



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX-MONTHS
PERIOD ENDED JUNE 30, 2014**

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 June 30, 2014, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six month periods then ended, and the interim condensed consolidated statements of changes in shareholders’ equity and cash flows, and the notes from (1) to (13) for the six-months period then ended. We have not reviewed note (14), 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.

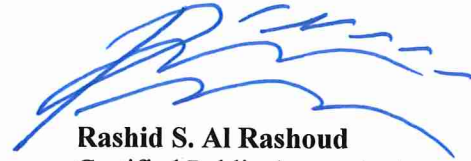
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25 Ramadan 1435H
(22 July 2014)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	June 30, 2013 SAR'000 (Unaudited)
Notes			
ASSETS			
Cash and balances with SAMA	4,610,967	4,186,998	3,653,739
Due from banks and other financial institutions, net	5,153,399	6,155,497	6,143,890
Investments, net	5 3,479,530	1,667,069	2,743,819
Financing, net	6 26,755,303	23,415,423	20,311,442
Property and equipment, net	764,731	762,204	340,971
Other assets	213,713	136,117	153,719
Total assets	40,977,643	36,323,308	33,347,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	443,195	975,616	707,613
Customer deposits	7 33,353,868	29,107,718	26,824,506
Other liabilities	1,711,045	1,139,085	1,125,631
Total liabilities	35,508,108	31,222,419	28,657,750
Shareholders' equity			
Share capital	4,000,000	4,000,000	4,000,000
Statutory reserve	552,396	552,396	370,104
Other reserves	61,733	43,338	34,374
Retained earnings	925,573	547,535	319,035
Employee share plan	(70,167)	(42,380)	(33,683)
Total shareholders' equity	5,469,535	5,100,889	4,689,830
Total liabilities and shareholders' equity	40,977,643	36,323,308	33,347,580

The accompanying notes from 1 to 14 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)

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>
INCOME:				
Income from investing and financing assets	271,365	233,646	508,214	461,531
Return on deposits and financial liabilities	(12,399)	(5,919)	(22,189)	(11,856)
Net income from investing and financing assets	258,966	227,727	486,025	449,675
Fee and commission income, net	181,698	174,081	348,498	335,842
Exchange income, net	71,134	57,991	142,568	116,896
Dividend income	3,761	2,752	4,360	4,884
Gains on non-trading investments, net	14,986	2,512	18,660	5,288
Other operating income	3,443	16,431	11,382	18,717
Total operating income	533,988	481,494	1,011,493	931,302
EXPENSES:				
Salaries and employee related benefits	181,888	149,952	355,228	294,908
Rent and premises related expenses	48,605	44,050	97,913	84,419
Depreciation and amortization	24,225	21,746	47,688	43,061
Other general and administrative expenses	50,537	45,861	103,567	81,875
Impairment charge for financing, net	24,409	44,013	29,059	108,663
Total operating expenses	329,664	305,622	633,455	612,926
Net income for the period	204,324	175,872	378,038	318,376
Basic and diluted earnings per share (SAR)	0.51	0.44	0.94	0.80

The accompanying notes from 1 to 14 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)

	<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>	<u>June 30,</u> <u>2014</u> <u>SAR'000</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>
Net income for the period	204,324	175,872	378,038	318,376
Other comprehensive income:				
Items that are or may be reclassified to interim condensed consolidated statement of income				
-Available for sale financial assets:				
Net changes in fair value	10,708	12,459	37,055	24,596
Net amount transferred to interim condensed consolidated statement of income	(14,986)	(2,512)	(18,660)	(5,288)
Total comprehensive income for the period	200,046	185,819	396,433	337,684

The accompanying notes from 1 to 14 form an integral part of these interim condensed consolidated financial statements.

