



Annual Report 2015



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بنك البلاد
Bank Albilad

Kingdom of Saudi Arabia
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May Your Souls Rest in Peace



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



دانشگاه

عزاً للبلاد





Custodian of the Two Holy Mosques Salman bin Abdulaziz Al Saud
May Allah Protect Him



His Royal Highness Muhammad bin Nayef bin Abdulaziz Al Saud
Crown Prince and Deputy Prime Minister - May Allah Protect Him



His Royal Highness Mohammad bin Salman bin Abdulaziz Al Saud
Deputy Crown Prince and Second Deputy Prime Minister Minister of Defense - May Allah Protect Him

Vision

To be the preferred choice of genuine Islamic banking solutions

Mission

to strive initiatives and innovation to provide our banking services on a genuine Islamic basis to meet the ambitions of our stakeholders: clients, employees and shareholders

Core Values

- Initiative and Innovation
- Care and Partnership
- Trust and Accountability

**Mr. Abdulrahman bin
Abdulrahman Remzi Addas**
Board Member

**Dr. Ibrahim bin
Abdulrahman Al-Barrak**
Board Member

**Mr. Khalid bin Abdullah
Al-Subeai**
Board Member

**Mr. Ahmed bin Abdulrahman
Al-Hossan**
Board Member

**Mr. Khalid bin Abdulaziz
Al-Mukairin**
Board Member

**Mr. Fahad bin
Abdullah Bindekhayel**
Board Member



**Mr. Khalid bin
Abdulrahman Al-Rajhi**

Board Member

**Dr. Abdulrahman bin
Ibrahim Al-Humid**

Chairman of the Board

**Mr. Khalid bin Suleiman
Al-Jasser**

CEO

**Mr. Nasser bin Mohammed Al-
Subeaei**

Vice-Chairman of the Board

**Eng. Abdulmohsen bin
Abdullatif Alissa**

Board Member

**Eng. Ahmad bin
Abdulaziz Al-Ohali**

Board Member



Chairman's Statement

In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah, and peace and blessings be upon his Messenger and upon his family and companions.

On my behalf and the members of the Board of Directors, I am pleased to present the Bank's shareholders with the annual report for the fiscal year 2015, which shows the Bank's overall performance, detailed results of its main activities; in addition to the financial position, the shareholders' equity and the financial statements for the fiscal year ending the 31st of December 2015.

With Allah's help, grace and blessings, followed by the efforts of our employees, the Bank has managed to achieve positive financial and operational results and an estimated growth over the past year that ended on 31/12/2015, under the current economic conditions. Furthermore, the financial and monetary policy pursued by the Country's wise government had a main role in promoting the capability of Bank Albilad, and Saudi banks in general, to strengthen their fiscal positions and increase their ability to deal with risks and maintain a high and stable level of financial solvency.

Over the past year, the Bank had updated and developed its strategy for the next five years 2015 – 2020, which had been previously approved by the Board of Directors, in accordance with the developments that have occurred in the market and the banking industry, and the Board follows up with its implementation periodically. Furthermore, integrated governance system and mechanisms have been developed to follow up with the implementation of these strategic plans; in addition to making way for a number of the qualified and competent young Bank employees to progressively assume executive and leadership positions in the Bank, which will reflect positively on the Bank's results, with God's willing.

In addition to financial results that have been achieved, we, the Board of Directors, have also adopted community gains and have given a close attention to social responsibility; as the Bank has adopted numerous community-based initiatives that have strengthened its role in community service, and we will continue our work in this field in dedication to the social responsibility.

As a result of the Bank's good performance over the past years and looking forward to a future, which the Board considers to be promising and fruitful, with God's willing, the Bank's Board of Directors

recommended the General Assembly to raise the capital to six billion riyals, by distributing bonus shares by one share for every five shares, and this recommendation came to strengthen the financial solvency and maintain the Bank's resources to its operational activities.

On behalf of myself, the Board of Directors, the Executive Management and all the Bank's employees, I'm honored to extend the deepest respect and appreciation to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, his Crown Prince His Royal Highness Prince Mohammed bin Nayef and the Deputy Crown Prince His Royal Highness Prince Mohammed bin Salman, may God protect them, for blessing the banking sector with their continued support and sponsorship, which extend to all government and private institutions, and in particular the Saudi Arabian Monetary Agency (SAMA), the Ministry of Finance, the Ministry of Trade and Industry, and the Capital Market Authority (CMA). Furthermore, on behalf of myself, the Board of Directors, and the Executive Management, I extend my thanks to the honorable Excellency Chairman and members of the Bank's Shariah Board for their exerted efforts to ensure the Bank's commitment to the Islamic sharia standards in all its services and their work to achieve the vision of the Bank's Board of Directors and its shareholders in order to make the Bank a pioneer in Islamic banking. I also thank Bank Albilad shareholders and its honorable partners and customers for their trust that the Bank acknowledges and values.

Furthermore, I also thank the Bank's employees, Albilad's ambassadors, who worked diligently, faithfully and effectively every day, and they were and still, as I previously mentioned, the main reason – after the help of Almighty Allah – for what we have achieved and currently achieving from steady growth and good results; with full confidence that they will spare no effort and will not stop at this point, but will be working hard to achieve further progress and growth in the following years, with Allah's willing.

Finally, I extend my sincere thanks and appreciation for your trust in Bank Albilad management and its employees, and I am honored to meet you during the Bank's annual meeting at your General Assembly to answer any queries regarding the contents of this report.

May Allah grant success

As-Salamu Alaykum

Doctor
Abdul Rahman bin Ibrahim Al-Humaid



CEO's Speech

In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah, and peace and blessings be upon the most honorable prophets and messengers, Prophet Muhammad and all his family and companions and those who followed them benevolently until the Day of Judgment

Honorable shareholders of the Bank Albilad... As-Salamu Alaykum, Here we are, after passing the tenth anniversary since the foundation of Bank Albilad's activities, thanks to Allah, we begin a new decade with noticeable successes, with Allah's help and grace, and I thank the shareholders, customers and employees for their support throughout the past decade.

We thank Almighty Allah on what we had throughout the decade of the life of this bank, which is culminated with successes and superiority in different economic, finance, social and humanitarian fields. It is no secret to everyone that "Albilad" is still a young bank, making it a fast-growing and developing bank compared to other financial companies. one of the reassuring indicators in our financial performance is the rise in the Bank's assets in 2014 to more than (51.2) billion riyals, which represent an increase of 13.2%; while the net financing portfolio rose by a rate of 20.8% compared to last year; and thanks to Allah, there was an increase in the total operating income by a rate of 9.4% compared to 2014. The customers' deposits rose by 14.9% from the previous year; this is a clear indication that Bank Albilad is growing and is continuously developing and improving; although there was a decline in the net income by 8.8% from 2014, due to the increase in the total operating expenses for 2015, the modernization of more than 25 branches from Bank Albilad branches network and remittance completion centers, and the increase in of some of the Bank's branches' rents. This expansion comes under a strategic framework approved by the Board of Directors in September 2014, which is a very ambitious strategy, and we will see its impact in the coming years, with God's willing. We expect profit growth to be well-proportioned with the accession of 25 branches to the 120 branches covering the whole country, 40 women branches and 171 Enjaz centers (Funds Transfer).

my colleagues and I in Bank Albilad will do our best to maintain what we have achieved from earnings and the sustained growth rates by continuing the initiative and innovation; in order to keep up with the expectations of shareholders and customers and to find genuine

Islamic banking solutions; so that the Bank will remain trustworthy and responsible by attracting the talent that represent the real capital in investments. We will also continue our community initiatives aimed at strengthening the social responsibility impact on the Bank.

In conclusion, I ask Almighty Allah to strengthen this country under the leadership of its current leader, the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, and his supporter the Crown Prince His Royal Highness Prince Mohammed bin Nayef bin Abdulaziz, and the Deputy Crown Prince His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, may Allah protect them all and grant them success for what is good for the country and people, and spread his goodness and blessing upon you and me.

As-Salamu Alaykum

The challenge steadily continues toward success, with Allah's willing.

Mr. Kalid bin Suliman Al-Jasser





ويستمر التحدي نحو النجاح بثبات بإذن الله



Board of Directors Report

2015

Bank Albilad

(Saudi Joint Stock Company)

The Annual Report of the Board of Directors For the year ended on the 31st of December 2015

Gentlemen: Shareholders of Bank Albilad

Greetings,

The Board is pleased to submit to the Bank's shareholders the annual report on the Bank's performance and its main activities for the fiscal year ended on the 31st of December 2015.

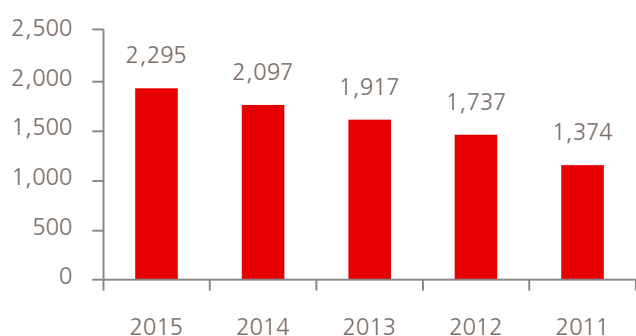
Operational Results:

The year's net income has reached 788 million Saudi riyals for 2015, with a decline amounting to 8.8% from 2014. The reason behind this decline is the increase in the total operating expenses amounting to 22% to reach 1,506 million riyals; this came as a result of an increase in the provisions set aside for the Finance and Investment Portfolio in addition to the increase in the clause regarding the employee's wages and benefits expenses; and in return, the total operating income increased by 9.4% to reach 2,295 million riyals as a result of growth in the net income of the Investment and Finance Assets Portfolio amounting to 14.1% to reach 1,162 million riyals.

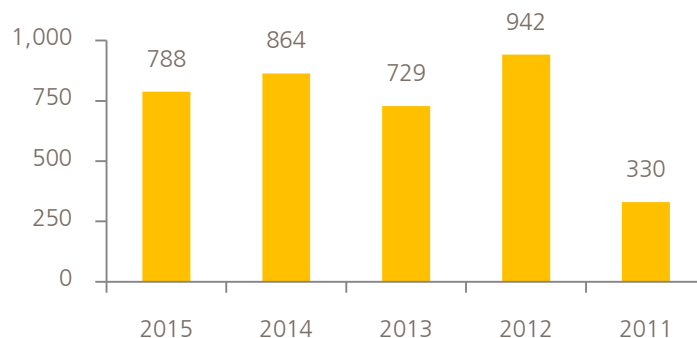
Financial Position:

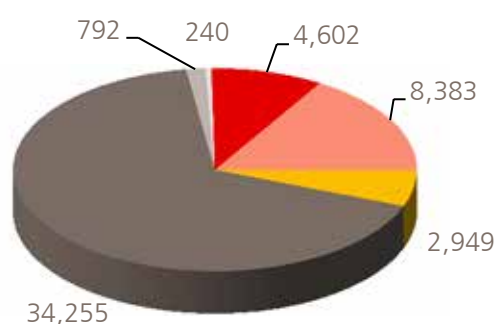
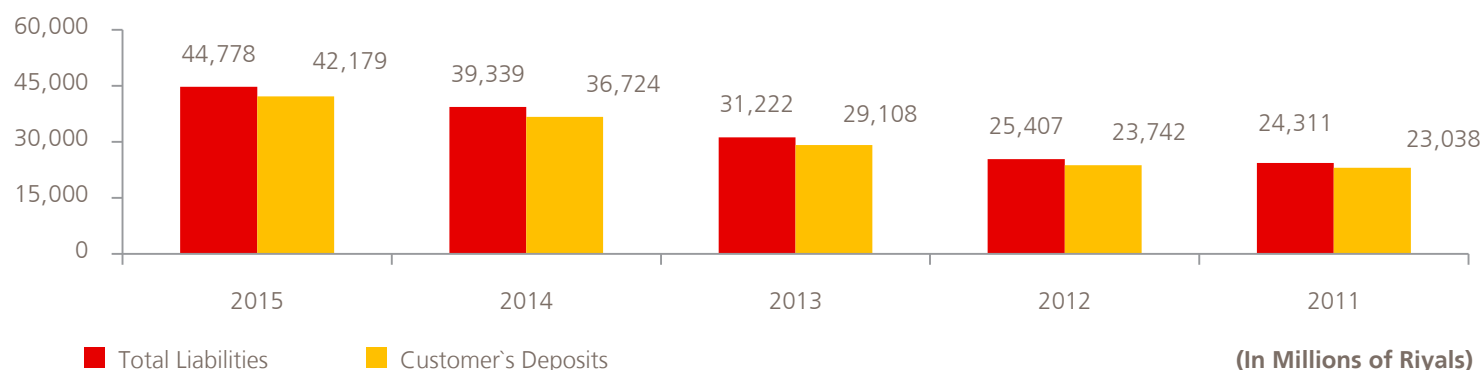
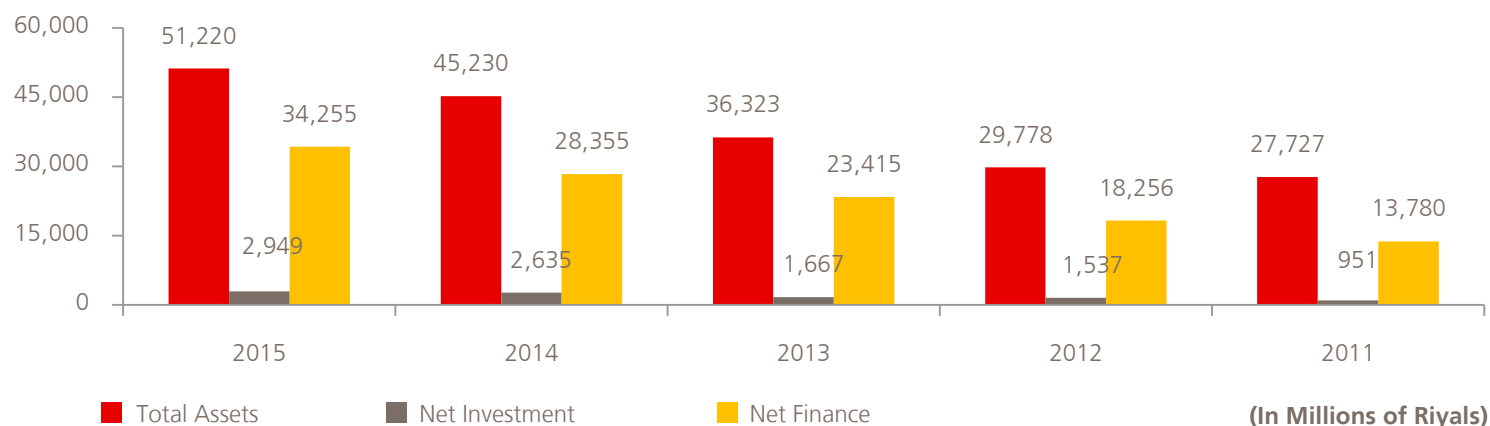
The Bank's total assets by the end of 2015 amounted to 51.220 million Saudi riyals; this represented an increase by 13.2% from last year. Furthermore, the customers' deposits have increased by the end of the current year, amounting to 42.179 million Saudi riyals; recording an increase of 5,456 million Saudi Riyals compared to the previous year, i.e. an increase by 14.9%. The net financing portfolio has also risen to 34.255 million Saudi riyals by the end of 2015, compared to 28.355 million Saudi riyals from the previous year, i.e. an increase by 20.8%.

Total Operating Income: (In millions of riyals)



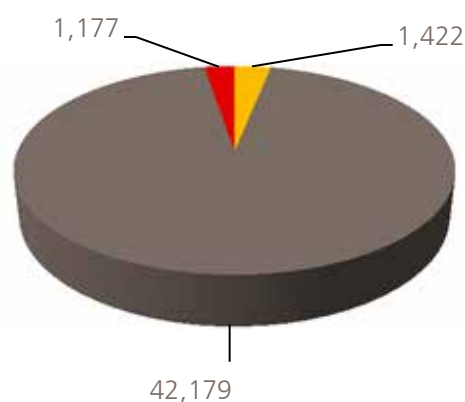
Year's Net Income: (In millions of riyals)





Composition of Assets: (In Millions of Riyals)

- Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)
- Net Balances at Other Banks and Financial Institutions
- Net Investments
- Net Finance
- Net Property and Equipment
- Other Assets



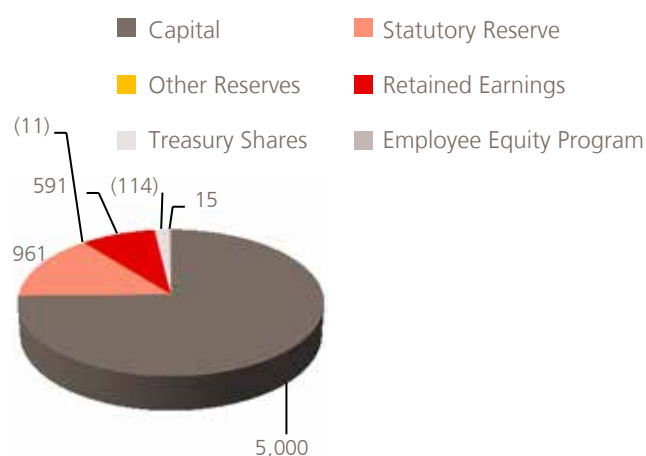
Composition of Liabilities: (In Millions of Riyals)

- Balances of Other Banks and Financial Institutions
- Customer's Deposits
- Other Liabilities

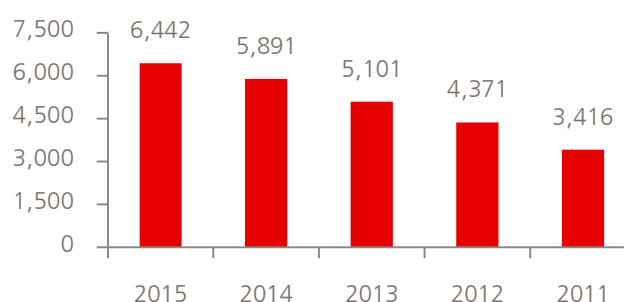
Shareholders' Equity:

The shareholders' equity amounted to 6,442 million Saudi riyals by the end of 2015, compared to 5,891 million Saudi riyals at the end of 2014; whereas the number of issued common shares was nearly 500 million shares. The Capital Adequacy Rate (CAR) has reached 15.9% by the end of 2015 compared to the minimum requirement of 8%. The Bank achieved a return on average assets amounted to 1.6%, while the return on average shareholders' equity amounted to 12.8%, and the earnings per share amounted to 1.58 riyals per share.

The composition of the Shareholder's Equity



Total Shareholders' Equity (In Millions of Riyals)



The following is a summary of the results of the financial group as on the 31st of December 2015.

2015 In thousands of Saudi Riyals	Individuals Sector	Corporate Sector	Treasury Sector	Investment and Brokerage Services Sector	Others	Total
Total Assets	15,818,492	22,793,027	10,582,126	430,947	1,595,818	51,220,410
Capital Expenditure	66,743	148	57	2,221	25,825	94,994
Total Liabilities	31,230,550	11,032,401	1,338,161	148,753	1,028,306	44,778,171
Net Income from Investment and Finance Assets	441,269	592,337	84,837	902	43,049	1,162,394
Net Fees and Commissions Income and others	795,184	135,516	94,401	72,295	34,830	1,132,226
Total Operating Income	1,236,453	727,853	179,238	73,197	77,879	2,294,620
Net Provision for the Finance Impairment Losses	65,777	12,916	-	-	-	78,693
Provision for the Impairment of Available-for-Sale Investments	-	-	-	-	13,108	13,108
Depreciations	93,217	5,436	1,085	1,449	-	101,187
Total Operating Expenses	1,110,973	284,049	49,541	46,732	14,902	1,506,197
Year's Net Income	125,480	443,804	129,697	26,465	62,977	788,423

The consolidated financial statements include the financial statements of the Bank and its subsidiaries, which are Albilad Investment Company and Albilad Real Estate Company, they are collectively referred to as the "Group".

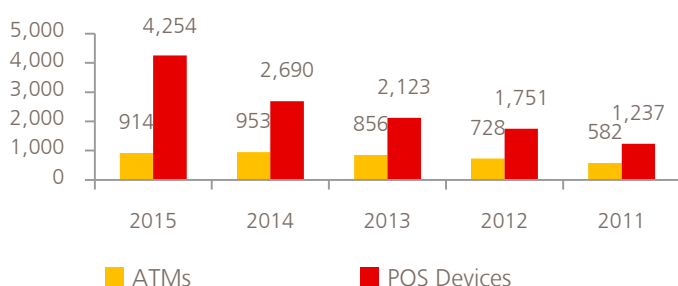
Future Plans and Expectations:

Bank Albilad adopted a growth policy and a strategy aiming to gain more market share through a strategic plan for

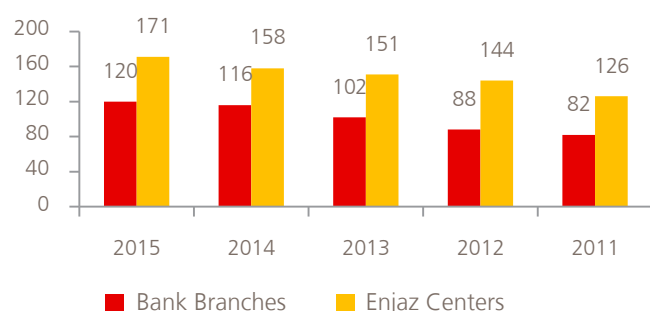
the next five years. The Bank relied on developing a governance and transparency approach on all the activities that led to better performance and enrichment of the customer experience, through many initiatives that promoted the Bank's operations; taking into account the market developments and the regulators' requirements. Furthermore, these strategic initiatives aim to support the current and future customers of the Bank, and the approved strategy aims to benefit from the opportunities available at the current markets; in order to reach maximum growth, increase the market share and raise the quality standards for the provided services by placing new products and services on the market and developing the infrastructure; taking into account the economic and trade expectations in Saudi Arabia, despite the growing competition in the market. The Bank also expects continued growth in the future in all sectors; in addition to developing its activities in the banking services field for individuals and corporates, and placing a number of new products on the market, which will have an impact on achieving the objectives and enhancing the Bank's customer base. The Bank also aspires to increase its expansion by increasing the number of new branches, ATMs and points of sale (POS) to enhance its market share over the next year, and raise the level of customer satisfaction. In addition to achieving a growth in the revenues and expanding and diversifying its investment portfolio; and despite the changes, the economic challenges, and the internal and external competition factors that occurred last year, the Bank has supported customers in their business and achieved growth in its business according to the highest standards and risk management practices and it will continue with this approach to achieve higher national objectives through the principle of partnership with customers and the establishment of long-term strategic relationships.

Expansion of Banking Services:

In 2015, four new branches were opened for Bank Albilad, bringing the number of working branches to 120 branches throughout the Kingdom; furthermore, 13 remittance (Enjaz) centers were added, bringing the number of remittance centers to 171 centers by the end of 2015. In the e-banking field, the number of working devices has reached 914 devices at the end of 2015; and 1564 devices have also been added to the POS during the year 2015, bringing the number of devices to 4254 devices at the end of 2015.



Financial Comparisons:



A) The following is an analysis for the most important clauses of the consolidated statement of financial position (in millions of Saudi riyals)

B)

	2015	2014	2013	2012	2011
Net Investments	2,949	2,635	1,667	1,537	951
Net Finance	34,255	28,355	23,415	18,256	13,780
Total Assets	51,220	45,230	36,323	29,778	27,727
Customers' Deposits	42,179	36,724	29,108	23,742	23,038
Total Liabilities	44,778	39,339	31,222	25,407	24,311
Total Shareholders' Equity	6,442	5,891	5,101	4,371	3,416

C) The following is an analysis of the most important clauses of the consolidated income statement (in millions of Saudi Riyals)

	2015	2014	2013	2012	2011
Net Income from Investment and Finance Assets	1,162	1,019	947	840	703
Net Fees and Commissions Income	779	719	666	645	458
Net Foreign Currency Exchange Gains	317	293	245	234	189
Total Operating Income	2,295	2,097	1,917	1,737	1,374
Reversal of the provision for Murabaha Goods Impairment	-	-	(5)	-	-
Provision for the Impairment of Available-for-Sale Investments	13	-	-	-	-
Net Provision/ Reversal of Provision of Finance Impairment	79	(8)	175	275	252
Total Operating Expenses	1,506	1,233	1,188	1,168	1,044
Non-Operating Gains	-	-	-	373	-
Year's Net Income	788	864	729	942	330

Geographical Analysis of the Revenues of the Bank and its Subsidiaries: -

Analysis of total revenue by region (in millions of Saudi riyals)

	Central	Western	Eastern	Total
Total Revenues for 2015	1,736	346	213	2,295

Most of the revenues of the Bank and its subsidiaries are mainly realized from the activities within the Kingdom of Saudi Arabia, and the Bank has no branches or subsidiary companies or institutions working outside Saudi Arabia.

Current and Future Risks:

The Bank is exposed through its activities to current and future risks, which is an essential part of the nature of the Bank's business. These risks are monitored and managed by the Bank's Risk t divison that is responsible for the management of credit risk, market risk, operational risk and information security, in addition to complying with the requirements of the Basel Committee and the IT governance. A complete description of these risks has been stated in the clarifications attached with the consolidated financial statements from 28 to 30 as accompaniment to the Board of Directors' report. The most important of which are the following:

During 2015, the Risk Management division worked in a manner that contributes to the effectiveness of the risk management system, in addition to achieving good applications and practices, and ensuring that the Bank's actions achieve an appropriate balance between the return and the expected risk. The framework of the Risk Management division relies on three pillars, which are the sound principles for risk management, the organizational structure and

the risk control and measurement processes, which conform to the banking activities to ensure the maintenance of an acceptable level for these risks. Furthermore, the function of Risk Management division is independent and separate from the business divisions of the Bank, based on SAMA's instructions and guidelines and Basel Committee instructions; as the Bank developed frameworks for defining, measuring and managing risks and defined the function of the Risk Management as a separate management from the business divisions. The Banking Risk Management Process includes different types of banking risks such as credit risk, liquidity risk, operational risk and market risk. The Bank also reviews the Risk Management systems and policies periodically to adapt to the changes in markets and products to reach the best international banking practices.

A) **Credit Risk:** The credit risk is one of the most important risks assumed by the Bank, as the Bank is exposed to credit risk through its finance and investment, and the credit risk's work is divided into multiple units operating under one system in accordance with the approved credit policies and procedures.

- **Measurement of Credit Risk Degree:** The Bank works on measuring the degree of credit risk for the purpose of reaching the maximum quantity and quality measurement degree to determine the credit risk degree faced by the Bank. Furthermore, Bank Albilad uses an assessment system prepared by Moody's Corporation to assist in the internal assessment of the credit risk degree for corporate customers and private banking customers to measure the probability of default, the size of the amounts that are likely to be defaulted, and the losses resulting from defaults. The Bank is constantly striving to develop the internal assessment methods for the risk degree for the customers; as the Bank has assessment forms through the Moody's system to evaluate the customers of small and medium enterprises and the customers with high solvency aside from the form for corporate customers; to give a more accurate and fair assessment. Furthermore, the Bank is about to complete the preparation and development of the measurement of the credit risk degree for individual customers.
- **Credit Risk Controls and Mitigations:** The Bank follows several methods to mitigate the credit risk degree to acceptable limits, and from the most important methods is conducting analytical studies on the future data to measure the possibility of the customer's payment of his obligations. The credit approvals are carried out by several credit committees composed of executive members in the Bank or through Board-level committees; in proportion to the degree of credit risk and the size of credit facilities for each competent authority. In addition, the Bank meets the guarantees in exchange for the facilities whenever the need arises, and the Bank goes for the most liquid, organizational and enforceable guarantees; as the forms of the existing guarantees in the Bank vary in exchange for the credit facilities, for example: cash cover, mortgage of some investments and assets for the Bank or mortgage/reservation of some commercial and residential real estate assets, and the presence of a security in exchange for the facilities, whether personal or financial security or a third-party security; noting that the granting of finance for individuals is based on finance programs that include the transfer of the customer's wage to the Bank. It is taken into account not to allow the presence of credit concentration in the credit portfolio, in addition to ensuring the conformity of the size of credit exposure with the controls stated in this regard, whether for the exposure with a certain authority or a certain sector (activity).
- **Monitoring and Reports:** A comprehensive credit review of the financial and credit position is carried out for all corporate and private banking customers who receive finance on an annual basis to ensure the continuity

of the customer's activity his financing need and the continuance of proper functioning credit relationship, in addition to reviewing the reports of the customers' frequent visits throughout the year. Corporate customers who have high credit risk rates are considered and rated on the list of customers who require special supervision; as this credit exposure is monitored and pursued accurately and carefully to reduce the shrinking of this credit exposure properly and in a biannually manner. The portfolio of the individual customers, who obtain credit facilities for consumption purposes, and the credit cards are followed up with on a comprehensive basis through the assessment of the criteria established for this portfolio for each segment individually. The Bank calculates the credit provisions in the Bank's financial statements and record in accordance with the applicable International Financial Reporting Standards (IFRS) for accounts that are likely to achieve losses, in the presence of indicators implying the need to carry out these provisions, which may affect the expected cash flows from these assets or investments. The Bank is also preparing a comprehensive monthly report for the status of the Bank's portfolio, containing an analysis of the credit concentrations analysis to be reviewed and supervised by senior management of the Bank.

- **Market Risk:** Most of the banks' works are exposed to market risks; as the fluctuations in prices often lead to positive or negative results, resulting in a gain or loss for the Bank; furthermore, the sudden and high fluctuations in prices may affect the liquidity of the Bank in addition to the Bank's the financing ability. There are main risks from the market risk faced by the Bank and they are as follows: Return Rate Risk or Profit Rate Risk: The return rate risk or the profit rate risk are known as the potential impact on the Bank's profitability, as a result of the changes in the rates of returns on the market, and the price changes often occur either due to overall market movements, or because of the source/ certain reasons for the borrower. Foreign Exchange Risk: The risk resulting from the impact of the fluctuations in the currency exchange rates on the existing currency centers at the Bank. Share Investment Risks: The risks resulting from fluctuations in share prices, and thus the impact on the Bank's profitability and the shareholders' equity. In general, the objective of the Market Risk Management for the Bank is to manage and control exposures to market risks in order to increase the revenues within the approved policies for market risk and the Bank's acceptable risk level. The sources of exposure to market risks for the Bank are divided into: Trading Portfolios: The exposure to market risks in the trading portfolio in foreign currencies arises due to meeting the requirements of the Bank and its customers from foreign currencies. Non-Trading Portfolios: The exposure to market risks in the non-trading portfolios primarily arises due to the lack of conformity of the assets and its maturity dates with the maturity dates of the liabilities, and the impact of the price changes with the implementation of the re-investment operations.

B) **Liquidity Risk:** The liquidity risk is considered one of the most important risks faced by the banking sector in general or a specific bank in particular; taking into account the likelihood of the Bank's inability to meet the financing requirements at a reasonable cost (liquidity finance risk), or its inability to liquidate its positions at a reasonable speed, while maintaining the appropriate price (market liquidity risk).

- **Governance of Market Risk and Liquidity Risk:** Market Risk Management is working on developing limitations and control for the extent of the compliance thereto by applying policies and limitations approved by the Board of Directors; and the Assets and Liabilities Committee (ALCO) is considered responsible for managing the market risk at the strategic level under the delegated authority. The limitations of the portfolios,

products and risk types are specified based on the size of the liquidity in the market, the credit risks associated with it, the implemented analysis and the extent of using the limitations. The Market Risk Management Sector is classified as an independent regulatory management responsible for implementing the market risk policies effectively, and it is also responsible for the development of the methods and methodologies of the Market Risk Management in the Bank, the measurement mechanisms and the behavioral assumptions for liquidity and investment, in addition to the immediate reporting of any violations of the established limits to the Senior Management, in accordance with the strict mechanisms and procedures approved and certified by the Board of Directors, along with the regular reporting of the exposure to market risks and the violations of the limitations to the Asset and Liabilities Committee and the Board of Directors. The Bank works on diversifying the financing sources in order to reduce exposure to liquidity risks; which results in reducing the degree of concentration and maintaining an acceptable level of assets for liquidation; in addition to developing a number of policies and standards for Liquidity Risk Management, as well as providing an emergency plan in line with the best practices issued by the Basel Committee regarding Liquidity Risk Management. The policies and procedures regarding Liquidity Risk Management are reviewed periodically and subjected to the approval of the Assets and Liabilities Committee and the Board of Directors. Furthermore, there are also additional control factors that often work on maintaining the level of market risk exposure within acceptable readiness levels in the event of adverse events (such as stress tests and procedures for approving new products); as the periodic receipt of the stress tests results determines the impact of the changes in the profit rates, the foreign currency exchange rates and other risk factors on the Bank's profitability, capital adequacy, and liquidity. The results of the stress tests are sent periodically to the Executive Management and the Board of Directors to evaluate the potential financial impact in the event of extraordinary events.

C) **Operational Risk:** Operational risk are known as the risk of loss resulting from inadequate or failed internal operations, individuals, technical systems or external events, and the definition includes the legal risk and excludes the strategic risk and the reputational risk. Operational risks are collateral risks inherent in all the Bank's products, activities, operations, and IT systems, which are caused by internal factors, unlike the credit risks and the market risks that arise from external factors. Taking into account the above, Bank Albilad has adopted a strategy that relies on the active participation of the Senior Management in managing this type of risk; because of its impact on the various activities of the Bank; as the Bank is constantly trying to work on reducing the effects of the operational risk to achieve the Bank's strategic objectives through the following:

- Analyze and assess the objectives and sub-activities and work on reducing the exposure to operational risk.
- Identify the operational risks in the current and new products, activities, operations and IT systems through the use of the following operational risk management tools: Calculation of the operating losses in order to identify the regulatory gaps that led to these losses and working on developing the corrective actions to reduce their recurrence in the future; the assessment of the collateral risks inherent in the various activities of the Bank and the applicable regulatory elements to address the risks, and the collection of key risk indicators in order to monitor and control the level of exposure to the operational risk as an initial warning before the risk occurs.

