



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2015**



Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Bank AlBilad
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank AlBilad (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as at June 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim consolidated statements of changes in shareholders’ equity and cash flows, and the notes from (1) to (14) for the six-month period then ended. We have not reviewed note (15), nor the information related to “Disclosures Under Basel III Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (12) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (12) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	June 30, 2014 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		4,302,042	4,467,704	4,610,967
Due from banks and other financial institutions, net		9,788,028	8,784,586	5,153,035
Investments, net	5	2,350,874	2,635,330	3,479,530
Financing, net	6	31,682,808	28,355,270	26,755,303
Property and equipment, net		784,511	798,369	764,731
Other assets		234,979	188,655	214,077
Total assets		49,143,242	45,229,914	40,977,643
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to SAMA		720,000	-	-
Due to banks and other financial institutions		2,456,096	1,191,018	443,195
Customer deposits	7	38,302,119	36,723,742	33,353,868
Other liabilities		1,574,607	1,423,801	1,711,045
Total liabilities		43,052,822	39,338,561	35,508,108
Shareholders' equity				
Share capital	13	5,000,000	4,000,000	4,000,000
Statutory reserve		763,960	768,403	552,396
Other reserves		40,194	22,778	61,733
Retained earnings		380,602	1,195,557	925,573
Treasury shares		(107,037)	(110,705)	(80,963)
Employee share plan		12,701	15,320	10,796
Total shareholders' equity		6,090,420	5,891,353	5,469,535
Total liabilities and shareholders' equity		49,143,242	45,229,914	40,977,643

The accompanying notes from 1 to 15 form an integral part of these interim consolidated financial statements.

BANK ALBILAD

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INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2015</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2015</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>
	<u>Note</u>			
INCOME:				
Income from investing and financing assets		271,365	583,598	508,214
Return on deposits and financial liabilities		(12,399)	(25,117)	(22,189)
Net income from investing and financing assets		258,966	558,481	486,025
Fee and commission income, net		181,698	393,428	348,498
Exchange income, net		71,134	160,141	142,568
Dividend income		3,761	7,344	4,360
Gains on non-trading investments, net		14,986	7,777	18,660
Other operating income		3,443	12,928	11,382
Total operating income		533,988	1,140,099	1,011,493
EXPENSES:				
Salaries and employee related benefits		181,888	430,093	355,228
Rent and premises related expenses		48,605	105,837	97,913
Depreciation and amortization		24,225	52,642	47,688
Other general and administrative expenses		50,537	125,682	103,567
Impairment charge for financing, net		24,409	45,243	29,059
Total operating expenses		329,664	759,497	633,455
Net income for the period		204,324	380,602	378,038
Basic and diluted earnings per share (SAR)	13	0.41	0.76	0.76

The accompanying notes from 1 to 15 form an integral part of these interim consolidated financial statements.

BANK ALBILAD

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2015</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2015</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>
Net income for the period	206,458	204,324	380,602	378,038
Other comprehensive income:				
Items that are or may be reclassified to interim consolidated statement of income				
-Available for sale financial assets:				
Net changes in fair value	12,416	10,708	25,193	37,055
Net amount transferred to interim consolidated statement of income	(9,303)	(14,986)	(7,777)	(18,660)
Total comprehensive income for the period	209,571	200,046	398,018	396,433

The accompanying notes from 1 to 15 form an integral part of these interim consolidated financial statements.

BANK ALBILAD

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**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30**

