH EQUIVALENTS

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	1,784,855	5,771,459	2,424,256
Due from banks and other financial institutions maturing within three months from the acquisition date	1,212,073	538,789	1,240,693
Total	2,996,928	6,310,428	3,664,949

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2015

Amounts in SAR '000s

11. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
Letters of guarantee	22,997,819	23,179,750	19,989,571
Letters of credit	5,373,310	4,921,726	6,484,896
Acceptances	2,940,593	2,688,999	2,703,322
Irrevocable commitments to extend credit	1,518,250	1,272,453	2,188,392
Total	32,829,972	32,062,928	31,366,181

12. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the senior management responsible for operational decision making in the Bank in order to allocate resources to the segments and to assess performance. Transactions between operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers. Commission is charged to operating segments based on a pool rate, which approximates the marginal cost of funds. The revenue from external parties reported to the senior management, is measured in a manner consistent with that in the interim condensed consolidated income statement. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2014. Following are the reportable operating segments of the Group:

Corporate Banking

The corporate banking group offers a range of products and services to corporate and institutional customers. It accepts customer deposits and provides financing, including term loans, overdrafts, syndicated loans and trade finance services. Services provided to customers include internet banking, global transaction services and a centralised service that manages all customer transfers, electronic or otherwise.

Personal Banking

The personal banking group operates through a national network of branches and ATMs supported by a 24-hour phone banking centre. The group accepts customers' deposits in various savings and deposit accounts and provides retail banking products and services, including consumer loans, overdrafts and credit cards to individuals and small-to-medium-sized enterprises.

Treasury

Treasury transacts mainly in money market, foreign exchange, commission rate and other derivatives for corporate and institutional customers as well as for the Group's own benefit. It is also responsible for managing the Group's investment portfolio.

Investment banking and investment services

The investment banking and investment services group offers security dealing, managing, arranging, advising and maintaining custody services in relation to securities.

Others

Others include the group-wide assets and liabilities management of the Group's operations other than the Treasury's core activities, maintaining group-wide liquidity and managing its consolidated financial position. It also includes the net interdepartmental revenues / charges on Funds Transfer Pricing based on the Group's methodology as approved by ALCO, the unallocated income and expenses relating to Head Office and other departments and the unallocated assets and liabilities.

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12. OPERATING SEGMENTS (Continued)

a) The following is an analysis of the Group's assets, revenue and results by operating segments for the periods ended March 31, 2015 and 2014 (Un-audited).

2015	Corporate banking	Personal banking	Treasury	Investment banking and investment services	Others	Total
Total assets	52,913,255	14,241,902	22,539,066	541,866	6,748,196	96,984,285
Total liabilities	38,664,480	22,696,891	2,181,586	27,281	22,836,536	86,406,774
Total operating income, net	605,351	250,154	159,298	19,903	(103,011)	931,695
Total operating expenses (without impairment charges for credit losses)	102,654	155,047	23,033	12,566	-	293,300
Impairment charges net of recoveries	74,267	27,041	-	-	-	101,308
Net operating income for the period	428,430	68,066	136,265	7,337	(103,011)	537,087

2014	Corporate banking	Personal banking	Treasury	Investment banking and investment services	Others	Total
Total assets	46,848,409	10,363,313	22,309,844	510,157	4,990,793	85,022,516
Total liabilities	36,136,566	19,330,580	3,281,154	23,213	16,897,024	75,668,537
Total operating income, net	525,405	195,354	130,763	17,141	(111,508)	757,155
Total operating expenses (without impairment charges for credit losses)	88,285	125,967	20,492	11,031	-	245,775
Impairment charges net of recoveries	66,816	22,411	-	-	-	89,227
Net operating income for the period	370,304	46,976	110,271	6,110	(111,508)	422,153

13. ZAKAT AND INCOME TAX

The Bank has filed its Zakat and income tax returns for the financial years up to and including the year 2013 with the Department of Zakat and Income Tax (the "DZIT"). The Bank has received Zakat and income tax assessments for the years 2005 to 2009 and a partial assessment for the year 2010 raising additional demands aggregating to SAR 115 million. This additional exposure is mainly relating to Zakat arising on account of disallowances of certain long term investments by the DZIT. The basis for this additional liability is being contested by the Bank in conjunction with all the Banks in Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from DZIT.

The Zakat and income tax assessment for the years 2011 to 2013 have not been finalized by the DZIT and the Bank is not able to determine reliably the impact of such assessments.

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14. BONUS SHARES ISSUED AND EARNINGS PER SHARE (EPS)

The Board of Directors proposed a bonus shares issue of 95.23 million shares of SR 10 each, which was approved in the shareholders' extra ordinary general assembly meeting held on March 17, 2015.

