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**BANK ALBILAD**  
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE-MONTHS  
PERIOD ENDED MARCH 31, 2015**

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## 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 condensed consolidated statement of financial position of Bank AlBilad (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as at March 31, 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows, and the notes from (1) to (14) for the three-months period then ended. We have not reviewed note (15), nor the information related to “Disclosers 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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9 Rajab 1436H  
(28 April 2015)

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>March 31, 2015 SAR'000 (Unaudited)</b>	December 31, 2014 SAR'000 (Audited)	March 31, 2014 SAR'000 (Unaudited)
	<u>Notes</u>			
<b>ASSETS</b>				
Cash and balances with SAMA		<b>4,246,110</b>	4,467,704	4,717,797
Due from banks and other financial institutions, net		<b>10,064,396</b>	8,784,586	6,279,395
Investments, net	5	<b>1,906,322</b>	2,635,330	2,796,939
Financing, net	6	<b>29,089,983</b>	28,355,270	24,277,480
Property and equipment, net		<b>792,309</b>	798,369	763,355
Other assets		<b>213,910</b>	188,655	175,689
<b>Total assets</b>		<b>46,313,030</b>	45,229,914	39,010,655
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		<b>978,408</b>	1,191,018	552,947
Customer deposits	7	<b>37,856,199</b>	36,723,742	31,392,199
Other liabilities		<b>1,397,574</b>	1,423,801	1,779,397
<b>Total liabilities</b>		<b>40,232,181</b>	39,338,561	33,724,543
<b>Shareholders' equity</b>				
Share capital		<b>4,000,000</b>	4,000,000	4,000,000
Statutory reserve	13	<b>763,960</b>	768,403	552,396
Other reserves		<b>37,081</b>	22,778	66,011
Retained earnings	13	<b>174,144</b>	1,195,557	721,249
Proposed dividend	13	<b>200,000</b>	-	-
Bonus shares reserves	13	<b>1,000,000</b>	-	-
Employee share plan		<b>(94,336)</b>	(95,385)	(53,544)
<b>Total shareholders' equity</b>		<b>6,080,849</b>	5,891,353	5,286,112
<b>Total liabilities and shareholders' equity</b>		<b>46,313,030</b>	45,229,914	39,010,655

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

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

	<u>2015</u> <u>SAR'000</u>	<u>2014</u> <u>SAR'000</u>
<b>INCOME:</b>		
Income from investing and financing assets	<b>285,125</b>	236,849
Return on deposits and financial liabilities	<b>(13,207)</b>	<b>(9,790)</b>
<b>Net income from investing and financing assets</b>	<b>271,918</b>	227,059
Fee and commission income, net	<b>188,343</b>	166,800
Exchange income, net	<b>82,186</b>	71,434
Dividend income	<b>3,794</b>	599
(Loss) gains on non-trading investments, net	<b>(1,526)</b>	3,674
Other operating income	<b>10,464</b>	7,939
<b>Total operating income</b>	<b>555,179</b>	477,505
<b>EXPENSES:</b>		
Salaries and employee related benefits	<b>231,645</b>	173,340
Rent and premises related expenses	<b>52,380</b>	49,308
Depreciation and amortization	<b>24,561</b>	23,463
Other general and administrative expenses	<b>56,333</b>	53,030
Impairment charge for financing, net	<b>16,116</b>	4,650
<b>Total operating expenses</b>	<b>381,035</b>	303,791
<b>Net income for the period</b>	<b>174,144</b>	173,714
<b>Basic and diluted earnings per share (SAR)</b>	<b>0.44</b>	0.43

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

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

	<u>2015</u> <u>SAR'000</u>	<u>2014</u> <u>SAR'000</u>
<b>Net income for the period</b>	<b>174,144</b>	173,714
<b>Other comprehensive income:</b>		
Items that can be recycled back to interim condensed consolidated statement of income in subsequent periods		
-Available for sale financial assets:		
Net changes in fair value	<b>12,777</b>	26,347
Net amount transferred to interim condensed consolidated statement of income	<b>1,526</b>	(3,674)
<b>Total comprehensive income for the period</b>	<b><u>188,447</u></b>	<u>196,387</u>

