BANK ALBILAD
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2016

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, 2016, 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, and the notes from (1) to (18) for the nine-month period then ended. We have not reviewed note (19), 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 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.

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Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (14) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (14) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

PricewaterhouseCoopers
P O Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Omar M. Al Sagga
Certified Public Accountant
License Number 369

30 Muharram 1438H
(31 October 2016)

إرنست ويونغ
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

BANK ALBILAD
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**September 30, 2016 SAR'000 (Unaudited)**	December 31, 2015 SAR'000 (Audited)	September 30, 2015 SAR'000 (Unaudited)
Assets				
Cash and balances with Saudi Arabian Monetary Agency (SAMA)		**5,339,142**	4,602,121	4,312,919
Due from banks and other financial institutions, net		**9,017,286**	8,382,657	8,708,003
Investments, net	5	**3,042,403**	2,948,935	3,163,309
Financing, net	6	**36,246,671**	34,254,623	32,289,172
Investment property	7	**1,000,251**	-	-
Property and equipment, net		**788,845**	792,084	772,514
Other assets		**296,928**	239,990	250,033
Total assets		**55,731,526**	51,220,410	49,495,950
LIABILITIES AND EQUITY				
Liabilities				
Due to SAMA		**2,006,346**	-	425,000
Due to banks and other financial institutions		**2,073,449**	1,421,652	824,812
Customer deposits	8	**41,244,191**	42,179,460	40,716,582
Sukuk	16	**2,007,402**	-	-
Other liabilities		**1,332,861**	1,177,059	1,298,566
Total liabilities		**48,664,249**	44,778,171	43,264,960
Equity attributed to equity holders of the Bank				
Share capital	13	**6,000,000**	5,000,000	5,000,000
Statutory reserve		**429,066**	961,066	763,960
Other reserves		**(1,768)**	(11,712)	(18,582)
Retained earnings		**709,520**	591,317	584,044
Treasury shares		**(114,389)**	(113,758)	(113,758)
Employee share plan reserve		**4,848**	15,326	15,326
Total equity attributed to equity holders of the Bank		**7,027,277**	6,442,239	6,230,990
Non-controlling interest	7	**40,000**	-	-
Total equity		**7,067,277**	6,442,239	6,230,990
Total liabilities and equity		**55,731,526**	51,220,410	49,495,950

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

BANK ALBILAD
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the three months period ended		For the nine months period ended	
		September 30,2016 SAR'000	September 30,2015 SAR'000	**September 30,2016 SAR'000**	September 30,2015 SAR'000
INCOME:					
Income from investing and financing assets		**467,393**	312,788	**1,296,839**	896,386
Return on deposits and financial liabilities		**(97,028)**	(19,092)	**(251,762)**	(44,209)
Income from investing and financing assets, net		**370,365**	293,696	**1,045,077**	852,177
Fee and commission income, net		**199,128**	194,101	**616,056**	587,529
Exchange income, net		**71,509**	74,715	**229,237**	234,856
Dividend income		**1,464**	1,814	**6,103**	9,158
(Losses) gains on non-trading investments, net		**(1,782)**	438	**(3,291)**	8,215
Other operating income		**6,215**	1,626	**17,517**	14,554
Total operating income		**646,899**	566,390	**1,910,699**	1,706,489
EXPENSES:					
Salaries and employee related benefits		**216,375**	201,794	**673,791**	631,887
Rent and premises related expenses		**60,165**	56,650	**188,859**	162,487
Depreciation		**23,352**	24,261	**71,748**	76,903
Other general and administrative expenses		**68,531**	54,510	**195,711**	180,192
Impairment charge for financing, net		**37,680**	25,733	**148,017**	70,976
Impairment charge on available for sale investments		**12,990**	-	**46,370**	-
Total operating expenses		**419,093**	362,948	**1,324,496**	1,122,445
Net income for the period		**227,806**	203,442	**586,203**	584,044
Basic and diluted earnings per share (SAR)	13	**0.38**	0.34	**0.98**	0.97

The accompanying notes from 1 to 19 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)