2015 SAR' 000	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employee share plan	Total
Balance at the beginning of the period		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353
Changes in shareholders' equity for the period								
Net changes in fair values of available for sale investments				25,193				25,193
Net amount transferred to interim consolidated statement of income				(7,777)				(7,777)
Net income recognized directly in shareholders' equity				17,416				17,416
Net income for the period					380,602			380,602
Total comprehensive income for the period				17,416	380,602			398,018
Proposed dividend	13				(200,000)			(200,000)
Issuance of Bonus shares	13	1,000,000	(4,443)		(995,557)			-
Treasury shares						3,668		3,668
Employee share plan reserve							(2,619)	(2,619)
Balance at end of the period		5,000,000	763,960	40,194	380,602	(107,037)	12,701	6,090,420
2014 SAR' 000		Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employee share plan	Total
Balance at the beginning of the period		4,000,000	552,396	43,338	547,535	(54,426)	12,046	5,100,889
Changes in shareholders' equity for the period								
Net changes in fair value of available for sale investments				37,055				37,055
Net amount transferred to interim consolidated statement of income				(18,660)				(18,660)
Net income recognized directly in shareholders' equity				18,395				18,395
Net income for the period					378,038			378,038
Total comprehensive income for the period				18,395	378,038			396,433
Treasury shares						(26,537)		(26,537)
Employee share plan reserve							(1,250)	(1,250)
Balance at end of the period		4,000,000	552,396	61,733	925,573	(80,963)	10,796	5,469,535

The accompanying notes from 1 to 15 form an integral part of these interim consolidated financial statements.

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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30**

	Note	2015 SAR' 000	2014 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		380,602	378,038
Adjustments to reconcile net income to net cash from operating activities:			
Gains on non-trading investments, net		(7,777)	(18,660)
Gains from disposal of property and equipment, net		(56)	(42)
Depreciation and amortization		52,642	47,688
Impairment charge for financing, net		45,243	29,059
Employee share plan		1,049	2,702
Operating profit before changes in operating assets and liabilities		471,703	438,785
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(46,646)	(318,127)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(848,049)	375,745
Investments		701,157	(148,438)
Financing		(3,372,780)	(3,368,939)
Other assets		(46,324)	(77,596)
Net increase (decrease) in operating liabilities:			
Due to SAMA		720,000	-
Due to banks and other financial institutions		1,265,077	(532,421)
Customer deposits		1,578,377	4,246,150
Other liabilities		150,807	571,960
Net cash from operating activities		573,322	1,187,119
INVESTING ACTIVITIES			
Purchase of non-trading investments		(580,704)	(325,292)
Proceeds from sales of non-trading investments		139,260	148,506
Purchase of property and equipment		(38,858)	(50,330)
Proceeds from sale of property and equipment		129	157
Net cash used in investing activities		(480,173)	(226,959)
FINANCING ACTIVITIES			
Purchase of shares for employee share plan		-	(30,489)
Dividend paid		(200,000)	-
Net cash used in financing activities		(200,000)	(30,489)
Net (decrease) increase in cash and cash equivalents		(106,851)	929,671
Cash and cash equivalents at beginning of the period		8,711,751	7,480,171
Cash and cash equivalents at end of the period	9	8,604,900	8,409,842
Income received from investing and financing assets		578,193	572,253
Return paid on deposits and financial liabilities		28,446	9,922
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim consolidated statement of income		17,416	18,395

The accompanying notes from 1 to 15 form an integral part of these interim consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the “Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Counsel of Ministers’ resolution No. 258 dated 18 Ramadan 1425 H (corresponding to November 1, 2004).

The Bank operates under Commercial Registration No.1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

**Bank AlBilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia**

These interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, ‘AlBilad Investment Company’ and ‘AlBilad Real Estate Company’ (collectively referred to as “the Group”). These subsidiaries are 100% owned by the Bank and are incorporated in the Kingdom of Saudi Arabia.

The Group’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association and the Banking Control Law. The Bank provides these services through 116 banking branches (June 30, 2014: 109) and 163 exchange and remittance centers (June 30, 2014: 153) in the Kingdom of Saudi Arabia.

b) Shariah Authority

The Bank established a Shariah authority (“the Authority”), to ascertain that all the Group’s activities are subject to its approvals and control.

2. BASIS OF PREPARATION

These interim consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – “Interim Financial Reporting”. The Bank prepares its interim consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim consolidated financial statements do not include all of the information and disclosures required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2014.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015**

In preparing these interim consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2014.

These interim consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and are rounded off to the nearest thousands.

