



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 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 September 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim consolidated statements of changes in shareholders’ equity and cash flows for the nine-month period then ended, and the notes from (1) to (14), which form an integral part of these interim condensed consolidated financial statements. 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

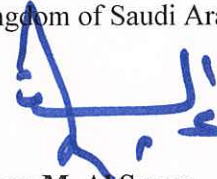
As required by SAMA, certain capital adequacy information has been disclosed in note (12) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (12) to the relevant analysis prepared by the Bank for submission to SAMA and found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

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12 Muharram 1437H
(25 October 2015)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	September 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	September 30, 2014 SAR'000 (Unaudited)
Notes			
ASSETS			
Cash and balances with SAMA	4,312,919	4,467,704	5,236,504
Due from banks and other financial institutions, net	8,708,003	8,784,586	6,237,453
Investments, net	5 3,163,309	2,635,330	4,055,667
Financing, net	6 32,289,172	28,355,270	27,520,940
Property and equipment, net	772,514	798,369	766,601
Other assets	250,033	188,655	244,551
Total assets	49,495,950	45,229,914	44,061,716
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to SAMA	425,000	-	-
Due to banks and other financial institutions	824,812	1,191,018	373,854
Customer deposits	7 40,716,582	36,723,742	36,803,063
Other liabilities	1,298,566	1,423,801	1,192,818
Total liabilities	43,264,960	39,338,561	38,369,735
Shareholders' equity			
Share capital	13 5,000,000	4,000,000	4,000,000
Statutory reserve	763,960	768,403	552,396
Other reserves	(18,582)	22,778	73,855
Retained earnings	584,044	1,195,557	1,162,629
Treasury shares	(113,758)	(110,705)	(118,451)
Employee share plan	15,326	15,320	21,552
Total shareholders' equity	6,230,990	5,891,353	5,691,981
Total liabilities and shareholders' equity	49,495,950	45,229,914	44,061,716

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 CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
	<u>September</u> <u>30,2015</u> <u>SAR'000</u>	<u>September</u> <u>30,2014</u> <u>SAR'000</u>	<u>September</u> <u>30,2015</u> <u>SAR'000</u>	<u>September</u> <u>30,2014</u> <u>SAR'000</u>
INCOME:				
Income from investing and financing assets	312,788	279,782	896,386	787,996
Return on deposits and financial liabilities	(19,092)	(15,376)	(44,209)	(37,565)
Net income from investing and financing assets	293,696	264,406	852,177	750,431
Fee and commission income, net	194,101	185,481	587,529	533,979
Exchange income, net	74,715	72,687	234,856	215,255
Dividend income	1,814	2,311	9,158	6,671
Gains on non-trading investments, net	438	24,811	8,215	43,471
Other operating income	1,626	850	14,554	12,232
Total operating income	566,390	550,546	1,706,489	1,562,039
EXPENSES:				
Salaries and employee related benefits	201,794	192,823	631,887	548,051
Rent and premises related expenses	56,650	50,132	162,487	148,045
Depreciation and amortization	24,261	23,997	76,903	71,685
Other general and administrative expenses	54,510	55,674	180,192	159,241
Impairment charge for financing, net	25,733	(9,136)	70,976	19,923
Total operating expenses	362,948	313,490	1,122,445	946,945
Net income for the period	203,442	237,056	584,044	615,094
Basic and diluted earnings per share (SAR)	0.41	0.47	1.17	1.23

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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
	<u>September</u> <u>30, 2015</u> <u>SAR'000</u>	<u>September</u> <u>30, 2014</u> <u>SAR'000</u>	<u>September</u> <u>30, 2015</u> <u>SAR'000</u>	<u>September</u> <u>30, 2014</u> <u>SAR'000</u>
Net income for the period	203,442	237,056	584,044	615,094
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	(58,338)	36,933	(33,145)	73,988
Net amount transferred to interim consolidated statement of income	(438)	(24,811)	(8,215)	(43,471)
Total comprehensive income for the period	144,666	249,178	542,684	645,611