- A proactive initiative from the Bank's Management to address the operational risks.
- An independent and continuous assessment of the regulatory elements, policies, procedures and performance of the Bank's activities.
- Ensure compliance with the regulators' instructions and the international standards in the Operational Risk Management.
- Provide the Executive Management and the Board of Directors with periodic reports on the results of the risk assessment and the operational losses suffered by the Bank and its corrective actions.

Bank Albilad Divisions and Departments Activities

The Bank performs key activities in Saudi Arabia that consists of main operating sectors, which are as follow:

personal Banking Activity (Retail)	Includes services and products provided to individuals, such as deposits, finance for individuals, remittances and foreign exchange.
Corporate Banking Activity	Includes services and products provided to financial companies and institutions, such as deposits, finance and business services to customers.
Treasury Activity	Includes Capital Market, trade and the provision of treasury services.
Investment and Brokerage Services Activity	Includes investment management services and assets management activities associated with the services of handling, management, arrangement, counseling and maintenance of securities.

The following is a summary of the work of the divisions and managements:

Retail Banking division:

Proceeding from the strategies of the existing individuals banking sectors, which seek to increase revenues and reduce expenses by introducing new products and services with a focus on the quality of the provided service and increasing the market share, the Bank launched a number of products and services in 2015, including the products of supplementary finance, a one-month wage in advance without profit margin, and foreigners' finance; in addition to launching Mada Card and the Signature Card with the provision of access to airport lounges for holders of Albilad Platinum Card and Signature Card, and the provision of sales unit by phone; while maintaining the products and services that are currently provided such as accounts and its associated services, finance (personal, real estate, and auto), prepaid credit cards, customer relationship management, ATM services, POS, safe deposit boxes, "Albilad Maak" service, and currency exchange service; in addition to providing guaranties, telephone banking service, service payment, deposit, withdrawal, private banking, currency exchange, and internal and external remittances. With God's help in 2015, four new branches were opened and 150 authorities were recruited to finance its employees; furthermore, the sales grew by 32% compared to 2014, and the collected fees has risen to 57% compared to 2014, whereas 1,564 POS devices had been installed and 176 government and charity accounts were opened. In 2016, the retail Banking division will continue to target the segments of new customers and development revenues by introducing new products that meet the desires of its customers, and it also aims to expand in developing advanced and modern methods to attract and recruit its customers to meet their current and future aspirations.

Corporate Banking division:

Corporate banking division continued with its strategic approach in providing banking solutions for corporate enterprises sectors and business sectors in Albilad's economy through an extensive package of services including finance operations, trade and import finance operations; in addition to products of cash management services and e-services; furthermore, the Bank has achieved a growth in the size of its finance portfolio for this segment in 2015, compared to the previous year by a rate of (19.4%), and the total revenues has also achieved growth by a rate of (10.3%) for the same period. In the same context, the Bank has also expanded in size and number of customers and has succeeded in recruiting a large number of institutions and companies in various business sectors. This came in implementation of the Bank's expansion to cover a number of cities in the Kingdom of Saudi Arabia through relationship managers specialized and trained on attracting and managing this type of customers. This approach will continue, with Allah's willing, to attract and develop the business sector in Albilad, with a focus on small and medium segments, which will have a direct impact on the achievement of the national developmental objectives; in addition to creating job opportunities and strengthening the Bank's customer base, while not losing sight of the major projects, in which the Bank will work on participating as a financier and provider of banking services according to a certain philosophy that makes us consider our customers as partners in the success; furthermore, we work together to achieve our common goal to reach the desired objectives through specific and clear recruitment standards; taking into consideration the balance in terms of risks that we are working to keep to a minimum.

In addition to the services package provided by the Bank, the Bank has succeeded, thanks to Allah, in automating trade finance services through "Albilad Trade" portal, which made it possible for the Bank's customers to implement and follow up with their needs in this field through modern, safe, fast and effective technology tools; in addition to more technical features that make it easier for customers in the field of wage services for authorities' employees, including the electronic wage transfer services that is compatible to the Wage Protection System (WPS). With Allah's willing, 2016 will be full of many initiatives that will provide more technical solutions to customers, in addition to automating the sector's internal procedures in order to achieve the best grades and perform the risk management practices effectively, which ensures the monitoring of the performance, as well as accelerating the implementation and responsiveness to customer requests, and working in a paperless environment. Despite the economic changes and challenges and the internal and external competition factors that occurred last year, the Bank has supported customers in their business and achieved growth in its work, according to the highest standards and risk management practices, and it will continue with this approach to achieve the supreme national objectives through the principle of partnership with customers and establishing long-term strategic relationships.

Finally, the Corporate Banking Sector worked on developing the human element through a variety of training courses for the current employees, in addition to University Fresh Graduate Programs (UFGPs), which aim to develop future managers. Furthermore, as the Bank planed several years ago, the young national cadres, in which it has invested in the past, have now begun to assume positions in the supervisory management levels by promotions to positions in the middle management and then becoming leaders of the Bank in the future, with Allah's willing.

Treasury Sector:

In 2015, the Treasury's strategy at Bank Albilad has centered around the identification of the long-term investment fields and the work to increase and diversify the income sources, in addition to increasing the market share and raising

the level of customer service along with the risk management, as the Sector managed during the year to expand its investment portfolio and increase the number of customers, which will provide sustainable sources of revenue in the coming years. Perhaps from the most important strategic and operational aspects that have been worked on in 2015 are as follows:

Enhancing the Capital Market Activities: In the past, the Treasury worked on establishing a portfolio for instruments and investment funds; as it has invested in long-term strategic Murabaha contracts, at the time in which it has continued its investment in local instruments (with a fixed income). Furthermore, the Treasury team focused on providing new products in capital markets and increasing the size of the current investment portfolio.

Increasing Cash Activities: The Bank has witnessed significant growth in the wholesale cash transactions; as the cash proceeds have become a main source for the Treasury's revenues in the recent period, in addition to being a source of sustainable income for years to come.

Sales Management: The Treasury's sales team started providing services directly to large local companies, resulting in an increase in the Treasury's customer base.

Composition and Creation of Markets: Trading units between banks entered in different activities to create markets in order to increase income. Trading units have also extended their presence in the region and beyond.

In 2016, the Treasury at Bank Albilad aims to strengthen partnerships with customers and provide more new products, as well as searching for new fields to achieve revenue growth, and expanding and diversifying the sources of income for the Treasury Sector.

Enjaz Division

In 2015, Enjaz division has witnessed a good growth rate; as it has achieved a remarkable growth during the year 2015, becoming one of the most important service providers of remittances and foreign currency sale and purchase in the Kingdom. The confidence of Enjaz's customers comes as a reflection to what the Sector had witnessed from continued development for transfer channels, and development of systems in order to keep pace with the global technological development; in addition to expanding its internal network; as it has amounted to 171 centers by the end of 2015, making them the most prevalent centers in the Kingdom; this contributes significantly to achieving one of our strategic objectives, which is making Enjaz more closer to its customers than ever; in addition to the network of its correspondents by contracting with major banks throughout the world, and the constant communication with the current partners to develop strategies in order to raise the quality standards of the provided services. The signing of a strategic partnership agreement between Enjaz and the Trans-Fast Global Company is one of the most important achievements of the last year, to enable customers to send money safely and quickly to different locations around the world. Furthermore, new products and services have also been provided during the year in order to develop the existing products and services and exceed the customers' expectations.

Risk Management Division

The Risk Management division at Bank Albilad consists of Risk division, Credit Risk division, IT Governance division, Information Security Management and Basel Applications Unit; as the Risk Management division continued to update and develop the policy of the Bank's Risk Management division to operate within the acceptable risk limitations certified by the Bank's Board of Directors. The Bank's Risk Management division has paid its utmost importance to apply the

latest instructions of the Basel Committee and develop the necessary plans for its completion within the time period specified by the supervisory and regulatory authorities.

On the other hand, the Bank continued to work on implementing self-assessment for the the risk levels by increasing the implementation scope of the risks' self-assessments to include an additional phase for assessing the risks of implementing products and services operations. In 2015, the Risk Management division has continued to work with Moody's Company on implementing the measurement and the risk management systems in order to complete the first phase in 2016. The Bank has paid high attention to developing the Bank's internal capital adequacy measurement mechanisms, in addition to providing proposals to the supervisory authorities in 2015 for all types of risks within the Bank's internal capital adequacy.

Compliance and Anti-Financial Crime Division

The role of the Compliance and Anti-Financial Crime division is one of the most important success factors and drivers of the growth wheel in the Bank; as it provides advice, counsel and monitoring, which contribute in sparing the Bank from the damage of the reputational and financial penalties risks, whether internal or external. Furthermore, the Compliance and Anti-Financial Crime division also plays a key role in anti-money laundering and counter-terrorism financing and anti-banking fraud, as it provides roles in protecting the bank from these suspicious operations.

In line with the strategic plan for 2015, Compliance division was keen on developing its tools and refining its potential to achieve the desired objectives and implement the future strategy that contributes to eliminating all illegal operations and ensuring the Bank's compliance with all the regulations and instructions of the Saudi Arabian Monetary Agency (SAMA). Furthermore, the Compliance division applied automatic updates to block lists; in addition to enhancing anti-money laundering and counter-terrorism financing systems through new methods consistent with the requirements of the legislative authorities. Finally, the Sector participated in training and raising the awareness of the Bank's employees regarding anti-money laundering and counter-terrorism financing and anti-fraud.

Internal Audit Division

In 2015, the Internal Audit division implemented more than 204 internal audit projects covering various activities and operations of the Bank, with an increase of 35% from 2014. These projects were planned based on a comprehensive study and a thorough risk assessment carried out by the Internal Audit division in collaboration with a consulting firm as part of the procedures for preparing the risk-based internal audit plan for 2015, which was adopted by the Audit Committee earlier that year. In addition to the planned audit projects, the Sector carried out a number of special audit projects to cover a number of risks emerging during the year and to follow up and confirm some of the processors made by Management, so as to give a higher level of emphasis on the completion of the proper processing requirements for the relevant internal regulatory controls.

On the other hand, in continuation of implementation of Internal Audit division's strategy approved by the Audit Committee, which is based on four main themes, namely: internal audit operations, human resources, technology and communication, the division completed the overall activation of the automated system for managing the internal audit to increase the effectiveness and efficiency of the audit work in its various phases starting from the annual risk-based planning process right up to the follow up with the application of internal audit recommendations issued automatically; in addition to the deeper and systematical use of automated data analysis and imaging to enable ongoing review

and follow-up with the main risks related transactions and activities of the high-risk bank. As a reflection of the Sector's strategy and its belief in the strategic importance of the continuous development of the human element, the division managed to attract a number of competencies from the professional fellowships campaign, such as CPA and SOCPA to join the internal audit team; furthermore, the internal audit employees completed a variety of professional training courses and development activities directed to increase efficiency. On the other hand, as part of the division's commitment to assess and confirm the quality of its work and enable the division to continue developing its activities, they managed, through the use of one of the specialized international consulting firms, to conduct an independent external assessment of the quality of internal audit's work, in accordance with the international professional standards certified by the internal auditors, and its results came as "Generally conforms" with the international internal audit standards, and this result is considered the highest on the external assessment scale for internal audit. In addition, the Bank has recently sponsored the Fourth Internal Audit Forum 2015, in cooperation with the Saudi Institute of Internal Auditors; that is due to its belief in the importance of internal audit in supporting enterprises' business, and in support of the internal audit profession in Saudi Arabia.

Shariah Division

out of Bank Albilad's policy, in which it stipulated the Bank's commitment to the Islamic Sharia provisions, and to achieve this purpose, the General Assembly of the Bank has selected the members of the Sharia Board and agreed to its regulations, which states its independence from the Bank, and the most notable highlights in this regulation are as follow:

1. The Bank does not apply any product, contract or agreement without the consent of the Shariah Board.
2. The Shariah Board's decisions are binding on the Bank with all its managements and subsidiaries.
3. The Shariah Board and the Shariah Sector participate in the product development process, in accordance with the Shariah provisions.
4. The Shariah Board and the Shariah division contribute in spreading awareness of Islamic banking.
5. The Shariah Board consists of six members from scholars and specialists proficient in the jurisprudence of financial transactions and the economy, namely:

1	His Excellency Sheikh Abdullah Bin Suleiman Al Manea	(Board's Chairman)
2	His Excellency Sheikh Prof. Dr. Abdullah Bin Mohamed Al Mutlaq	(Deputy)
3	His Eminence Sheikh Prof. Dr. Abdullah Ibn Musa Al-Amar	(Member)
4	His Eminence Sheikh Dr. Muhammad Ibn Saud Al-Osaimi	(Member)
5	His Eminence Sheikh Prof. Dr. Abdul Aziz bin Fauzan Al-Fawzan	(Member)
6	His Eminence Sheikh Prof. Dr. Yusuf Al-Shubaili	(Member)

A preparatory committee emerges from the Shariah Board consisting of the last four Sheikhs, and the Preparatory Committee exercises the powers provided thereto by the Shariah Board, and has several tasks, most notably: Studying the subjects received from the Bank in order to be submitted to the Shariah Board to reach a decision; studying the Shariah inquiries received from the Bank's employees and customers and providing guidance in this regard; and studying the initial ideas for products and providing guidance in this regard. In 2015, five (5) Shariah Board meetings, and fifteen (15) Preparatory Committee meetings were held, in which the Shariah Sector addressed (1300) subjects, and monitored (36) regulatory notes.

The Shariah division's structure consists of Shariah Studies and Research Management, Shariah Supervisory Management, and Support and Coordination Unit; as the Shariah Studies and Research Management prepares the subjects received by the Shariah Board, and prepares the necessary studies and research, in addition to participating in the development of Islamic banking products and their clearances; furthermore, the Shariah Studies and Research Management is the link between the Shariah Board and the Bank's managements, and it effectively contributes to spreading awareness of Islamic banking in the Bank. Whereas the Shariah Supervisory Management works on verifying the Bank's commitment to the decisions of the Shariah Board by implementing supervisory field visits to audit all the Bank's business on a regular basis.

Supervision in auditing relies on obtaining samples from the products' documents and the results of the managements' work; giving it a reasonable degree of satisfaction regarding the Bank's commitment to the Shariah Board's decisions and controls; furthermore, the Supervisory Management responds to customers' inquiries, and clarifies the legal methods in which the Bank's products are implemented, and the Supervisory Management resolves the received customer complaints, and communicates with the Bank's managements to achieve this. The Support and Coordination Unit organizes and coordinates the meetings of the Shariah Board and serves its products and support, in addition to following up with implementation of projects and works that contribute to raising awareness of the Islamic banking inside and outside the Bank, such as the printing project and the Shariah training project. With God's grace, the Shariah Sector was able to achieve a number of achievements in various interests and fields, the most prominent of which are the following:

1. Automation Project of the Shariah Supervision Work: With God's grace, the development of the Shariah Supervision system has been completed, so that the work mechanism will be fully carried out in a single system called "Rasid", which facilitates the follow-up with the supervisory plan and the audit tasks in the various Bank's work, in addition to following up with the regulatory notes accurately and issuing regulatory reports easily.
2. Islamic Banking Awareness Project: Proceeding from the Shariah Board's policy, which stipulates the contribution in raising awareness of Islamic banking, the Shariah Sector adopted several projects specified in this field; some of which are still ongoing for several years, thanks to God, while others were launched this year:
 - The Islamic Banking Awareness Program for Bank's Employees: This program is aimed at the Bank's employees in order to spread knowledge and awareness of Islamic banking; as it addresses the definitions of the Shariah terms relating to Islamic banking, in addition to learning the basic applicable products. This program was launched in the fourth quarter of 2015, in which the Shariah Sector has trained nearly (200) employees; and this program continues to train all the current Bank's employees.
 - Scientific Theses printing and sponsorships Project: Thanks to Allah, Shariah division has continued since its beginning to print theses, which aim to spread and deepen the Shariah knowledge in Islamic Economics and the jurisprudence of financial transactions, particularly Islamic banking. So far, the Sector has issued (17) versions between theses and sponsorships, the most recent of which was last year:
 - "Shariah Manual for Real Estate Finance" in English language.
 - Zakat on Contemporary Debt

- Sponsoring the “Shariah Standards Studies” book within the auspices of the understanding and cooperation agreement with the Accounting and Auditing Organization for Islamic Financial Institutions “AAOIFI”.
- Sponsoring the encyclopedia of the Islamic Fiqh Council magazine belonging to the Muslim World League, which contains (28) issues of the Islamic Fiqh Council magazine, and (21) courses for the Fiqh Council belonging to the League.
- Video Presentations Project of the Issues of “Shariah Manual for Real Estate Finance” Book: The Sector is keen on providing a simplified scientific and awareness material to the Bank’s customers; thus it produced educational and awareness videos extracted from the “Shariah Manual Issues for Real Estate Finance” book in the form of (55) brief visual presentations explaining these issues, which state the Shariah provisions for a number of issues regarding real estate finance via Murabaha and finance lease.

Information Technology (IT) Division:

The IT division relies on developing and supporting the automated systems provided to the Bank’s customers and employees in order to complete the daily operations effectively and safely. The division’s strategy focuses on maintaining the highest level of provided service quality based on certified and global principles, through focusing on applications with financial benefits to the Bank, in addition to raising the technology level depending on the job requirements; so that the division will provide financial benefits for the Bank. The division focused on smart device applications to keep pace with the technology in response to customer requirements. Furthermore, it adopted the work of the applications and the systems from two different locations at once, in addition to adjusting and improving the database , operating systems and applications; enabling the Bank to maintain the highest levels of service excellence and to standardize the service offers in terms of maintaining the business continuity and providing technical services for customers, as well as supporting the Business Sector and improving the individuals banking system to integrate with the Customer Loyalty Program through the use of social networking sites for customer relationships and improving the performance of channels used by the customers; in addition to upgrading the systems, including the customer service system, to include providing support to the branches, the sales and the leading managements. IT division in Bank Albilad has received numerous awards in the development, competition and innovation field, including the (Leader in the Development of E-Services Management).

IT division offers a range of services based on E-Systems, such as (“Albilad Maak” Application, Albilad Net, Bank’s main system, Settlements and Payments System, and ATM Management). The Enjaz services have also been added to Albilad Net, including the definition of a new beneficiary and the addition of new services to Albilad Maak (Ministry of Interior services). Furthermore, work is underway to develop new products and services to enable access to the Bank’s services from any place (BANY), in addition to developing a plan to convert the main system from old traditional terminal channels to browsing channels with modern developmental potential (From Desktop to Browser), and providing new services for payments via SADAD (SADAD biller, and SADAD OLP).

IT Governance Division

The activities of the IT Governance division are summed up in the analysis of the root causes regarding the IT malfunctioning communications, information security communications and operational risks communications; in order to be used in the risk analysis and control operations, as well as reducing them to acceptable levels, minimizing the

negative effects, and accepting some or all of their consequences; in addition to its essential role in harmonizing between the IT strategy and the directions of the Bank's business sectors, and its role in the governance of the Bank's investments in the IT field through periodic reports issued by the division; represented in a comprehensive report to the Management Committee on IT projects, a monthly report for the performance of the IT division submitted to the Chief Operations Officer explaining all the developments in the division and the problems it faced, in addition to a report on the technology disaster recover testing and the annual testing table for the Bank's systems at the Reserve Data Center.

The IT Governance division aims to harmonize between the business divisions and the IT strategy to ensure optimum utilization of investments in the technology field, in addition to reducing the costs' total value and monitoring the IT operations to ensure the quality of the performance and the development of mechanisms to identify the IT-related risks by developing controls and measures to control projects, and achieve harmony between the IT strategy and the business strategy, through the application of the best standards and practices to achieve the benefits of Information Technology; in addition to measuring their performance and making recommendations to improve the quality of its services, along with managing the IT-related risks and conducting an assessment in terms of their impact on the Bank and the likelihood of their occurrence in order to minimize losses and reduce their impact whenever they occur. In addition, the IT Governance aims to find the best technical solutions that suit the Bank's current and future business, in addition to improving the management of the Bank's investments in Information Technology by avoiding unnecessary expenditure spent on the Information Technology or the business performed in a traditional expensive manner. Furthermore, the IT Governance division seeks to reach an effective governance of the Bank's investments in the IT field to achieve optimal benefit from the technology and increased transparency regarding the investments on the Information Technology and its assessment, and figuring out the return on investment compared to the amounts invested; in addition to the strategic alignment and linkage between the Business Sector and the IT plans, and this includes all the IT operations and projects with the business sectors.

Human Resources Division

Human Resources division provides support services to employees and other Bank divisions through four main departments: First, manpower Planning and recruitment department, which includes units for contractors, recruitment, and manpower planning; second, Employee Relationship department, which consists of units for salaries, employee services, and government relations; third, Performance and Compensation department, which includes under its umbrella the two units of compensation and benefits, and finally, the unit of Performance and Competencies that is concerned with the development of staff skills through short training programs, professional development programs, career paths, and succession programs, which are prepared by the two units of training and skills development. Furthermore, there is also a employee care unit directly linked to the division's general manager, which reflects the Bank's continuous direction towards giving employees the attention they deserve. The key tasks of this unit are represented in dealing with employee complaints, conducting employee satisfaction surveys, human resources policies, and human resources management system, in addition to working on providing all that contributes in improving the work environment level through employee-directed programs; as the unit has organized some programs for 2015, such as Nojoom Albilad (نجوم البلاد), Abtal Albilad for Football (أبطال البلاد لكرة القدم), Al-Safeer Al-Sagheer (السفير الصغير), in addition to establishing Ramadan forums for male and female Albilad ambassadors in various regions of the Kingdom; and providing special offers and discounts for employees and their families.

2015 was a special year for the Bank's Human Resources division; as it has carried out a range of projects related to the Bank's new strategy, including the employee numbers assessment project, and the job description project, in addition to updating work mechanisms; as the Human Resources division completed the Bank's new organizational structure, and succeeded, thanks to Allah, in recruiting qualified human competencies for different managements, and it is still working on many future projects. Perhaps the development of the division without affecting the performance level was one of the most important challenges over the past year, especially since the development pertains strategic bases of the division and the Bank alike. The division continues to make efforts to achieve the aspirations of all sectors in the employee development field; as it contributed to the training and testing of 1200 Retail division employees to obtain professional certifications accredited by the Monetary Authority. In addition, the Talent unit worked on organizing new training programs; where in 2015, more than 2,954 employees were trained according to their functional requirements, equivalent to 70,704 training hours; in addition to the implementation of Albilad Future Program for the year 2015. After the adoption of the new salary scale in December 2013, the Sector developed an integrated mechanism for its application approved by the Bank's Board of Directors; as its implementation has been completed in 2015 according to the approved plan. The division finished the design of a new system and mechanism to assess the staff performance for 2015. The division's achievements also include auditing and updating of all human resources policies to ensure their coverage of all aspects that help facilitate the work procedures and clarify the employees' rights and duties. The Employee Relationship Management has also adopted many new self-services in the Bank's new human resources system to improve and develop some procedures.

Finally, the aspirations of the Human Resources division are represented in completing the developmental plans that serve the Bank's strategy, in addition to providing support for Albilad's male and female ambassadors, which contribute in serving its customers and shareholders through providing human cadres, automating work mechanisms and meeting all regulatory requirements.

Operations Division

The Operations division is a service division that provides direct support for the various Bank divisions in order to provide services to the Bank's customers in all their various segments; as the Operations division manages the operations of trade finance, individuals finance and payments in all the Bank's channels, in addition to cash, clearing, treasury and other support work, such as auditing the accounting files and indexing the documents in preparation for archiving, and other support work that allows Albilad's branches and Enjaz centers to apply high standards of performance and efficiency.

The Operations division has attained many significant achievements during 2015, including the development of three new cash units in the cities of Jizan, Hofuf and Tabuk, and a mechanism has been developed to enable the Bank to pay shareholders profit in the companies listed in the Saudi Stock Exchange; as the project for paying the Bank's shareholders profit for 2014 has been successfully accomplished. A radical development has been performed for the cheque clearing system, which converted many of the work steps in the operations into their automated aspect; this contributed in improving customer experience, developing reports, and the monitoring and follow-up procedures. Furthermore, the Operations division had an essential role in the Bank's obtainment of the best banking operations award granted by the JP Morgan Bank; as the remittance rate implemented directly without human intervention and with excellent quality has amounted to 97%.

Administrative Services and Property Division

This division serves the Bank in its various directions regarding business support. It includes six key departments, namely:

- Engineering department:** Its mission is to design the Bank's locations and supervise their implementation and final delivery, and it also plays a consultative role for the various Bank sectors in respect of the designs and spaces.
- ATM Installation department:** It works on searching for locations to install the ATMs, conducting the necessary studies in order to determine the eligibility of the locations in terms of their profitability, making recommendations in this field, and then designing and installing ATMs; and it also works on managing their own contracts.
- The Contracts Procurement department:** It is responsible for issuing and managing the contracts for the various Bank divisions, including properties, services, counseling, business support and all the contracts, and they are formulated and managed in cooperation with the concerned divisions.
- Safety and Security department:** It is responsible for all that is related to the safety and security of the enterprises and employees at the Bank, as well as the safety and security of the Bank's operations in general, including the establishment of alarm systems and their operation, in addition to securing the transfer of funds and their storage in the branches and ATMs; as the Safety and Security department has adopted the best technologies for security and surveillance, including one of the latest operations that enable specialists to monitor all of the Bank's branches and its facilities around the clock, and control the alarm systems.
- The Support Services department:** Whereas the team of this department is scattered in various regions of the Kingdom, and is responsible for all the mail and archiving services, the enterprises, maintenance and cleaning management, and the hospitality services, in cooperation with the services providers specialized in this field.
- The Standards and Control department** is vital in playing an important role in evaluating the services provided by the Administrative Services division, which translates the Bank's direction directed towards the development of services provided to the Bank's customers and provide them with added value, in addition to ensuring adherence to the standards and specifications laid down for each department. It also works on assessing, measuring and developing all the work performed by the Bank or the third parties with which it collaborates whether in contracts, cleanliness or others, and ensures the compatibility with the globally adopted standards and specifications, in addition to activating the quality assurance programs.

In 2016, the division looks forward to maintain the growth achieved by the Bank, and will focus on raising the customer satisfaction level, in addition to cooperating to achieve the overriding objective, which is monitoring and controlling the operating costs. It is currently developing a new identity for the branches to be launched next year.

Legal Affairs Division:

The Legal Affairs Division directly follows the Bank's CEO, and consists of three departments, namely the Lawsuits and Investigations department, Consultation department, and the Debt collection and Processing department. The Lawsuits and Investigations department deals with filing lawsuits and pleading before the judicial authorities in the lawsuits filed from or against the Bank, and it also conducts internal investigations on the serious violations. Whereas the consultation department provides advice and legal opinion for all divisions, departments and branches of the Bank, and it also works on reviewing the agreements and contracts in which the Bank is a party thereof. The Debt Collection and Processing department deals with the collection of the Bank's rights from the defaulting customers.

Finance Division:

The finance division has successfully applied the automated system for the preparation of the annual budget, which allows directors at all management levels from all divisions to review their set objectives in line with the supervision and control objectives; in addition to promoting and developing business automatically for the Oracle system to ensure the control and flow of operations. The finance division continues with Moody's Credit Rating Agency and various divisions of the Bank to review the Bank's annual credit rating, which maintained its previous rating ("A2" long-term credit rating and "P-1" short-term credit rating) with a stable future view. The Bank also ended its year as a Chairman of the Chief Financial Officers Committee for the banks in Saudi Arabia, in which it deliberated on a number of issues, especially financial and regulatory reports and a number of related matters.

Marketing and Communication Division:

The Marketing and Communication division supports the business and service divisions, in addition to its role in consolidating and strengthening Albilad's characteristic as an Islamic bank seeking through initiative and innovation to provide banking services based on real legitimacy. This has been represented in the Bank's Identity Development Project, which was launched at the same time as the Albilad's celebration of its tenth anniversary since the Bank's beginning with its ambassadors and customers in a number of the country's regions; as one of the most important achievements of the Marketing and Communication department for 2015.

Secretariat and Governance Division:

The main tasks of the Secretariat and Governance division are represented as follows (governance, shareholder relations, coordination and follow-up), by providing counseling to the Board's Chairman, the Board and the committees regarding the application of laws and regulations related to the Board's work, and regarding the application of the governance principles and regulations, the realization of the non-conflict of interests rules, and the coordination with the advisory bodies in matters, where the Board Chairman or the Board requests consult from a third party; in addition to coordinating and following up with the Board's support to ensure its smooth workflow, by acting as the official channel to ensure the reporting and follow up with the decisions and the recommendations of the Board and its committees to the executive management and ensuring their implementation; along with ensuring compliance with the regulations and instructions of the regulators concerning the Board Affairs, submitting regular reports to the Board Chairman and the Committees regarding the implementation level of the decisions and recommendations and the follow-up with the implementation of the strategy and the important projects approved by the Board or one of its affiliated committees; as well as maintaining all records and documents relating to the work, decisions and recommendations of the Board and the committees, and providing the members of the Board and the Committees with relevant information to be discussed. Furthermore, the Secretariat is also responsible for overseeing and enhancing shareholders' care, along with maintaining their records, responding to their inquiries and preparing the shareholders' data on the annual financial reports, in addition to preparing to hold ordinary and extraordinary general assemblies. Since the Bank's Board of Directors and its executive management acknowledge and believe in the importance of corporate governance, and in line with the Board's responsibility to protect the interests of shareholders, depositors and other stakeholders, the Board adopted the corporate governance manual and its annexes and policies, in accordance with the best practices and in full conformity with the mandatory principles and regulations for corporate governance issued by the regulatory and supervisory authorities.

The Bank's Secretariat and Governance undertake the responsibility to ensure the completeness and effectiveness of the Bank's corporate governance system, and work on developing and modifying them when necessary; as well as ensuring the compliance with the daily work activities and operations in all the Bank's sectors through good governance practices, and the compliance with the disclosure and transparency standards to ensure effective governance. In 2015, the Board adopted the Bank's corporate governance manual and its annexes and all its associated documents in accordance with the regulators' requirements, and they have been applied to various works of the Board and its committees and the work of the Bank's executive management.

Social Responsibility Report:

Social responsibility at Bank Albilad is the Bank's continuous commitment to the society in its awareness of its belonging and contribution to the society as a responsible enterprise, through exercising high level of professional ethics, avoiding any harm to the environment and rationalizing the utilization of natural resources , and playing a positive role in the country's economy to achieve economic development and works on improving the Bank's usual business practice as it has a sustainable and direct impact; in addition to its obligation to respect the concerns, interests and expectations of the Bank stakeholders, and to cover the social, environmental and economic aspects. In our belief in the importance of a clear vision in this field, the general strategy, which regulates the social responsibility's programs and work, has been developed, which has started in early 2016. the following are the most noticeable Bank Albilad social initiatives in 2015:

- **Launching the Electronic Will Application:** Believing in the importance of writing a will, the Bank launched an electronic will application, which aims to promote the culture of writing wills and reviving this Prophetic Sunnah in society. Given the importance of avoiding legal mistakes in writing a will, the Bank has cooperated with WAQEF Center "Wills and Endowments Experts Center" to provide legal counseling for wills written through this application.
- **"Fathkrony" Application for Smart Phones:** After launching this application for the prayers, supplications and invocations times in 2013, this application has been updated to match the Bank's new identity as well as adding some features like supporting Apple watch.
- **Albilad's Initiative Campaign to Break the Fast during Ramadan in Various Regions of the Kingdom:** This campaign started in 2011, and continues throughout the holy month of Ramadan every year; the number of meals distributed this year has reached 350 thousand Iftar meals distributed in most cities of the country for the fourth consecutive year.
- **The Grand Mosque's Pilgrims Service Campaign:** Through the sponsorship of the Saudi Arabian Scout Association during the Hajj season, and the distribution of water bottles and juice for free at the Hajj sites, which began for the first time in 2014, and continued to 2015; as the number of bottles that have been distributed has reached 750,000 bottles to the pilgrims at the holy sites for the second consecutive year.
- **Providing Three Refrigerated Vehicles for Eta'am Association:** To help preserve the food and transport it to the needy, in addition to enabling the creation of jobs in the Association (driver and co-driver for each car), along with providing a financial contribution of 50 thousand riyals in support of the Association's activities.
- **Supporting the Patients Friends Committee in Riyadh:** To enable them to secure medical equipment and materials for patients in-need who cannot afford treatment at their own expense.

- **Supporting the Charitable Association to Provide Medicine for All in Mecca:** As it provides financial support to purchase necessary medicines and distribute them to patients in -need; noting that the Association has provided medicine over the past year to more than 800 beneficiaries on a monthly basis.
- **Supporting the National Committee for the Care of Prisoners, Released Prisoners and their Families (Tarahum):** Financial support has been provided to the National Committee for the Care of Prisoners, Released Prisoners and their Families (Tarahum) in the Eastern Province.
- **Providing Clothing for Students in-need in the Northern Border Region:** The Takaful Charity Foundation was awarded with a financial support dedicated for the clothing of students in-need in the Northern Border Region during winter season.

The Bank has achieved numerous awards, most notably:

- Obtaining the best Bank in growing sales and uses of pre-payment cards provided by Visa.
- In 2015, the Treasury division received the Best Foreign Commodity Dealer Award provided by Bursa Malaysia
- Selecting Albilad among the top 100 brands in Saudi Arabia at the ceremony held for this occasion; as Albilad has been honored by the sponsor of the event, His Royal Highness Prince Faisal bin Bandar bin Abdulaziz Al Saud, Riyadh Region governor.
- Obtaining the Strongest Islamic Retail Bank Award in Saudi Arabia; as the award was delivered during the World Islamic Retail Banking Conference at the Taj Palace Hotel in Dubai on the 17th of November 2015. The selection of Bank Albilad to win the award was carried through the banking efficiency performance study conducted by the Hamdan Bin Mohammed Smart University.
- Obtaining the Best Saudi Bank Award for 2015, provided by the Arabian Business Magazine.
- Receiving the Quality Award of Banking Operations granted by the JP Morgan Global Financial Institution, in recognition of the high operational performance achieved by the Bank in the fields of money transfers for customers, and bank transactions including treasury operations; thus registering its winning of this prestigious award among its top categories for 2015.
- Receiving the award of “Best Islamic Bank Performing” in Saudi Arabia for 2015; as the Bank was honored during the twenty-second annual World Islamic Banking Conference (WIBC) in Bahrain from among the 18 awards provided by the World Islamic Banking Conference.