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

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Bonus shares reserves</u>	<u>Employee share plan</u>	<u>Total</u>
<b>2015</b>									
<b>SAR' 000</b>									
Balance at the beginning of the period		4,000,000	768,403	22,778	1,195,557	-	-	(95,385)	5,891,353
Changes in shareholders' equity for the period									
Net changes in fair values of available for sale investments				12,777					12,777
Net amount transferred to interim condensed consolidated statement of income				1,526					1,526
Net income recognized directly in shareholders' equity				14,303					14,303
Net income for the period					174,144				174,144
Total comprehensive income for the period				14,303	174,144				188,447
Proposed dividend	13				(200,000)	200,000			-
Proposed bonus shares	13		(4,443)		(995,557)		1,000,000		-
Employee share plan reserve								1,049	1,049
Balance at end of the period		4,000,000	763,960	37,081	174,144	200,000	1,000,000	(94,336)	6,080,849
		<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Bonus shares reserves</u>	<u>Employee share plan</u>	<u>Total</u>
<b>2014</b>									
<b>SAR' 000</b>									
Balance at the beginning of the period		4,000,000	552,396	43,338	547,535	-	-	(42,380)	5,100,889
Changes in shareholders' equity for the period									
Net changes in fair value of available for sale investments				26,347					26,347
Net amount transferred to interim condensed consolidated statement of income				(3,674)					(3,674)
Net income recognized directly in shareholders' equity				22,673					22,673
Net income for the period					173,714	-	-		173,714
Total comprehensive income for the period				22,673	173,714				196,387
Employee share plan reserve								(11,164)	(11,164)
Balance at end of the period		4,000,000	552,396	66,011	721,249	-	-	(53,544)	5,286,112

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

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31**

	Note	2015 SAR' 000	2014 SAR' 000
<b>OPERATING ACTIVITIES</b>			
Net income for the period		174,144	173,714
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Loss (gains) on non-trading investments, net		1,526	(3,674)
Gains from disposal of property and equipment, net		(20)	(3)
Depreciation and amortization		24,561	23,463
Impairment charge for financing, net		16,116	4,650
Employee share plan		1,049	2,702
<b>Operating profit before changes in operating assets and liabilities</b>		<b>217,376</b>	<b>200,852</b>
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposits with SAMA		(29,395)	(204,526)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(525,076)	338,402
Investments		450,510	(148,112)
Financing		(750,829)	(866,707)
Other assets		(25,255)	(39,572)
<b>Net increase (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		(212,610)	(422,669)
Customer deposits		1,132,457	2,284,481
Other liabilities		(26,227)	640,312
<b>Net cash from operating activities</b>		<b>230,951</b>	<b>1,782,461</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of non-trading investments		(114,565)	(86,723)
Proceeds from sales of non-trading investments		55,835	81,446
Purchase of property and equipment		(18,511)	(24,703)
Proceeds from sale of property and equipment		30	92
<b>Net cash used in investing activities</b>		<b>(77,211)</b>	<b>(29,888)</b>
<b>FINANCING ACTIVITIES</b>			
Purchase of shares for employee share plan		-	(13,866)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(13,866)</b>
<b>Net increase in cash and cash equivalents</b>		<b>153,740</b>	<b>1,738,707</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>8,711,751</b>	<b>7,480,171</b>
<b>Cash and cash equivalents at end of the period</b>	9	<b>8,865,491</b>	<b>9,218,878</b>
Income received from investing and financing assets		306,626	317,166
Return paid on deposits and financial liabilities		18,182	2,163
<b>Supplemental non cash information</b>			
Net changes in fair value reserve and net amount transferred to interim condensed consolidated statement of income		14,303	22,673

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



**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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 condensed 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 117 banking branches (March 31, 2014: 104) and 156 exchange and remittance centers (March 31, 2014: 152) 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 condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – “Interim Financial Reporting”. The Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements do not include all of the information and disclosures required for 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 condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015**

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

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

**3. BASIS OF CONSOLIDATION**

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

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 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.