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

<u>2014</u> <u>SAR' 000</u>	<u>Share</u> <u>capital</u>	<u>Statutory</u> <u>reserve</u>	<u>Other</u> <u>reserves</u>	<u>Retained</u> <u>earnings</u>	<u>Employee</u> <u>share</u> <u>plan</u>	<u>Total</u>
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 values of available for sale investments			37,055			37,055
Net amount transferred to interim condensed consolidated statement of income			(18,660)			(18,660)
Net income recognized directly in shareholders' equity			18,395			18,395
Net income for the period				378,038		378,038
Total comprehensive income for the period			18,395	378,038		396,433
Employee share plan reserve					(27,787)	(27,787)
Balance at end of the period	4,000,000	552,396	61,733	925,573	(70,167)	5,469,535
<u>2013</u> <u>SAR' 000</u>	<u>Share</u> <u>capital</u>	<u>Statutory</u> <u>reserve</u>	<u>Other</u> <u>reserves</u>	<u>Retained</u> <u>earnings</u>	<u>Employee</u> <u>share</u> <u>plan</u>	<u>Total</u>
Balance at the beginning of the period	3,000,000	370,104	15,066	1,022,811	(37,165)	4,370,816
Changes in shareholders' equity for the period						
Net changes in fair value of available for sale investments			24,596			24,596
Net amount transferred to interim condensed consolidated statement of income			(5,288)			(5,288)
Net income recognized directly in shareholders' equity			19,308			19,308
Net income for the period				318,376		318,376
Total comprehensive income for the period			19,308	318,376		337,684
Employee share plan reserve					3,482	3,482
Issuance of bonus shares	1,000,000			(1,000,000)		-
Zakat adjustment				(22,152)		(22,152)
Balance at end of the period	4,000,000	370,104	34,374	319,035	(33,683)	4,689,830

The accompanying notes from 1 to 14 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

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

	Note	2014 SAR' 000	2013 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		378,038	318,376
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Gains on non-trading investments, net		(18,660)	(5,288)
Gains from disposal of property and equipment, net		(42)	(898)
Depreciation and amortization		47,688	43,061
Impairment charge for financing, net		29,059	108,663
Employee share plan		2,702	3,482
Operating profit before changes in operating assets and liabilities		438,785	467,396
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(318,127)	(130,730)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		375,744	404,569
Investments		(1,598,620)	(1,051,387)
Financing		(3,368,939)	(2,164,429)
Other assets		(77,596)	(35,366)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(532,421)	136,783
Customer deposits		4,246,150	3,082,882
Other liabilities		571,960	31,400
Net cash (used in) / from operating activities		(263,064)	741,118
INVESTING ACTIVITIES			
Purchase of non-trading investments		(325,292)	(316,400)
Proceeds from sales of non-trading investments		148,506	185,824
Purchase of property and equipment		(50,330)	(47,830)
Proceeds from sale of property and equipment		157	921
Net cash used in investing activities		(226,959)	(177,485)
FINANCING ACTIVITIES			
Purchase of shares for employee share plan		(30,489)	-
Net cash (used in) / from financing activities		(30,489)	-
Net (decrease) / increase in cash and cash equivalents		(520,512)	563,633
Cash and cash equivalents at beginning of the period		6,730,029	5,076,661
Cash and cash equivalents at end of the period	9	6,209,517	5,640,294
Income received from investing and financing assets		572,253	477,201
Return paid on deposits and financial liabilities		9,922	5,376
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim condensed consolidated statement of income		18,395	19,308
Issuance of bonus shares		-	1,000,000
Zakat adjustment		-	22,152

The accompanying notes from 1 to 14 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 SIX MONTHS PERIOD ENDED JUNE 30, 2014

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 1426 H (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**

The 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 Kingdom of Saudi Arabia. The Bank’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 109 banking branches (2013: 93) and 153 exchange and remittance centers (2013: 147) 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, 2013.

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 SIX MONTHS PERIOD ENDED JUNE 30, 2014**

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, 2013.

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 thousand.

3. BASIS OF CONSOLIDATION

The 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 June 30, 2014.

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, 2013 except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect/no financial impact on the interim condensed consolidated financial statements of the Group on the current period or prior period and is expected to have an insignificant effect in future periods:

- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014**

- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

The adoption of these amendments has no impact on the interim condensed consolidated financial position or financial performance of the Group.