Subsidiary Companies:

Company Name	Establishment Date	Main Activity	Capital	Main State for its Operations	Country of Incorporation	Ownership Rate
Albilad Investment Company	20th of November 2007	Perform investment services and assets management activities represented in the dealing, organization, management, counseling and maintenance of securities	200 Million Saudi Riyals	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%
Albilad Real Estate Company Ltd.	17th of September 2006	Carry out registration procedures related to real estate guarantees received by the Bank from its customers	500 Thousand Saudi Riyals	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%

The consolidated financial statements include the financial statements of the Bank and its subsidiaries, which are the Albilad Investment Company and the Albilad Real Estate Company, and they are collectively referred to as the "Group".

Albilad Investment Company:

Albilad Investment Company Ltd. "Albilad Capital" is a limited liability company licensed by the Capital Market Authority (CMA) and carries out its activities in Saudi Arabia since 2008. It is wholly owned by Bank Albilad, and has a capital of 200 million Saudi Riyals; operating independently in all fields of investment and banking investment services, including investment banking consultation and project financing; and it also manages the assets represented in the investment funds, the discretionary portfolios and the financial brokerage and securities work.

The Company's vision is represented in becoming the best investment company for meeting the aspirations of its customers in the individuals and business sectors, and its employees and shareholders. Its mission lies in providing investment solutions based on the lenient Islamic Shariah principles; relying on the capabilities of its professional and experienced staff, and seeking to make optimum use of the customers' investments to achieve the best returns. Thanks to Allah and then the Company's excellence in serving its customers, the Company continued to grow achieving positive results; as the growth rate between the years from 2012 to 2015 has reached (250%) in the Investment Portfolios and Funds Management, in addition to an increase in the Discretionary Portfolios and the Assets Under Management (AUM). In 2015, Albilad Capital has also strengthened its presence in the Saudi market as a provider of investment solutions based on the Islamic Shariah principles, by providing investment banking services to companies, which include capital markets operations such as management and implementation of public and private offering, priority rights subscription, merger and acquisition, in addition to financial assessment services and financial diagnostic studies. The Company has developed a unit for the current assets safekeeping work and has recruited a well-experienced team for it at the local and global levels in preparation for the launching this business unit, which is expected to be launched, with God's willing, in the first quarter of 2016. As for the Company's brokerage services, the Brokerage Division provides a comprehensive range of services, including trading in the capital markets through various service delivery methods, which include a number of centers distributed in a number of cities in the Kingdom; in addition to the Internet Transaction Service through the (Mubasher) network, and the Telephone Banking service through the Direct Mediation Center.

Recently, a new trading system (X-Stream INET) has been successfully tested and applied, which was adopted by Tadawul Company. This system is considered to be one of the latest trading systems developed by NASDAQ Company, characterized by its effectiveness and execution speed of orders accurately and securely in trading stocks, instruments, bonds, and Exchange Traded Funds (ETFs). Furthermore, the Company expects, with God's willing, to complete all the preparations for launching the "Credit Sale with the Portfolio's Guarantee" project, which expected to be launched during the first quarter of 2016.

Capital Increase Recommendation:

The Board of Directors, at its meeting held on 01/02/2016, recommended the Bank's Extraordinary General Assembly to issue bonus shares at the rate of one bonus share for every five shares owned by the Bank's shareholders as at the date of the General Assembly's meeting in order to increase the Bank's capital from 5,000 million Saudi Riyals to 6,000 million Saudi Riyals. Bonus shares will be issued with a capitalization amounting 468 million Saudi Riyals from retained

earnings and 532 million Saudi Riyals from the statutory reserve. Therefore, the number of outstanding shares has reached 600 million shares after the issuance of bonus shares. The Board's recommendation regarding the issuance of one bonus share for every five owned shares is subject to the approval of the General Assembly.

Profit Distribution Policy:

The distribution of the Bank's annual net profits, which are determined after deducting all the general expenses and other costs and the preparation of the necessary precautions to face questionable debts, investment losses and contingent liabilities that the Board deems necessary in conformity with the provisions of the Banking Control Law and the directives of the Saudi Arabian Monetary Agency (SAMA), are as follows:

1. The amounts needed to pay the Zakat due on the shareholders are calculated, and the Bank pays these amounts to the competent authorities.
 2. At least ten percent (10%) of the remaining net profit will be carried over after deducting the Zakat to the statutory reserve, so that the mentioned reserve will be at least equal to the paid-up capital.
 3. An amount not less than five percent (5%) of the paid-up capital is allocated from the remaining profits after deducting the statutory reserve and the Zakat; in order to be distributed to the shareholders, according to the Board's proposal and is decided by the General Assembly. If the remaining profit rate accrued to shareholders is not enough to pay this percentage, the shareholders cannot claim to pay them during the year or the following years, and the General Assembly is not allowed to decide the distribution of a percentage of the profits exceeding what is proposed by the Board of Directors.
 4. After allocating the amounts mentioned in the channels (1, 2, and 3), the remainder would be used as by the Board of Directors recommendation and by the General Assembly decision.
- With regard to the second clause of the Profit Distribution Policy, the Bank deducts 25% of the net profits and carries them over to the statutory reserve as required by Article 13 of the Banking Control Law in Saudi Arabia.

Board of Directors:

The Board of Directors consists of eleven members, elected at the Regular General Assembly held on 28/05/1434 AH, corresponding to 09/04/2013, for a period of three years commencing from 07/06/1434 AH, corresponding to 17/04/2013, and ending on 09/07/1437 AH corresponding to 16/04/2016.

Status of the Board Members:

Serial no.	Name	Position	Status
1	Dr. Abdul Rahman bin Ibrahim Hamid	Chairman	Non-Executive
2	Nasser Bin Mohammed Al-Subaie	Deputy Chairman	Non-Executive
3	Dr. Ibrahim bin Abdul Rahman Al-Barrak	Member	Independent
4	Abdul Rahman bin Mohammed Ramzi Addas	Member	Independent
5	Eng. Abdulmohsen bin Abdullatif Alissa	Member	Non-Executive
6	Fahad bin Abdullah bin Dakhil	Member	Non-Executive
7	Eng. Ahmed bin Abdulaziz Al-Ohaly	Member	Independent
8	Khaled bin Abdulaziz Al-Mukairin	Member	Non-Executive
9	Ahmed bin Abdulrahman Al-Hosan	Member	Independent
10	Khalid Bin Abdulrahman Al-Rajhi	Member	Non-Executive
11	Khalid bin Abdullah Al-Subaie	Member	Non-Executive

Major Stakeholders:

The Bank's major stakeholders are the ones who own more than 5% of the shares as the case at the end of trading on (31/12/2015), as follows:

Serial no.	Shareholder Name	Percentage (%)
1	Mohammed Ibrahim Al-Subaie & Sons Company	18.50%
2	Abdullah Ibrahim Al-Subaie Investment Company	11.14%
3	Abdurahman Saleh Abdul Aziz Al-Rajhi	8.45%
4	Abdulrahman Abdulaziz Saleh Al-Rajhi	6.57%
5	Khalid Abdulrahman Saleh Al-Rajhi	8.89%

The Bank adopted the aforementioned balance data based on the bank records of the Saudi Stock Exchange (Tadawul) by the end of trading on 31/12/2015.

Board Meetings Attendance Record:

In furtherance of its role, the Board of Directors held (8) meetings in 2015. The following is the attendance record of these meetings:

Name	Shareholder Name							
	08/01/ 2015	16/03/ 2015	14/04/ 2015	08/06/ 2015	14/09/ 2015	22/10/ 2015	15/11/ 2015	14/12/ 2015
Dr. Abdul Rahman bin Ibrahim Hamid	√	√	√	√	√	√	√	√
Nasser Bin Mohammed Al-Subaie	√	√	√	√	√	√	√	√
Dr. Ibrahim bin Abdul Rahman Al-Barrak	√	√	√	√	√	√	√	√
Abdul Rahman bin Mohammed Ramzi Addas	√	√	√	√	√	√	√	√
Eng. Abdulmohsen bin Abdullatif Alissa	√	√	√	X	√	√	√	√
Fahad bin Abdullah bin Dakhil	√	√	√	√	√	√	√	√
Eng. Ahmed bin Abdulaziz Al-Ohaly	√	√	√	√	X	√	√	√
Khaled bin Abdulaziz Al-Mukairin	√	√	√	√	√	√	√	√
Ahmed bin Abdulrahman Al-Hosan	√	√	√	√	√	√	√	√
Khalid Bin Abdulrahman Al-Rajhi	√	√	√	√	√	√	√	√
Khalid bin Abdullah Al-Subaie	√	X	√	X	X	√	X	X
							Attended	√
							Absent	X

Members Participating in the Membership of the Boards of Joint-Stock Companies:

Member Name	Company Name	Status
Dr. Abdul Rahman bin Ibrahim Hamid	Saudi Vitriified Clay Pipe Company (SVCP)	Board Member
	Mohammed Abdulaziz Al Rajhi & Sons Company - Al Rajhi Holding	Board Member
	Mohammad Ibrahim Al-Subaie & Sons Investment Company (MASIC)	Board Member
	Obeikan Investment Group Company	Board Member
Nasser Bin Mohammed Al-Subaie	Saudi Hotels & Resorts Company	Board Member
	Al-Argan Projects Company	Board Member
	Akwan Real Estate Company	Board Member
	Mohammad Ibrahim Al-Subaie & Sons Investment Company (MASIC)	Board Member
Abdul Rahman bin Mohammed Ramzi Addas	Diyar Al Khayyal Real Estate Development Company	Chairman of Board of Directors
	Aqua Power Company	Member of the Board of Directors and the Nominating and Governance Committee
Eng. Abdulmohsen bin Abdullatif Alissa	Saudi Vitriified Clay Pipe Company (SVCP)	Board Member
	United Electronics Company (eXtra)	Board Member
	Abdullatif Alissa Holding Group Company	Board Chairman and Managing Director
	Al Yusr Leasing & Financing Company	Board Chairman
	Al-Afdal Trading Company	Board Chairman
	Gulf Real Estate Company	Board Chairman
	Mawten Real Estate Company	Board Member
Eng. Ahmed bin Abdulaziz Al-Ohaly	Saudi International Petrochemical Company	Board Member
Khaled bin Abdulaziz Al-Mukairin	Al-Maktaba Marketing Company	Board Chairman
Khalid Bin Abdulrahman Al-Rajhi	Saudi Cement Company	Board Chairman
	Saudi United Cooperative Insurance Company (Wala'a)	Board Member
	Takween Advanced Industries Company	Board Member
	Takween Advanced Industries Company	Board Member

The Balance of the Board Members Shares, their Spouses and their Minor Children:

The number of the Board members' shares, their spouses and their minor children by the end of December 2015 compared to the end of December 2014:

Serial no.	Concerned Person Name	December 2015	December 2014	Net Change	Change Rate %
1	Dr. Abdul Rahman bin Ibrahim Hamid	1,666	1,333	333	25%
2	Nasser Bin Mohammed Al-Subaie (and those he support)	1,720,702	1,368,562	352,140	26%
3	Dr. Ibrahim bin Abdul Rahman Al-Barrak	1,250	1000	250	25%
4	Abdul Rahman bin Mohammed Ramzi Addas	3,332	2,666	666	25%
5	Eng. Abdulmohsen bin Abdullatif Alissa	1,666	1,333	333	25%
6	Fahad bin Abdullah bin Dakhil	1,250	1,000	250	25%
7	Eng. Ahmed bin Abdulaziz Al-Ohaly	5,000	4,000	1,000	25%
8	Khaled bin Abdulaziz Al-Mukairin (and those he support)	758,066	566,588	191,478	34%
9	Ahmed bin Abdulrahman Al-Hosan	1,250	1,000	250	25%
10	Khalid Bin Abdulrahman Al-Rajhi	44,451,564	35,368,748	9,082,816	26%
11	Khalid bin Abdullah Al-Subaie	195,041	1,333	193,708	14,532%

The Balance of Senior Executives Shares, their Spouses and their Minor Children:

The balance of shares of senior executives, their spouses and their minor children by the end of December 2015 compared to the end of December 2014:

Serial no.	Name	December 2015	December 2014	Net Change	Change Rate
1	Khalid Bin Suleiman Al Jasser	414,823	196,423	218,400	111.19%
2	Yousef bin Mohammed Al-Khalawy	3,333	0	3,333	100%
Total Number of Shares		418,156	196,423	221,733	112.88%

Remuneration and Compensation

The Bank pays the meetings attendance expenses and remunerations to the members of the Board and the committees, and it pays wages, remuneration and compensation to senior executives according to the contracts concluded with them. The following are details of the expenses, remunerations and wages paid to the Board members and senior executives:

The Statement in Thousands of Saudi Riyals	Non-Executive Board members	Independent Board Members	Seven Senior Executives, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO)
Wages and Compensations	-	-	13,965
Periodic and Annual Allowances and Remunerations	4,250	2,052	12,027
Total:	4,250	2,052	25,992

Board Committees:

The Board Committees carry out their tasks and responsibilities based on the governance documents approved by the Board, which determine their powers and working procedures. These committees were formed for a period of three years with the formation of the Board of Directors starting from 07/06/1434 AH, corresponding to 17/04/2013 and ending on 09 / 07/1437 AH, corresponding to 16/04/2016; with the exception of the Compliance and Governance

Committee, which was formed in mid-2015, based on the decision of Bank's Board of Directors to amend the structure of the Board committees, and that is by separating the Risk and Compliance Committee into two separate committees with separate tasks (the Risk Committee and the Compliance and Governance Committee); provided that all the committees will be reformed with the formation of the next Board of Directors on 16/04/2016. Accordingly, the Board of Directors set up five committees emerging from the Board, and their membership was formed by the Board members, independent members from outside the Bank from experts and specialists, and an executive member, which are as follows:

Executive Committee:

The Committee's responsibilities are represented in ensuring the effectiveness of the decision-making process at its highest levels in order to achieve the Bank's objectives with all flexibility and according to the set schedule; in addition to assisting the Board of Directors in assuming its responsibilities and activating its role in promoting, following-up and implementing the strategy to support the effective performance, review and monitoring of the Bank's business on a regular basis, along with making necessary recommendations. At the same time, the Committee is also responsible for discussing issues that need in-depth review and detailed study before being submitted to the Board for adjudication and issuing a final decision in this regard; in addition to any other tasks delegated or assigned by the Board.

The Committee consists of six executive and non-executives members, including the Committee Chairman and the Chief Executive Officer of the Bank. The Executive Committee has held (11) meetings in 2015, and the current session of the Executive Committee consists of six members, namely:

Serial no.	Members of the Committee's Current Session	Status	Attendance
1	Dr. Abdul Rahman bin Ibrahim Hamid	Board Chairman – Committee Chairman	11
2	Nasser Bin Mohammed Al-Subaie	Deputy Board Chairman – Committee Member	11
3	Khaled bin Abdulaziz Al-Mukairin	Board Member – Committee Member	9
4	Khalid Bin Abdulrahman Al-Rajhi	Board Member – Committee Member	11
5	Abdul Rahman bin Mohammed Ramzi Addas	Board Member – Committee Member	11
6	Khalid Bin Suleiman Al Jasser	Chief Executive Officer (CEO) – Committee Member	11

Audit Committee:

The Audit Committee's responsibility is represented in overseeing the Internal Audit Sector, reviewing the audit plan and procedures, the audit reports and the corrective actions; in addition to nominating external auditors for the Bank, determining their fees, supervising their activities and reviewing their plan; along with reviewing their notes regarding the financial statements, discussing and approving the interim and annual financial statements, auditing the accounting policies used by the Bank, assessing the extent of application of regulatory controls, supervising the special projects, auditing the management reports, submitting reports to the Board, reviewing the accuracy of the procedures of the financial disclosure operation and all the other regulatory acts that fall under the Committee, in accordance with the Bank's Corporate Governance Manual adopted by the Board of Directors. The Committee held (7) meetings in 2015, to cover all the tasks and responsibilities entrusted to them according to the approved plan for the fiscal year 2015, in addition to studying and approving the Bank's initial and annual financial statements before being approved by the Board of Directors. The current session of the Audit Committee consists of four members, i.e. the Committee Chairman, who is one of the Bank's Board members and three independent external members from specialists, namely:

Serial no.	Members of the Committee's Current Session	Status	Attendance
1	Ahmed bin Abdulrahman Al-Hosan	Board Member – Committee Chairman	7
2	Dr. Ahmed Abdullah Al-Moghames	Independent Member from Outside the Board	5
3	Yusuf Ahmed Al-Bureshaid	Independent Member from Outside the Board	6
4	Suleiman Nasser Al-Hattlan	Independent Member from Outside the Board	7

Internal Audit System:

The Executive Management is responsible for establishing and maintaining adequate and effective internal audit system, including policies, procedures and operations designed under the supervision of the Board of Directors to achieve the Bank's strategic objectives. The Internal Audit is a defense line independent from the Management responsible for assessing and verifying the effectiveness of the Internal audit System, including the compliance with policies and procedures, and the contribution in the ongoing effectiveness of the Internal Control System. Furthermore, reports were prepared to be submitted to the Audit Committee, which include significant and specific weaknesses in the Internal audit System. In contrast, the Audit Committee effectively monitors the adequacy and effectiveness of the Internal audit System to ensure the mitigation of specific risks to protect the Bank's interests.

All the Bank divisions and department exert concerted and integrated efforts to improve the control environment through continuous review and simplification of procedures to prevent and correct any deficiencies in the control. All departments, under the supervision of the Senior Executive Management, are charged with the responsibility of overseeing the correctness of deficiencies in the controls that have been identified by internal and external auditors. Furthermore, the Compliance division deals with the calculation and clarification of the regulations, directives, policies and procedures to be applied in the Bank, and then ensuring their application in approved policies, procedures and work programs, in addition to the permanent and continuous assurance that these policies and procedures are actually being followed accordingly and updated on a regular basis. It also works on reporting and spreading the culture of compliance among the Bank's employees and customers through internal and external means of communication.

The Bank's Internal audit System was designed to provide reasonable assurance for the Board of Directors regarding risk management in order to achieve the Bank's strategic objectives; noting that any internal audit system, regardless of the safety of its design and the effectiveness of its application, cannot provide absolute assurance in preventing or detecting all control gaps. The current assessments for the effectiveness of the audit system for future periods may be subject to restrictions; making the control inadequate due to the changed future circumstances or the compliance with the policies or procedures.

The Executive Management follows an integrated internal control structure as recommended by SAMA through its directives on internal control. Furthermore, the Audit Committee reviews the assessment of the effectiveness of Internal audit System in the Bank through a number of reports submitted thereto, including the Internal Audit division reports. The Internal audit Assessment Report contains no substantial weaknesses in the framework of the Bank's internal audit and its application.

Based on the ongoing internal audit assessment results during 2015, the Bank Management believes that the current internal audit system of the Bank is designed properly, and works effectively, and is monitored constantly. Nevertheless, the Management is constantly striving to enhance the Bank's Internal audit System effectively. Based on the above, the

Bank's Board of Directors endorsed the Management's assessment of the Internal audit System, as recommended by the Saudi Arabian Monetary Agency (SAMA). The Board believes that the Internal audit System is designed adequately and implemented effectively, and there are no regulatory gaps or substantial weaknesses in the Bank's business for the year 2015; which affects the safety and fairness of the financial statements; this comes based on reasonable assurances from the Board on the safety of the design and the effectiveness of the application of the internal audit system; noting that any internal audit system regardless of the safety of its design and the effectiveness of its application, cannot provide absolute assurance.

Nomination and Remuneration Committee:

The Committee's responsibility is represented in recommending to the Board the nomination for the Board membership and the annual audit of the appropriate skills required for Board membership, in addition to reviewing the structure, forming the Board of directors from time to time, making recommendations regarding the strengths and weaknesses of the Board members and giving suggestions to them. It also checks the convening of the Board's regular meetings on a regular basis and ensures the independence of the independent members on a yearly basis, and the absence of any conflicting interests; in addition to selecting the remuneration and incentives policy for the members of the Board and the Executive Management, following up with the matters relating to the structure of posts and human resources, and making recommendations to the Board of Directors. The Nomination and Remuneration Committee held (4) meetings in 2015. The current session of the Nomination and Remuneration consists of five members; i.e. three members from the Board of Directors, a member from outside the Bank and an

Serial no.	Members of the Committee's Current Session	Status	Attendance
1	Abdul Rahman bin Mohammed Ramzi Addas	Board Member – Committee Chairman	4
2	Nasser Bin Mohammed Al-Subaie	Board Member – Committee Member	4
3	Khaled bin Abdulaziz Al-Mukairin	Board Member – Committee Member	4
4	Khaled Bin Saleh Al-Hathal	Independent Member from outside the Board	3
5	(*) Eng. Ahmed bin Abdulaziz Al-Ohaly	Board Member – Committee Member	1
	(**) Dr. Fahad Ibn Musa Al Zahrani	Executive – Committee Member	1

(*) At the request of the Eng. Ahmed bin Abdulaziz Al-Ohaly, the Board agreed to exempt him from his duties as a member of the Nomination and Remuneration Committee.

(**) Dr. Fahad Ibn Musa Al Zahrani was appointed a member of the Nomination and Remuneration Committee instead of the Eng. Ahmed Al-Ohaly until the end of the Committee's current session.

Risk Committee:

The main purpose of the Risk Committee is to provide advice and consultation to the Board on the current and future overall plans and strategies regarding the Bank's capacity and ability to bear risks; in addition to supervising the enforcement of the Bank's Executive Management for such plans and strategies. In general, the Committee works on assisting the Board in overseeing all the activities and decisions related to the Risk Management at the Bank, such as assisting the Board in performing the management tasks regarding the market and credit risks, the investment, financial and operational risks and the liquidity and reputational risks; in addition to any tasks or responsibilities that may be assigned to it temporarily by the Board of Directors without prejudice with the tasks and responsibilities of the other Board committees. The Committee's responsibility is represented in overseeing the risk level at the Bank to ensure that

the work is carried out within the approved risk limits and to ensure that the Bank has adequate policies and procedures adopted by the competent authority; in addition to reviewing the Bank's internal policies and submitting them to the Board of Directors for approval; along with adopting the distribution of the acceptable credit risks, meeting the fiduciary responsibilities and all the risks approved by the Board of Directors, conducting periodic audit and assessment for the risk limits and the new products risks, ensuring the compliance with the instructions of the regulatory authorities and applying the appropriate control systems.

Note: Based on the decision of the Bank's Board of Directors to modify the structure of the Board Committees, by separating the Risk and Compliance Committee into two separate committees with separate tasks (the Risk Committee and the Compliance and Governance Committee), the Risk and Compliance Committee held (3) meetings before the separation decision, and (1) meeting after the separation decision as a Risk Committee, based on the following breakdown:

The Risk and Compliance Committee (Before the Board's Decision): the Committee held (3) meetings in 2015 and the session consists of (7) members; i.e. two members from the Board of Directors and five members of the Bank's officials, namely:

Serial no.	Name	Status	Attendance
1	Abdul Rahman bin Mohammed Ramzi Addas	Board Member – Committee Chairman	3
2	Fahad bin Abdullah bin Dakhil	Board Member – Committee Member	2
3	Mohammed bin Abdullah Al-Yahya	Executive – Committee Member	2
4	Musadik Ijaz	Executive – Committee Member	3
5	Mustafa Ibn Ahmad Abdullatif	Executive – Committee Member	3
6	Abdullah Bin Mohammed Al-Harith	Executive – Committee Member	3
7	Abdullah bin Mohammed Al Arifi	Executive – Committee Member	3

The Risk Committee (After the Board's Decision): The Committee held one meeting in 2015, after the Board's decision to form the Risk Committee only, and the Committee's current session consists of (4) members; i.e. two members from the Board of Directors, and two independent members from outside the Bank, namely:

Serial no.	Name	Position	Attendance
1	Fahad bin Abdullah bin Dakhil	Board Member – Committee Chairman	1
2	Dr. Ibrahim bin Abdul Rahman Al-Barrak	Board Member – Committee Member	1
3	Abdullah bin Ibrahim Al-Howaish	Independent Member from Outside the Board	1
4	Saud bin Mohammed Al-Fayez	Independent Member from Outside the Board	-

Compliance and Governance Committee:

The Committee's responsibility is to supervise, strengthen and maintain the highest standards of corporate governance and that is by ensuring, on behalf of the Board of Directors, the proper compliance with the corporate governance practices in all activities undertaken by the Bank. In addition to the above, the Committee bears the responsibility of ensuring the Bank's commitment to all the Saudi and international legislations, regulations and rules related to its activities, and conducts an annual review of the public governance framework and the relevant mechanisms; in addition to reviewing the regulations of the Board committees and the Executive Management and making recommendations to the Board in this regard, along with monitoring and ensuring that the Bank's possession of sufficient mechanisms to

identify cases of conflict of interest in operational activities. Furthermore, the Committee adopts the annual program of the Compliance Sector and the annual report submitted to the regulatory authorities; in addition to following-up with the adequacy and effectiveness of the Compliance division regarding the implementation of the Compliance policy and manual, along with reviewing the periodic and annual reports, and ensuring the effective correction of any identified gaps.

The current session of the Compliance and Governance Committee consists of (3) members; i.e. one member from the Board of Directors and two external independent specialist members, and the Committee held one meeting:

Serial no.	Name	Position	Attendance
1	Abdul Rahman bin Mohammed Ramzi Addas	Board Member – Committee Chairman	1
2	Adib bin Mohammed Abanme	Independent Member from Outside the Board	1
3	Abdel Fattah Ibn Ibrahim Al-Tawil	Independent Member from Outside the Board	1

Accrued Regulatory Payments: (In Millions of Saudi Riyals)

Serial no.		2015	2014
1	Legal Zakat (1)	20	22
2	General Organization for Social Insurance (2)	6.8	5.8

- 1- Legal Zakat – the Zakat statement will be provided for the fiscal year 2015 during the first quarter of 2016, and the Zakat accrued for the fiscal year 2015, amounting to 20 million Saudi Riyals (2014: 22 million Saudi Riyals) will be paid along with the Zakat statement.
- 2- The receivables of the General Organization for Social Insurance, amounting to 6.8 million Saudi Riyals (2014: 5.8 million Saudi Riyals), will be paid in January 2016.

Zakat:

The Bank provides its Zakat statements to the Department of Zakat and Income Tax (DZIT) in a similar manner for all years including the year of 2014, according to the same calculation principals. The Tax Appeal Committee issued its decision regarding the Bank's appeal against the decision of the First Instance Committees on Zakat and Tax Objection for 2006, and the decision commits the Bank to pay an additional amount of 58 million Saudi Riyals; however, the Bank hasn't received the modified Zakat assessment to date. The Zakat assessments for the years 2007 and 2008 have been received from the Tax Appeal Committee and the assessments from 2009 to 2011 have been received by the DZIT, and a reply is being prepared to the DZIT regarding this assessment. These assessments resulted in additional Zakat claims amounting to 302.6 million Saudi Riyals. The final assessments for the years from 2012 till 2014 were not issued by DZIT and the impact of these assessments cannot be determined in a reliable manner at this stage, which may result in additional claims.

Sanctions Imposed on the Bank and its Subsidiaries by the Supervisory Authorities:

During the year 2015, fines were imposed on the Bank and its subsidiaries as a result of the operational business, and they have been addressed.

The following are the fines imposed on the Bank by the supervisory authorities:

Serial no.	Supervisory Authorities	Number of Fines	Total Fines
1	Saudi Arabian Monetary Agency (SAMA)	5	45,000
2	Capital Market Authority (CMA)	20	750,000
3	The Ministry of Municipal and Rural Affairs (SAMIRAD) and the General Authority for Civil Aviation (GACA)	109	649,200

Credit Rating:

Moody's Corporation described that the rating of Bank Albilad reflects the strength of the Bank's financial position, the quality of assets, the standards of coverage, the solidity of the capitalization levels, the strong profitability resulting from the growth in business size, efficiency gains and the strong contribution of unfunded revenues, in addition to the solid foundation of the Saudi economy, which supports the growth of the Banking Sector.

Serial no.	Rating Type	Moody's Rating
1	Long-Term Credit Rating	A2
2	Short-Term Credit Rating	P-1

Human Resources:

The number of Bank employees has reached 3,499 employees by the end of 2015, compared to 3,194 employees by the end of 2014, and the Saudization percentage has reached 82.7% by the end of 2015. Furthermore, the Bank prepared and implemented specialized training courses for new employees from graduates of universities and management institutes, and it has also prepared development courses for all the employees; as the number of training opportunities for the Bank employees has reached 4,884 training opportunities. The Bank has given its utmost attention in selecting his employees from qualified individuals with banking experience, and it follows the high professional and ethical standards, as in the Code of Conduct for the Bank.

End-of-Service Gratuity:

The gratuities accrued to the Bank employees are calculated at the end of their service, according to the Saudi Labor Law, and they are included in the other liabilities section in the Consolidated Statement of Financial Position.

Employees Share Program:

The Bank provides its qualified employees with incentive programs that are paid based on the shares (programs) and supported by the Saudi Arabian Monetary Agency (SAMA). Under the terms of this program, the Bank grants shares to qualified employees, and they will be kept as part of their annual remunerations. The cost of these programs is measured based on the fair value at the shares' grant date, and the cost of the programs is recognized throughout the period during which the service requirement is fulfilled, which ends with the date on which the concerned employees are entitled to the granting of the shares (maturity date).

The cumulative expenses, which are calculated under these programs from the preparation date of all the financial

statements until the maturity date, show the extent of the maturity date, and the best Bank estimates for the number of shares that will be granted at the end. The amount charged or restricted on the consolidated income statement for a year represents the movement in the cumulative expense registered at the beginning and end of that year. After obtaining the approval of the Saudi Arabian Monetary Agency (SAMA), the Bank entered into an agreement with a neutral third party to retain the shares involved in the program, in addition to the benefits accrued from these shares. The important benefits of the program are as follows:

Serial no.		2015	2014
1	Grant Date	1st of November 2015	15th of September 2014
2	Maturity Date	25% - 1st of January 2016 25% - 1st of January 2017 50% - 1st of January 2018	750,000
3	Number of Shares Granted on the Grant Date	399,418	411,686
4	Share price on the Grant Date (Saudi Riyals)	21.76	32.79
5	The Value of the Shares Granted on the Grant Date (in Thousands of Saudi Riyals)	8,691	10,799
6	Maturity Period	3 Years	3 Years
7	Grant Condition	Completion of Service Period	Completion of Service Period
8	Payment Method	Shares	Shares

Serial no.	The following is a statement of the movement in the number of shares for the Employees Share Program during the year:	2015	2014
1	At the beginning of the year	868,294	977,047
2	Shares Granted during the year	399,418	411,686
3	Waivered	48,535	34,409
4	Disbursed	277,978	486,030
5	At the end of the year	941,199	868,294

These shares were granted with an essential condition; which is the completion of the service period and it is not linked to the market conditions.