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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**

	<b>March 31, 2015 SAR' 000 (Unaudited)</b>	December 31, 2014 SAR' 000 (Audited)	March 31, 2014 SAR' 000 (Unaudited)
<b>Available-for-sale investments</b>			
Equities	<b>318,466</b>	324,368	356,964
Mutual funds	<b>230,394</b>	152,985	31,570
Floating-rate securities - Sukuk	<b>456,770</b>	456,770	258,000
	<b>1,005,630</b>	934,123	646,534
<b>Held to maturity</b>			
Commodity Murabaha with SAMA	<b>900,692</b>	1,701,207	2,150,405
<b>Total</b>	<b>1,906,322</b>	2,635,330	2,796,939

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015****6. FINANCING, NET**

	<b>March 31, 2015 SAR'000 (Unaudited)</b>	<b>December 31, 2014 SAR'000 (Audited)</b>	<b>March 31, 2014 SAR'000 (Unaudited)</b>
Bei Ajel	17,229,020	16,609,417	12,527,445
Installment sales, Ijarah and Credit Cards	10,171,896	10,163,859	9,993,523
Musharaka	1,794,639	1,417,580	1,683,427
Ijarah	256,974	558,782	529,994
<b>Performing financing</b>	<b>29,452,529</b>	<b>28,749,638</b>	<b>24,734,389</b>
Non-performing financing	478,669	430,731	425,131
<b>Gross financing</b>	<b>29,931,198</b>	<b>29,180,369</b>	<b>25,159,520</b>
Impairment charge for financing	(841,215)	(825,099)	(882,040)
<b>Financing, net</b>	<b>29,089,983</b>	<b>28,355,270</b>	<b>24,277,480</b>

**7. CUSTOMER DEPOSITS**

	<b>March 31, 2015 SAR'000 (Unaudited)</b>	<b>December 31, 2014 SAR'000 (Audited)</b>	<b>March 31, 2014 SAR'000 (Unaudited)</b>
Demand	29,009,533	26,867,287	24,446,294
Saving	3,410,981	3,207,113	2,976,107
Time	4,542,252	5,834,117	3,235,346
Others	893,433	815,225	734,452
<b>Total</b>	<b>37,856,199</b>	<b>36,723,742</b>	<b>31,392,199</b>

**8. COMMITMENTS AND CONTINGENCIES**

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

	<b>March 31, 2015 SAR' 000 (Unaudited)</b>	<b>December 31, 2014 SAR' 000 (Audited)</b>	<b>March 31, 2014 SAR' 000 (Unaudited)</b>
Letters of guarantee	3,502,811	3,524,502	3,067,225
Letters of credit	1,230,951	1,126,305	1,497,989
Acceptances	524,965	561,917	392,930
Irrevocable commitments to extend credit	985,704	702,968	1,469,039
<b>Total</b>	<b>6,244,431</b>	<b>5,915,692</b>	<b>6,427,183</b>

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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 demand.

**9. CASH AND CASH EQUIVALENTS**

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

	<b>March 31, 2015 SAR' 000 (Unaudited)</b>	<b>December 31, 2014 SAR' 000 (Audited)</b>	<b>March 31, 2014 SAR' 000 (Unaudited)</b>
Cash	<b>1,557,374</b>	1,339,091	1,713,217
Due from banks and other financial institutions (maturing within ninety days from acquisition)	<b>6,357,588</b>	5,602,854	4,782,048
Held to maturity investment (maturing within ninety days from acquisition)	<b>650,045</b>	1,000,050	1,700,276
Balances with SAMA (excluding statutory deposit)	<b>300,484</b>	769,756	1,023,337
<b>Total</b>	<b>8,865,491</b>	<b>8,711,751</b>	<b>9,218,878</b>

**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 condensed consolidated financial statements.

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015****Determination of fair value and fair value hierarchy**

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

Level 1: quoted prices in active markets for the same 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.