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

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**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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				(33,145)				(33,145)
Net amount transferred to interim consolidated statement of income				(8,215)				(8,215)
Net income recognized directly in shareholders' equity				(41,360)				(41,360)
Net income for the period					584,044			584,044
Total comprehensive income for the period				(41,360)	584,044			542,684
Cash dividend	13				(200,000)			(200,000)
Issuance of Bonus shares	13	1,000,000	(4,443)		(995,557)			-
Treasury shares						(3,053)		(3,053)
Employee share plan reserve							6	6
Balance at end of the period		5,000,000	763,960	(18,582)	584,044	(113,758)	15,326	6,230,990
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				73,988				73,988
Net amount transferred to interim consolidated statement of income				(43,471)				(43,471)
Net income recognized directly in shareholders' equity				30,517				30,517
Net income for the period					615,094			615,094
Total comprehensive income for the period				30,517	615,094			645,611
Treasury shares						(64,025)		(64,025)
Employee share plan reserve							9,506	9,506
Balance at end of the period		4,000,000	552,396	73,855	1,162,629	(118,451)	21,552	5,691,981

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

BANK ALBILAD

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

	Note	2015 SAR' 000	2014 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		584,044	615,094
Adjustments to reconcile net income to net cash from operating activities:			
Gains on non-trading investments, net		(8,215)	(43,471)
Gains from disposal of property and equipment, net		(51)	120
Depreciation and amortization		76,903	71,685
Impairment charge for financing, net		70,976	19,923
Employee share plan		8,267	13,572
Operating profit before changes in operating assets and liabilities		731,924	676,923
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(90,088)	(418,807)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(138,563)	(230,102)
Investments		(1,100,447)	(548,569)
Financing		(4,004,878)	(4,125,440)
Other assets		(61,378)	(108,593)
Net increase (decrease) in operating liabilities:			
Due to SAMA		425,000	-
Due to banks and other financial institutions		(366,206)	(601,762)
Customer deposits		3,992,840	7,695,345
Other liabilities		(125,235)	53,733
Net cash from operating activities		(737,031)	2,392,728
INVESTING ACTIVITIES			
Purchase of non-trading investments		(650,704)	(469,023)
Proceeds from sales of non-trading investments		189,977	253,192
Purchase of property and equipment		(51,140)	(76,385)
Proceeds from sale of property and equipment		143	183
Net cash used in investing activities		(511,724)	(292,033)
FINANCING ACTIVITIES			
Purchase of shares for employee share plan		(11,314)	(68,091)
Dividend paid		(200,000)	-
Net cash used in financing activities		(211,314)	(68,091)
Net (decrease) increase in cash and cash equivalents		(1,460,069)	2,032,604
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	7,251,682	9,512,775
Income received from investing and financing assets		826,536	797,017
Return paid on deposits and financial liabilities		40,482	75,087
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim consolidated statement of income		(41,360)	30,517

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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 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 119 banking branches (September 30, 2014: 111) and 167 exchange and remittance centers (September 30, 2014: 155) 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 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 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.

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

In preparing these interim condensed 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 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 September 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 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 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 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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

	September 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	September 30, 2014 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	325,676	324,368	343,687
Mutual funds	434,225	152,985	103,042
Sukuk	601,804	456,770	458,000
	1,361,705	934,123	904,729
Held to maturity			
Commodity Murabaha with SAMA	1,801,604	1,701,207	3,150,938
Total	3,163,309	2,635,330	4,055,667

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

	September 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	September 30, 2014 SAR'000 (Unaudited)
Bei Ajel	19,185,723	16,609,417	15,804,154
Installment sales, Ijarah and Credit Cards	11,313,820	10,163,859	10,297,712
Musharaka	1,900,252	1,417,580	1,311,001
Ijarah	238,393	558,782	574,038
Performing financing	32,638,188	28,749,638	27,986,905
Non-performing financing	547,059	430,731	431,348
Gross financing	33,185,247	29,180,369	28,418,253
Impairment charge for financing	(896,075)	(825,099)	(897,313)
Financing, net	32,289,172	28,355,270	27,520,940

7. CUSTOMER DEPOSITS

	September 30, 2015 SAR'000 (Unaudited)	December 31, 2014 SAR'000 (Audited)	September 30, 2014 SAR'000 (Unaudited)
Demand	29,205,751	26,867,287	26,641,717
Albilad account (Mudarabah)	3,449,837	3,207,113	3,612,744
Direct investment	7,139,020	5,834,117	5,772,912
Others	921,974	815,225	775,690
Total	40,716,582	36,723,742	36,803,063

8. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	September 30, 2014 SAR' 000 (Unaudited)
Letters of guarantee	3,661,623	3,524,502	3,284,794
Letters of credit	827,573	1,126,305	1,143,373
Acceptances	487,807	561,917	530,357
Irrevocable commitments to extend credit	1,485,585	702,968	936,407
Total	6,462,588	5,915,692	5,894,931

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 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:

	September 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	September 30, 2014 SAR' 000 (Unaudited)
Cash	1,830,029	1,339,091	2,111,730
Due from banks and other financial institutions (maturing within ninety days from acquisition)	5,387,708	5,602,854	4,171,443
Held to maturity investment (maturing within ninety days from acquisition)	-	1,000,050	2,300,352
Balances with SAMA (excluding statutory deposit)	33,945	769,756	929,250
Total	7,251,682	8,711,751	9,512,775

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 advantageous 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 NINE MONTHS PERIOD ENDED SEPTEMBER 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.

September 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>1,011,705</u>	<u>-</u>	<u>350,000</u>	<u>1,361,705</u>
September 30, 2014 (Unaudited) SAR' 000				
Financial assets				
Financial investments available for sale	<u>554,729</u>	<u>-</u>	<u>350,000</u>	<u>904,729</u>

The fair values of financial instruments 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.

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 September 30, 2015 and 2014, together with its total operating income and expenses, and net income, for the nine months period then ended, for each segment are as follows:

SAR'000	September 30, 2015 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	15,604,164	21,273,083	10,432,280	412,042	1,774,381	49,495,950
Total liabilities	29,761,612	11,017,144	1,187,638	143,196	1,155,370	43,264,960
Net income from investing and financing assets	333,906	432,432	54,564	645	30,630	852,177
Fee, commission and other income, net	593,164	105,429	69,913	53,989	31,817	854,312
Total operating income	927,070	537,861	124,477	54,634	62,447	1,706,489
Impairment charge for financing, net	49,871	21,105	-	-	-	70,976
Depreciation and amortization	70,930	4,164	784	1,025	-	76,903
Total operating expenses	829,708	220,960	36,578	33,853	1,346	1,122,445
Net income for the period	97,362	316,901	87,899	20,781	61,101	584,044

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

SAR'000	September 30, 2014 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	13,838,053	18,327,810	10,096,953	323,277	1,475,623	44,061,716
Total liabilities	23,913,807	13,020,096	243,014	118,126	1,074,692	38,369,735
Net income from investing and financing assets	312,073	368,580	37,897	245	31,636	750,431
Fee, commission and other income, net	532,303	92,213	63,058	61,596	62,438	811,608
Total operating income	844,376	460,793	100,955	61,841	94,074	1,562,039
Impairment charge for financing, net	59,015	(39,092)	-	-	-	19,923
Depreciation and amortization	67,619	2,896	780	390	-	71,685
Total operating expenses	728,252	148,947	36,389	32,022	1,335	946,945
Net income for the period	116,124	311,846	64,566	29,819	92,739	615,094

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:

	September 30, 2015 SAR' 000 (Unaudited)	December 31, 2014 SAR' 000 (Audited)	September 30, 2014 SAR' 000 (Unaudited)
Credit Risk RWA	38,142,865	33,786,740	32,221,943
Operational Risk RWA	3,807,228	3,553,573	3,461,366
Market Risk RWA	888,238	448,075	854,638
Total Pillar-I RWA	42,838,331	37,788,388	36,537,947
Tier I Capital	6,230,990	5,891,353	5,691,981
Tier II Capital	474,373	422,334	402,774
Total Tier I & II Capital	6,705,363	6,313,687	6,094,755
Capital Adequacy Ratio %			
Tier I ratio	14.55%	15.59%	15.58%
Tier I + Tier II ratio	15.65%	16.71%	16.68%

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(A Saudi Joint Stock Company)

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

The Board of Directors in its meeting held on January 8, 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 8, 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 nine months period ended September 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.