Balances and Transactions with Relevant Parties:

Serial no.	Nature of the Contract	Relevant Party Name	Contract Duration	Contract Value
1	Lease contract of the Exhibition No. (2) for the Albilad Investment Company; located on King Fahd Road in Riyadh (Smart Tower), and owned by Khaled bin Abdulaziz Al-Mukairin & Sons Holding Company.	Khaled bin Abdulaziz Al-Mukairin	01/01/2013 till 31/12/2017	1,287,000
2	Lease contract for the site of the Albilad Investment Company; i.e. the two offices no. (103) and (104); located on King Fahd Road in Riyadh (Smart Tower), and owned by Khaled bin Abdulaziz Al-Mukairin & Sons Holding Company.	Khaled bin Abdulaziz Al-Mukairin	01/01/2013 till 31/12/2017	1,089,000
3	Lease contract for the site of the Albilad's Al- Khobar – Aqrabiya Branch owned by Abdullah Ibrahim Al-Subaie Real Estate Company.	Khalid bin Abdullah Al-Subaie	13/11/2014 till 11/12/2024	2,000,000
4	Lease contract of the Ingaz Center in Dwardmi Governorate, owned by Mohammad Ibrahim Al-Subaie & Sons Company.	Nasser Bin Mohammed Al-Subaie	22/06/2010 till 21/06/2025	60,000
5	Lease contract of an ATM in Riyadh, owned by Mohammad Ibrahim Al-Subaie & Sons Company.	Nasser Bin Mohammed Al-Subaie	03/07/2015 till 02/07/2025	50,000

6	Lease contract for the site of Albilad's Medina – Sultana Branch, owned by Mohammed and Abdullah bin Ibrahim Al-Subaie	Nasser Bin Mohammed Al-Subaie and Khalid bin Abdullah Al-Subaie	01/04/2005 till 31/03/2017	600,000
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The Group deals with the relevant parties during the course of its regular work. These transactions with the relevant parties are subject to the limits stated by the Banking Control Law and the instructions issued by the Saudi Arabian Monetary Agency (SAMA). Senior shareholders are those who own 5% or more of the Bank's issued capital; and the Senior Management Personnel are these individuals, including the Managing Director, who have the authority and responsibility to carry out the planning, direction and supervision of the Bank's activities, whether directly or indirectly. The nature and the balances of these transactions for the two years ended on the 31st of December are as follows:

A- The Balances of the Board Members and Other Senior Shareholders, in addition to the Companies Affiliated to them and the Investment Funds Managed by the Group:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Finance		
Credit Sale	1,324,902	1,509,743
Participation	46,959	30,600
Contingent Undertakings and Commitments		
Contingent Undertakings and Commitments	44,228	41,632
Deposits		
On Demand	148,797	27,036
Albilad Account (Speculation)	14,481	4,113
Others	1,181	4,093

B- The Balances of the Senior Management Personnel and the Companies Affiliated to them:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Finance		
Installment Sales	12,623	14,454
Deposits		
On Demand	9,001	9,281
Albilad Account (Speculation)	1	1,077

C- The Group's Investment Funds:

This clause represents the existing balances at the Group's investment funds as on the 31st of December:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Customers' Deposits	2,689	2,082
Investments	29,735	56,918

D- Revenues and Expenses:

The following is an analysis of the revenues and expenses related to the transactions with the relevant parties, which are listed in the consolidated income statement for the two years ended on the 31st of December:

The Balances of the Board Members and Other Senior Shareholders, in addition to the Companies Affiliated to them

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Revenues		
Finance Income	45,736	52,381
Net Fees and Commissions Income and others	352	294
Net Fees and Commissions Income and others – Albilad Investment Funds	17,635	18,086
Expenses		
Albilad Account (Speculation)	2	2
Rents of Buildings	5,086	4,800
Remuneration of Board Members	6,302	5,280

The Balances of the Senior Management Personnel and the Companies Affiliated to them

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Revenues		
Finance Income	265	300

The following is a statement of the total compensation paid to the Senior Management Personnel during the year:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Revenues		
Employees' Short-term Benefits	56,880	48,016
Post-employment benefits, the end-of-service gratuity benefits for employees, and the payments calculated based on the shares.	5,624	7,808

Capital Adequacy:

The Group's objectives when managing the capital are to comply with the capital requirements set by the Saudi Arabian Monetary Agency (SAMA) to maintain the Group's ability to continue its work, in accordance with the continuity principle and the maintenance of a strong capital base. The Group's Management monitors the capital adequacy and the use of regulatory capital. Furthermore, the instructions of the Saudi Arabian Monetary Agency requires the maintenance of a minimum level of regulatory capital, and the ratio of the total regulatory capital to the risk-weighted assets must be at or exceeding the agreed minimum of 8% .The Group monitors the capital adequacy using the ratios stated by the Saudi Arabian Monetary Agency (SAMA); and by which the capital adequacy is measured by comparing the eligible capital clauses for the Group with the assets listed in the consolidated statement of financial position and the potential liabilities using the risk-weighted assets to show its relative risks. The Saudi Arabian Monetary Agency (SAMA) issued the guidelines and frameworks for capital restructuring, according to the recommendations of the Basel III Committee, which took effect as of the 1st of January 2013. According to the frameworks of the Basel III Committee, the Group's consolidated risk-weighted assets, the total capital and the relevant ratios were calculated on a consolidated basis for the Group. The following table summarizes the Group's first pillar for the risk-weighted assets, the core capital, the supplementary capital and the capital adequacy ratio:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Credit Risk-Weighted Assets	39,449,578	33,786,740
Operational Risk-Weighted Assets	3,905,237	3,553,573
Market Risk-Weighted Assets	149,700	448,075
Total First Pillar for Risk-Weighted Assets	43,504,515	37,788,388
Core Capital	6,442,239	5,891,353
Supplementary Capital	467,373	422,334
Total of Core Capital and Supplementary Capital	6,909,612	6,313,687
Capital Adequacy Ratio		
Core Capital Ratio	14.81%	15.59%
Ration of Core Capital and Supplementary Capital	15.88%	16.71%

Means for Communication with Shareholders:

Pursuant from the Bank's keen on strengthening its relationship with shareholders and all the investors and customers, and in its belief in the principle of disclosure and transparency and the importance of information to investors, the Bank's Board of Directors considers the transparency as one of the Bank's important principles, which works on its application, and it is from the governance principles that work on ensuring fair treatment for all shareholders and determining the responsibility of the Board of directors towards the Bank and its shareholders; and so the Bank follows the regulations, standards and guidelines of the Saudi Arabian Monetary Fund (SAMA) and the Capital Market Authority (CMA), and the Basel Committee's recommendations on corporate governance. The Bank provides comprehensive information on all its activities and business within the annual report and the brief financial statements published in the local newspapers, and on the Tadawul website and the Bank's website (www.bankalbilad.com), which contains additional information and news about the Bank. Furthermore, The Bank takes specific note of the inquiries received from the shareholders and responding to them, in addition to encouraging shareholders to attend the annual General Assembly meetings that discuss the Bank's business.

Governance and Transparency:

The Bank's Board of Directors is committed to provide a growing shareholder value over the long term, and it appreciates the role of an effective governance system in achieving sustainable growth, and that is achieved through the formulation of strategic objectives and translating them into appropriate work programs, and working on their achievement with a commitment to the transparency and disclosure standards. Based on the requirements and decisions of the regulatory authorities represented in the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority (CMA), and given the awareness and belief of the Bank's Board of Directors and its Executive Management in the importance of governance, the Board of Directors has adopted the Bank's corporate governance documents, including the Corporate Governance Manual, its annexes and a group of related policies; in full conformity with the Companies System issued by the Ministry of Trade and Industry, the Corporate Governance Regulation issued by the Capital Market Authority (CMA), the General Principles of Bank Governance issued by the Saudi Arabian Monetary Agency (SAMA), and the Statute of the Bank. Moreover, the Board follows up with the Executive Management to ensure its commitment in the application of all that is stipulated by these regulations and policies.

Bank Albilad's corporate governance is a system of rules, practices and operations used in guiding the Bank and managing its business; as the Bank's corporate governance is based on the fair treatment on the grounds of equality between the interests of the various parties involved in the Bank, whether they are shareholders, management, customers, suppliers or government agencies. The Board of Directors and the Executive Management stresses the need to adhere to the governance controls as an effective method to develop the concepts of effective transparency, integrity and control, and achieving high professional performance. This in turn boosts investor confidence, and serves the interests of shareholders and employees, as well as the community, partners and customers, both locally and regionally. This report shows the Bank's compliance with the terms and conditions of corporate governance.

The Applicable Clauses that have not been applied from the Corporate Governance Regulation

The Bank's Board of Directors works according to the Corporate Governance Regulation issued by the Capital Market Authority (CMA) on 12/11/2016, and modified by the CMA Board's decision on 16/03/2010, in addition to all that is stipulated by the General Principles of Bank Governance issued by the Saudi Arabian Monetary Agency (SAMA), whose first update was issued on March 2014; along with the Bank's corporate governance documents and its annexes and policies. The Bank has committed itself to the application of the clauses of the Corporate Governance Regulation issued by the (CMA), with the exception of the following clauses:

Article	Paragraph	Paragraph	Reasons for Non-Application
Sixth (Voting Rights)	D	Investors from people with legal status, who act on behalf of others, such as investment funds, must disclose their policies in the voting and their actual voting in their annual reports, as well as disclosing how to deal with any essential conflicts of interest that may affect the exercise of fundamental rights for their investments.	The Article does not apply to Bank Albilad; as the Bank cannot compel investors with legal status to do so.
Twelfth (The Formation of the Board of Directors)	I	No person with legal status, who is entitled to appoint his representatives on the Board, according to the Companies System, can vote on the selection of other members of the Board of Directors	The Article does not apply to Bank Albilad; as there aren't any people with legal status.

The Board of Directors has also adopted a comprehensive set of regulations and policies for governance, which are consistent with what has been stated in the Companies System, the Corporate Governance Regulation issued by the Capital Market Authority (CMA), the General Principles of Bank Governance issued by the Saudi Arabian Monetary Agency (SAMA), and the Statute of the Bank. Moreover, the Board follows up with the executive management to ensure its commitment in the application of all that is stipulated by these regulations and policies.

Applicable Accounting Standards:

In the preparation of its consolidated financial statements, Bank Albilad follows accounting standards for financial institutions issued by the Saudi Arabian Monetary Agency (SAMA), in addition to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). The Bank prepares its consolidated financial statements to comply with the Banking Control Law and the Companies System in Saudi Arabia.

It should be noted that the Capital Market Authority (CMA) has issued a circular, which stresses the need of the Companies' Boards to include at once the details of the International Accounting Standards application plan in the Board's report for the fiscal years 2015 and 2016, and that is after their adoption by the Saudi Organization for Certified Public Accountants in the financial statements prepared for fiscal periods starting from or after the 1st of January 2017; in addition to the plan implementation stages and the extent of the Company's readiness to apply the International

Accounting Standards on the 1st of January 2017.

As the bank already follows the International Accounting Standards when preparing its consolidated financial statements, it has no plans regarding what has been stated in the aforementioned circular.

External Auditors:

In the General Assembly meeting held on the 25th of Jumada Al-Thani 1436 AH, corresponding to the 14th of April 2015, M/S Price Waterhouse Cooper Office and the Ernst & Young Office and their Partners have been appointed as external auditors for the Bank for the fiscal year 2015. As for the year 2016, the auditors will be appointed at the meeting of the General Assembly scheduled to be held in the early second quarter 2016, with Allah's willing.

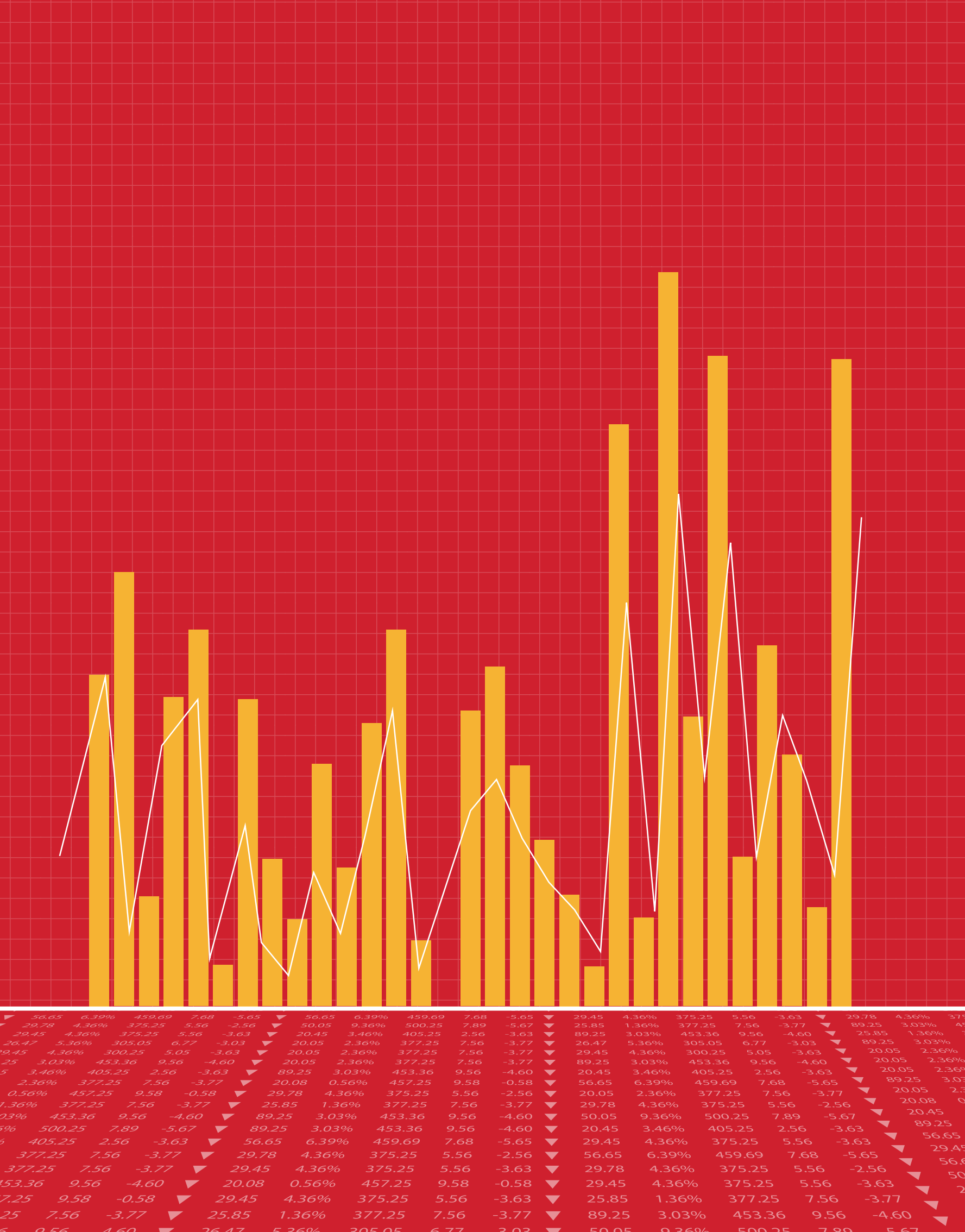
The Board's Statements:

The Bank's Board of Directors confirms the following:

- The accounting records were prepared properly.
- The Internal Control System was prepared on a sound basis and implemented effectively.
- There is no doubt in the Bank's ability to continue its activity.
- The Bank auditors gave an unqualified audit report on the Bank's consolidated financial statements for the current fiscal year.
- There are no arrangements or agreements with any of the shareholders, Board members or senior executives to waive any wages, remunerations, compensations or profits.
- There is no interest that benefits the individuals (other than the issuing Board of Directors, the senior executives, and their spouses and minor children) in the category of the shares entitled to voting, and the Bank must be informed about these rights.
- The Bank or its subsidiaries does not have any financial obligations, existing loans, convertible or refundable debt instruments, or contractual securities, and no debt instruments have been issued during the year 2015.
- The Bank did not refund, purchase or cancel any debt instruments, convertible debts, refundable debt instruments, option rights or others during the year 2015.

In conclusion, the Board of Directors, the Chief Executive Officer and all the Bank employees are honored to extend their deepest thanks and appreciation to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, may Allah protect him; and the Crown Prince and Minister of Interior Prince Mohammed bin Nayef bin Abdulaziz Al Saud; and the Deputy Crown Prince, the Second Deputy Prime Minister and the Minister of Defense, His Royal Highness Prince Mohammed bin Salman bin Abdul Aziz, may Allah protect him. We also thank the Ministry of Finance, the Ministry of Trade and Industry, the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority (CMA) for the help, support and encouragement received by the Banks and Financial Institutions Sector.

The Board is pleased to express its thanks and appreciation to all shareholders and customers for their precious support and trust. The Board also thanks the Bank employees for their constant and sincere efforts to develop and improve performance and achieve the Bank's purposes and their desired objectives.



Consolidated Financial Statements

For the year ending 31 December 2015



تقرير مراجعي الحسابات المستقلين

إلى السادة / مساهمي بنك البلاد
المقرين
(شركة مساهمة سعودية)

لقد راجعنا القوائم المالية المرفقة لبنك البلاد ("البنك") والشركات التابعة له (ويشار إليهم مجتمعين بـ "المجموعة")، والتي تشمل على قائمة المركز المالي الموحدة كما في ٣١ ديسمبر ٢٠١٥، والقوائم الموحدة للدخل والدخل الشامل والتغيرات في حقوق المساهمين والتدفقات النقدية للسنة المنتهية في ذلك التاريخ وملخصاً للسياسات المحاسبية الهامة والإيضاحات التفسيرية الأخرى من (١) إلى (٣٩). لم نقوم بمراجعة الإيضاح رقم (٤٠) أو البيانات المتعلقة بـ "الإفصاحات التي نص عليها إطار عمل لجنة بازل (٣)" والمشار إليها في الإيضاح المذكور لأنها غير مطلوبة لأن تكون ضمن نطاق أعمال المراجعة التي قمنا بها.

مسئولية الإدارة حول القوائم المالية الموحدة

تعتبر الإدارة مسؤولة عن إعداد هذه القوائم المالية الموحدة وعرضها بصورة عادلة وفقاً لمعايير المحاسبة للمؤسسات المالية الصادرة عن مؤسسة النقد العربي السعودي والمعايير الدولية الخاصة بالتقارير المالية وأحكام نظام الشركات ونظام مراقبة البنوك في المملكة العربية السعودية والنظام الأساسي للبنك. بالإضافة إلى ذلك، تعتبر الإدارة مسؤولة عن نظام الرقابة الداخلي الذي تعتبره الإدارة ضرورياً لإعداد قوائم مالية موحدة خالية من الأخطاء الجوهرية، سواء كانت ناتجة عن الغش أو الخطأ.

مسئولية مراجعي الحسابات

إن مسئوليتنا هي إبداء الرأي حول هذه القوائم المالية الموحدة إستناداً إلى أعمال المراجعة التي قمنا بها. تمت مراجعتنا وفقاً لمعايير المراجعة المتعارف عليها في المملكة العربية السعودية ومعايير المراجعة الدولية والتي تتطلب منا الإلتزام بمتطلبات أخلاقيات المهنة وتخطيط وتنفيذ أعمال المراجعة للحصول على قناعة معقولة بأن هذه القوائم المالية الموحدة خالية من الأخطاء الجوهرية.

تشتمل أعمال المراجعة على القيام بإجراءات للحصول على الأدلة المؤيدة للمبالغ والإفصاحات التي تتضمنها القوائم المالية الموحدة. تعتمد الإجراءات التي يتم إختيارها على تقدير مراجع الحسابات بما في ذلك تقييم مخاطر الأخطاء الجوهرية في القوائم المالية الموحدة، سواء كانت ناتجة عن الغش أو الخطأ. وعند تقييم هذه المخاطر، يقوم مراجع الحسابات بالأخذ بعين الإعتبار نظام الرقابة الداخلي الخاص بإعداد القوائم المالية الموحدة للمنشأة وعرضها بصورة عادلة لغرض تصميم إجراءات مراجعة ملائمة وفقاً للظروف، وليس لغرض إبداء الرأي حول فعالية نظام الرقابة الداخلي للمنشأة. كما تشتمل أعمال المراجعة على تقييم مدى ملاءمة السياسات المحاسبية المتبعة ومدى معقولية التقديرات المحاسبية المعدة من قبل الإدارة، وكذلك تقييم العرض العام للقوائم المالية الموحدة.

نعتقد بأن أدلة المراجعة التي حصلنا عليها كافية وملائمة لأن تكون أساساً لإبداء رأينا.



الرأي

في رأينا، إن القوائم المالية الموحدة ككل:

- تظهر بعدل، من كافة النواحي الجوهرية، المركز المالي للمجموعة كما في ٣١ ديسمبر ٢٠١٥، وأدائها المالي وتدفقاتها النقدية للسنة المنتهية في ذلك التاريخ وفقاً لمعايير المحاسبة للمؤسسات المالية الصادرة عن مؤسسة النقد العربي السعودي والمعايير الدولية الخاصة بالتقارير المالية.
- تتفق مع نظام الشركات ونظام مراقبة البنوك في المملكة العربية السعودية والنظام الأساسي للبنك فيما يتعلق بإعداد وعرض القوائم المالية الموحدة.

إرنست ويونغ

ص.ب ٢٧٣٢

الرياض ١١٤٦١

المملكة العربية السعودية

عبدالعزیز عبدالرحمن السويلم

محاسب قانوني - ترخيص رقم ٢٧٧

برايس وترهاوس كوبرز

ص.ب ٨٢٨٢

الرياض ١١٤٨٢

المملكة العربية السعودية

عمر محمد السقا

محاسب قانوني - ترخيص رقم ٣٦٩

١٣ جمادى الأولى ١٤٣٧ هـ

(٢٢ فبراير ٢٠١٦)



The Consolidated Statement of Financial Position

As on the 31st of December

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Assets			
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	4	4,602,121	4,467,704
Net Balances at Other Banks and Financial Institutions	5	8,382,657	8,784,586
Net Investments	6	2,948,935	2,635,330
Net Finance	7	34,254,623	28,355,270
Net Property and Equipment	8	792,084	798,369
Other Assets	9	239,990	188,655
Total Assets		51,220,410	45,229,914
Liabilities and Shareholders' Equity			
Liabilities			
Balances of Other Banks and Financial Institutions	10	1,421,652	1,191,018
Customers' Deposits	11	42,179,460	36,723,742
Other Liabilities	12	1,177,059	1,423,801
Total Liabilities		44,778,171	39,338,561
Shareholders' Equity			
Capital	13	5,000,000	4,000,000
Statutory Reserve	14	961,066	768,403
Other Reserves	6 (B) & 16	(11,712)	22,778
Retained Earnings		591,317	1,195,557
Treasury Shares		(113,758)	(110,705)
Employee Equity Program	36	15,326	15,320
Total Shareholders' Equity		6,442,239	5,891,353
Total Liabilities and Shareholders' Equity		51,220,410	45,229,914

The attached clarifications from number (1) to number (40) are an integral part of these consolidated financial statements.

The Consolidated Income Statement

For the two years ended on the 31st of December

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Income			
Income from Investment and Finance Assets	18	1,238,839	1,072,694
Return on Deposits and Financial Liabilities	19	(76,445)	(53,517)
Net Income from Investment and Finance Assets		1,162,394	1,019,177
Net Fees and Commissions Income	20	779,220	719,096
Net Foreign Currency Exchange Gains		316,994	293,433
Dividend income	21	9,647	14,002
Net Non-Trading Investment (Losses) / Gains		(197)	38,814
Other Operating Income	22	26,562	12,530
Total Operating Income		2,294,620	2,097,052
Expenditure			
Salary and other Employee related Benefits	23	853,106	742,316
Rent and premises expense		224,825	198,786
Depreciations	8	101,187	95,793
Other General and Administrative Expenses		235,278	203,646
Net Impairment Charge /(Reversal of Provision) for Financing	7 (B)	78,693	(7,518)
Impairment charge on Available-for-Sale Investments	6 (C)	13,108	-
Total Operating Expenses		1,506,197	1,233,023
Year's Net Income		788,423	864,029
Basic and diluted earnings per share Share (in Saudi Riyal)	24	1.58	1.73

The attached clarifications from number (1) to number (40) are an integral part of these consolidated financial statements.

The Consolidated Comprehensive Income Statement

For the two years ended on the 31st of December

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Year's Net Income			
Other Comprehensive Income:			
Items that can be recycled back to consolidated statement of income in subsequent periods/have been recycled in the current year		788,423	864,029
• Available-for-Sale Financial Assets	6 (B) & 16		
Net Changes in Fair Value		(47,795)	18,254
Net Amounts Transferred to the Consolidated Income Statement		197	(38,814)
Impairment charge on Available-for-Sale Investments		13,108	-
Total Other Comprehensive Income		(34,490)	(20,560)
Total Comprehensive Income for the Year		753,933	843,469
Basic and diluted earnings per share Share (in Saudi Riyal)	24	1.58	1.73

The attached clarifications from number (1) to number (40) are an integral part of these consolidated financial statements.

The Consolidated Statement of Changes in Shareholders' Equity

For the two years ended on the 31st of December

2015	In Thousands of Saudi Riyals							
	Clarifica- tion	Capital	Statutory Reserve	Other Reserves	Retained Earnings	Treasury Shares	Employee Equity Program	Total
Balance at the Beginning of the Year		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353
Changes in the Shareholders' Equity for the Year								
Net Changes in Fair Value of Available-for-Sale Investments				(47,795)				(47,795)
Net Transfers to the Consolidated Interim Income Statement.				197				197
the Impairment charge on Available-for-Sale Investments				13,108				13,108
Net Income recognized Directly in Shareholders' Equity				(34,490)				(34,490)
Year's Net Income					788,423			788,423
Total Comprehensive Income for the Year				(34,490)	788,423		-	753,933
Cash Dividends	15				(200,000)			(200,000)
Issuance of Bonus Shares	15	1,000,000	(4,443)		(995,557)			-
Treasury shares						(3,053)		(3,053)
Employee Equity Program Reserve	36						6	6
Transfer to the Statutory Reserve	14		197,106		(197,106)			-
Balance at the End of the Year		5,000,000	961,066	(11,712)	591,317	(113,758)	15,326	6,442,239

2014	In Thousands of Saudi Riyals							
	Clarifica- tion	Capital	Statutory Reserve	Other Reserves	Retained Earnings	Treasury Shares	Employee Equity Program	Total
Balance at the Beginning of the Year		4,000,000	552,396	43,338	547,535	(54,426)	12,046	5,100,889
Changes in the Shareholders' Equity for the Year								
Net Changes in Fair Value of Available-for-Sale Investments				18,254				18,254
Net Transfers to the Consolidated Income Statement.				(38,814)				(38,814)
Net Income recognized Directly in Shareholders' Equity				(20,560)				(20,560)
Year's Net Income					864,029			864,029
Total Comprehensive Income for the Year				(20,560)	864,029		-	843,469
Treasury shares						(56,279)		(56,279)
Employee Equity Program Reserve	36						3,274	3,274
Transfer to the Statutory Reserve	14		216,007		(216,007)			-
Balance at the End of the Year		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353

The attached clarifications from number (1) to number (40) are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the two years ended on the 31st of December

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Operating Activities:			
Year's Net Income		788,423	864,029
adjustment to reconcile Net Income to the Net Cash from / (Used in) Operating Activities:			
Net Gains /(Losses) on Non-Trading investment		197	(38,814)
Net Gains from disposal of Property and Equipment		(66)	(82)
Depreciations	8	101,187	95,793
Net impairment charge/ (Reversal of impairment) for Financing	7 (B)	78,693	(7,518)
Impairment charge on Available-for-Sale Investments	6 (C)	13,108	-
Employee Equity Program		8,267	15,086
From Operating Profit before Changes in the Operating Assets & Liabilities		989,809	928,494
Net (Increase) / Decrease in Operating Assets:			
Statutory Deposit at the Saudi Arabian Monetary Agency (SAMA)		(150,244)	(582,141)
due from Banks and Financial Institutions maturing after Ninety Days from the Date of Acquisition		772,331	(1,345,983)
Commodity Murabaha with the Saudi Arabian Monetary Agency (SAMA) maturing after Ninety Days from the Date of Acquisition		(1,102,066)	(399,139)
Finance		(5,978,045)	(4,932,329)
Other Assets		(51,335)	(52,538)
Net (Increase) / Decrease in Operating Liabilities:			
due to Banks and Financial Institutions		230,634	215,402
Customers' Deposits		5,455,718	7,616,024
Other Liabilities		(246,742)	284,716
Net Cash (used in) generated from the Operating Activities		(79,940)	1,732,506
Investment Activities:			
Purchase of Non-Trading Investments		(662,349)	(610,363)
Proceeds from the Sale of Non-Trading Investments		402,964	309,404
Purchase of Property and Equipment		(94,994)	(132,325)
proceeds from Sale of Property and Equipment		158	449
Net Cash used in Investment Activities		(354,221)	(432,835)
Financing Activities			
Purchasing the Shares of the Employee Equity Program		(11,314)	(68,091)
Paid Dividends	15	(200,000)	-
Net Cash used in Finance Activities		(211,314)	(68,091)
(Decrease) / Increase in Cash and Cash Equivalents		(645,475)	1,231,580
Cash and Cash Equivalents at the Beginning of the Year		8,711,751	7,480,171
Cash and Cash Equivalents at the End of the Year	25	8,066,276	8,711,751
Income received from Investing and Financial Assets		1,182,807	1,058,539
return Paid on Deposits and Financial Liabilities		74,474	37,868
supplemental Non-Cash Information:			
Total of Other Comprehensive Income		(34,490)	(20,560)
Issuance of Bonus Shares	15	1,000,000	-

The attached clarifications from number (1) to number (40) are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2015

1. General

A- Establishment and Work

Bank Albilad (the Bank) was established as a Saudi joint stock company in Saudi Arabia, and its establishment was licensed by the Royal Decree number M/48 on the 21st of Ramadan 1425 AH (corresponding to the 4th of November 2004), according to the decision of the Council of Ministers No. (258) on the 18th of Ramadan 1425 (corresponding to the 1st of November 2004)

The Bank works under the commercial registration no. 1010208295 on the 10th of Rabia Al- Awal 1426 AH (corresponding to the 19th of April 2005), and the address of the Bank's head office is as follows:

Bank Albilad

P.O. Box 140

Riyadh 11411

Saudi Arabia

The consolidated financial statements include the financial statements of the Bank and its affiliated companies, which are the Albilad Investment Company and the Albilad Real Estate Company, and they are collectively referred to as the «Group». The affiliated companies are 100% owned by the Bank and were founded in Saudi Arabia.

The purposes of the Group are to engage in all banking, finance and investment business through a variety of tools and products compatible with the Shariah Islamic Law, the Statutes of the Bank and the provisions of the Banking Control Law. The Bank provides these services through 120 bank branches (2014: 116 bank branches) and 171 exchange and remittance centers (2014: 158 exchange and remittances centers) in the Kingdom of Saudi Arabia.

B- Shariah Board

The Bank established a legitimate authority ("Shariah Board") to ensure the compatibility of all the Bank's business with the adopted provisions and their directions.

2. Basis of Preparation

A- Compliance Statement

The consolidated financial statements were prepared in accordance with the accounting standards for the financial institutions, promulgated by the Saudi Arabian Monetary Agency (SAMA), in addition to the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee. Furthermore, the Bank prepares its consolidated financial statements in line with the requirements of the Banking Control Law and the Companies System in Saudi Arabia, in addition to the Bank's Memorandum of Association and some of the SAMA requirements regarding capital adequacy.

B- Measurement and Presentation Principles

The consolidated financial statements are prepared in accordance with the historical cost principle, except for the available-for-sale investments, which are measured at fair value.

The Group presents its own consolidated statement of the financial position based on the liquidity, and an analysis has

been provided regarding the redemption or payment operations within 12 months from the date of preparation of the (circulated) financial statements, and for more than a year after the date of preparation of the financial statements (non-circulated) in the clarification no. 30.

C- Functional Currency and Presentation Currency

These consolidated financial statements are presented in Saudi Riyals, which is the main currency of the Group. The financial statements presented in Saudi Riyals are approximated to the nearest thousand, unless otherwise noted.

D- Significant Accounting Estimates and Provisions

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) requires the use of certain significant accounting estimates and assumptions that could affect the registered amounts of assets and liabilities. Furthermore, the Management is also required to use its estimates regarding the accounting policies application operation for the Group. These estimates, assumptions and provisions are assessed on an ongoing basis based on past experience and other factors, including the obtainment of professional consultations and expectations of future events that are believed to be reasonable under the circumstances. The important clauses, in which the Management uses the estimates and assumptions, or those in which the provisions are exercised, consist of the following:

1- Impairment in the Finance Losses

The Group reviews its finance portfolio in order to assess the private and collective impairment on a periodic basis. In order for the Group to be able to determine whether it should record the impairment losses or not, the Group uses the estimates and provisions to determine if there is any observable data that indicates an impairment that can be measured in the estimated future cash flows. The Manual includes an observable data indicating a reverse change in the status of payment by a group of borrowers.

When estimating the cash flows, the Management uses the estimates based on the finance previous experience, which is characterized by similar credit risks and an objective evidence of a similar impairment, as stated in the portfolio when estimating the cash flows. The methodology and assumptions used to assess the amounts and timing of future cash flows are reviewed regularly to reduce any differences between the estimated and actual losses.

2- Fair Value Measurement

The Group measures the financial instruments at fair value on the date of each consolidated statement of financial position.

Fair value is the price that will be received upon the sale of assets or paid to transfer liabilities under a statutory transaction between the traders in the market on the measurement date. The fair value measurement is based on the assumption that the transaction of the assets sale or liabilities transfer has been carried out either:

- In the main market for the assets or liabilities, or
- In the most beneficial markets available for assets and liabilities, in the absence of major market.

The main market or the most beneficial markets must be available to the Group.

The fair value of the assets or liabilities is measured on the basis of the assumptions used by the market traders when pricing the assets or liabilities; and on the assumption that they are seeking to achieve better economic benefit to them.

The Group uses the appropriate pricing methods according to the circumstances, and sufficient data is provided in this regard to measure the fair value, by increasing the use of observable inputs and minimizing the non-observable inputs. All the assets and liabilities measured at fair value or disclosed in the consolidated financial statements are classified within the below hierarchy for fair value, based on the material minimum inputs to measure the fair value as a whole:

- First Level: The price traded on active financial markets for the same assets and liabilities (without amendment).
- Second Level: The assessment methods that are considered as material minimum inputs to measure the observable fair value, whether directly or indirectly.
- Third Level: The assessment methods that are considered as material minimum inputs to measure the non-observable fair value.

3- Rating the Held – to – Maturity Investments

The Group follows the guidelines set forth in the International Accounting Standard No. (39) when rating non-derivative financial assets with fixed payments, or that can be determined, which have a specified maturity date, as “Held – to – Maturity Investments”. When carrying out these provisions, the Group evaluates its intention and ability to hold such investments until the maturity date, except in some special circumstances, such as selling them on a date close to the maturity date or with an immaterial amount; only then the Group must re-rate all the investments held until the maturity date as available-for-sale investments.

4- Impairment in the Value of Shares and Investment Instruments Available for Sale

On the preparation date of all financial statements, the Management carries out the provisions when reviewing the impairment in the value of the available-for-sale investments; this includes making sure whether the substantial or continuous impairment in the fair value reduces the investments cost. The estimate is formed to ascertain whether the impairment in the investments’ fair value is «substantial» or «continuous». When conducting the assessment to determine whether the impairment is substantial, the impairment in the fair value is assessed compared to the original cost on the date of the initial recognition. When conducting the assessment to determine whether the impairment is continuous, the impairment is assessed compared to the period in which the fair value is less than the original cost on the date of the initial recognition.

When making the estimates, the Group evaluates, among other factors, the average changes in investment prices, the deterioration of the investee’s financial position, the industry and sector performance, the changes in technology, and the cash flows from operating and finance activities.

The Group reviews the investments in the instruments classified as available for sale on the preparation date of all financial statements to ensure the presence of impairment in their value. This requires giving estimates similar to the applicable ones regarding the assessment of corporate finance individually.

5- Specifying the Control over the Investee Companies:

The control indicators mentioned in the clarification no. 3 (B) are subject to the Management’s provisions, which can have a significant impact on the Group’s share in securitization tools and investment funds.

Investment Funds

The Group operates as a manager for many investment funds. Specifying the Group's possibility to exercise control over an investment fund is usually carried out by focusing on the overall assessment of the Group's economic interests in the fund (which consists of any registered commissions and expected management fees) and the investors' rights in dismissing the Fund Manager. As a result, the Group acts as an agent for investors in all cases, and therefore these funds were not standardized.