3. BASIS OF CONSOLIDATION

These interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

AlBilad Investment Company and AlBilad Real Estate Company are 100% owned by the Bank as at June 30, 2015 and both are incorporated in the Kingdom of Saudi Arabia.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015**

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:
- IFRS 1 – “first time adoption of IFRS” : the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
 - IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.
 - IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
 - IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
 - IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
 - IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 – “related party disclosures” – the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly
 - IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

5. INVESTMENTS, NET

	June 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	June 30, 2014 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	380,998	324,368	338,812
Mutual funds	417,884	152,985	31,939
Floating-rate securities - Sukuk	601,878	456,770	458,000
	1,400,760	934,123	828,751
Held to maturity			
Commodity Murabaha with SAMA	950,114	1,701,207	2,650,779
Total	2,350,874	2,635,330	3,479,530

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015****6. FINANCING, NET**

	June 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	June 30, 2014 SAR'000 (Unaudited)
Bei Ajel	18,893,945	16,609,417	14,695,719
Installment sales, Ijarah and Credit Cards	11,116,262	10,163,859	10,205,272
Musharaka	1,806,526	1,417,580	1,752,569
Ijarah	237,729	558,782	573,354
Performing financing	32,054,462	28,749,638	27,226,914
Non-performing financing	498,688	430,731	434,838
Gross financing	32,553,150	29,180,369	27,661,752
Impairment charge for financing	(870,342)	(825,099)	(906,449)
Financing, net	31,682,808	28,355,270	26,755,303

7. CUSTOMER DEPOSITS

	June 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	June 30, 2014 SAR'000 (Unaudited)
Demand	29,712,668	26,867,287	24,608,520
Saving	3,353,024	3,207,113	3,013,748
Time	4,312,258	5,834,117	4,960,126
Others	924,169	815,225	771,474
Total	38,302,119	36,723,742	33,353,868

8. COMMITMENTS AND CONTINGENCIES

a) The Group's commitments and contingencies are as follows:

	June 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	June 30, 2014 SAR' 000 (Unaudited)
Letters of guarantee	3,623,054	3,524,502	3,238,455
Letters of credit	980,080	1,126,305	1,417,355
Acceptances	653,684	561,917	479,986
Irrevocable commitments to extend credit	1,158,537	702,968	972,086
Total	6,415,355	5,915,692	6,107,882

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015****b) Zakat**

The Bank has consistently filed its Zakat returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT") using the same basis for calculation. The Bank has received Zakat assessments for the years from 2006 to 2008 raising additional demands aggregating to SAR 185 million. The basis for this additional Zakat demand is being contested by the Bank in conjunction with all the Banks in Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from DZIT.

The Preliminary Committee has upheld the decision of the DZIT in case of the assessment for the year 2006. However, the Bank filed an appeal with the higher Appellate Committee against the Preliminary Committee's ruling.

The zakat assessment for the years 2009 to 2014 have not been finalized by the DZIT and the Bank may not be able to determine reliably the impact of such assessments, however, the assessments may result in additional liability.

9. CASH AND CASH EQUIVALENTS

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

	June 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	June 30, 2014 SAR' 000 (Unaudited)
Cash	1,671,880	1,339,091	1,893,734
Due from banks and other financial institutions (maturing within ninety days from acquisition)	5,758,247	5,602,854	3,693,394
Held to maturity investment (maturing within ninety days from acquisition)	950,114	1,000,050	2,200,325
Balances with SAMA (excluding statutory deposit)	224,659	769,756	622,389
Total	8,604,900	8,711,751	8,409,842

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of on-balance sheet financial instruments are not significantly different from their carrying values included in the interim consolidated financial statements.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015****Determination of fair value and fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

June 30, 2015 (Unaudited) SAR' 000	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Financial investments available for sale	<u>1,050,760</u>	<u>-</u>	<u>350,000</u>	<u>1,400,760</u>
June 30, 2014 (Unaudited) SAR' 000				
Financial assets				
Financial investments available for sale	<u>478,751</u>	<u>-</u>	<u>350,000</u>	<u>828,751</u>

The fair values of financial instruments are not significantly different from the carrying values included in the interim consolidated financial statements. The fair values of financing, commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks and other financial institutions. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

11. SEGMENT INFORMATION

Operating segments, based on customer, groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) and, the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015**

For management purposes, the Group is divided into the following five segments:

Retail banking

Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking

Services and products to corporate and commercial customers including deposits, financing and trade services.