	For the three months period ended		For the nine months period ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
	SAR'000	SAR'000	**SAR'000**	SAR'000
Net income for the period	**227,806**	203,442	**586,203**	584,044
Other comprehensive income (loss):				
Items that can be recycled back to interim consolidated statement of income in subsequent periods / have been recycled in the current period				
- Available for sale investments				
• Net changes in fair value	**(28,811)**	(58,338)	**(39,717)**	(33,145)
• Net amount transferred to interim consolidated statement of income	**1,782**	(438)	**3,291**	(8,215)
• Impairment charge for the period	**12,990**	-	**46,370**	-
Total other comprehensive (loss) income	**(14,039)**	(58,776)	**9,944**	(41,360)
Total comprehensive income for the period	**213,767**	144,666	**596,147**	542,684

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30

2016 SAR' 000	**Notes**	**Share capital**	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Treasury shares**	**Employee share plan reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at the beginning of the period		**5,000,000**	**961,066**	**(11,712)**	**591,317**	**(113,758)**	**15,326**	**6,442,239**		**6,442,239**
Changes in equity for the period										
Net changes in fair value of available for sale investments				**(39,717)**				**(39,717)**		**(39,717)**
Net amount transferred to interim consolidated statement of income				**3,291**				**3,291**		**3,291**
Impairment charge on available for sale investments				**46,370**				**46,370**		**46,370**
Net income recognized directly in equity				**9,944**				**9,944**		**9,944**
Net income for the period					**586,203**			**586,203**		**586,203**
Total comprehensive income for the period				**9,944**	**586,203**		**-**	**596,147**		**596,147**
Issuance of bonus shares	15	**1,000,000**	**(532,000)**		**(468,000)**			**-**		**-**
Treasury shares						**(631)**		**(631)**		**(631)**
Employee share plan reserve							**(10,478)**	**(10,478)**		**(10,478)**
Non-controlling interest arising on consolidation									**40,000**	**40,000**
Balance at end of the period		**6,000,000**	**429,066**	**(1,768)**	**709,520**	**(114,389)**	**4,848**	**7,027,277**	**40,000**	**7,067,277**

2015 SAR' 000		Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employee share plan reserve	Total	Non-controlling interest	Total equity
Balance at the beginning of the period		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353	-	5,891,353
Changes in equity for the period										
Net changes in fair value of available for sale investments				(33,145)				(33,145)		(33,145)
Net amount transferred to interim consolidated statement of income				(8,215)				(8,215)		(8,215)
Net income recognized directly in equity				(41,360)				(41,360)		(41,360)
Net income for the period					584,044			584,044		584,044
Total comprehensive income for the period				(41,360)	584,044			542,684		542,684
Cash dividend					(200,000)			(200,000)		(200,000)
Issuance of bonus shares	15	1,000,000	(4,443)		(995,557)			-		-
Treasury shares	15					(3,053)		(3,053)		(3,053)
Employee share plan reserve							6	6		6
Balance at end of the period		5,000,000	763,960	(18,582)	584,044	(113,758)	15,326	6,230,990	-	6,230,990

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

BANK ALBILAD
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30

	Note	**2016 SAR' 000**	2015 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		**586,203**	584,044
Adjustments to reconcile net income to net cash from operating activities:			
Losses (gains) on non-trading investments, net		**3,291**	(8,215)
Gains from disposal of property and equipment, net		**(683)**	(51)
Depreciation		**71,748**	76,903
Impairment charge for financing, net		**148,017**	70,976
Impairment charge on available for sale investments		**46,370**	-
Employees' share plan		**1,377**	8,267
Operating profit before changes in operating assets and liabilities		**856,323**	731,924
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		**71,817**	(90,088)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**480,660**	(138,563)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		**58,189**	(1,100,447)
Financing		**(2,140,065)**	(4,004,878)
Other assets		**(56,938)**	(61,378)
Net increase (decrease) in operating liabilities:			
Due to SAMA		**2,006,346**	425,000
Due to banks and other financial institutions		**651,797**	(366,206)
Customer deposits		**(935,269)**	3,992,840
Other liabilities		**155,802**	(125,235)
Net cash generated from (used in) operating activities		**1,148,662**	(737,031)
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(564,132)**	(650,704)
Proceeds from sales of non-trading investments		**372,757**	189,977
Investment property		**(1,000,251)**	-
Purchase of property and equipment		**(68,881)**	(51,140)
Proceeds from sale of property and equipment		**1,055**	143
Net cash used in investing activities		**(1,259,452)**	(511,724)
FINANCING ACTIVITIES			
Issuance of Sukuk	16	**2,007,402**	-
Purchase of shares for employee share plan		**(12,486)**	(11,314)
Dividend paid		**-**	(200,000)
Non-controlling interest		**40,000**	-
Net cash from (used in) in financing activities		**2,034,916**	(211,314)
Net increase (decrease) in cash and cash equivalents		**1,924,126**	(1,460,069)
Cash and cash equivalents at the beginning of the period		**8,066,276**	8,711,751
Cash and cash equivalents at the end of the period	10	**9,990,402**	7,251,682
Income received from investing and financing assets		**1,179,118**	826,536
Return paid on deposits and financial liabilities		**229,276**	40,482
Supplemental non cash information			
Total other comprehensive income		**9,944**	(41,360)
Issuance of bonus shares	15	**1,000,000**	1,000,000