6- The Allocations of Obligations and Charges

The Group receives legal claims against it through its normal work cycle. When making the allocations, the Management makes estimates about the possibility of sparing an allocation in exchange for the claims. The expiry date of the legal claims and the amount to be paid is uncertain. The timing and cost ultimately depend on the applicable regulatory procedures.

3. Summary of the Main Accounting Policies

The accounting policies used in preparing the consolidated financial statements are shown below:

A) Changes in Accounting Policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with the accounting policies used in the preparation of the consolidated annual financial statements for the year ended on the 31st of December 2014, except in pursuing the following new standards and the amendments to the existing standards below, which has no significant impact on the Group's consolidated financial statements for the current or previous period, and it is expected to have an inconsequential impact on the future periods:

- Amendments to the International Accounting Standard no. (19): The standard applies to the annual periods beginning on or after the 1st of July 2014. This standard applies to programs with fixed benefits regarding the subscriptions of employees and / or other parties. Provided that the specific conditions and standards are met, the current amendment to the International Accounting Standard no. (19) provides an exemption from the requirements proposed in the amendments for 2011 regarding employees / third parties' subscriptions rates for the service periods, in accordance with the equation of benefits programs or the straight-line method. The current amendment provides an option, if the conditions are met, to reduce the service cost during the period in which the concerned service is provided.
- Annual improvements cycle applies to the International Financial Reporting Standards (IFRS) for the years 2010 – 2012, and 2011 – 2013 on annual periods beginning on or after the 1st of July 2014. These improvements are summarized as follows:
 - The International Financial Reporting Standard No. (1): Following the International Financial Reporting Standards for the first time.

The amendment clarifies that the followers of International Financial Reporting Standards for the first time are allowed and not obligated to follow the new or amended International Financial Reporting Standards, which are not mandatory, but it's preferable to follow them early on.

- The International Financial Reporting Standard No. (2):
The standard was amended to clarify the definition of «Grants Conditions» and that is by defining the «Performance Requirements» and «Terms of Service» independently.
- International Financial Reporting Standard No. (3): The business combination operations.
The standard has been amended to clarify the classification and measurement of the possible compensation to the business combination operations; this standard does not apply to the accounting of the establishment of all types of joint arrangements mentioned in International Financial Reporting Standard no. (11).
- International Financial Reporting Standard No. (8): Operational sectors.
The standard, which clearly requires the disclosure of the provisions carried out by the Management when applying the combination principles and standards, is applied.
- International Financial Reporting Standard No. (13): Fair value measurement.
The standard was amended to show that the short-term receivables and payables not associated with a commission must be measured with the invoice's amount without deduction if the impact of deduction is not significant. The standard has been amended to clarify that the exception regarding the portfolio can be applied to contracts mentioned in the scope of the International Accounting Standard no. (39) and the International Financial Reporting Standard no. (9), regardless of whether or not they meet the conditions of the definition of the financial assets or liabilities stipulated by IAS no. (32).
- The International Accounting Standard no. (16): Property, machinery and equipment, and the International Accounting Standard no. (38): Intangible assets
These amendments clarify the requirements of the revaluation methods after taking into account that the amendment of the accumulated depreciation (amortization) is not always in proportion to the change in the total book value of the asset.
- The International Accounting Standard No. (24): The disclosure of the relevant authorities.
The definition of the relevant authorities extends to include the Management's enterprise that provides Senior Management Personnel services to the enterprise preparing the financial statements, whether directly or indirectly.
- International Accounting Standard No. (40): Real Estate Investments
This standard shows that the enterprise must ascertain whether the purchased properties are considered as «real estate investments», in accordance with the International Accounting Standard No. (40); and it must conduct an independent assessment, in accordance with the Financial Reporting Standard No. (3) to ascertain whether the procurement operation is considered as a business combination operation.

B) Basis of the Preparation of the Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and its affiliated companies. The financial statements of the affiliated companies are prepared for the same fiscal year for the Bank using similar accounting policies.

The affiliated companies are enterprises controlled by the Group. The Group controls an enterprise when faced by its matters and it has rights to obtain different revenues from its relationship with the investee company and has the ability to affect the revenues through the exercise of its powers on the investee company. The financial statements of the affiliated companies are consolidated in the consolidated financial statements from the date of the transfer of control over these companies, and the consolidation is stopped starting from the date of the renunciation of exercising such control.

The Bank has full shares in the Albilad Investment Company and the Albilad Real Estate Company founded in the Kingdom of Saudi Arabia.

The main activity of the Albilad Investment Company is represented in the provision of trading services, management, organization, counseling, and safekeeping of the bonds, in accordance with the Capital Market Authority (CMA).

The main activity of the Albilad Real Estate Company is represented in the safekeeping of assets provided as guarantees from the Bank Albilad's customers.

These consolidated financial statements were prepared using similar accounting policies and assessment methods for the transactions and other events according to similar circumstances.

In particular, the Group controls the investee company only when the following is available for the Group:

1. The exercise of power over the investee company (The availability of the right which provides the Group with the ability to direct the relevant activities of the investee companies).
2. The exposure to risk; and the Group has the right to obtain different revenues from its relationship with the investee company.
3. The ability to influence the revenues of the investee company.

When the Group does not have the majority rights in the investee companies, which entitles it to vote thereon, the Group takes into account all the relevant facts and circumstances to determine whether or not to exercised its power over the investee company, which include:

1. Contractual arrangements with the other owners of the voting rights.
2. Rights arising from other contractual arrangements.
3. The Group's voting rights and potential voting rights granted by the equity instruments such as shares.

The straddling shares between the Group's companies, and any income or expense arising from the nested transactions are excluded when preparing the consolidated financial statements. The unrealized losses are excluded in the same manner in which the unrealized gains are excluded, to the extent that there is no proof of the impairment in the value.

C) Accounting on the Trade Date

All the regular operations relating to the purchase and sale of financial assets are primarily recognized or derecognized on the trade date; i.e. the date when the Group becomes a party in the contractual provisions of the instrument. The regular operations relating to the purchase and sale of financial assets require the delivery of assets within the time frame established by the regulations or custom prevailing in the market.

All the assets and other financial liabilities are recognized on the trade date; i.e. the date on which the Group becomes a party in the contractual provisions of the instrument.

D) Foreign Currencies

The Group's consolidated financial statements are presented in Saudi Riyal, which is also the functional currency of the Bank. Transactions carried out in foreign currencies are converted into Saudi Riyals at the exchange rates prevailing on the date of the transactions. Furthermore, the balances of the cash assets and liabilities registered in foreign currencies are converted into Saudi Riyals at the end of the year at the exchange rates prevailing on the preparation date of the consolidated financial statements.

The realized and unrealized gains and losses from the conversion operations are registered in the consolidated income statement.

E) Financial Instruments Clearing

The financial assets and liabilities are cleared and the net is included in the consolidated statement of financial position when there is a statutory binding right, and when the Group intends to settle assets with liabilities on a net basis, or sell the assets and pay the liabilities simultaneously.

Clearing cannot be carried out for the revenues and expenses in the consolidated income statement unless it is required or permitted by any accounting standard or interpretations, as shown in the Group's accounting policies.

F) Balances of Other Banks and Financial Institutions

Originally, the balances of other banks and financial institutions are measured at fair value and subsequently measured at amortized cost.

G) Investments

Originally, all the investment bonds are recognized at fair value, which represents the paid amount, inclusive of the purchase expenses regarding investments, except for the investments, whose fair value are listed in the income statement. Transaction costs, if any, are not added to the fair value measurement during the initial recognition for the investments, whose fair value is listed in the income statement.

The bonus and the deduction are amortized based on the actual revenue, and included in the consolidated income statement.

The fair value of the bonds, which are traded in the regular financial markets, is determined based on the prices traded in the market when the work is finished on the preparation date of the financial statements. The fair value of the assets under management and the investments in mutual funds is determined based on the declared net asset value, which is close to the fair value.

The fair value of bonds not traded in the market is determined by conducting a reasonable estimate for the fair value based on the current market value for the other similar instruments more or less, or based on the expected cash flows or all that regards these bonds from the net relevant assets. If the fair value cannot be determined from the active financial markets, it will be recognized at cost.

After the initial recognition of the different categories of the investment bonds, any subsequent transfers were allowed between different investment categories, and that is in case of the fulfillment of certain conditions. Each category of different investments is determined at the end of the next fiscal period in accordance with the principles set forth in the following paragraphs:

1- Investments whose Fair Value is Listed in the Income Statement

Investments are classified in this category as «Held for Trading Investments» or «Investments whose Fair Value is Listed in the Income Statement» during the first recognition. The investments classified as «Held for Trading Investments» are mainly purchased for the purpose of sale or repurchase for short-term periods, and they are registered in the consolidated statement of financial position at fair value. Changes in fair value are included in the net income / loss of trading.

Investments classified as «Investments whose Fair Value is Listed in the Income Statement» by the Management in the case of meeting the standards and principles mentioned in the International Accounting Standard no. (39), (except for the investments of the assets not traded in an active market, whose fair value cannot be reliably measured).

The investments whose fair value is listed in the consolidated statement of financial position are registered at fair value, and any changes in fair value are listed in the consolidated income statement for the year in which these changes arise. The transaction costs, if any, are not added to fair value measurement during the initial recognition for the investments whose fair value are listed in the income statement. The income from finance, investments and dividends from financial assets are recognized at its fair value in the income statement as "Trading Income" or "Income from Financial Instruments whose Fair Value is Listed in the Income Statement" in the consolidated income statement

Rerating

The investments whose fair value is listed in the income statement cannot be rerated after their initial recognition; except for the non-derivative financial instruments whose fair value is listed in the income statement, and apart from those rated as investments whose fair value is listed in the income statement during their initial recognition; as it is allowable to rerate them from this category (i.e. commercial category) in the case of their non-acquisition for the purpose of selling or repurchasing in a short period, and meeting the following conditions:

- If the financial asset meets the requirements of the finance and receivables definitions, when it is no longer required to rerate the financial assets as held for trading during the initial recognition, it is permitted to rerate it when the enterprise has the intention and ability to maintain the financial assets in the foreseeable future or until the maturity date.
- If financial asset does not meet the requirements of the finance and receivables definitions, they can be rerated outside the category of investments held for trading, and that is in the «rare» cases only.

2- Available-for-Sale Investments

Available-for-sale investments are shares and instruments not rated as held-to-maturity or finance investments or as investments whose fair value is listed in the income statement. The Group intends to hold them for an indefinite period, which may be sold to meet the liquidity requirements or to face the changes in the profit rates, the foreign exchange rates, and the share prices.

Originally, the investments rated as «Available-for-Sale Investments» are recognized at fair value, inclusive of the spin-off transactions' costs directly related thereto, and they are subsequently measured at fair value with the exception of the non-traded shares whose fair value cannot be reliably determined; as they are registered at cost. Unrealized gains

or losses arising from changes in their fair value are directly recognized in the other comprehensive income until the reasons for the recognition of such investments or their depreciation cease to exist; and then the accumulated profit or loss, previously recognized in the other comprehensive income, is shown in the consolidated income statement.

The income from investments and finance is recognized in the consolidated income statement based on the actual revenue. Dividends are recognized in the consolidated income statement when the Group is entitled to the dividends. The foreign exchange gains or losses from available-for-sale debt securities are recognized in the consolidated income statement.

Available-for-sale securities can be rerated to «Other Investments held at Amortized Cost» in case of meeting the requirements of the «Other Investments held at Amortized Cost» definition, and when the Group has the intention and ability to maintain the financial assets in the foreseeable future or until the maturity date.

3- Held - to - Maturity Investments

Investments with fixed payments, or that can be determined and have a specified maturity, which the Group has a positive intention and ability to hold until their maturity date, are rated as held to maturity investments. Originally, the held-to-maturity investments are recognized at fair value, inclusive of the direct and spin-off transaction costs, and are subsequently measured at the amortized cost, minus the provision of the impairment in its value. The amortized cost is calculated after taking into account any deduction or bonus when purchasing by using the actual rate of return, and any gain or loss from these investments is listed in the consolidated income statement when the reasons for the recognition of such investments or their depreciation cease to exist.

Investments rated as “Held-to-Maturity” cannot be resold or rerated without affecting the ability of the Group to use this rating, and they cannot be rated as a clause covering risks related to special commission rates or early payment, given the long term nature of these investments.

That sale or rating operations carried out in any of the following conditions will not affect the Group’s ability to use this rating:

- The sale or rating operations that are carried out on a date close to the maturity date, and the changes in the commission rates prevailing in the market will not have a significant impact on the fair value.
- The sale or rating operations after the Group has fully collected the original amount of the asset.
- The sale or rating operations for isolated non-recurring events, which are beyond the Group’s control and cannot be reasonably predicted.

4- Other Investments Held at Amortized Cost

The investments with fixed payments or that can be determined and not traded on an active financial market are rated as «Other Investments Held at Amortized Cost». These investments are carried at amortized cost using the actual rate of return method, minus the provision of the impairment in its value. Any gain or loss from these investments is listed in the consolidated income statement when the reasons for the recognition of such investments or their depreciation cease to exist.

H) Finance

Finance consists of credit sale, installment sale, participation and leasing issued or purchased by the Group. It is originally recognized at fair value, including the holding expenses, and it is subsequently measured at cost, minus any written off amounts and the provision of impairment in value, if any. The finance is recognized when the cash is paid to the borrowers, and is derecognized when the customers pay their obligations, or when the finance is sold or written off, or when all the benefits and risks associated with the ownership are transferred.

- **Credit Sale and Installment Sale:** It represents a finance contract based on Murabaha, through which the Group purchases goods or an asset and then sell it to the customer based on his promise to purchase. The selling price consists of the cost plus agreed profit margin. The credit sale is a custom product for the corporate finance, while the installment sale product is dedicated to finance individuals.
- **Closed-End Leasing:** It is an agreement in which the Group is a lessor, who buys or creates the leased asset, according to the request and the specifications of the customer (lessee) based on his promise to lease the asset for a specified period agreed upon. The lease contract can be terminated by transferring the ownership of the leased asset to the lessee at the expiration of the lease term.
- **Participation:** An agreement between the Bank and the customer to participate in carrying out a specific investment project or to own a certain property, which ends up with the customer's ownership of all the investment or property. The profit or loss is divided according to the terms of the agreement.

I) Impairment of the Financial Assets

1- Held-To- Maturity Financial Assets

At the end of each fiscal period, an assessment is conducted to determine whether there is objective evidence regarding an impairment of an asset or a group of financial assets. In the event that such evidence exists, the estimated recoverable value is determined for that asset, and any losses resulting from this impairment is recognized by the changes in its book value based on the Net Present Value (NPV) for the expected future cash flows.

The Group ensures that there is evidence of impairment in the finance, advances and investments held to maturity on a private or collective basis.

If the financial asset is uncollectible, it is written off from the provision for impairment or charged directly on the consolidated income statement. The financial assets are written-off only after exhausting all possible means of collection, and after determining the loss amount.

If a decline occurred in the amount of the impairment loss later on, the decline is objectively due to an event occurring after the impairment (for example, an improvement in the debtor's credit rating), and then the entry of the loss amount, which has been previously recognized, is reversed by settling the provision account . The reversal of entry is recognized in the consolidated income statement under the provision for credit losses impairment.

The finance, whose conditions are being renegotiated, is not considered as a late payment, but is treated as a new finance. The policies and procedures for rescheduling are placed according to the indicators or standards, indicating that the payment process is likely to continue. The finance impairment assessment continues individually or collectively using the original actual rate of return for finance.

The finance is usually renegotiated either as a part of an ongoing relationship with the customer or to counter negative changes in the borrower's conditions. Renegotiation could lead to extending the maturity date or reimbursement programs, whereby the Group grants the modified commission rate to the defaulting customer. This can lead to the persistence in considering the asset as «late payment» and «impaired», because the reimbursement of the commission and the original amount, which has been renegotiated, would not recover the original book value for the finance. In some cases, renegotiation leads to the conclusion of a new agreement, and is considered as «new finance».

The Group also ensures that there is an impairment on a collective level. The collective provision is formed according to the following standards and grounds: When there is impairment in the internal or external credit rating level of the borrower or a group of borrowers; the current economic conditions in which the borrower operates; and the previous default cases.

2- Available-for-Sale Investments

For investments in instruments rated as available-for-sale investments, the Group conducts an assessment individually to ensure that there is an impairment by using the same applicable standard concerning the financial assets held amortized cost. The impairment amount represents the cumulative losses measured by the difference between the amortized cost and the current fair value, minus the impairment loss, which represents the value previously recognized in the consolidated income statement.

If an increase in the investments in instruments occurs later on, this increase is objectively due to a credit event occurring after the impairment's recognition, the impairment losses are reversed through the consolidated income statement.

As for the investments in the shares held as available-for-sale, the significant or prolonged impairment in the fair value, which is less than the cost, represents an objective evidence for impairment. The impairment losses cannot be reversed through the consolidated income statement as long as the assets are recognized in the record, which means that any increase in the fair value after registering the impairment can only be recognized within the shareholders' equity. Upon derecognition, any accumulated gains or losses that have been previously acknowledged are included in the shareholders' equity in the consolidated income statement.

J) Revenue Recognition

1- Income and Return on Financial Assets and Liabilities

The income from the investment and financial assets is recognized in the consolidated income statement using the actual return on the current balances throughout the contract period.

The actual rate of return calculation takes into account all the contractual terms of the current instrument, which include fees, transaction costs, and deductions that are an integral part of the actual rate of return and do not include future financial losses. The transaction costs are the object costs directly related to the acquisition of the financial assets and liabilities.

2- Fees and Commissions Income

The fees and commissions, which are an integral part in the calculation of the actual rate of return, are included in the measurement of the relevant assets.

The fees and commissions, which are an integral part in the calculation of the actual rate of return on the financial assets and liabilities, are recognized when providing the relevant services as follows:

- Portfolio management fees, administrative advisory fees and other services are recognized according to the relevant service contracts, usually on relative time basis.
- The fees, which are received from the Asset Management, the Wealth Management, the Financial Planning and Custody Services and other similar services provided during a period of time throughout the period in which they are providing services, are recognized
- The fees associated with the performance or the fees components are recognized when meeting the performance standards.
- The recognition of the compliance fees can be deferred to grant finance that may not be withdrawn, in addition to other credit fees (including incidental costs), and its recognition as a settlement for the actual return on finance. In cases where it is not expected that the finance-related obligations will lead to the use of finance, the compliance fees are recognized to grant finance using the straight-line method throughout the compliance period.
- Other fees and commissions expenses are mainly related to the transaction and service fees, and are recorded as expenses upon receipt of the service.

3- Foreign Currency Exchange Gains (Losses)

The gains (losses) on foreign currency exchange are recognized according to what has been explained in the accounting policy relating to the foreign currency exchange above.

4- Dividends

The dividends from the shares investments are recognized when confirming the entitlement of their receipt, and that is when being approved by the shareholders.

5- Gains (Losses) on Investments held for Non-Trading

The unrealized gains / losses arising from changes in fair value are recognized in the other comprehensive income until the investments are derecognized or impaired, and then the accumulated gains/ losses previously recognized in other comprehensive income are circulated in the consolidated income statement.

K) Derecognition of Financial Instruments

The financial asset (or a part thereof, or part of a group similar financial assets) is derecognized at the end of the contractual rights to receive cash flows regarding these financial assets or when transferring assets; the transfer is eligible to derecognition.

In cases where the indications show that the Group transferred the ownership of a financial asset, the recognition is cancelled when the Group substantially transfers all the risks and benefits associated with the ownership of the asset. In cases where risks and benefits substantially associated with the ownership of the asset have not been transferred or maintained, the recognition will be canceled only if the Group gives up its control over the asset. The Bank registers the assets or the liabilities separately in case of obtaining rights or maintaining the obligations arising from these operations. The financial liabilities (or part thereof) are derecognized only when they are exhausted, that is when the obligations specified in the contract are implemented, canceled or expired.

L) Zakat and Withholding Tax

Under the zakat and income tax regulations in Saudi Arabia, the Zakat is an obligation on the Saudi shareholders. Zakat is calculated on the Saudi shareholders' share in the ownership rights or net income using the bases set forth under the zakat regulations.

Zakat is not charged on the Group's consolidated income statement, as it is deducted from the dividends to Saudi shareholders.

The withholding tax is deducted from the payments to non-resident suppliers for provided services and purchased goods, in accordance with the tax regulations applicable in Saudi Arabia and paid directly to the Department of Zakah and Income Tax (DZIT) per month.

During the normal work cycle, the Group provides financial guarantees that include documentary credits, guarantees and acceptances. The financial guarantees are originally recognized in the other liabilities in the consolidated financial statements at fair value, which represents the value of the received bonus. After the initial recognition, the Group's obligations towards each guarantee are measured by the amortized bonus, or the best estimate for the expenses required for repaying any financial guarantee arising from the guarantees, whichever is higher. The increase in the obligations concerned with the financial guarantees is recognized in the consolidated income statement under the « Net Provision for the Finance Impairment Losses», and the received bonus is recognized in the consolidated income statement under «Net Fees and Commissions Income « using the straight-line method throughout the guarantee period.

M) Provisions

Provisions are recognized when the Group has a current or expected obligation as a result of past events; this obligation is likely to be paid off and it can be reliably estimated. Provisions are reviewed on the date of each consolidated financial statement, and they can be modified to reflect the best current estimate.

N) Accounting of Lease Contracts

1- When the Group is the Lessee

Lease Contracts, which did not transfer to the Group all the risks and benefits regarding the asset's ownership, are rated as operating leases. As a result, all the lease contracts concluded by the Bank are regarded as operating leases. Payments under the operating leases are charged on the consolidated income statement using the straight-line method throughout the lease term.

If the lease is terminated before the expiry of its duration, any fines (after deducting the expected rental income, if any) that must be paid to the lessor is recognized as an expense during the period in which the contract is terminated.

The Group evaluates the arrangements unrelated to leases, such as outsourcing contracts and others to determine if they contain the lease element, in order to be calculated separately.

2- When the Group is the Lessor

When transferring assets under a closed-end leasing contract, the current value of the lease payments is recognized as receivables and disclosed under «Finance». The difference between the total receivables and the present value of the receivables is recognized as unearned return. The lease income is recognized throughout the period of the lease

contract using the net investment method, which shows a fixed periodic rate of return.

The assets subject to the operating leases contracts are included in the consolidated financial statements as «Property and Equipment». The income from operating leases are recognized using the straight- line method (or as appropriate) throughout the lease term.

O) Cash and Cash Equivalents

For the purposes of preparing the consolidated cash flow statement, the cash and cash equivalents are defined as the amounts included in the cash, balances and Murabaha at the Saudi Arabian Monetary Agency (SAMA), with the exception of the statutory deposit. It also includes the balances with other banks and financial institutions, which are entitled within three months or less from the date of acquisition, and are subject to insignificant changes in their fair value.

P) Property and Equipment

The property and equipment are recognized at cost, and are shown through the net amount minus the accumulated depreciation and amortization. The cost of property and equipment are depreciated or amortized using the straight-line method throughout the estimated useful lives of the assets as follows:

Buildings	33 years
Leased Buildings Improvements	The lease term or the useful life (10 years), whichever is shorter
Equipment, Furniture and Vehicles	4 to 6 years
Computer Hardware and Software	5 years

On the preparation date of the consolidated financial statements, the remaining estimated value and the useful lives of the assets are reviewed and then amended, if necessary.

The gains and losses arising from the sale are calculated by comparing the sale proceeds with the book value, and these gains or losses are included in the consolidated income statement. All assets are audited to ensure the existence of an impairment, and that is when events or changes in circumstances indicate the inability to recover the book value. The book value is directly reduced to the recoverable value if the asset's book value exceeds the recoverable value.

Q) Financial Liabilities

Originally, all customers' deposits, balances of other banks and financial institutions, and other financial liabilities are recognized at fair value and subsequently measured at amortized cost.

R) Investment Services

The Group provides investment services to its customers through its affiliated company, which includes managing some investment funds in consultation with professional investment advisors. The Group's share is included in these funds under the available-for-sale investments, while disclosing the fee income earned from managing such funds within transactions with relevant parties.

The assets held at the Secretariat or the Agency are not considered as assets for the Group, and therefore are not included in the consolidated financial statements.

S) Revenues Excluded from the Consolidated Financial Statements

From time to time, the Bank's Shariah Board ensures the application of legitimate decisions. In case of recognizing the revenues accidentally or inadvertently, the Board of Directors will, at the request of the Bank's Chief Executive Officer, agree to exclude these revenues from the Group's revenues and dispose of them permanently.

T) Employee Equity Program

The Bank provides its qualified employees with incentive programs that are paid based on the shares (programs) and supported by the Saudi Arabian Monetary Agency (SAMA). Under the terms of this program, the Bank grants shares to qualified employees, and they will be kept as part of their annual remunerations.

The cost of this program is measured based on the fair value on the share's grant date.

The cost of the programs is recognized throughout the period during which the service requirement is fulfilled, which ends with the date on which the concerned employees are entitled to the granting of the shares (maturity date). The cumulative expenses, which are calculated under these programs from the preparation date of all the financial statements until the maturity date, show the extent of the maturity date, and the best Bank estimates for the number of shares that will be granted at the end. The amount charged or restricted on the consolidated income statement for a year represents the movement in the cumulative expense registered at the beginning and end of that year.

After obtaining the approval of the Saudi Arabian Monetary Agency (SAMA), the Bank entered into an agreement with a neutral third party to retain the shares involved in the program, in addition to the benefits accrued from these shares.

U) End-of-Service Gratuity

The gratuities accrued to the Bank employees are calculated at the end of their service, according to the Saudi Labor Law, and they are included in the other liabilities section in the Consolidated Statement of Financial Position.

4. Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Statutory Deposit	4.1	2,509,101	2,358,857
Cash on Hand		1,473,037	1,339,091
Other Balances	4.2	619,983	769,756
Total		4,602,121	4,467,704

4.1 According to the Banking Control Law and the instructions issued by the Saudi Arabian Monetary Agency (SAMA), the Bank is required to maintain a statutory deposit for the Saudi Arabian Monetary Agency at percentages specified by the cheque account, savings, term deposits and other deposits calculated at the end of each month. The statutory deposit with the Saudi Arabian Monetary Agency (SAMA) is not available to finance the Bank's daily operations, and therefore is not part of the cash and cash equivalents.

4.2 The statutory deposit in the cash management account at SAMA contains the amount of 570 million Saudi Riyals (2014: 615 million Saudi Riyals).

5. Net Balances at Other Banks and Financial Institutions

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
On Demand	424,791	274,373
Murabaha on Goods	8,048,789	8,601,136
Provision for Impairment in the Murabaha on Goods	(90,923)	(90,923)
Depreciations	7,957,866	8,510,213
Total	8,382,657	8,784,586

6. Net Investments

A) Investments are formed as of the 31st of December as follows:

In Thousands of Saudi Riyals			2015			
	Within the Kingdom		Outside the Kingdom			
	Traded	Non-Traded		Traded	Non-Traded	Total
Available-for-Sale Investments						
Shares	151,041	157,500		-	-	308,541
Investment Funds	236,909			-	-	236,909
Instruments	253,991	297,568		48,704	-	600,263
	641,941	455,068		48,704		1,145,713
Held-to-Maturity Investments						
Murabaha on Goods at the Saudi Arabian Monetary Agency (SAMA)	-	1,803,222		-	-	1,803,222
Total	641,941	2,258,290		48,704	-	2,948,935

In Thousands of Saudi Riyals	2015					
	Within the Kingdom		Outside the Kingdom			
	Traded	Non-Traded		Traded	Non-Traded	Total
Available-for-Sale Investments						
Shares	174,368	150,000		-	-	324,368
Investment Funds	152,985	-		-	-	152,985
Instruments	256,770	200,000		-	-	456,770
	584,123	350,000		-	-	934,123
Held-to-Maturity Investments						
Murabaha on Goods at the Saudi Arabian Monetary Agency (SAMA)	-	1,701,207		-	-	1,701,207
Total	584,123	2,051,207		-	-	2,635,330

B) The other reserves movement (net of unrealized gains / (losses) from the reassessment of the available-for-sale investments) is summarized as follows:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Balance at the Beginning of the Year	22,778	43,338
Net Changes in Fair Value	(47,795)	18,254
Net Transfers to the Consolidated Income Statement	197	(38,814)
Provision for the Impairment of Available-for-Sale Investments	13,108	-
Net Movement during the Year	(34,490)	(20,560)
Balance at the End of the Year	(11,712)	22,778

C) The movement of the provision for the Impairment charged on the consolidated income statement is summarized as follows:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Balance at the Beginning of the Year	-	-
Amount Charged during the Year	13,108	-
Balance at the End of the Year	13,108	-

D) The following is an analysis of the investment according to other parties:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Companies	1,138,833	884,236
Other Banks and Financial Institutions	6,880	49,887
Saudi Arabian Monetary Agency (SAMA)	1,803,222	1,701,207
Total	2,948,935	2,635,330

E) The Available-for-Sale Investments include non-traded shares amounting to 157.5 million Saudi Riyals (2014: 150 million Saudi Riyals) registered at cost; as the Management believes that the cost of these investments is close to their fair value. The Management also believes that the cost of Murabaha on goods at the Saudi Arabian Monetary Agency (SAMA) is close to its fair value.

7. Net Finance

A) Registered at Amortized Cost

In Thousands of Saudi Riyals	2015				
	Credit Sale	Installment Sale / Leasing	Participation	Leasing	Total
Performing Finance	20,812,829	11,708,958	1,863,143	219,157	34,604,087
Non-Performing Finance	263,462	139,024	112,276	-	514,762
Total	21,076,291	11,847,982	1,975,419	219,157	35,118,849
Provision for Impairment	(536,762)	(191,000)	(132,614)	(3,850)	(864,226)
Net Finance	20,539,529	11,656,982	1,842,805	215,307	34,254,623

In Thousands of Saudi Riyals	2014				
Performing Finance	16,609,417	10,163,859	1,417,580	558,782	28,749,638
Non-Performing Finance	219,119	116,749	94,863	-	430,731
Total	16,828,536	10,280,608	1,512,443	558,782	29,180,369
Provision for Impairment	(520,519)	(164,789)	(127,088)	(12,703)	(825,099)
Net Finance	16,308,017	10,115,819	1,385,355	546,079	28,355,270

B) Provision of Finance Impairment

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Balance at the Beginning of the Year	825,099	895,311
Amount Charged during the Year	120,970	132,953
Amounts Written Off during the Year	(39,566)	(62,694)
Previously Reserved Recovered Amounts	(42,277)	(140,471)
Balance at the End of the Year	864,226	825,099

C) The Finance Credit Quality

The finance has been rated into the following categories:

1) Non-Delinquent Payments that were not impaired

Rating	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Excellent	5,845,048	4,629,296
Good	6,004,768	4,303,771
Satisfactory	4,145,190	3,556,758
Acceptable Risk	6,076,015	5,699,118
Under Surveillance	363,516	301,920
Total Corporate Finance	22,434,537	18,490,863
Individuals Finance - Satisfactory	11,445,895	9,943,485
Total	33,880,432	28,434,348

Excellent

A strong financial position with high liquidity, capital, revenues and cash flows, and excellent capacity for reimbursement

Good

A good financial position with good liquidity, capital, revenues and cash flows, and good capacity for reimbursement

Satisfactory

It is an acceptable financial position with acceptable liquidity, capital, revenues and cash flows, and good capacity for reimbursement. The credit quality is satisfactory for all individual finance.

Acceptable Risks

An acceptable financial position but fickle, however, it has an acceptable capacity for reimbursement.

Under Surveillance

Cash flow problems may lead to a delay in the payment of profits / installments. Facilities require continuous monitoring; however, the Management believes that it will pay all the installments.

2) The Finance Credit Quality (Individually Impaired Finance):

The table below shows the total finance balances that have been impaired individually, and the fair value of the related guarantees held by the Bank as on the 31st of December:

In Thousands of Saudi Riyals		2015			
	Credit Sale	Installment Sale / Leasing	Leasing	Participation	Total
Finance Balances Impaired Individually	263,462	139,024	-	112,276	514,762
Fair Value for Guarantees	211,531	11,791	-	321,968	545,290

In Thousands of Saudi Riyals		2014			
Finance Balances Impaired Individually	219,119	116,749	-	94,863	430,731
Fair Value for Guarantees	213,524	8,863	-	374,112	596,499

3) Analysis of the Portfolio's Age (Delinquent Payments that were not impaired):

In Thousands of Saudi Riyals		2015			
	Credit Sale	Installment Sale / Leasing	Leasing	Participation	Total
From 1 to 30 Days	314,419	204,854	-	63,812	583,085
From 31 to 90 Days	75,131	58,208	-	7,231	140,570
Total	389,550	263,062	-	71,043	723,655
Fair Value for Guarantees	2,489,668	25,798	-	111,095	2,626,561

In Thousands of Saudi Riyals		2014			
From 1 to 30 Days	12,135	165,382	-	-	177,517
From 31 to 90 Days	53,752	54,992	-	29,029	137,773
Total	65,887	220,374	-	29,029	315,290
Fair Value for Guarantees	59,835	48,585	-	-	108,420

It represents the total amount of performing finances, non-delinquent finance balances that were not impaired, and the delinquent ones that were not impaired.

D) Guarantees

The Bank, through its normal work cycle concerning its finance activities, retains the guarantees to reduce the credit risk.

The guarantees mostly include deposits, financial guarantees, local shares and real estates. The guarantees are primarily kept in exchange for personal commercial and real estate credit facilities, and they are managed in exchange for the balances related to its net sale value.