Treasury

Money market, trading and treasury services.

Investment banking and brokerage

Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Other

All other support functions.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to operating segments, based on approved criteria.

The Group's total assets and liabilities as at June 30, 2015 and 2014, together with its total operating income and expenses, and net income, for the six months period then ended, for each segment are as follows:

SAR'000	June 30, 2015 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	15,324,703	20,808,652	10,792,769	400,641	1,816,477	49,143,242
Total liabilities	28,421,608	9,974,734	3,081,872	134,994	1,439,614	43,052,822
Net income from investing and financing assets	222,615	281,826	33,175	415	20,450	558,481
Fee, commission and other income, net	394,568	71,945	47,505	39,527	28,073	581,618
Total operating income	617,183	353,771	80,680	39,942	48,523	1,140,099
Impairment charge for financing, net	34,904	10,339	-	-	-	45,243
Depreciation and amortization	48,893	2,795	527	427	-	52,642
Total operating expenses	565,995	145,465	25,190	21,930	917	759,497
Net income for the period	51,188	208,306	55,490	18,012	47,606	380,602

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015**

SAR'000	June 30, 2014 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	13,488,217	17,727,741	8,091,571	321,795	1,348,319	40,977,643
Total liabilities	22,294,613	11,173,643	328,807	112,257	1,598,788	35,508,108
Net income from investing and financing assets	209,101	230,291	25,703	152	20,778	486,025
Fee, commission and other income, net	348,972	62,332	41,826	38,176	34,162	525,468
Total operating income	558,073	292,623	67,529	38,328	54,940	1,011,493
Impairment charge for financing, net	33,763	(4,704)	-	-	-	29,059
Depreciation and amortization	44,738	2,235	445	270	-	47,688
Total operating expenses	472,550	116,302	23,031	20,697	875	633,455
Net income for the period	85,523	176,321	44,498	17,631	54,065	378,038

12. CAPITAL ADEQUACY

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its interim consolidated statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios:

	June 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	June 30, 2014 SAR' 000 (Unaudited)
Credit Risk RWA	38,034,834	33,786,740	30,833,699
Operational Risk RWA	3,724,754	3,553,573	3,341,556
Market Risk RWA	817,519	448,075	401,713
Total Pillar-I RWA	42,577,107	37,788,388	34,576,968
Tier I Capital	6,090,420	5,891,353	5,469,535
Tier II Capital	466,942	422,334	385,421
Total Tier I & II Capital	6,557,362	6,313,687	5,854,956
Capital Adequacy Ratio %			
Tier I ratio	14.30%	15.59%	15.82%
Tier I + Tier II ratio	15.40%	16.71%	16.93%

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2015****13. DIVIDENDS AND CAPITAL INCREASE**

The Board of Directors in its meeting held on January 08, 2015 approved a dividend of SAR 200 million i.e. SAR 0.5 per share for the year 2014.

The Board of Directors also approved in its meeting held on January 08, 2015 a bonus issuance of one share for every four shares held at the date of Extra-ordinary General Assembly raising the Bank's capital from SAR 4,000 million to SAR 5,000 million. The bonus share has been issued by capitalizing an amount of SAR 995.6 million from Retained Earnings, and transfer of an amount of SAR 4.4 million from Statutory reserve as per the approval from SAMA making the number of shares outstanding after the bonus issuance to be 500 million shares.

The recommendation of the Board of Directors for the cash dividend of SAR 0.5 per share and bonus issue of one share for every four shares was approved by the shareholders in the Extra-ordinary General Assembly held on April 14, 2015.

Basic and diluted earnings per share for the three and six months period ended June 30, 2015 and 2014 are calculated by dividing the net income for the period by 500 million shares to give retroactive effect of changes in number of shares increased as a result of the bonus share issue.

14. COMPARATIVE FIGURES

Comparative figures have been reclassified wherever necessary to conform to the current period presentation.

15. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website (www.bankalbilad.com) within the prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.