Basic earnings per share for the periods ended March 31, 2015 and 2014 are calculated by dividing the net income for the period attributable to the equity shareholders by 571.54 million shares to give a retrospective effect of change in the number of shares increased as a result of the bonus shares issued.

15. SHARE BASED PLAN FUND

During the current year, the Bank has reassessed its position and has consolidated the Staff Share Plan Fund in its interim condensed consolidated financial statements. Consequently the Group has recognized the Bank's shares held by the Fund as treasury shares amounting to SAR 99.81million and have presented these under share based plan reserve in the interim consolidated statement of changes in shareholders' equity.

16. 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 fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

Determination of fair value and fair value hierarchy

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 or identical instrument that an entity can access at the measurement date;

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.

<i>March 31, 2015 (un-audited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets:				
Derivative financial instruments	-	619,283	-	619,283
Financial investments available for sale	336,388	196,876	3,438	536,702
Total	336,388	816,159	3,438	1,155,985
Financial liabilities:				
Derivative financial instruments	-	505,511	-	505,511
Total	-	505,511	-	505,511
<i>December 31, 2014 (audited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets:				
Derivative financial instruments	-	354,622	-	354,622
Financial investments available for sale	362,432	201,056	3,438	566,926
Total	362,432	555,678	3,438	921,548
Financial liabilities:				
Derivative financial instruments	-	253,266	-	253,266
Total	-	253,266	-	253,266

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

<i>March 31, 2014 (un-audited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets:				
Derivative financial instruments	-	215,700	-	215,700
Financial investments available for sale	297,744	215,762	3,438	516,944
Total	297,744	431,462	3,438	732,644
Financial liabilities:				
Derivative financial instruments	-	112,749	-	112,749
Total	-	112,749	-	112,749

The fair values of financial instruments included in the interim condensed consolidated statement of financial position, except for those held to maturity, other investments held at amortised costs, loans and advances and customers' deposits that are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements. The estimated fair values of other investments held at amortised cost and held-to-maturity investments are based on quoted market prices, when available, or pricing models in the case of certain fixed rate bonds. The fair value of loans and advances held at amortised cost and commission-bearing customers' deposits are not significantly different from their book values since the current market commission rates for similar financial assets are not significantly different from the contracted rates. The fair values of due from banks and other financial institutions and due to financial institutions are not significantly different from the carrying values since the underlying amounts for these categories are for shorter durations which indicates that their booking rates are not significantly different from the current market rates. The fair value of subordinated debt approximates carrying value since this is a floating rate liability with commission rates re-priced every six months.

The value obtained from a valuation model may differ from the transaction price of a financial instrument on transaction date. The difference between the transaction price and the model value is commonly referred to as 'day one profit and loss'. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data or realised through disposal. Subsequent changes in fair value are recognised immediately in the consolidated income statement without reversal of deferred day one profits and losses.

17. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA and to safeguard the Group's ability to continue as a going concern by maintaining a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the management. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the Risk-Weighted Assets (RWA) at or above the agreed minimum of 8%.

Management monitors the adequacy of its capital using ratios established by SAMA. These ratios expressed as a percentage, measure capital adequacy by comparing the Group's eligible capital with its consolidated statement of financial position assets, commitments and contingencies and notional amount of derivatives at amounts weighted to reflect their relative risk.

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17 CAPITAL ADEQUACY (continued)

The following table summarises the Bank's Pillar-I RWA, Tier I & Tier II capital and capital adequacy ratios.

	<i>March 31, 2015 (Unaudited)</i>	<i>December 31, 2014 (Audited)</i>	<i>March 31, 2014 (Unaudited)</i>
Credit Risk RWA	88,167,786	85,399,158	75,268,862
Operational Risk RWA	4,200,463	4,041,288	3,720,113
Market Risk RWA	<u>542,497</u>	<u>558,494</u>	<u>335,614</u>
Total Pillar-I RWA	<u>92,910,746</u>	<u>89,998,940</u>	<u>79,324,589</u>
Tier I Capital	10,577,511	10,094,585	9,340,353
Tier II Capital	<u>4,160,183</u>	<u>4,171,160</u>	<u>4,950,601</u>
Total Tier I & II Capital	<u>14,737,694</u>	<u>14,265,745</u>	<u>14,290,954</u>
 Capital Adequacy Ratio %			
Tier I ratio	11.38	11.22	11.77
Tier I + Tier II ratio	15.86	15.85	18.02

18. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain qualitative and quantitative disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website www.shb.com.sa within prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Group.

19. COMPARATIVE FIGURES

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