E) The following is an analysis of the finance concentrations risks and its relevant provisions of impairment, according to economic sectors:

In Thousands of Saudi Riyals	2015			
	Performing Finance	Non-Performing Finance	Provisions for Impairments	Net Finance
Commercial	4,071,951	101,744	(161,020)	4,012,675
Industrial	4,447,959	135,947	(132,374)	4,451,532
Building and Constructions	6,686,319	74,698	(182,695)	6,578,322
Transport and Communication	941,240	-	(16,534)	924,706
Services	2,508,732	224	(44,293)	2,464,663
Agriculture and Fish	498,286	-	(8,753)	489,533
Mines and Mining	-	-	-	-
Personal	11,708,958	139,024	(191,000)	11,656,982
Others	3,740,642	63,125	(127,557)	3,676,210
Total	34,604,087	514,762	(864,226)	34,254,623

In Thousands of Saudi Riyals	2014			
	Performing Finance	Non-Performing Finance	Provisions for Impairments	Net Finance
Commercial	3,221,103	78,093	(150,836)	3,148,360
Industrial	3,390,899	114,848	(117,048)	3,388,699
Building and Constructions	5,578,254	57,340	(183,487)	5,452,107
Transport and Communication	679,005	-	(15,436)	663,569
Services	2,122,228	3,145	(51,234)	2,074,139
Agriculture and Fish	567,631	-	(12,904)	554,727
Mines and Mining	629,210	-	(14,304)	614,906
Personal	10,163,859	116,749	(164,789)	10,115,819
Others	2,397,449	60,556	(115,061)	2,342,944
Total	28,749,638	430,731	(825,099)	28,355,270

F) Debtors of the Leasing Contracts

In Thousands of Saudi Riyals	2015		2014	
	In Thousands of Saudi Riyals		In Thousands of Saudi Riyals	
	Individuals	Companies	Individuals	Companies
Total Receivables from Finance Leasing				
Less than One Year	240,445	220,670	187,567	560,225
From One Year to Five Years	266,754	-	327,754	-
More than Five Years	10,444	-	363	-
Unearned Revenue from Finance Leasing	(59,782)	(1,513)	(33,038)	(1,443)
Net Receivables from Finance Leasing	457,861	219,157	482,646	558,782

8. Net Property and Equipment

In Thousands of Saudi Riyals

	Lands and Buildings	Leased Buildings Improvements	Equipment, Furniture and Vehicles	Computer Hardware and Software	Total 2015	Total 2014
Cost						
At the Beginning of the Year	452,661	524,434	268,976	331,648	1,577,719	1,454,950
Additions during the Year	4,570	45,521	16,073	28,830	94,994	132,325
Exclusions	-	(680)	(1,278)	(2,361)	(4,319)	(9,556)
On the 31st of December	457,231	569,275	283,771	358,117	1,668,394	1,577,719
Accumulated Depreciation						
At the Beginning of the Year	1,643	309,860	195,657	272,190	779,350	692,746
Amount Charged for the Year	657	47,742	27,527	25,261	101,187	95,793
Exclusions	-	(650)	(1,233)	(2,344)	(4,227)	(9,189)
On the 31st of December	2,300	356,952	221,951	295,107	876,310	779,350
Net Book Value						
On the 31st of December 2015	454,931	212,323	61,820	63,010	792,084	
On the 31st of December 2014	451,018	214,574	73,319	59,458		798,369

The aforementioned leased buildings improvements include the work in progress amounting to 46.7 million Saudi Riyals as on the 31st of December 2015 (2014: 25 million Saudi Riyals).

9. Other Assets

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Prepaid Rents	48,446	36,313
Down Payments to Suppliers	47,735	31,048
Accrued Management Fees	39,496	62,685
Others	104,313	58,609
Total	239,990	188,655

10. Balances at Other Banks and Financial Institutions

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
On Demand	83,491	87,658
Direct Investments	1,338,161	1,103,360
Total	1,421,652	1,191,018

11. Customers' Deposits

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
On Demand	1-11	28,502,322	26,867,287
Direct Investment		9,452,440	5,834,117
Albilad Account (Speculation)		3,326,469	3,207,113
Others	2-11	898,229	815,225
Total		42,179,460	36,723,742

11 – 1 The demand deposits include foreign currency deposits amounting to 282 million Saudi Riyals (2014: 224 million Saudi Riyals).

11 – 2 Other deposits include the deposits of investment group funds amounting to 2.7 million Saudi Riyals (2014: 2.1 million Saudi Riyals) and the insurance in exchange for irreversible obligations amounting to 895 million Saudi Riyals (2014: 813 million Saudi Riyals), and they include margin accounts, the margin on the foreign currencies amounts to 57 million Saudi Riyals (2014: 69 million Saudi Riyals).

12. Other Liabilities

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Payables	536,055	733,373
Accrued Expenses - Employees	191,510	186,022
Accrued Operating Expenses	83,937	90,527
Others	365,557	413,879
Total	1,177,059	1,423,801

13. Capital

The declared and issued capital, which is fully paid to the Bank, consists of 500 million shares, the value per share is 10 Saudi Riyals (2014: 400 million shares, the value per share is 10 Saudi Riyals).

14. Statutory Reserve

Article no. 13 of the Banking Control Law in Saudi Arabia requires the transfer of at least 25% of the annual net income to the statutory reserve, so that the balance of this reserve will be equal to the paid-up capital of the Bank. Therefore, 197 million Saudi Riyals (2014: 216 million Saudi Riyals) have been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

15. Dividends and Capital Increase

The Board of Directors approved in its meeting held on the 8th of January 2015 on the dividends for 2014 amounting to 200 million Saudi Riyals, at the rate of 0.5 Saudi riyals per share.

The Board of Directors also approved in its meeting held on the 8th of January 2015 on the issuance of bonus shares at the rate of one share per four shares owned on the convening date of the Extraordinary General Assembly, in order

to increase the Bank's capital from 4,000 million Saudi Riyals to 5,000 million Saudi Riyals. Furthermore, bonus shares were issued by capitalizing an amount 995.6 million Saudi riyals from retained earnings, and 4.4 million Saudi Riyals were transferred from the statutory reserve in accordance with the approval of the Saudi Arabian Monetary Agency (SAMA); bringing the number of outstanding shares after the issuance of the bonus shares to 500 million shares.

At the Extraordinary General Assembly meeting held on the 14th of April 2015, the shareholders approved the Board's recommendation to pay out the dividend amounting to 0.5 Saudi Riyals per share, and to issue bonus shares at the rate of one share per four shares.

16. Other Reserves

Other reserves represent the net of unrealized gains / (losses) from the reassessment of the available-for-sale investments. This reserve is not available for distribution to shareholders. The movement of the other reserves is set out in the Clarification 6 (B).

17. Contingent Undertakings and Commitments

A- Lawsuits

There were lawsuits against the Bank as on the 31st of December 2015. Provisions were formed to meet some of these lawsuits, based on the advice of the Bank's legal counselors.

B- Capital Commitments

The Bank's capital commitments as on the 31st of December 2015 has reached 94 million Saudi Riyals (2014: 62 million Saudi Riyals), regarding the improvements to the leased buildings and the purchase of equipment.

C- Contingent Undertakings and Commitments Regarding Credit

The main purpose of these instruments is to ensure the provision of funds to customers upon request. The letters of guarantee and the letters of credit for reimbursement, which are considered as guarantees irreversible by the Group, in the event that a customer cannot fulfill his obligations to other parties carry the same credit risk carried by the finance. As for cash requirements under the letters of credit and the letters of guarantee, they are far below the obligated amount; as the Group did not expect the third party to withdraw funds under the agreement.

The letters of credits, which are written undertakings by the Group on behalf of the customer, allows the third party to withdraw funds with a specific ceiling, according to special terms and conditions usually guaranteed by the cargos of its goods, and therefore carry less risk.

Acceptances represent the Group's undertakings to pay the bills of exchange drawn by the customers. The Group expects that most of the acceptances will be provided before being reimbursed by the customer.

The commitments for granting credit represent the unused portion of the credit mainly granted in the form of finance, and as guarantees and letters of credit. With regard to the credit risk related to the commitments for granting credit, it is likely that the Group will be subject to a loss of an amount equal to the unused commitments; however, the amount of contingent loss that cannot be reasonably estimated is expected to be much less than the total unused commitments since most commitments for granting credit require customers to maintain specific credit standards. The total of outstanding unused commitments does not necessarily represent the future cash requirements, because many of these commitments may expire or be terminated without providing the necessary finance.

(1) The following are the contractual entitlements in exchange for meeting the Group's contingent undertakings and commitments:

2015 In Thousands of Saudi Riyals	Less than 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Total
Letters of Credit	101,471	256,116	118,101	-	475,688
Letters of Guarantee	369,747	1,732,269	1,491,507	106,510	3,700,033
Acceptances	385,144	61,814	7,453	-	454,411
Commitments for Granting Irreversible Credit	-	-	1,400,739	-	1,400,739
Total	856,362	2,050,199	3,017,800	106,510	6,030,871

2014 In Thousands of Saudi Riyals	Less than 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Total
Letters of Credit	339,130	728,157	59,018	-	1,126,305
Letters of Guarantee	375,750	1,346,302	1,721,248	81,202	3,524,502
Acceptances	425,903	136,014	-	-	561,917
Commitments for Granting Irreversible Credit	-	-	651,371	51,597	702,968
Total	1,140,783	2,210,473	2,431,637	132,799	5,915,692

The unused portion of the commitments, which can be cancelled at any time by the Group and listed as on the 31st of December 2015, amount to 4.3 billion Saudi Riyals (2014: 7.8 billion Saudi Riyals).

(2) Contingent Undertakings and Commitments according to the Other Parties:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Companies	5,727,081	5,726,883
Financial Institutions	229,597	156,736
Others	74,193	32,073
Total	6,030,871	5,915,692

D- Obligations related to Operating Lease Contracts

The following is an analysis of the minimum future lease payments under the irreversible operating lease contracts concluded by the Group as a lessee:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Less than One Year	118,989	117,496
From One Year to 5 Years	376,912	290,801
More than 5 Years	338,760	264,618
Total	834,661	672,915

E- Zakat

The Bank provided its Zakat statements to the Department of Zakat and Income Tax (DZIT) in a similar manner for all years including the year of 2014, according to the same calculation principals

The decision of the Tax Appeal Committee was issued regarding the Bank's appeal against the decision of the First Instance Committees on Zakat and Tax Objection for 2006, and the decision committed the Bank to pay an additional amount of 58 million Saudi Riyals; however, the Bank hasn't received the modified Zakat assessment to date.

The Zakat assessments for the years 2007 and 2008 have been received from the Tax Appeal Committee and the assessments from 2009 to 2011 have been received by the DZIT, and a reply is being prepared to the DZIT regarding this assessment. These assessments resulted in additional Zakat claims amounting to 302.6 million Saudi Riyals

The final assessments for the years from 2012 till 2014 were not issued by DZIT and the impact of these assessments cannot be determined in a reliable manner at this stage, which may result in additional claims.

18. Incomes from Investment and Finance Assets

Investments and Balances at Other Banks and Financial Institutions	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Income of Murabaha on Goods at:		
- Saudi Arabian Monetary Agency (SAMA)	5,863	9,454
- Other Banks and Financial Institutions	72,991	39,588
Instruments Income	9,813	6,955
Finance Income		
Credit Sale	674,013	523,369
Installment Sale	406,411	421,233
Leasing	4,163	17,498
Participation	65,585	54,597
Total	1,238,839	1,072,694

19. Return on Deposits and Financial Liabilities

Return on:	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Balances for Other Banks and Financial Institutions	5,259	1,892
Deposits		
- Albilad Account (Speculation)	8,624	4,898
- Direct Investment	62,562	46,727
Total	76,445	53,517

20. Net Fees and Commissions Income

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Fees and Commissions Income		
Remittance Fees	477,684	463,615
ATMs and Points of Sale (POS)	155,836	98,526
Management Fees for Granting Facilities	78,448	65,793
Letters of Credit and Guarantees	46,782	51,594
Management Fees (Investment Funds and Others)	43,083	43,047
Brokerage Commission Fees	41,383	47,472
Documents Safekeeping Fees	39,273	33,449
Others	42,460	15,184
Total Fees and Commissions Income	924,949	818,680
Fees and Commissions Income		
ATMs and Points of Sale (POS)	111,616	85,862
Brokers' Fees	4,762	3,159
Remittance Fees	2,990	3,169
Others	26,361	7,394
Total Fees and Commissions Income	145,729	99,584
Net Fees and Commissions Income	779,220	719,096

21. Dividends

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Dividends from Available-for-Sale Investments		
Balances for Other Banks and Financial Institutions	6,201	7,110
- Traded	3,446	6,892
- Non-Traded	9,647	14,002

22. Other Operating Income

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Recovered Written Off Debts	25,035	12,384
Gains of property and equipment sale	66	82
Others	1,461	64
Total	26,562	12,530

23. Employees' Wages and Benefits

The table below summarizes the applicable compensation policy, which includes fixed and variable compensations paid to employees during the two years ended on the 31st of December, in addition to their payment methods:

	Number of Employees		Fixed Compensations		Paid Variable Compensations					
					Cash		Shares		Total	
			In Thousands of Saudi Riyals							
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Senior Executives (whose appointment require the approval of the Saudi Arabian Monetary Agency “SAMA”)	12	7	20,498	12,838	8,104	5,976	4,840	6,964	12,944	12,940
Employees carrying out activities that contain risks.	249	199	71,273	53,653	7,950	7,224	1,117	1,300	9,067	8,524
Employees performing regulatory tasks.	256	227	65,844	53,728	6,674	5,870	716	809	7,390	6,679
Other Employees	2,982	2,761	380,340	337,262	23,131	26,202	1,588	2,625	24,719	28,827
Employees with External Contracts	385	249	52,387	33,839		-		-		-
Total	3,884	3,443	590,342	491,320	45,859	45,272	8,261	11,698	54,120	56,970
Accrued Variable Compensations			35,337	68,100						
Other Employees Benefits			227,427	182,896						
Total of Employees’ Wages and Benefits			853,106	742,316						

The Bank has established a compensation policy based on the instructions issued by the Saudi Arabian Monetary Agency "SAMA" and the directions issued by the Global Financial Stability Board (FSB) and the Basel Committee on Banking Supervision; and the Board of Directors has adopted this policy. Furthermore, the Board has formed the Nomination and Compensation Committee, this Committee consists of five members; the President and two other members are considered as independent members and they oversee the implementation of the policy.

The Committee oversees the design and operation of the compensation system and it prepares and reviews the compensation policy on a regular basis; in addition to assessing their effectiveness in line with the practices in the banking industry.

Compensation Policy:

The Compensation Policy ("Policy") has set the instructions regarding the fixed and variable compensations that will be paid to the Group's employees. The scope of this policy includes all the elements of compensation, the accreditation and reporting methods, the stock options, the remuneration and its deferment ... etc.

The Policy aims to ensure that the compensation is subject to evaluate the financial performance assessment and they are totally tied to various risks. The Bank's senior executives are eligible for the variable compensations based on the risk-adjusted net income, which takes into account the potential and present significant risks to ensure the preservation of financial efficiency and minimize the potential future losses.

Compensation Structure:

The Bank's compensation structure was determined by comparing it with the appropriate practices used in the Banking Sector, and it includes the fixed and variable compensation. The variable compensations are designed to retain senior executives and accrued over three years.

A- Fixed Compensations

It represents salaries or wages in line with the market and includes the basic wage, housing, transport and fixed allowances, pursuant to the employees' contracts.

B- Variable Compensations

Taking into account the risks related to the Bank's performance and the assessment of the concerned employees' performance, all these factors are periodically assessed, and the results are shared with the beneficiaries, under which the incentives are announced at the end of each accounting period; including the stock options that may eventually be accrued.

Performance Management System:

All staff performance is assessed by following a balanced point-based system; taking into account the financial factors and considerations related to customers, operations and employees, and linking it with the relevant staff performance.

24. Profits of the Main and Reduced Share

The profit of the main and reduced share for the two years ended on the 31st of December 2015 and 2014 are calculated by dividing the year's net income for the year attributable to shareholders by 500 million shares, so as to show, in retrospect, the change in the number of shares, which increased as a result of the issuance of bonus shares.

25. Cash and Cash Equivalents

	Clarifications	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Cash	4	1,473,037	1,339,091
Balances with other banks and financial institutions (accrued within 90 days from the date of acquisition)		5,973,256	5,602,854
Held- to- Maturity Investments (accrued within 90 days from the date of acquisition)		-	1,000,050
Balances at the Saudi Arabian Monetary Agency "SAMA" (with the exception of the statutory reserve)	4	619,983	769,756
Total		8,066,276	8,711,751

26. Sectoral Information

The Bank determines the operating sectors based on customer groups, on the basis of the interior reports concerning the elements and components that form the Group, which are reviewed on an ongoing basis by the Asset and Liability Management Committee and the main decision-makers in the Group in order to allocate resources to the sectors and assess their performance. The Group practices its main activity in the Kingdom of Saudi Arabia.

For administrative purposes, the Group consists of five operating sectors as follows:

Individual Sector (Retail)	Includes services and products provided to individuals, such as deposits, finance for individuals, remittances and foreign exchange.
Corporate Sector	Includes services and products provided to financial companies and institutions, such as deposits, finance and business services to customers.

Treasury Sector	Includes Capital Market, trade and the provision of treasury services.
Investment and Brokerage Services Sector	Includes investment management services and assets management activities associated with the services of handling, management, arrangement, counseling and maintenance of securities.
Others	It includes all the other supporting sectors, including the CEO Office, which manages the Group's investments in companies

All transactions between the sectors mentioned above are in accordance with the terms and conditions of the adopted internal pricing system. The expenses of the supporting sectors and the public administration are distributed to other operating sectors in accordance with the approved standards.

- (1) The following is an analysis of the Group's total assets and liabilities, the total operating income and expenses and the net income (loss) for the two years ended on the 31st of December for each of the operating sectors:

2015

In Thousands of Saudi Riyals	Individuals Sector (Retail)	Corporate Sector	Treasury Sector	Investment and Brokerage Services Sector	Others	Total
Total Assets	15,818,492	22,793,027	10,582,126	430,947	1,595,818	51,220,410
Capital Expenditure	66,743	148	57	2,221	25,825	94,994
Total Liabilities	31,230,550	11,032,401	1,338,161	148,753	1,028,306	44,778,171
Net Income from Investment and Finance Assets	441,269	592,337	84,837	902	43,049	1,162,394
Net Fees and Commissions Income and others	795,184	135,516	94,401	72,295	34,830	1,132,226
Total Operating Income	1,236,453	727,853	179,238	73,197	77,879	2,294,620
Net Provision for the Finance Impairment Losses	65,777	12,916	-	-	-	78,693
Provision for the Impairment of Available-for-Sale Investments	-	-	-	-	13,108	13,108
Depreciations	93,217	5,436	1,085	1,449	-	101,187
Total Operating Expenses	1,110,973	284,049	49,541	46,732	14,902	1,506,197
Year's Net Income	125,480	443,804	129,697	26,465	62,977	788,423

2014

In Thousands of Saudi Riyals	Individuals Sector (Retail)	Corporate Sector	Treasury Sector	Investment and Brokerage Services Sector	Others	Total
Total Assets	13,141,895	19,234,996	11,023,015	357,212	1,472,796	45,229,914
Capital Expenditure	62,341	310	1,373	1,172	67,129	132,325
Total Liabilities	24,688,068	12,123,331	1,103,361	125,236	1,298,565	39,338,561
Net Income from Investment and Finance Assets	413,769	510,816	52,022	310	42,260	1,019,177
Net Fees and Commissions Income and others	722,061	125,378	86,072	78,898	65,466	1,077,875
Total Operating Income	1,135,830	636,194	138,094	79,208	107,726	2,097,052
Net Provision for the Finance Impairment Losses	79,242	(86,760)	-	-	-	(7,518)

Provision for the Impairment of Available-for-Sale Investments	90,859	3,331	1,100	503	-	95,793
Depreciations	972,292	166,057	49,454	43,392	1,828	1,233,023
Total Operating Expenses	163,538	470,137	88,640	35,816	105,898	864,029

(2) The following is an analysis of the credit risks of each operating sector:

2015 In Thousands of Saudi Riyals	Individual Sector (Retail)	Corporate Sector	Treasury Sector	Total
Total Assets	11,656,981	22,597,642	10,786,142	45,040,765
Contingent Undertakings and Commitments	-	3,103,069	-	3,103,069

2014 In Thousands of Saudi Riyals	Individual Sector (Retail)	Corporate Sector	Treasury Sector	Total
Total Assets	10,115,819	18,239,451	10,942,563	39,297,833
Contingent Undertakings and Commitments	-	2,871,605	-	2,871,605

Credit risks faced by the Group include balances at other banks and financial institutions, investments and finance. The credit risk also includes the credit equivalent of potential undertakings and commitments in accordance with the regulations of the Saudi Arabian Monetary Agency.

27. Financial Risks Management

The Group's activities are exposed to a number of financial risks, which are assessed through analysis, assessment, approval and management of some risk degrees or a number of risks. The Group aims to achieve an appropriate balance between the risks and the revenues, minimize the negative effects on its financial performance, and increase the shareholders' benefit.

The Group's credit risk policies, procedures and regulations were designed to identify and analyze the risks, and develop the appropriate tools to reduce and control these risks. The Group constantly reviews the risk management policies and regulations to reflect any changes in the markets, products and the best new practices.

The Board of Directors decided to establish a Risk and Compliance Committee to monitor the Group's total risk management operation. The Committee is also responsible for developing a risk strategy; along with applying the rules, frameworks, policies and restrictions. Its responsibility also includes the risk management decisions and monitoring the risk level. The Risk and Compliance Committee issues its report on a regular basis and submits it to the Board of Directors.

28. Credit Risks

The Group manages credit risks, which is represented in a party's inability to meet its commitments regarding a financial instrument; leading to the other party's incurrence of financial losses. The Group is exposed to credit risk mainly in finance and investment activities. Furthermore, there are credit risks related to financial instruments outside the statement of financial position, such as letters of credit and letters of guarantee, commitments for granting finance.

The Group assesses the probability of default by other parties using internal rating tools. The Group also uses the rating degrees issued by foreign rating agencies, when available.

The Group is trying to reduce the credit risks by monitoring credit exposures, minimizing transactions with specific parties, and conducting continuous assessment for the credit solvency of other parties. The Group's credit risks policies have been prepared; as they work on identifying the risks and developing the appropriate limits to monitor risks and comply with the limits. The actual exposures are monitored and compared with the limits established on a daily basis. In addition to monitoring the credit limits, the Group manages the exposures to credit risks associated with commercial activities by concluding main clearing agreements and entering into guarantee arrangements with other parties within the proper conditions, and by reducing the duration of exposure.

Credit risk concentration occurs when a number of parties carry out similar activities or business in the same geographical area, or have similar economic characteristics, which may affect all their abilities to meet their contractual obligations just as much as when there is any change in the economic or political circumstances or otherwise.

Credit risk concentration indicates the relative sensitivity of the Group's performance towards the developments affecting a particular industry or a particular geographic location.

The Group seeks to manage its exposure to credit risks through diversification, in order to ensure that no concentration of risks will occur in terms of individuals or groups of customers in certain areas, or within specific operation activities, and it also resorts to obtain the necessary guarantees where appropriate. The Group also seeks to obtain more guarantees from the other parties as soon as the impairment indicators of the relevant facilities become clear.

The Management requests more guarantees under the concerned agreements, and it also follows up with the market value of the guarantees obtained during its review of the adequacy of the finance impairment provision.

The Group regularly reviews the risk management policies and systems; as it reflects the changes in the markets products and the best new practices.

The investments analysis according to other parties has been shown in Clarification 6 (D). As for Finance, refer to Clarification 7; and for the contingent undertakings and commitments, refer to Clarification 17. For information about the maximum credit for exposure to credit risk at the Group according to the operating sectors, refer to Clarification 26 (B).

A) Geographic Concentration

(1) The following is a geographic concentration of the main categories of the assets and liabilities, the contingent undertakings and commitments and their credit risks as on the 31st of December:

2015 In Thousands of Saudi Riyals	Kingdom of Saudi Arabia	Other GCC countries and the Middle East Region	Europe	Southeast Asia	Other Countries	Total
Assets						
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	4,602,121	-	-	-	-	4,602,121
Net Balances at Other Banks and Financial Institutions	5,223,260	2,754,035	132,083	68,665	204,614	8,382,657
Net Investments	2,900,231	48,704	-	-	-	2,948,935
Net Finance	34,254,623	-	-	-	-	34,254,623
Net Property and Equipment	792,084	-	-	-	-	792,084
Other Assets	239,567	423	-	-	-	239,990

Total	48,011,886	2,803,162	132,083	68,665	204,614	51,220,410
Liabilities						
Balances of Other Banks and Financial Institutions	1,313,158	87,868	231	1,292	19,103	1,421,652
Customers' Deposits	42,179,460	-	-	-	-	42,179,460
Other Liabilities	1,177,059	-	-	-	-	1,177,059
Total	44,669,677	87,868	231	1,292	19,103	44,778,171
Contingent Undertakings and Commitments	6,030,871	-	-	-	-	6,030,871
Credit Risks (shown by the Credit Equivalent) for Contingent Undertakings and Commitments	3,103,069	-	-	-	-	3,103,069

2015 In Thousands of Saudi Riyals	Kingdom of Saudi Arabia	Other GCC countries and the Middle East Region	Europe	Southeast Asia	Other Countries	Total
Assets						
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	4,467,704	-	-	-	-	4,467,704
Net Balances at Other Banks and Financial Institutions	6,070,397	2,484,583	81,152	34,435	114,019	8,784,586
Net Investments	2,635,330	-	-	-	-	2,635,330
Net Finance	28,355,270	-	-	-	-	28,355,270
Net Property and Equipment	798,369	-	-	-	-	798,369
Other Assets	188,655	-	-	-	-	188,655
Total	42,515,725	2,484,583	81,152	34,435	114,019	45,229,914
Liabilities						
Balances of Other Banks and Financial Institutions	493,810	606,253	521	68,260	22,174	1,191,018
Customers' Deposits	36,723,742	-	-	-	-	36,723,742
Other Liabilities	1,423,801	-	-	-	-	1,423,801
Total	38,641,353	606,253	521	68,260	22,174	39,338,561
Contingent Undertakings and Commitments	5,915,692	-	-	-	-	5,915,692
Credit Risks (shown by the Credit Equivalent) for Contingent Undertakings and Commitments	2,871,605	-	-	-	-	2,871,605

Credit equivalent amounts reflect amounts resulting from the conversion of contingent undertakings and commitments to credit risk factors handled by the finance agreements using the Credit Conversion Factor (CCF) specified by the Saudi Arabian Monetary Agency "SAMA". The Credit Conversion Factor is used to cover contingent credit risks as a result of the Group's fulfillment of its obligations.

(2) The following is the geographical distribution of the impaired investment and finance assets and the provisions for finance assets impairment and Murabaha on goods:

2015 In Thousands of Saudi Riyals	Kingdom of Saudi Arabia	Other GCC countries and the Middle East Region	Europe	Southeast Asia	Other Countries	Total
Non-Working Finance	514,762	-	-	-	-	514,762
Provision for Finance Impairment	864,226	-	-	-	-	864,226
Non-Working Investments and Murabaha on Goods	33,302	90,923	-	-	-	124,225
Provision for Impairment in Investments and Murabaha on Goods	13,108	90,923	-	-	-	104,031

2014 In Thousands of Saudi Riyals	Kingdom of Saudi Arabia	Other GCC countries and the Middle East Region	Europe	Southeast Asia	Other Countries	Total
Non-Working Finance	430,731	-	-	-	-	430,731
Provision for Finance Impairment	825,099	-	-	-	-	825,099
Non-Working Murabaha on Goods	-	90,923	-	-	-	90,923
Provision for Impairment in Murabaha on Goods	-	90,923	-	-	-	90,923

29. Market Risks

Market risks are the risks related to fluctuations in the fair value of future cash flows of financial instruments due to changes in the market, such as the return rate, the foreign currency exchange rates and share prices.

A) Return Rate Risks

The return risks are risks resulting from the fluctuation of future cash flows of financial instruments due to changes in the return rate prevailing in the market. The Group has no substantial exposures to the effects of changes in the return rate prevailing in the market on the future cash flows; because a large part of the financial assets and liabilities are with fixed returns and listed in the consolidated financial statements at amortized cost. In addition, a large part of the Group's liabilities is not associated with a return.

B) Foreign Currency Rates Risks

Foreign currency risks are the risks resulting from the change in the value of the financial instruments due to the fluctuation of currency exchange rates.

- (1) The Group is exposed to the risks of the effects of the fluctuations in the exchange rates prevailing in the market on its financial position and cash flows, and the Group's Management sets the limits for the acceptable risk level for each currency and at an aggregate level for the currency positions by the end of the day, which are monitored daily.

The following is a summary of the Group's exposure to the risks of foreign currency exchange rates as on the 31st of December:

In Thousands of Saudi Riyals	2015		2014	
	Saudi Riyal	Foreign Currency	Saudi Riyal	Foreign Currency
Assets				
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	4,483,028	119,093	4,398,306	69,398
Net Balances at Other Banks and Financial Institutions	7,957,866	424,791	8,139,572	645,014
Net Investments	2,900,231	48,704	2,635,330	-
Net Finance	34,035,310	219,313	28,092,343	262,927
Net Property and Equipment	212,661	27,329	136,888	51,767
Liabilities and Shareholders' Equity				
Balances of Other Banks and Financial Institutions	1,218,389	203,263	724,429	466,589
Customers' Deposits	41,626,585	552,875	36,423,171	300,571
Other Liabilities	1,169,766	7,293	1,413,294	10,507
Shareholders' Equity	6,442,239	-	5,891,353	-

An essential part of the net foreign currency exposed by the Group is represented in U.S. dollar, whose exchange rate is fixed against the Saudi Riyal. No other foreign currency rates risks are considered essential; and therefore, the Group is not exposed to significant foreign exchange rate risks.

The Group carried out a sensitivity analysis for a year concerning the likelihood of a change in the foreign currency exchange rates, with the exception of the U.S. dollar, using the average historical foreign exchange rates, and it is shown that there was no substantial impact on the Group's net exposure to fluctuations in foreign currencies.

(2) Currency Position

The following is an analysis of the net substantial risks faced by the Bank as at the end of the year regarding the following foreign currencies:

	2015	2014
	In Thousands of Saudi Riyals Creditor (Debtor) Position	In Thousands of Saudi Riyals Creditor (Debtor) Position
U.S. Dollar (USD)	(20,980)	(174,612)
Kuwaiti Dinar (KD)	(32,109)	2,068
Pakistani Rupees (PKR)	55,691	60,944
Qatari Riyal (QAR)	5,155	320,102
United Arab Emirates Dirham (AED)	36,745	30,230
Bangladeshi Taka (BDT)	16,391	7,834
Others	14,906	4,873
Total	75,799	251,439

C) Investment Rate Risks

The investment rate risks refer to the impairment in the fair value of shares, investment funds and instruments included in the Group's available-for-sale investments portfolio, as a result of reasonably possible changes in the market indicators levels and the value of individual investments during the year.

The following is the impact on the owned and available-for-sale investments due to reasonably possible changes in market indicators; while all other changeable clauses are remain fixed:

Market Indicators	31st of December 2015		31st of December 2014	
	Change Percentage in the Value of Investment Rates	Impact in Thousands of Saudi Riyals	Change Percentage in the Value of Investment Rates	Impact in Thousands of Saudi Riyals
Traded	± 10	69,065	± 10	58,412
Non-Traded	± 2	9,101	± 2	7,000

30. Liquidity Risks

Liquidity risks represent the Group's inability to meet its net finance requirements. The liquidity risks can occur when there is a disturbance in the market, or a decline in the level of credit ratings, leading to a decline in some of the finance sources. To mitigate these risks, the Management has diversified finance sources, and asset management after taking into account the availability of liquidity, and the maintenance of a sufficient balance of cash and cash equivalents, and securities for immediate trading.

The Management monitors the maturity portfolio to ensure the availability of adequate liquidity. Liquidity positions are monitored daily and regular stress tests are conducted on liquidity using multiple scenarios covering normal and unusual circumstances in the market. All policies and procedures relating to liquidity are subject to review and approval by the Bank's Assets and Liabilities Committee. Daily reports covering the liquidity position of the Bank and its working subsidiaries are issued, and a brief report is regularly submitted to the Bank's Assets and Liabilities Committee including all the exceptions and actions taken.

According to the Banking Control Law and the instructions promulgated by the Saudi Arabian Monetary Agency "SAMA", the Bank maintains at SAMA a statutory deposit equivalent to 7% (2014: 7%) of the total demand deposits and 4% (2014: 4%) of the total deposits. In addition to the statutory deposit, the Bank maintains liquidity reserves of at least 20% of its deposit obligations, and this reserve consists of cash and assets that can be converted into cash within a period not exceeding thirty days.

The Bank can also obtain additional funds through special investment facilities and arrangements with the Saudi Arabian Monetary Agency "SAMA".

The table below is a summary of the maturities of the Group's assets and liabilities. The contractual maturities of the assets and liabilities are determined based on the remaining period from the date of the consolidated statement of financial position until the contractual maturity date; furthermore, the actual maturities dates as indicated by the retention date of the Group's deposits have not been taken into account. The amounts shown in the table below represent the undeducted contractual cash flows, whereas the Group manages the inherent liquidity risks based on the expected deducted cash flows.