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

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the "Bank"), is 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 1425H (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', 'AlBilad Real Estate Company' and 'Makkah Hospitality fund' ("the fund") (collectively referred to as "the Group"). AlBilad AlBilad Investment Company and AlBilad Real Estate Company are 100% owned by the Bank while Makkah Hospitality fund is 80% owned by the bank .All subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The Group's objective is to provide full range of banking services and conduct 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 120 banking branches (September 30, 2015: 119) and 173 exchange and remittance centers (September 30, 2015: 167) in the Kingdom of Saudi Arabia.

b) Shariah Authority

The Bank established a Shariah authority ("the Authority"), to ensure that all the Group's activities are subject to its approvals and control.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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, 2015.

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by 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, 2015.

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, financial assets held for trading, held at Fair Value through Income Statement (FVIS) and available for sale investments. In addition, financial assets or liabilities that are carried at cost but are hedged in a fair value hedging relationship are carried at fair value to the extent of the risk being hedged.

2.3 Functional and presentation currency

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.

Non-controlling interests represent the portion of net income or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the interim consolidated income statement and within equity in the interim consolidated statement of financial position, separately from the equity holders of the Bank. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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, 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the interim condensed consolidated financial statements of the Group:

a) New standards

- IFRS 14 – "Regulatory Deferral Accounts", applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

b) Amendments to existing standards

- Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates", applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- Amendments to IFRS 11 – "Joint Arrangements", applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – "Business Combinations" and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

- Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 41 – "Agriculture", applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance", instead of IAS 41.

- Amendments to IAS 27 – "Separate Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

- Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

  - IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

  - IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

- IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- IAS 34 – "Interim Financial Reporting" – amendment clarifies that the required interim disclosures must be either in the interim condensed financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim condensed financial statements and at the same time.

5. INVESTMENTS, NET

	September 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	September 30, 2015 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	**297,213**	308,541	325,676
Mutual funds	**249,411**	236,909	434,225
Sukuk	**750,746**	600,263	601,804
	1,297,370	1,145,713	1,361,705
Held to maturity			
Commodity Murabaha with SAMA	**1,745,033**	1,803,222	1,801,604
Total	**3,042,403**	2,948,935	3,163,309

6. FINANCING, NET

	September 30, 2016 SAR'000 (Unaudited)	December 31, 2015 SAR'000 (Audited)	September 30, 2015 SAR'000 (Unaudited)
Bei Ajel	**22,544,402**	20,812,829	19,185,723
Installment sales, Ijarah and credit cards	**12,597,773**	11,708,958	11,313,820
Musharaka	**1,368,095**	1,863,143	1,900,252
Ijarah	**200,368**	219,157	238,393
Performing financing	**36,710,638**	34,604,087	32,638,188
Non-performing financing	**548,276**	514,762	547,059
Gross financing	**37,258,914**	35,118,849	33,185,247
Impairment charge for financing	**(1,012,243)**	(864,226)	(896,075)
Financing, net	**36,246,671**	34,254,623	32,289,172

7. INVESTMENT PROPERTY

As of September 30, 2016 investment property represents advances paid for the acquisition of residential apartments to be rented out in central district of Makkah city. This investment has resulted from consolidation at Makkah Hospitality Fund, a subsidiary controlled by the Group.