<b>March 31, 2015 (Unaudited) SAR' 000</b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Financial assets				
Financial investments available for sale	<b><u>655,630</u></b>	<b><u>-</u></b>	<b><u>350,000</u></b>	<b><u>1,005,630</u></b>
March 31, 2014 (Unaudited) SAR' 000				
Financial assets				
Financial investments available for sale	<b><u>496,534</u></b>	<b><u>-</u></b>	<b><u>150,000</u></b>	<b><u>646,534</u></b>

Level 3 investments comprise of unquoted available-for-sale investments that are carried at cost.

The fair values of financial instruments, except for investments held-to-maturity which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed 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 condensed 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.

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015****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.

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 other operating segments, based on approved criteria.

The Group's total assets and liabilities as at March 31, 2015 and 2014, together with its total operating income and expenses, and net income, for the three months period then ended, for each segment are as follows:

SAR'000	March 31, 2015 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	14,105,029	19,293,099	10,985,787	375,124	1,553,991	46,313,030
Total liabilities	27,648,939	10,323,110	862,558	129,612	1,267,962	40,232,181
Net income from investing and financing assets	109,551	135,764	15,974	184	10,445	271,918
Fee, commission and other income, net	187,591	38,519	24,361	20,020	12,770	283,261
Total operating income	297,142	174,283	40,335	20,204	23,215	555,179
Impairment charge for financing, net	15,435	681	-	-	-	16,116
Depreciation and amortization	22,963	1,210	278	110	-	24,561
Total operating expenses	287,093	69,174	13,170	11,110	488	381,035
Net income for the period	10,049	105,109	27,165	9,094	22,727	174,144

**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015**

SAR'000	March 31, 2014 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	12,912,100	15,336,995	9,136,745	296,317	1,328,498	39,010,655
Total liabilities	20,888,654	10,604,216	452,275	106,729	1,672,669	33,724,543
Net income from investing and financing assets	103,785	99,916	13,180	125	10,053	227,059
Fee, commission and other income, net	170,388	29,910	21,013	17,053	12,082	250,446
Total operating income	274,173	129,826	34,193	17,178	22,135	477,505
Impairment charge for financing, net	10,035	(5,385)	-	-	-	4,650
Depreciation and amortization	22,059	1,052	222	130	-	23,463
Total operating expenses	226,183	55,434	11,624	10,135	415	303,791
Net income for the period	47,990	74,392	22,569	7,043	21,720	173,714

**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 condensed 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:

	<b>March 31, 2015 SAR' 000 (Unaudited)</b>	<b>December 31, 2014 SAR' 000 (Unaudited)</b>	<b>March 31, 2014 SAR' 000 (Unaudited)</b>
Credit Risk RWA	<b>34,894,029</b>	33,786,740	28,659,364
Operational Risk RWA	<b>3,641,154</b>	3,553,573	3,226,663
Market Risk RWA	<b>396,300</b>	448,075	210,238
<b>Total Pillar-I RWA</b>	<b>38,931,483</b>	<b>37,788,388</b>	<b>32,096,265</b>
Tier I Capital	<b>6,080,849</b>	5,891,353	5,286,112
Tier II Capital	<b>436,175</b>	422,334	358,242
<b>Total Tier I &amp; II Capital</b>	<b>6,517,024</b>	<b>6,313,687</b>	<b>5,644,354</b>
Capital Adequacy Ratio %			
Tier I ratio	<b>15.62%</b>	15.59%	16.47%
Tier I + Tier II ratio	<b>16.74%</b>	16.71%	17.59%



**BANK ALBILAD**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2015****13. PROPOSED DIVIDENDS AND CAPITAL INCREASE**

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

The Board of Directors has 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 will be 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.

**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](http://www.bankalbilad.com)) within prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.