A) The following is an analysis of the contractual maturities of assets, liabilities and shareholders' equity as on the 31st of December:

	In Thousands of Saudi Riyals					
2015	Within 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Without a Specific Maturity Date	Total
Assets						
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	2,093,020	-	-	-	-	2,093,020
Statutory Deposit at the Saudi Arabian Monetary Agency (SAMA)	-	-	-	-	2,509,101	2,509,101
Net Balances at Other Banks and Financial Institutions	6,747,294	1,433,062	202,301	-	-	8,382,657
Net Investments	1,803,223			600,262	545,450	2,948,935
Net Finance	7,153,852	17,129,723	9,471,864	499,184	-	34,254,623
Net Property and Equipment	-	-	-	-	792,084	792,084
Other Assets	-	-	-	-	239,990	239,990
Total Assets	17,797,389	18,562,785	9,674,165	1,099,446	4,086,625	51,220,410
Liabilities and Shareholders' Equity						
Balances of Other Banks and Financial Institutions	1,421,652	-	-	-	-	1,421,652
Customers' Deposits	38,128,985	4,050,475	-	-	-	42,179,460
Other Liabilities	-	-	-	-	1,177,059	1,177,059
Shareholders' Equity	-	-	-	-	6,442,239	6,442,239
Total Liabilities and Shareholders' Equity	39,550,637	4,050,475	-	-	7,619,298	51,220,410

In Thousands of Saudi Riyals						
2014	Within 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Without a Specific Maturity Date	Total
Assets						
Cash and Balances at the Saudi Arabian Monetary Agency (SAMA)	2,108,847	-	-	-	-	2,108,847
Statutory Deposit at the Saudi Arabian Monetary Agency (SAMA)	-	-	-	-	2,358,857	2,358,857
Net Balances at Other Banks and Financial Institutions	6,737,832	2,046,754	-	-	-	8,784,586
Net Investments	1,450,918	250,289	-	456,770	477,353	2,635,330
Net Finance	7,138,896	12,024,209	8,603,266	588,899	-	28,355,270
Net Property and Equipment	-	-	-	-	798,369	798,369
Other Assets	-	-	-	-	188,655	188,655
Total Assets	17,436,493	14,321,252	8,603,266	1,045,669	3,823,234	45,229,914
Liabilities and Shareholders' Equity						
Balances of Other Banks and Financial Institutions	1,191,018	-	-	-	-	1,191,018
Customers' Deposits	33,358,001	3,365,741	-	-	-	36,723,742
Other Liabilities	-	-	-	-	1,423,801	1,423,801
Shareholders' Equity	-	-	-	-	5,891,353	5,891,353
Total Liabilities and Shareholders' Equity	34,549,019	3,365,741	-	-	7,315,154	45,229,914

B) The following is an analysis of financial liabilities according to the remaining undeducted contractual maturities as on the 31st December:

In Thousands of Saudi Riyals						
2015	Within 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Without a Specific Maturity Date	Total
Financial Liabilities						
Balances at Other Banks and Financial Institutions	1,422,156	-	-	-	-	1,422,156
Customers' Deposits	38,138,110	4,083,175	-	-	-	42,221,285

In Thousands of Saudi Riyals						
2014	Within 3 Months	From 3 Months to a Year	From a Year to 5 Years	More than 5 Years	Without a Specific Maturity Date	Total
Financial Liabilities						
Balances at Other Banks and Financial Institutions	1,191,067	-	-	-	-	1,191,067
Customers' Deposits	33,359,811	3,385,225	-	-	-	36,745,036

31. Fair Value of Financial Instruments

Fair value is the price that will be received upon the sale of assets or paid to transfer liabilities under a statutory transaction between the traders in the market on the measurement date. The fair value measurement is based on the assumption that the transaction of the assets sale or liabilities transfer has been carried out either:

- In the main market for the assets or liabilities, or
- In the most beneficial markets available for assets and liabilities, in the absence of major market.

Determining the Fair Value of Financial Instruments and the Fair Value Levels:

The Bank uses the following levels when determining and disclosing the fair value of the financial instruments:

Level 1 : The price traded on active financial markets for the same tool (without amendment)

Level 2 : Traded prices in active financial markets for similar assets and liabilities, or by using other assessment methods, where all its important inputs are determined according to the observable market data.

Level 3 : Evaluation methods that did not identify any of its important inputs according to observable market data.

2015	In Thousands of Saudi Riyals				Total
	First Level	Second Level	Third Level		
Financial Assets					
Shares and Investment Funds	387,950	-	157,500		545,450
Instruments	302,695	-	297,568		600,263
	690,645	-	455,068		1,145,713
2014	In Thousands of Saudi Riyals				Total
	First Level	Second Level	Third Level		
Financial Assets					
Shares and Investment Funds	327,353	-	150,000		477,353
Instruments	256,770	-	200,000		456,770
	584,123	-	350,000		934,123

The third level of investments represents the non-traded available-for-sale investments recognized at cost; as the Management believes that the cost is close to its fair value.

The fair value of financial instruments, on the date of the consolidated statement of financial position, is substantially different from the book value listed in the consolidated financial statements. The fair value of the finance, the banks' balances and the held-to-maturity investments registered at amortized cost, is not much different from the book value included in the consolidated financial statements, because the current profits rates prevailing in the market for similar financial instruments are not much different from the contracted prices, and because of the short period for balances at banks.

32. Balances and Transactions with the Relevant Parties

The Group deals with the relevant parties during the course of its regular work. These transactions with the relevant parties are subject to the limits stated by the Banking Control Law and the instructions issued by the Saudi Arabian Monetary Agency (SAMA). Senior shareholders are those who own 5% or more of the Bank's issued capital; and the Senior Management Personnel are these individuals, including the Managing Director, who have the authority and responsibility to carry out the planning, direction and supervision of the Bank's activities, whether directly or indirectly. The nature and the balances of these transactions for the two years ended on the 31st of December are as follows:

A- The Balances of the Board Members and Other Senior Shareholders, in addition to the Companies Affiliated to them and the Investment Funds Managed by the Group:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Finance		
Credit Sale	1,324,902	1,509,743
Participation	46,959	30,600
Contingent Undertakings and Commitments		
Contingent Undertakings and Commitments	44,228	41,632
Deposits		
On Demand	148,797	27,036
Albilad Account (Speculation)	14,481	4,113
Others	1,181	4,093

B- The Balances of the Senior Management Personnel and the Companies Affiliated to them:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Finance		
Installment Sales	12,623	14,454
Deposits		
On Demand	9,001	9,281
Albilad Account (Speculation)	1	1,077

C- The Group's Investment Funds:

This clause represents the existing balances at the Group's investment funds as on the 31st of December:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Customers' Deposits	2,689	2,082
Investments	29,735	56,918

D- Revenues and Expenses:

The following is an analysis of the revenues and expenses related to the transactions with the relevant parties, which are listed in the consolidated income statement for the two years ended on the 31st of December:

The Balances of the Board Members and Other Senior Shareholders, in addition to the Companies Affiliated to them and the Investment Funds managed by the Group:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Revenues		
Finance Income	45,736	52,381
Net Fees and Commissions Income and others	352	294
Net Fees and Commissions Income and others – Albilad Investment Funds	17,635	18,086
Expenses		
Albilad Account (Speculation)	2	2
Rents of Buildings	5,086	4,800
Remuneration of Board Members	6,302	5,280

The Balances of the Senior Management Personnel and the Companies Affiliated to them

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Revenues		
Finance Income	265	300
The following is a statement of the total compensation paid to the Senior Management Personnel during the year:		

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Employees' Short-term Benefits	56,880	48,016
Post-employment benefits, the end-of-service gratuity benefits for employees, and the payments calculated based on the shares.	5,624	7,808

33. Capital Adequacy

The Group's objectives when managing the capital are to comply with the capital requirements set by the Saudi Arabian Monetary Agency (SAMA) to maintain the Group's ability to continue its work, in accordance with the continuity principle and the maintenance of a strong capital base.

The Group's Management monitors the capital adequacy and the use of regulatory capital. The instructions of the Saudi

Arabian Monetary Agency (SAMA) requires the maintenance of a minimum level of regulatory capital, and the ratio of the total regulatory capital to the risk-weighted assets must be at or exceeding the agreed minimum of 8% .

The Group monitors the capital adequacy using the ratios stated by the Saudi Arabian Monetary Agency (SAMA); and by which the capital adequacy is measured by comparing the eligible capital clauses for the Group with the assets listed in the consolidated statement of financial position and the potential liabilities using the risk-weighted assets to show its relative risks.

The Saudi Arabian Monetary Agency (SAMA) issued the guidelines and frameworks for capital restructuring, according to the recommendations of the Basel III Committee, which took effect as of the 1st of January 2013. According to the frameworks of the Basel III Committee, the Group's consolidated risk-weighted assets, the total capital and the relevant ratios were calculated on a consolidated basis for the Group.

The following table summarizes the Group's first pillar for the risk-weighted assets, the core capital, the supplementary capital and the capital adequacy ratio:

	2015 In Thousands of Saudi Riyals	2014 In Thousands of Saudi Riyals
Credit Risk-Weighted Assets	39,449,578	33,786,740
Operational Risk-Weighted Assets	3,905,237	3,553,573
Market Risk-Weighted Assets	149,700	448,075
Total First Pillar for Risk-Weighted Assets	43,504,515	37,788,388
Core Capital	6,442,239	5,891,353
Supplementary Capital	467,373	422,334
Total of Core Capital and Supplementary Capital	6,909,612	6,313,687
Capital Adequacy Ratio		
Core Capital Ratio	14.81%	15.59%
Ration of Core Capital and Supplementary Capital	15.88%	16.71%

34. Investment and Brokerage Management Services

The Group provides investment management services to its customers through its affiliated company / Albilad Investment Company. These services include managing seven investment funds (2014: seven investment funds), with assets totaling 925 million Saudi Riyals (2014: 1,188 million Saudi Riyals). All investment funds are managed according to the Shariah rules and subjected to Shariah control on a regular basis. Some of these funds are managed in cooperation with external professional investment advisors.

The Group also manages the investment portfolios on behalf of its customers amounting to 7,708 million Saudi Riyals (2014: 7.889 million Saudi Riyals). The financial statements of these funds and the investment portfolio were not included in the Group's consolidated financial statements. The transactions between the Group and these funds are disclosed within the transactions with the relevant parties (Clarification no. 32).

35. Changes in the frameworks of the International Financial Reporting

The Group has considered not to prematurely apply the new standards that have been issued but not in force, and the Group is currently studying its effects.

The following is a summary of new international financial reporting standards and its amendments, which take effect in the future periods:

The Group has considered not to prematurely follow up with the amendments and the revisions to the standards listed below, which have been published and must be complied with in connection with the Group's accounting years beginning on or after the 1st of January 2016:

- **International Financial Reporting Standard No. (9): Financial Instruments: Rating and Measuring the Financial Assets and Liabilities**

It is effective for the annual periods starting on or after the 1st of January 2018.

- **International Financial Reporting Standard No. (15): Revenues from contracts concluded with customers.**

The new revenues standard applies to all enterprises, and replaces the current revenue recognition requirements laid down in the International Financial Reporting Standards. The standard is effective for the annual periods starting on or after the 1st of January 2018.

- **International Financial Reporting Standards No. (10) and (12) and the International Accounting Standard No. (28): Investment Enterprises**

The amendments to the International Financial Reporting Standard no.(10) clarifies that the exemption from the presentation in the consolidated financial statements, as stated in Paragraph (4) of the International Financial Reporting Standard no. (10), applies to the parent company, which is a company affiliated to an investment enterprise, and that is if the investment enterprise measures its affiliated companies at fair value; and only the company affiliated to the investment enterprise, which does not consider itself as an investment enterprise providing assignment services to the investee enterprise, is consolidated. All other companies affiliated to the investment enterprise are measured at fair value.

The amendments to International Accounting Standard No. (28) allows the investor, when applying the equity method, to keep the investments measurement at the fair value applied by the associate or a joint venture of the enterprise investing its share in the affiliated companies. Amendments apply to the annual periods starting on or after the 1st of January 2016.

- **International Financial Reporting Standard No. (14): Statutory Deferred Accounts**

The amendments apply to the annual periods starting on or after the 1st of January 2016.

- **International Financial Reporting Standard No. (16):**

The standard shows how to recognize, measure and disclose leases. The amendments apply to the annual periods starting on or after the 1st of January 2019.

- **International Financial Reporting Standard No. (27): Equity Method in the Separate Financial Statements**

The amendments allow the enterprises to follow the equity method when accounting for investments in the affiliated companies, joint ventures and associates in its separate financial statements. The amendments apply to the annual periods starting on or after the 1st of January 2016.

- **International Financial Reporting Standard No. (11): Joint Arrangements: Accounting for the Acquisitions of Shares.**

The amendments apply to the annual periods starting on or after the 1st of January 2016.

- **International Financial Reporting Standard No. (16) and the International Accounting Standard No. (38): Clarification of the Accepted Methods for Calculating Depreciation and Amortization**

The amendments apply in the future to the annual periods starting on or after the 1st of January 2016.

- **International Financial Reporting Standard No. (10) and the International Accounting Standard No. (28): Sale or Contribution to the Assets between the Investor and his Associate, or its Joint Venture.**

The amendments apply to the annual periods starting on or after the 1st of January 2016.

The Annual Improvements Session on the International Financial Reporting Standards for the years 2012 - 2014

Improvements are applied to the annual periods starting on or after the 1st of January 2016, and include:

- **International Financial Reporting Standard No. (5): The Financial Assets Intended for Sale and the Discontinued Operations**

The amendments clarify that the switch from following one of the exclusion methods to another method will not be considered as a new plan for the exclusion, but rather a continuation of the original plan. Accordingly, there is no suspension from following the requirements of the International Financial Reporting Standard No. (5).

- **International Financial Reporting Standard No. 7: Financial Instruments: Disclosures**

The amendment clarifies that the service contracts involving fees can form a continuous link with the financial asset. The enterprise must assess the nature of the fees and the arrangement by following the instructions concerning the ongoing link provided in the International Financial Reporting Standard No. (7) to confirm whether the disclosures are required. Assessment should be conducted retroactively to make sure of the services which form a continuous connection. No need to provide the required disclosures for any period before the annual period of the enterprise, which has implemented the amendments first.

- **International Financial Reporting Standard No. (19): Employees' Benefits**

The amendments clarify that the extent of depth of the high-quality corporate bonds market must be assessed based on the commitment in which the currency is registered, rather than the country in which the commitment is signed. In the absence of such an active market for high-quality corporate bonds in that currency, the government bond prices will be used.

- **International Financial Reporting Standard No. 1: Disclosure Initiative**

The following amendments clarify:

- The requirements concerning the relative importance stipulated in the International Accounting Standard No. (1).
- Specific clauses can be separated in the statements of profit or loss, and other comprehensive income, and the statement of financial position.

- The enterprise has the flexibility in presenting the clarifications to the financial statements.
- The share must be viewed in the other comprehensive income of the associates and joint ventures according to the equity method in total and as a separate clause; and the classification is carried out between the clauses that have been or will not be reclassified subsequently to profit or loss.

The amendments also clarify the requirements that are applied when viewing additional individual totals in the statement of financial position or the profit or loss statement and the other comprehensive income statement.

36. Employee Equity Program

The following are the important benefits for the payments program calculated based on the shares:

	2015	2014
Grant Date	1st of November 2015	15th of September 2014
Maturity Date	25% - 1st of January 2016 25% - 1st of January 2017 50% - 1st of January 2018	1st of January 2017
Number of Shares Granted on the Grant Date	399,418	411,686
Share price on the Grant Date (Saudi Riyals)	21.76	32.79
The Value of the Shares Granted on the Grant Date (in Thousands of Saudi Riyals)	8,691	10,799
Maturity Period	3 Years	3 Years
Grant Condition	Completion of Service Period	Completion of Service Period
Payment Method	Shares	Shares
The following is a statement of the movement in the number of shares for the Employee Equity Program during the year:		
	2015	2014
At the beginning of the year	868,294	977,047
Shares Granted during the year	399,418	411,686
Waivered	48,535	34,409
Disbursed	277,978	486,030
At the end of the year	941,199	868,294

These shares were granted with an essential condition; which is the completion of the service period and it is not linked to the market conditions.

37. Subsequent Events

The Board of Directors, at its meeting held on 01/02/2016 to issue bonus shares at the rate of one bonus share for every five shares owned by the Bank's shareholders as at the date of the General Assembly's meeting in order to increase the Bank's capital from 5,000 million Saudi Riyals to 6,000 million Saudi Riyals. Bonus shares will be issued with a capitalization amounting to 468 million Saudi Riyals from retained earnings and 532 million Saudi Riyals from

the statutory reserve. Therefore, the number of outstanding shares has reached 600 million shares after the issuance of bonus shares. The Board's recommendation regarding the issuance of one bonus share for every five owned shares is subject to the approval of the General Assembly.

38. Comparative Figures

Some comparative figures from last year have been reclassified to conform to the current year's classification.

39. The Board's Approval of the Consolidated Financial Statements

The Board of Directors approved the consolidated financial statements on 29 Rabi Al-Thani 1437 AH, corresponding to the 8th of February 2016.

40. Disclosures under the Frameworks of the Basel III Committee

Some additional disclosures must be carried out under the frameworks of the Basel III Committee. These disclosures will be available on the Bank's website (www.Bankalbilad.com) during the time period specified by the Saudi Arabian Monetary Agency "SAMA". These disclosures are not subject to audit by the external auditors for the Bank.



Basel III Quantitative Disclosures

As on the 31st of December 2015 in thousands of Saudi Riyals

Table II: Capital Structure and Financial Position – Step I (Table 2 (B))			
	Financial position in the published financial statements	Amendments to other entities	Under the official scope of the unification
	(C)	(D)	(E)
Assets			
Cash and balances at Saudi Arabian Monetary Agency (SAMA)	4,602,121	-	4,602,121
Balances at Other Banks and Financial Institutions	8,382,657	-	8,382,657
Net Investments	2,948,935	-	2,948,935
Net Finance	34,254,623	-	34,254,623
Net Property and Equipment	792,084	-	792,084
Other Assets	239,990	-	239,990
Total Assets	51,220,410	-	51,220,410
Liabilities			
Balances for Saudi Arabian Monetary Agency (SAMA)	-	-	-
Balances for Other Banks and Financial Institutions	1,421,652	-	1,421,652
Customers' Deposits	42,179,460	-	42,179,460
Other liabilities	1,177,059	-	1,177,059
Total Liabilities	44,778,171	-	44,778,171
Capital			
Statutory Reserve	961,066	961,066	961,066
Other reserves	(11,712)	(11,712)	(11,712)
Retained Earnings	591,317	591,317	591,317
Treasury shares	(113,758)	(113,758)	(113,758)
Employee Equity Program	15,326	15,326	15,326
Total Liabilities and Shareholders' Equity	51,220,410	51,220,410	51,220,410

As on the 31st of December 2015 in thousands of Saudi Riyals

Table II: The Capital structure - Financial Position – Step II (Table 2 (C))			
	Financial position in the published financial statements	Amendments to other entities	Under the official scope of the unification
	(C)	(D)	(E)
Assets			
Cash and Balances at Saudi Arabian Monetary Agency (SAMA)	4,602,121	-	4,602,121
Balances in Other Banks and Financial Institutions	8,382,657	-	8,382,657
Net Investments,	2,948,935	-	2,948,935
Net Finance	34,254,623	-	34,254,623
Including General Provisions	467,373	-	467,373
Net Property and Equipment	792,084	-	792,084
Other Assets	239,990	-	239,990
Total Assets	51,220,410	-	51,220,410
Liabilities			
Balances for Saudi Arabian Monetary Agency (SAMA)	-	-	-
Balances for Other Banks and Financial Institutions	1,421,652	-	1,421,652
Customers' Deposits	42,179,460	-	42,179,460
Other Liabilities	1,177,059	-	1,177,059
Total Liabilities	44,778,171	-	44,778,171
Capital			
	5,000,000	5,000,000	5,000,000
Including the amount eligible for the capital of the first Tier	5,000,000	-	5,000,000
Statutory Reserve	961,066	-	961,066
Other Reserves	(11,712)	-	(11,712)
Retained Earnings	591,317	-	591,317
Treasury Shares	(113,758)	-	(113,758)
Employee Equity Program	15,326	-	15,326
Total Liabilities and Shareholders' Equity	51,220,410	-	51,220,410

As on the 31st of December 2015 in thousands of Saudi Riyals

Table II: The Capital Structure

General Template - Step III (Table 2 (D) I)

(From January 2013 to 2018 in conformity with what was after 2018) with the funds subject to the pre-Basel III handling

All figures in thousands of Saudi Riyals

Capital Components	
Public Capital - First Tier: Tools and reserves	
1 Capital	4,602,121
2 Retained Earnings	5,000,000
3 Total of other comprehensive income	788,423
6 First Tier of the Public Capital before the Regulatory Amendments	653,816
Public Capital of First Tier: The Regulatory Amendments	
28 Total of regulatory amendments for the First Tier of the Public Capital	-
29 Public Capital - First Tier (CET1)	6,442,239
45 Capital's First Tier (T1 = CET1 + AT1)	6,442,239

As on the 31st of December 2015 in thousands of Saudi Riyals

Table II: The Capital Structure

General Template - Step III (Table 2 (D) I)

(From January 2013 to 2018 in conformity with what was after 2018) with the funds subject to the pre-Basel III handling

All figures in thousands of Saudi Riyals

Capital Components	
The Capital's Second Tier: Tools and Provisions	
50 Provisions	467,373
51 The Capital's Second Tier before the Regulatory Amendments	467,373
Capital's Second Tier: The Regulatory Amendments	
58 Capital's Second Tier (T2)	467,373
59 Total Capital (TC = T1 + T2)	6,909,612
60 Total Risk-Weighted Assets	43,504,515
Capital Ratios	
61 Public capital for the First Tier (for the Risk-Weighted Assets)	14.81%
62 First Tier (for the Risk-Weighted Assets)	14.81%
63 Total capital (for the Risk-Weighted Assets)	15.88%
64 Specific requirements (Less Public Capital first Tier Required in addition to Maintain the Capital Limits for Risk-Weighted Assets)	7.0%
68 Public Capital for the First Tier to meet the limits (for the Risks-Weighted Assets)	6.0%
The Upper Limits Eligible for Listing the Provisions in the Second Tier	
76 Provisions eligible for listing in the Second Tier with respect to exposures under the standardized approach (before the application of the upper limit)	467,373

As on the 31st of December 2015 in thousands of Saudi Riyals

Table III: Capital Adequacy

Portfolio	Exposure amount	Required capital
Sovereign and Central Banks		
Saudi Arabian Monetary Agency and the Saudi Government	3,129,083	-
Others	-	-
Multilateral Development Banks	-	-
Public Sector Institutions	-	-
Banks and Securities Firms	7,957,867	175,512
Companies	18,362,103	1,458,615
Individuals Finance with the exception of Mortgages	10,486,196	629,057
Small Business Finance	101,835	6,107
Mortgages		-
Residential	1,222,761	97,793
Commercial	5,123,689	409,895
Securitization	-	-
Shares	2,348,672	43,636
Others	2,927,754	82,394
Past dues	515,602	4,713
Total	52,175,562	2,907,722

As on the 31st of December 2015 in thousands of Saudi Riyals

Table III: Capital Adequacy					
	Interest Rate Risks	Shares Position Risks	Foreign Exchange Risks	Commodity Risks	Total
Standardized Method	-	-	11,976	-	11,976

As on the 31st of December 2015 in thousands of Saudi Riyals

Table III: Capital Adequacy	
Capital Required for Operational Risks	Required Capital
Basic Indicators for Standardized Method	312,419

Basel III Quantitative Disclosures

As on the 31st of December 2015 in thousands of Saudi Riyals

Table III: Capital Adequacy		
	Total Capital Adequacy Ratio	Capital Adequacy Ratio of First Tier
Standardized Level	15.88%	14.81%

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures		
Portfolio	Total Exposure to Credit Risks	Average Total Exposure to Credit Risks over the period
Sovereign and Central Banks		
Saudi Arabian Monetary Agency and the Saudi Government	3,129,083	2,732,718
Others	-	-
Multilateral Development Banks	-	-
Public Sector Institutions	-	-
Banks and Securities Firms	8,187,464	9,059,105
Companies	23,670,564	22,571,694
Individuals Finance with the exception of Mortgages	10,486,196	9,780,377
Small Business Finance	511,005	492,214
Mortgages		
Residential	1,222,761	1,261,356
Commercial	5,123,689	4,777,877
Securitization	-	-
Shares	2,348,672	2,027,181
Others	2,927,754	2,999,556
Past dues	515,602	505,383
Total	58,122,790	56,207,461

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures							
Portfolio	Geographical area						
	Saudi Arabia	GCC Countries and the Middle East	Europe	North America	Southeast Asia	other countries	Total
Sovereign and Central Banks							
Saudi Arabian Monetary Agency and the Saudi Government	3,129,083	-	-	-	-	-	3,129,083
Others	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-
Public Sector Institutions	-	-	-	-	-	-	-
Banks and Securities Firms	5,387,398	2,581,756	202,304	-	-	16,006	8,187,464
Companies	23,621,437	49,127	-	-	-	-	23,670,564
Individuals Finance with the exception of Mortgages	10,486,196	-	-	-	-	-	10,486,196
Small Business Finance	511,005	-	-	-	-	-	511,005
Mortgages	-	-	-	-	-	-	-
Residential	1,222,761	-	-	-	-	-	1,222,761
Commercial	5,123,689	-	-	-	-	-	5,123,689
Securitization	-	-	-	-	-	-	-
Shares	2,348,672	-	-	-	-	-	2,348,672
Others	2,502,963	19,429	132,083	118,187	68,665	86,427	2,927,754
Past dues	515,602	-	-	-	-	-	515,602
Total	54,848,806	2,650,312	334,387	118,187	68,665	102,433	58,122,790

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures													
Portfolio	Industrial Sector												
	Government and semi Government	Other Banks and Financial Institutions	Agriculture and fishing	Manufacturing	Mining	Electricity, Water, Gas and Sanitary Services	Building and Construction	Trade	Transport and Communications	Services	Personal loans and credit cards	Others	Total
Sovereign and Central Banks													
Saudi Arabian Monetary Agency and the Saudi Government	3,129,083	-	-	-	-	-	-	-	-	-	-	-	3,129,083
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks and Securities Firms	-	8,187,464	-	-	-	-	-	-	-	-	-	-	8,187,464
Companies	10,543	-	505,210	5,126,352	1,275,000	664,307	3,556,846	4,746,279	684,965	3,394,797	-	3,706,265	23,670,564
Individuals Finance with the exception of Mortgages	-	-	-	-	-	-	-	-	-	-	10,486,196	-	10,486,196
Small Business Finance	-	-	1,793	372,647	-	3,340	60,060	17,508	3,399	17,758	-	34,500	511,005
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-	-	-	1,222,761	1,222,761
Commercial	-	-	-	-	-	-	5,123,689	-	-	-	-	-	5,123,689
Securitization	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares	1,803,222	6,880	18,019	32,512	10,908	-	14,834	27,403	18,571	34,310	-	382,013	2,348,672
Others	-	-	-	-	-	-	-	-	-	-	-	2,927,754	2,927,754
Past dues	-	90,923	-	45,864	-	-	74,698	101,744	-	224	139,024	63,125	515,602
Total	4,942,848	8,285,267	525,022	5,577,375	1,285,908	667,647	8,830,127	4,892,934	706,935	3,447,089	11,847,981	7,113,657	58,122,790

Basel III Quantitative Disclosures

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures										
Portfolio	Accruals Details									
	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	Without due date	More than 5 years	Total
Sovereign and Central Banks										
Saudi Arabian Monetary Agency and the Saudi Government	619,982	2,509,101	-	-	-	-	-	-	-	3,129,083
Others	-	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Public Sector Institutions	-	-	-	-	-	-	-	-	-	-
Banks and Securities Firms	2,386,727	3,216,625	731,044	703,587	865,812	221,853	61,816	-	-	8,187,464
Companies	923,880	1,776,651	3,091,907	6,961,033	6,828,683	3,611,589	360,141	-	116,680	23,670,564
Individuals Finance with the exception of Mortgages	190,732	44,579	511,339	832,048	1,599,318	4,936,463	2,354,254	-	17,463	10,486,196
Small Business Finance	5,077	14,679	49,019	94,039	112,846	185,095	43,076	-	7,174	511,005
Mortgages										
Residential	10,592	2,245	25,606	39,770	82,497	313,550	283,460	-	465,041	1,222,761
Commercial	36,721	151,227	1,523,140	1,840,767	1,494,747	63,950	13,137	-	-	5,123,689
Securitization										-
Shares	601,337	701,464	500,422	-	-	-	-	545,449	-	2,348,672
Others	1,897,829	-	-	-	-	-	-	1,029,925	-	2,927,754
Past dues	-	-	-	-	7,114	-	2,565	505,923	-	515,602
Total	6,672,877	8,416,571	6,432,477	10,471,244	10,991,017	9,332,500	3,118,449	2,081,297	606,358	58,122,790

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures											
Sectors	Discounted Loans, Overdue Loans (Table 4, F)										General Provisions
	Dis- counted Loans	Overdue Loans (> 90 days) and non-dis- counted	Defaulting	The Credit Age for the Discounted Loans				Specific Allocations			
				Less than 90	90 - 180	180 - 360	More than 360	Charged on the period	Non-ex- istent during the period	Balance of the Period End	
Government and Semi-Gov- ernment Sectors	-	-	-	-	-	-	-	-	-	-	-
Banking and Financial Com- panies' Sectors	-	-	-	-	-	-	-	-	-	-	-
Agricultural and Fishing Sectors	-	-	-	-	-	-	-	-	-	-	8,753
Industrial Sector	135,947	-	45,864	21,714	-	31,431	14,433	14,276	-	54,239	78,135
Mining Sector	-	-	-	-	-	-	-	-	-	-	-
Electricity, Water, Gas and Sanitary Services' Sectors	-	-	-	-	-	-	-	-	-	-	8,686
Construction and Contract- ing Sectors	74,698	-	74,698	21,258	-	18,379	56,319	8,562	-	65,239	117,456
Commercial Sector	101,744	-	101,744	247,778	-	24,622	77,122	11,879	-	89,490	71,530
The Transport and Commu- nications Sectors	-	-	-	-	-	-	-	-	-	-	8,569
Services Sector	224	-	178	74,109	-	-	178	(2,766)	-	224	43,349
Consumer Loans and Credit Cards	139,024	-	138,664	263,062	38,941	48,222	51,501	56,079	(39,566)	125,815	65,185
Others	63,125	-	63,125	95,779	-	2,565	60,559	1,286	-	61,845	65,710
Total	514,762	-	424,273	723,700	38,941	125,219	260,112	89,316	(39,566)	396,852	467,373

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures								
Geographical Distribution	Discounted Loans, Overdue Loans (Table 4, G)							
	Discounted Loans	The Credit Age for the Overdue Loans (days)				Specific Provisions	General Provisions	
		Less than 90	90 - 180	180 - 360	More than 360			
Kingdom of Saudi Arabia	514,762	723,700	38,941	125,219	260,112	396,852	467,373	
GCC Countries and the Middle East Council	-	-	-	-	-	-	-	
Europe	-	-	-	-	-	-	-	
North America	-	-	-	-	-	-	-	
Southeast Asian Countries	-	-	-	-	-	-	-	
Other Countries	-	-	-	-	-	-	-	
Total	514,762	723,700	38,941	125,219	260,112	396,852	467,373	

As on the 31st of December 2015 in thousands of Saudi Riyals

Table IV: (STA) Credit Risks: General Disclosures

Conformity of changes in provision for loan impairment (Table 4, H)

	Specific Provisions	General Provisions
Balance at the beginning of the year	347,102	477,996
Amounts written off in exchange for the provisions during the period	(39,566)	-
Amounts set aside (reversed) during the period	68,995	9,698
Amount transferred between the provisions	20,321	(20,321)
Balance at the end of the year	396,852	467,373

As on the 31st of December 2015 in thousands of Saudi Riyals

Table V: Credit Risks, Disclosures concerning the Standardized Method

	0%	20%	35%	50%	75%	100%	150%	Other Risk Weights	Unclassified	Discount
Sovereign and Central Banks										
Saudi Arabian Monetary Agency and the Saudi Government	3,129,083	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Public Sector Institutions	-	-	-	-	-	-	-	-	-	-
Banks and Securities Firms	-	5,954,245	-	2,212,376			20,844	-	-	-
Companies	-	-	-	210,772		23,459,792	-	-	-	-
Individuals Finance with the exception of Mortgages	-	-	-	-	10,486,196	-	-	-	-	-
Small Business Finance	-	-	-	-	511,005	-	-	-	-	-
Mortgages										
Residential	-	-	-	-	-	1,222,761	-	-	-	-
Commercial	-	-	-	-	-	5,123,689	-	-	-	-
Securitization	-	-	-	-	-		-	-	-	-
Shares	1,803,223	-	-	-	-	545,449	-	-	-	-
Others	1,897,829	-	-	-	-	1,029,925	-	-	-	-
Past dues	-	-	-	-	-	506,603	8,999	-	-	-
Total	6,830,135	5,954,245	-	2,423,148	10,997,201	31,888,219	29,843	-	-	-

As on the 31st of December 2015 in thousands of Saudi Riyals

Table VII: Credit Risk Mitigation (CRM) for Disclosures of Standardized Method

Portfolio	Covered by	
	Paid Financial Guarantees	Guarantees / Credit Derivatives
Sovereign and Central Banks		
Saudi Arabian Monetary Agency and the Saudi Government	-	-
Others	-	-
Multilateral Development Banks	-	-
Public Sector Institutions	-	-
Banks and Securities Firms	-	-
Companies	542,612	-
Individuals Finance with the exception of Mortgages	-	-
Small Business Finance	352,849	-
Mortgages	-	-
Residential	-	-
Commercial	-	-
Securitization	-	-
Stock	-	-
Other	-	-
Total	895,461	-

As on the 31st of December 2015 in thousands of Saudi Riyals

Table X: Marketing Risks, Disclosures for Banks using the Standardized Method

	Interest Rate Risks	Share Position Risks	Foreign Exchange Risks	Commodity Risks	Total
Required capital	-	-	11,976	-	11,976

As on the 31st of December 2015 in thousands of Saudi Riyals

Table XIII: Shares: Disclosures relating to the Bank's Position

	Non-Traded Investments		Traded Investments	
	Value disclosed in the Financial Statements	Fair Value	Value disclosed in the Financial Statements	Fair Value
Investments	157,500	157,500	387,950	387,950

As on the 31st of December 2015 in thousands of Saudi Riyals

Table XIII: Shares: Disclosures relating to the Bank's Position		
Investments	General trading	Private
Government and Semi-Government	-	-
Banking and Financial Companies	6,880	-
Agricultural and Fishing	18,019	-
Industrial	32,512	-
Mining	10,908	-
Electricity, Water, Gas and Sanitary Services	-	-
Construction and Contracting	14,834	-
Commercial	27,403	-
Transport and Communications	18,571	-
Services	34,310	-
Other	224,513	157,500
Total	387,950	157,500

As on the 31st of December 2015 in thousands of Saudi Riyals

Table XIII: Shares: Disclosures relating to the Bank's Position	
Profits / losses, etc.	Value
The Realized Accumulated Gains (Losses) resulting from the Liquidation or Sale of Operations for the Period of the Report	
Total of Unrealized Gains (Losses)	(34,490)

As on the 31st of December 2015 in thousands of Saudi Riyals

Table XIII: Shares: Disclosures relating to the Bank's Position	
Equity Groups	Required Capital
Government and Semi-Government	-
Banking and Financial Companies	550
Agricultural and Fishing	1,442
Industrial	2,601
Mining	873
Electricity, Water, Gas and Sanitary Services	-
Construction and Contracting	1,187
Commercial	2,192
Transport and Communications	1,486
Services	2,745
Other	30,562
Total	43,637

As on the 31st of December 2015 in thousands of Saudi Riyals

Table XIV: Interest Rate Risks relating to the Bank's Position	
200 Basis Points of Interest Rates on the Currency, with more than 5% of the Assets or Liabilities	
Shocks rate	Change in Profit
Ascending Shocks rate	10,888,122
Descending Shocks rate	(10,888,122)



Basel III Qualitative Disclosures

Table (1) Overview

A) The Field

The following qualitative disclosures illustrate the methodology of the Bank Albilad to assess the capital.