8. CUSTOMER DEPOSITS

	September 30, 2016 SAR'000 (Unaudited)	December 31, 2015 SAR'000 (Audited)	September 30, 2015 SAR'000 (Unaudited)
Demand	**26,952,502**	28,502,322	29,205,751
Albilad account (Mudarabah)	**3,877,876**	3,326,469	3,449,837
Direct investment	**9,536,896**	9,452,440	7,139,020
Others	**876,917**	898,229	921,974
Total	**41,244,191**	42,179,460	40,716,582

9. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	September 30, 2015 SAR' 000 (Unaudited)
Letters of guarantee	**4,280,310**	3,700,033	3,661,623
Letters of credit	**584,457**	475,688	827,573
Acceptances	**235,541**	454,411	487,807
Irrevocable commitments to extend credit	**1,193,153**	1,400,739	1,485,585
Total	**6,293,461**	6,030,871	6,462,588

b) **Zakat**

The Bank has consistently filed its Zakat returns for the financial years up to and including the year 2015 with the General Authority of Zakat and Tax (the "GAZT") using the same basis for calculation.

The Higher Appeal Committee has issued its ruling on the Banks appeal against the Preliminary Appeal Committee for the year 2006, requesting the Bank to settle an additional Zakat amount of SAR 58 million. The Bank has not yet received the revised zakat assessment from the Higher Appeal Committee.

Zakat assessments for the years 2007 and 2008 were received from the preliminary Appeal Committee and for the years from 2009 to 2014 were received from the GAZT and the basis for these Zakat assessments is being contested by the Bank. The additional zakat amount for these years amounted to SAR 561.1 million.

The Zakat assessments for the year 2015 has not been finalized by the GAZT and the Bank may not be able to determine reliably the impact of such assessment. However, the assessment may result in additional liability.

10. CASH AND CASH EQUIVALENTS

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

	September 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	September 30, 2015 SAR' 000 (Unaudited)
Cash	**1,576,366**	1,473,037	1,830,029
Due from banks and other financial institutions (maturing within ninety days from acquisition)	**7,088,545**	5,973,256	5,387,708
Held to maturity investment (maturing within ninety days from acquisition)	**-**	-	-
Balances with SAMA (excluding statutory deposit)	**1,325,491**	619,983	33,945
Total	**9,990,402**	8,066,276	7,251,682

11. 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.

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.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
September 30, 2016					
Financial assets measured at fair value					
Available for sale investments	**1,297,370**	**689,870**	**-**	**607,500**	**1,297,370**
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	**9,017,286**	**-**	**-**	**9,017,286**	**9,017,286**
Held to maturity investments	**1,745,033**	**-**	**-**	**1,745,033**	**1,745,033**
Financing, net	**36,246,671**	**-**	**-**	**35,611,024**	**35,611,024**

		Fair value			
SAR' 000	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial assets measured at fair value					
Available for sale investments	1,145,713	690,645	-	455,068	1,145,713
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	8,382,657	-	-	8,382,657	8,382,657
Held to maturity investments	1,803,222	-	-	1,803,222	1,803,222
Financing, net	34,254,623	-	-	33,875,782	33,875,782

SAR' 000	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
September 30, 2016					
Financial liabilities not measured at fair value					
Due to SAMA	**2,006,346**	**-**	**-**	**2,006,346**	**2,006,346**
Due to banks and other financial institutions	**2,073,449**	**-**	**-**	**2,073,449**	**2,073,449**
Customers' deposits	**41,244,191**	-	-	**41,244,191**	**41,244,191**
Sukuk	**2,007,402**	-	-	**2,007,402**	**2,007,402**

SAR' 000	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	1,421,652	-	-	1,421,652	1,421,652
Customers' deposits	42,179,460	-	-	42,179,460	42,179,460

The fair values of financial instruments which are not measured at fair value in these interim condensed consolidated financial statements are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of financing, profit bearing customer deposits, held to maturity investment ,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 either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. 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.

12. 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, 2015 except that certain customer deposits (direct investments) which were previously reported as part of retail banking and corporate banking segment and are now being reported as part of treasury segment with effect from 1 January 2016 as a result of some changes in Group's internal reporting mechanism.