B) Basis of consolidation

For accounting objectives, each entity controlled within the Group's financial statements is consolidated.

Fully Consolidated Units (within the Group):

1) Albilad Investment Company

Albilad Investment Company was founded in Saudi Arabia in 2007 as a Saudi Arabian limited liability company, and its activities include: dealing, management, arrangement, and counseling in the field of securities and counseling. Currently, the Albilad Bank owns 100% of its capital.

2) Albilad Real Estate Company

Albilad Real Estate Company was founded in Saudi Arabia in 2006, and its activities include the registration of real estate guarantees received by the Bank from its customers. Currently, the Albilad Bank owns 100% of its capital.

C) There are no restrictions or major contraindications preventing the transfer of funds or statutory capital within the Group.

Table (2) Capital Structure

Bank's capital consists of the following:

1) Paid Capital Regulatory Shares

The capital's regular shares of the Bank consist of 500 million shares, valued at ten (10) riyals per share. All shares have the same voting rights, as they are replaceable. The shares are considered in the lowest rank compared with other units of capital in the case of claims against the Bank. The Board of Directors recommended a capital increase of 5 to 6 billion riyals by distributing a share for each five shares to the Bank's shareholders. This recommendation is subject to approval of the shareholders at the next General Assembly.

2) Statutory Reserves

Statutory Reserves consist of the allocation and collection of the profit amounts, and they are reserved for future growth.

Table (3) Capital Adequacy

On the 6th June of 2006, the Saudi Arabian Monetary Agency (SAMA) has released the capital rules based on the recommendations of the Basel II issued as well by the Bank for International Settlements (BIS). The major statutory needs in these rules are represented by the expansion of the risk management and flexibility and increasing the sensitivity to risk.

Basel is working on three pillars: Calculation of the capital's minimum requirements (first pillar); supervisory review process (Second Pillar); Market regularity / disclosure (Third Pillar). The Agency has also issued its recommendations in December 2012 to apply Basel III.

As a general rule, the Basel Committee aims to keep the current capital level of the banking sector, but some banks will undoubtedly benefit from the alleviation of capital pressure under these requirements. There are a number of different factors that benefit Bank Albilad under the new rules for capital adequacy, including:

- A good variety of credit risks between countries, customer segments, and practical interests.
- High production and fixed internal capital.
- Prudent risk management, capital and performance.

Risk-weighted assets in the first pillar (according to Basel II directives) are calculated using the “unified method” specified for the credit and market risks, and the “key indicators approach” to the risk of operations. The Bank conducts a number of stress tests through “Internal Capital Adequacy Assessing Procedures” (ICAAP) to ensure capital adequacy, as well as in non-favorable economic conditions. During these tests, the Bank’s risk portfolio is exposed to cases of severe pressure; and the increase in capital pressures resulting from these tests are part of the third pillar of the capital requirements.

The “Internal Capital Adequacy Assessing Procedures” (ICAAP) Policy of the Bank Albilad states that the Bank shall maintain a capital to support business growth. This policy will remain unchanged.

Capital management at the Bank Albilad aims to ensure the effective use of capital to meet the goals of the Bank’s overall capital.

In 2007, Bank Albilad began to work under the provisions of the Basel II capital adequacy. The Bank was committed to work under the provisions of Basel III. The Bank chose to adopt the “unified method” (the credit and market risks) and “the key indicators method” (for operational risk) for the calculation of statutory requirements for capital adequacy.

The Bank’s strategy is the full application of the Basel III advanced method; in addition to exercising the assessment process, which will help the Bank in determining the work to be pledged, and the action plan and what is deliverable during the application of the Basel II instructions under the advanced method of credit, market and operations risk.

The overall perspective of the Bank’s risks complies with the capital targets, and that includes, in addition to other things, that the Bank shall maintain adequate capital to cover the natural growth along with the current fluctuations in the Bank’s exposure. While the Board of Directors identifies the capital’s risks and objectives, the Risk and Liabilities Committee is responsible for ensuring the achievement of these objectives.

The Bank’s Risk Management receives regular reports on the developments in the balance sheets’ structure and movements, including the use of capital and the potential risks.

Internal Capital Adequacy Assessing Procedures (ICAAP) Report

Internal Capital Adequacy Assessing Procedures at the Bank Albilad aims to combine the Bank’s overall perspective of the Bank’s risks and the overall framework for risk management with the available and required capital. The Bank also reviews and updates the report on an annual basis, taking into account all the economic and regulatory developments.

One of the objectives of “ICAAP” is to make sure that the management identifies and measures the Bank’s risks accurately. Furthermore, this operation helps to verify that the management is taking the necessary steps to ensure that the Bank maintains and applies an internal adequate capital considering the overall perspective of the risks, and ensures that the appropriate risk management systems are developed. According to the statutory requirements, the

Saudi Arabian Monetary Agency (SAMA) will review and evaluate the implementation of the Bank for the process of “ICAAP” and the level of internal administrative procedures that “ICAAP” is a part of it.

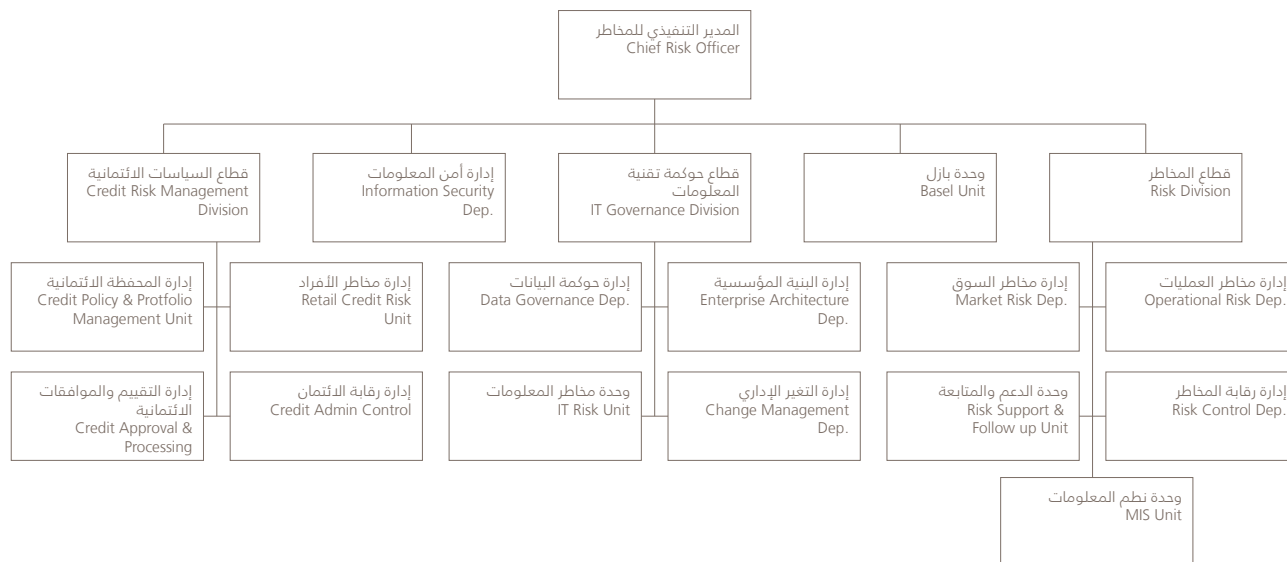
Risk exposure and Risk Assessment - General Disclosures

One of the main pillars of the Bank’s works strategy is that the Risk Management should be able to support the objective in staying as a strong financial partner that has a vision and transparency in dealing with the risks.

The Bank’s vision is to adopt the best international standards and practices in risk management; so the Bank uses the fundamental sources for the development of its procedures and tools that support this vision. On this basis, the Bank was able to build a comprehensive experience in risk management and capital.

Risk Management is considered one of the processes that are performed in separate business units in the Bank Albilad, which aims to promote a well-established culture of risk management through a comprehensive set of processes designed to identify, measure and control risk exposures effectively. The Board of Directors and the Senior Management participate in the elaboration of risk operations and determine the guidelines and periodic forecasts, which lie in the functions of risk management. These operations remain subject to inspection and monitoring by an independent Shariah Board, in addition to internal and external auditors and the Bank organizers, helping to further strengthen risk management practices.

The Following Figure Shows the Organizational Structure of the Risk Management:



Bank Albilad is exposed to many types of risks that are managed at different levels in the organization, and below is a statement of the most important types:

- Credit Risks: the risks of loss resulting from the inability of the other parties to meet their obligations, in whole or in part.
- Market Risks: the risks of loss resulting from the fluctuation of the market value of assets and liabilities of Bank Albilad, depending on changes in market conditions.
- Liquidity Risks: the risks of loss that arises if the normal liquidity reserves at the Bank remained insufficient to meet the Bank’s obligations.

- Operational Risks: the risks of loss resulting from inadequate or erroneous internal procedures, human errors or from the application of the system, or external events.

Each of these risks is defined separately in accordance with the statutory requirements. These risks are also illustrated in more detail on the Bank's website.

Risk Management allocates several sources to ensure continued commitment to the credit limit, and control over the credit portfolios. The Management has a specific destination for the reports working to ensure that the Management's other relevant destinations, including the Board of Directors and Executive Committee, keep abreast of developments in the credit portfolio and non-performing loans, and the like.

Table (4) Credit Risks - General disclosures

Credit Risks are the risks of losses resulting from the inability of one of the parties to fulfill his obligations to the Bank. Credit Risks constitute the greater part of exposures risks at the Bank.

Credit Risk Management

The Bank measures and manages the risks by complying with the following principles:

- Regular standards at the Bank's level are applied in the decision-making operations for granting credit, through the use of an internal model for calculating and assessing the risk degree for all the corporate sector customers. The Bank is also using SIMAH system for credit risk assessment of individuals.
- The adoption of credit limits for parties and the management of individual credit exposures must match the guidelines of Bank's portfolio and its credit strategy, and every decision must include a risk analysis in comparison with the revenues.
- Any extension made on any credit facility for any party, or any material change (such as a change in the duration, the structure of the guarantees, or major restrictions) requires credit approval from the concerned authority.
- The Bank currently grants credit approval powers on the basis of a joint binary approval system between business and risk units, until they reach a certain level; however, the credit approvals that exceed this level should be forwarded to the Credit Subcommittee (CS), the Supreme Credit Committee, the Executive Committee and finally to the Board of Directors for approval.

Strategies

The Objectives of Credit Risk Management:

- Maintain a strong loaning environment supported by policies and effective statutory system for risks.
- Apply acceptable risk policies.
- Ensure the existence of independent expertise able to approve the credit risks or its reduction.

Main types of Credit Risks:

Credit Risks include Concentration and Settlement Risks:

- Credit Concentration Risks: the risks that arise from any exposure individually or in a group of exposures involving the possibility of big losses (related to the Bank's capital, its total assets, or on the overall risk level)

which may affect the Bank's position or its ability to maintain the progress of its main operations. Credit Concentration Risk is one of the main reasons behind problems in banks.

- Settlement Risks: the risks that are related to installment payments in exchange for securities trading and other instruments. The risks arise if the transfer of installments takes place before the Bank can ensure that the installments had been transferred into a bank account.

Credit Policy:

Credit policy represents a fundamental means of communication, through which the Board of Directors and the Senior Management direct instructions to conduct and monitor financing activities, so as to achieve business objectives without exposing the Bank to a level beyond the endurance levels, adopted by the Board of Directors

The basic part of the credit policy is the following:

- The Bank basically provides short-term finance to meet working capital needs, while the medium and long-term finance needs are reviewed selectively for commercial customers who enjoy a good reputation in the market and a good financial evaluation, and they have a good track record of credit worthiness.
- Finance is originally linked to the works that are commensurate with the risks acceptance criteria.
- The credit portfolio performance and its wise management contribute, within the risk limits, in achieving the Bank's objectives in terms of profitability and sustainable growth.
- The Bank will not extend any credit facility if it is contrary to the rules and procedures specified by the Saudi Arabian Monetary Agency (SAMA), or any other regulatory authority from time to time.
- Credit policy ensures the continuity of communication; taking into account the characteristics of the Kingdom's economic cycle.
- All current and future credit policy at Bank Albilad will be within the general framework of the Basel II initiative, which will be followed under the set plan, or which will be placed in future by the Saudi Arabian Monetary Agency (SAMA).
- The Bank will make sure that the granted facilities are in line with the customer's business structure, the customer's needs, and his ability to repay the facilities.
- The provision of finance for speculative purposes is considered as an undesirable activity contrary to the Bank's policy.
- Bank Albilad gives great importance to the establishment and expansion of long-term relationships with customers.
- Bank Albilad follows up with the developments of the customers' financial situation on a regular basis in order to make sure that there is no change on the grounds upon which the credit is granted.
- Bank Albilad will take into consideration the long-term finance facilities only on a selective basis, and that is for the customers who enjoy a solid financial position.
- Acceptance of guarantees from individual customers will be avoided; but they are accepted to provide more reassurance.
- Bank deals with the utmost caution when granting credit to business facilities experiencing difficulties or

industrial fluctuations.

Concentration of Credit Risks

Risk concentration is the risk that arises from the unbalanced distribution of debtors / parties of credit relationship or from concentration on business segments or in certain geographic areas. In this sense, the concentration risks in credit portfolios arise through the unbalanced distribution of credit facilities provided to individual borrowers (names concentration), or to the industrial / service sector.

The concentration of risks is determined in the Bank's credit portfolio as a measure of credit risk management. The following concentration risks constitute a natural part of business strategy at Bank Albilad:

- Large exposures to a single party.
- Large exposures to a specific industry / sector.
- Concentration with customers of the same credit rating degree.

Credit Risks - General Disclosure

Default (deficit)

Definition of default "deficit" used at Bank Albilad is commensurate with the Basel requirements; as a deficit in the debt is considered when it is unlikely that the customer will pay all his obligations to the Bank or any of its affiliated companies.

Debt Processing management

Granting finance to customers is treated with the utmost care and caution, and all the standards specified by the provisions of the Saudi Arabian Monetary Agency and the Bank policies are followed. In cases in which there is a low probability in collecting the debt, the Bank re-schedules the finance, and follows it up until it is appropriately settled.

Types of Provisions

1- Public Provisions

For the purposes of the accounting financial statements, the instructions contained in the International Accounting Standards are followed, and the Bank began to form public provisions for the good debt portfolio.

2- Specific (Special) Provisions

Specific provisions must be formed for the losses incurred and foreseeable individually for each finance to companies, government authority, private banking authorities, and other high-risk assets in order to know the net realizable value of risky assets.

Specific provisions should also be formed to cover the risks related to the finance of individuals that fall under non-working categories.

Write-Off Procedures

Write-off of loans and advances takes place when the normal collection procedures are completed, and when it becomes possible to calculate the loss of the loan specifically, and deduct the written off amounts from the provisions account.

The write-off is suggested after exhausting all possible efforts either for collection or to improve their credit assessment,

including rehabilitation or revitalization of the borrowers' work, without exposing the Bank to greater risks. In such case, the authority assigned for approval takes into account the views of people who provide write-off proposals in pursuit of better risk rate or risk assets rating, including the restructuring of credit facilities. In any case, such proposals must clearly show the improvement in the Bank's position and preferably in both the short and long terms.

Credit Risk Reduction

Bank Albilad uses a variety of financial guarantees and warranties to ease the main credit risks in lending operations and the usual Treasury works. Furthermore, the use of protection methods that are secured in the form of credit derivatives is a matter that is not currently relevant. The Bank is committed to a list of accepted guarantees and credit protection determined by the Saudi Arabian Monetary Agency (SAMA) for all banks in the Kingdom (except for gold and silver).

The types of guarantees that are currently used by Bank Albilad in general include the following:

- **Financial Guarantees**

- Cash margins (cash cover).
- "Customer share" in "participation" operation.
- Financial guarantee to grant credit to protect against deficit of the other parties, or the warranty program guarantee.
- Local shares listed and approved by the Bank's Shariah Committee for corporate lending and share trading. The list of accepted shares is periodically reviewed by the Credit Committee.
- Mutual funds units, whether local and foreign, which include companies that are legally accepted and listed.

- **Real Estate Guarantees**

- The commercial real estate used to secure the Bank's exposure to borrowers from companies and commercial borrowers.
- Residential property used to secure the finance provided to individuals finance customers.

- **Warranties**

- Official warranties enforceable in the system, which are received from the banks.
- Personal warranties enforceable in the system.

- **Other Guarantees**

- Waiver of revenue earned for projects financed by the Bank Albilad, so that each funded project, which has independently known limits, represents a part of the credit limit provided to transacting parties.
- Transfer the customer's monthly wage in case the borrowers were individuals, where a sum of each payment is deducted and returned to the account on the specified date.

Guarantees Assessment

The Credit Committee is conducting an independent assessment of the assets offered for mortgage before accepting them and within certain periods, given the nature of the guarantees. This assessment is done by a team of independent assessment experts.

Guarantees assessment is built on the market value of similar standards, and the independence of the assessment is ensured so that the assessment is not biased towards:

- Give the borrower a higher credit limit.
- Establish an insufficient provision.
- Continue to recognize the returns for default credit.

The Risk Management Group makes sure that the assessment method used, either internal or external, is based on reasonable and prudent assumptions and that all assumptions have been clearly documented.

Guarantees assessment is based on the net realizable value, whenever possible. It is also defined as the current market value, minus any potentially realizable costs, including but not limited to, bearing the recovered Guarantees expenses, legal expenses or any other expenses associated with the guarantees disposition.

Bank Albilad identified that one of its objectives is to keep a level of information about mortgages and adequate guarantees to estimate its value regularly. The value is calculated based on the value received from the forced sales operation, minus the cost of sales, including the costs of days in which the guarantees were offered on the market.

The Bank receives, to a certain extent, guarantees for credit exposures in exchange for the partners' / third parties' warranty, a large part of these guarantees is submitted from organizations or persons linked by a relationship with the borrower. The Bank also assesses the solvency of the sponsor before fulfilling his warranty.

Consolidated Method and Supervisory Risk Weights

In terms of credit portfolios, which are subject to consolidated approach, the Bank Albilad uses the risk assessments issued by external risk assessment agencies as part of the means of determining the size of the risks:

There are three external credit assessment agencies accredited by the Saudi Arabian Monetary Agency, which are used to assess the financial institutions, and have been named for this purpose. These agencies are as follows: "Moody's Investors Service", "Standard & Poor's Assessment Group" and "Fitch group".

Credit rates are individually estimated for all exposures from the above credit agencies, and are included to the risk assessment rates, as supervisory tables.

Alphabetical distribution of rates is similar to the set of risks in each agency with instructions from the Bank for International Settlements and the Saudi Arabian Monetary Agency (SAMA).

Claims on Governments and its Central Banks

Credit assessment	AA-to AAA	A- to A+	BBB- to BBB+	B-to BB+	Lower than B-	Unrated
Risk ratio	0%	20%	50%	100%	150%	100%

Claims on banks and securities institutions (under option No. 2, as requested by the Saudi Arabian Monetary Agency)

Credit assessment	AA-to AAA	A- to A+	BBB- to BBB+	B-to BB+	Lower than B-	Unrated
The risk ratio under Option 2	20%	50%	50%	100%	150%	50%
The risk ratio of short-term claims under Option 2	20%	20%	20%	50%	150%	20%

Multilateral Development Banks

Zero percent is considered the risks ratio to determine the eligibility of multilateral development banks as instructed by the Saudi Arabian Monetary Agency and within the general risk ratio to be determined on the basis of individual rates of these banks according to Option No. 2 for banks.

Claims on Companies

Credit Assessment	AA-to AAA	A- to A+	BBB- to BBB+	B-to BB+	Lower than B-
Risk ratio	20%	50%	100%	150%	100%

Claims included in the unencumbered regulatory retail portfolio (individuals)

Such exposures are given 75% of these risk assessments

Claims guaranteed by Residential mortgages

A rate of 100% of these risks assessments is applied to such claims

Claims guaranteed by commercial real estate mortgages

A rate of 100% of these risk assessments is applied to such claims.

Past due dates loans

Risks Weight Ratio	Reserve Level
150	Until 20%
100	20% to 50%
100	50% and more

Other Assets

Consolidated risks weight for all other assets is 100%, with the exception of gold, which is treated equally to cash, and thus risks weight is 0%.

When calculating the estimated value of risks for any exposure under the consolidated method, the theoretical search function is applied to the central database, which is saved using the "Excel" program, and assigned to each exposure individually.

Table (10) Market Risks: Disclosures of Banks that use the Consolidated Methods in 2013

Market Risks

Market risks related to profit margins rates, and the yield curve, and prices, as market risks arise as a result of changes in prices, whether the prices of Murabaha, yield curve, foreign exchange, commodities, or shares, and the Bank has no exposure to market risks arising for the purpose of trading (Trading Book), except for the Bank's exposure to the price of foreign exchange.

Bank Albilad depends on the consolidated method when calculating the market risks for the first pillar of the capital adequacy, and also depends on advanced risk measurement method for the second pillar, such as value at risk and stress tests.

Profit Margins Risks

The profit margins risks for the investment purposes (Banking Book) are defined as the exposure of the fair value of the Bank's investment assets and the profit margins to change. This mainly occurs because of mismatches between the assets re-investment dates and the liabilities dates, and the changes in profit rates.

In order to manage the profit margins risks, the Market Risk Management at Bank Albilad measures the risk of changes in the yield curve, which reflects the amount of losses if profit margins rates have changed for all the different maturity dates and independently for each currency according to the size of the exposure.

Foreign Exchange Risks

Foreign Exchange Risks are the risk of loss either for the purposes of trading or investing in foreign currencies due to adverse changes in exchange rates and their impact on the Bank's exposure to foreign currencies.

The total potential loss amount is calculated by using the Bank's net positive and negative exposures, and measuring them by using the consolidated measurement method in accordance with the highest exposure.

Policies and Responsibilities

The Board of Directors has adopted the market risk limits and liquidity for Bank Albilad, which is compatible with the exposure to strategic risk levels, and the levels approved for the risk accepted within the market risk policies and liquidity. In addition, the Assets and Liabilities Committee follows up and discusses matters related to market and liquidity risks on a regular basis.

Bank Albilad uses traditional and advanced measurement methods for measuring and monitoring its exposure to market and liquidity risks, through: Liquidity entitlements gap, the concentration limits of the major depositors, the proportion of deposits compared to loans, the proportion of reliance on the net non-core finance, the liquidity coverage ratio in accordance with instructions of the Basel III Agreement, the ratio of stable finance, the profit margins risk, the cumulative and periodic gaps, and the risk-weighted economic value; so the results and reports are to be sent to the following authorities:

- Board of Directors of Bank Albilad and the Senior Management, on a monthly or quarterly basis.
- Saudi Arabian Monetary Agency (SAMA), on a monthly basis.
- Business units at the bank, on a daily basis.

Bank Albilad is currently using the value at risk method to measure the market risk for the second pillar, while at the same time using systems to measure market and liquidity risks on a daily basis.

The value at risk is considered a statistical procedure for measuring the amount of the upper limit of the loss that the Bank may have incurred in its portfolios during a specific period of time and within an acceptable level of confidence, which is also a statistical procedure for risks through which the size of the expected losses under natural conditions could be determined.

The method of measuring the value at risk is characterized by giving a common figure for all types of risk, which facilitates the measurement and monitoring processes, since the value at risk method takes into account the link and dispersion standards in the financial market factors.

Bank Albilad uses measurement methods that rely on the changes during the historical periods to calculate the value at risk, which takes into account the impact of price changes on the previous periods. It is presumed in this measurement method that the assets are normally distributed.

Bank Albilad performs stress tests and analysis of scenarios to measure the amount of risk under unusual market conditions. Stress tests are working on estimating the potential losses of the Bank Albilad, if the assets and liabilities of the Bank were exposed to profit margins rates within the limits of +/- 200 basis points.

In addition to the stress tests, a number of scenarios were undertaken, which are determined based on the historical facts that caused the crises in financial markets; however, the current or future facts which are expected to have an impact on the financial markets are used as a means of determining stress tests scenarios. These scenarios were reviewed and changed regularly to reflect changes in the Bank's risk portfolios and the economic conditions, and the analysis is performed on the basis of stress tests recommended by the Basel Committee.

Bank Albilad is also conducting stress tests at regular intervals and the results are provided to the Senior Management. Furthermore, there are a number of other quality standards necessary to ensure that the methods used have been updated and implemented in terms of the availability of the documents and applications of calculation methods and controls.

Bank Albilad has also financial instruments that are not rated in the market. Instead, the assessment is based on pricing applications that are developed internally at the Bank, and the Risk Management activates these applications independently in order to assess the possibility of the application on the pricing and the risk management for a particular product.

Verification of the effectiveness and accuracy of the used applications is done on a regular basis, in order to ensure not to make any change to the product or the occurrence of any change in the market that have a significant impact on the credibility of the application. Furthermore, the establishment of procedures for monitoring and verifying the market prices used in the assessment and calculation of risks is done constantly.

The measurement, control and management reports concerning market risks are submitted on daily basis to the Senior Management and officials, and the current market risk are calculated and the reports are sent using the main database.

Limits were set on the risks of trading and investing for various business units and these limits are monitored on a regular basis. Necessary procedures for follow-up and monitoring of these limits have been developed in order to ensure that any violations of those ceilings will be handled by the business units within an acceptable time specified in advance.

The information is regularly updated for the officials in the Board of Directors, the Assets and Liabilities Committee and the Risk Management through periodic reports on market risks and influencing events. The update operations include keeping track of all the market risks that are classified independently or in general as a "value at risk" and, similarly, risk reporting procedures have been developed for each business units exposed to market risks.

Liquidity Risks

The risks resulting from the inability of the Bank to face its obligations on time within an acceptable market cost, and these risks are measured through pre-defined dues based on matching the cash flows with the Bank's assets and liabilities.

Liquidity risks are defined as the risk of the Bank's exposure to loss, and that is for several reasons:

- Finance costs at the bank may increase disproportionately.
- Lack of finance could hamper the Bank from the establishment of new business.
- Lack of finance may eventually lead to the Bank's disability to meet its obligations.

Liquidity Risk Management mainly monitors and manages the daily liquidity for the operations and the future structure of the sufficient entitlements to meet future requirements. In addition to the required liquidity ratio as instructed by the Saudi Arabian Monetary Agency (SAMA), the Bank also monitors the liquidity coverage ratio according to the Basel III Agreement as one of the potential liquidity risk indicators.

All liquidity risk policies at the Bank Albilad are approved by the Board of Directors. The contingency plans have been developed in order to ensure that Bank Albilad is sufficiently prepared to take the necessary remedial actions in the event of financial crises affecting the Bank's liquidity. The Bank's policies have been identified, which show the size of negative liquidity acceptable to the Bank, where the Bank distinguishes between liquidity in local currency and liquidity in foreign currency. Whereas the Risk Management sets limits on liquidity risk calculated independently and that is in terms of the Saudi riyal and other major currencies, in contrast, the market risk management is responsible for ensuring compliance with the approved liquidity risk limits, and any violations of those limits are reported to the Senior Management. The officials in the business units and risk units receive regular reports on Bank's liquidity risks, and the Asset and Liability Committee continuously assesses the developments of Bank's liquidity and makes plans for long-term finance.

Short-Term Liquidity Risk Management

Short-term or operating liquidity risk management at the Bank Albilad mainly aims to ensure the availability of adequate financial liquidity at the Bank, in order to be sufficient to enable it to absorb short-term financial shock and its impact on the existing and anticipated transactions.

The liquidity is determined based on the cash flows of the transactions concluded in advance, and are calculated by taking into account the amount of liquidity assets. In the context of the short-term liquidity risk management, the Bank will ensure that its liquidity reserve ratio is higher than the required minimum limits in accordance with instructions of the Saudi Arabian Monetary Agency (SAMA).

Long-Term Liquidity Risk Management

Medium and long-term liquidity risk management is performed by measuring the mismatch liquidity at the Bank in the long term, and determining the amount of the gap for each period separately as well as cumulatively. The management of these risks aims to ensure that the Bank was not exposed to collect large prospective finance needs disproportionately. The identification of the liquidity's structure is considered one of the important matters for the Bank to plan its financing activities and price its transactions.

The Bank manages the structural liquidity risk structure, based on the entitlements gap report. This report is built on the distribution of the Bank's assets and liabilities, and the clauses of the articles outside the balance sheet depending on its maturity. To this end, the Bank uses contractually proven maturity dates for each product.

As part of the liquidity structure risk management at the Bank, the Bank's liquidity is divided in the entitlements gap report based on a group of factors such as the currency, the product and the organizational units, and these reports

show that the Bank has surplus in the liquidity structure in Riyals in normal conditions

Scenario Analysis

Bank Albilad performs stress tests to measure the immediate liquidity risks at the Bank and ensure that the Bank has sufficient time to address these crises. The stress tests work on the assessing the liquidity structure risks in many scenarios and include the analysis of scenarios for crises that concern the Bank Albilad as well as the overall market crises that may affect the Bank's liquidity. In addition, the Bank monitors the net stable finance ratio in accordance with instructions of the Basel III Agreement as one of the three indicators that contribute to the cumulative assessment of liquidity risk in the Bank.

The Bank is working on monitoring the diversity of products, currencies and dues, the concentration ratios of the major depositors, and the implications of the interbank finance fluctuation, to make sure that the Bank has a finance base that will protect the Bank to the maximum extent possible in the event of market crises.

Table (12) Operational Risks

Operational risks

Bank Albilad depends in its definition of operational risk on the definition of the Basel Committee; as they are losses risks arising from incompetence or errors resulting from the implementation mechanism, individuals, systems or external events.

The Bank has pursued its strategy to manage the operational risks through the development of a comprehensive framework supported by policies and procedures. The Bank aims through the application of this strategy to achieve a set of objectives, including:

- Assist in achieving the objectives of the Bank's activities.
- Identify and assess the operational risks in new and existing products and various activities and systems.
- Achieve Independence and continuity of the assessment of the regulatory procedures and controls and the performance level.
- Reduce operating losses and address the root causes of the occurrence.

The Bank seeks to implement the governance mechanism of operational risk, through:

- Supervise the Board of Directors and the Senior Management.
- Establish a committee to manage the risks, and oversee the operations risk business.
- Achieve the independence of the role of the Operational Risk Management.
- Achieve accurate identification of roles and responsibilities of the various parties to the risk management processes.
- Implement the internal audit for an independent assessment of the Risk Management's activities and reporting to the Audit Committee.

In order to achieve the Bank's strategy for the management of operational risk, the Operational Risk Management has adopted a number of methods that are working to identify, measure, correct and control the various activities of the Bank, by the following means:

Self-Assessment of Risks

Bank Albilad has applied a strict policy of self-assessment for the risks and control elements to determine the risks that arise from the Bank's products, activities and operations. The risk identification operation is followed by the assessment of the control elements regarding the design or application of this needed elements to mitigate risks that have been identified.

The testing of the control elements aims to identify the effectiveness of these elements in the mitigation of operational risks. The overall risk assessment and the control elements are compared with previously defined transactions and limits regarding the acceptable risks level to achieve the target return. This is followed by taking the appropriate action, which aims to strengthen the regulatory environment. Furthermore, the implementation of training programs has been continued for the Bank employees, which aims to increase awareness of the dangers of the operations, and thus increase the effectiveness of the control elements and identify the gaps wherever they exist.

- **Calculation and Analysis of Operations Loss Data**

The database of the operations loss and the Internal Audit Department's reports completes the self-assessment of the risks and elements of the monitoring process and contributes to achieve the best results. The Bank has a system for managing of the operations loss data, which makes the Bank able to compile and analyze the losses associated with these events (actual losses or possible losses occur or is about to happen). The risks and regulatory gap responsible for the losses associated with these events are determined; thus providing recommendations to strengthen the relevant control elements in order to address the risks that have been identified, in addition to the escalation to the appropriate administrative levels in order to reduce the financial impact of these events.

- **Key Risk Indicators**

Bank Albilad has a methodology to determine, collect and analyze the main risks indicators that determine the level of risk for an activity or a particular function; as the adequacy of risk management strategies for this activity or management is measured and controlled, in addition to identifying weaknesses and work on them. The operational risk management methods are connected to a periodic report system aiming to introduce and inform all the departments and sections about the operational risks associated with the activities to obtain the appropriate response, in order to strengthen the necessary monitoring elements to mitigate these risks. Periodic reports also aim to strengthen the proactive decision-making operation associated with the Bank's activities by the Bank's Senior Management.



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