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 including CEO Office which manages equity investments of the Group.

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, 2016 and 2015, 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, 2016 (Unaudited)					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	18,077,968	23,197,202	12,939,053	240,967	1,276,336	55,731,526
Total liabilities	24,736,311	8,091,469	12,496,206	9,071	3,331,192	48,664,249
Income from investing and financing assets	384,616	728,224	176,652	7,347	-	1,296,839
Return on deposits and financial liabilities	(60,897)	(10,738)	(172,725)	-	(7,402)	(251,762)
Funding Pool	28,354	(223,939)	111,403	(5,027)	89,209	-
Net income from investing and financing assets	352,073	493,547	115,330	2,320	81,807	1,045,077
Fee, commission and other income, net	624,160	98,489	69,436	55,455	18,082	865,622
Total operating income	976,233	592,036	184,766	57,775	99,889	1,910,699
Impairment charge for financing , net	37,603	110,414	-	-	-	148,017
Impairment charge on available for sale investments	-	-	-	1,975	44,395	46,370
Depreciation	64,139	5,370	962	1,277	-	71,748
Total operating expenses	908,043	286,037	43,272	41,566	45,578	1,324,496
Net income for the period	68,190	305,999	141,494	16,209	54,311	586,203

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
Income from investing and financing assets	327,761	510,795	55,151	2,679	-	896,386
Return on deposits and financial liabilities	(29,202)	(12,236)	(2,771)	-	-	(44,209)
Funding Pool	35,347	(66,127)	2,184	(2,034)	30,630	-
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
Impairment charge on available for sale investments	-	-	-	-	-	-
Depreciation	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

13. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Bank consists of 600 Million shares of SR 10 each (31 December 2015: 500 Million shares of SR 10 each and 30 September 2015: 500 Million shares of SR 10 each).

14. 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 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:

	September 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	September 30, 2015 SAR' 000 (Unaudited)
Credit Risk RWA	**42,756,334**	39,449,578	38,142,865
Operational Risk RWA	**4,222,077**	3,905,237	3,807,228
Market Risk RWA	**1,463,960**	149,700	888,238
Total Pillar-I RWA	**48,442,371**	43,504,515	42,838,331
Tier I Capital	**7,067,277**	6,442,239	6,230,990
Tier II Capital	**2,532,020**	467,373	474,373
Total Tier I & II Capital	**9,599,297**	6,909,612	6,705,363
Capital Adequacy Ratio %			
Tier I ratio	**14.59%**	14.81%	14.55%
Tier I + Tier II ratio	**19.82%**	15.88%	15.65%

15. CAPITAL INCREASE AND DIVIDENDS

In the Extra-ordinary General Assembly meeting of the Bank held on April 11, 2016 approval was given for a bonus issuance of one share for every five shares raising the Bank's capital from SAR 5,000 million to SAR 6,000 million. The bonus share has been issued by capitalizing an amount of SAR 468 million from retained earnings, and transfer of an amount of SAR 532 million from statutory reserve as per the approval from SAMA increasing the number of shares outstanding after the bonus issuance from 500 million shares to 600 million shares.

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 recommended a bonus issuance of one share for every four shares held. This was subsequently approved in the Bank's Extra-ordinary General Assembly meeting thus raising the Bank's capital from SAR 4,000 million to SAR 5,000 million. The bonus share were 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 increasing the number of shares outstanding after the bonus issuance from 400 million shares to 500 million shares.

Basic and diluted earnings per share for the nine months period ended September 30, 2016 and 2015 are calculated by dividing the net income for the period by 600 million shares to give retroactive effect of changes in number of shares increased as a result of the bonus share issue.

16. SUKUK

On 30 August 2016, the Bank issued 2,000 Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on three month Saudi Inter-Bank Offered Rate (SIBOR), reset quarterly in advance, plus a margin of 200 basis point per annum and payable quarterly in arrears on 30 August, 30 November, 29 February, 30 May each year until 30 August 2026, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 30 August 2021 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the above Offering Circular.

17. BOARD OF DIRECTORS' APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on 26 Muharram 1438H (corresponding to 27 October, 2016).

18. COMPARATIVE FIGURES

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

19. 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.