5. INVESTMENTS, NET

	June 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	June 30, 2013 SAR' 000 (Unaudited)
Available-for-sale investments, net			
Equities	338,812	328,689	302,841
Mutual funds	31,939	28,221	31,052
Floating-rate securities - Sukuk	458,000	258,000	258,000
	828,751	614,910	591,893
Held at amortized cost			
Commodity Murabaha with SAMA	2,650,779	1,052,159	2,151,926
Total	3,479,530	1,667,069	2,743,819

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014****6. FINANCING, NET**

	June 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	June 30, 2013 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	14,695,719	12,306,085	10,321,857
Installment sales	10,198,992	9,460,598	8,510,428
Musharaka	1,752,569	1,530,608	1,340,010
Ijarah	573,354	526,288	514,484
Credit card	6,280	26,287	29,446
Performing financing	27,226,914	23,849,866	20,716,225
Non-performing financing	434,838	460,868	424,684
Gross financing	27,661,752	24,310,734	21,140,909
Impairment charge for financing	(906,449)	(895,311)	(829,467)
Financing, net	26,755,303	23,415,423	20,311,442

7. CUSTOMER DEPOSITS

	June 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	June 30, 2013 SAR'000 (Unaudited)
Demand	24,608,520	22,640,801	21,395,236
Saving	3,013,748	3,069,358	3,299,309
Time	4,960,126	2,755,637	1,538,185
Others	771,474	641,922	591,776
Total	33,353,868	29,107,718	26,824,506

8. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	June 30, 2013 SAR' 000 (Unaudited)
Letters of guarantee	3,238,455	2,833,211	2,570,889
Letters of credit	1,417,355	1,547,525	1,144,156
Acceptances	479,986	313,626	259,938
Irrevocable commitments to extend credit	972,086	1,716,000	1,294,330
Total	6,107,882	6,410,362	5,269,313

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014****b) Restricted investment accounts**

	June 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	June 30, 2013 SAR' 000 (Unaudited)
Under Wakalah arrangement	<u>-</u>	<u>-</u>	<u>500</u>

The Bank accepts restricted investment accounts from customers under Wakalah arrangements. The amounts received as placements are invested by the Bank in commodity Murabaha with banks and other financial institutions. Management fees are charged on these accounts.

c) Zakat

The Bank received the Zakat assessments raised by Department of Zakat and Income Tax (DZIT) in respect of years from 2006 to 2008 claiming additional Zakat liability of SR 62, SR 60 and SR 55 million for years 2006, 2007 and 2008 respectively. The differences are primarily due to the disallowance of deducting financing and other financial assets and certain expenses from the Zakat base as calculated by the Bank.

The Bank has filed an appeal with the Preliminary Committee against the DZIT's assessments' for the above mentioned years. The Preliminary Committee upheld the DZIT's assessment for 2006. However, the Bank filed an appeal with the higher Appellate Committee against the Preliminary Committee's ruling.

Further, the Bank in consultation with its advisors has contested the assessment made by DZIT and along with the Saudi banking industry has raised this issue with SAMA for a satisfactory resolution. Accordingly, the Bank did not record the additional zakat liability mentioned above as assessed by DZIT for the years 2006, 2007 and 2008 in the interim condensed consolidated financial statements.

Zakat payable by the shareholders for the year ended December 31, 2013 amounted to SAR 18.7 million (2012: SAR 24.3 million). Zakat is paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

Zakat base for the years from 2009 to 2013 have been calculated on basis consistent with prior years.

Pursuant to the issuance of bonus shares, the Bank has deducted an amount of SAR 22.1 million, paid to the DZIT, from the retained earnings on behalf of shareholders for the assessment years 2006 to 2011.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014****9. CASH AND CASH EQUIVALENTS**

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

	June 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	June 30, 2013 SAR' 000 (Unaudited)
Cash	1,893,734	1,609,797	1,649,186
Due from banks and other financial institutions (maturing within 90 days of the acquisition date)	3,693,394	4,319,748	3,661,554
Balances with SAMA excluding statutory deposits	622,389	800,484	329,554
Total	6,209,517	6,730,029	5,640,294

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. Consequently, differences may arise between carrying values and fair value estimates.

Determination of fair value and fair value hierarchy

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.

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.

2014 SAR' 000	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Investments in available for sale securities	<u>478,751</u>	<u>-</u>	<u>350,000</u>	<u>828,751</u>
2013 SAR' 000				
Financial assets				
Investments in available for sale securities	<u>441,893</u>	<u>-</u>	<u>150,000</u>	<u>591,893</u>

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014**

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

The fair values of financial instrument at interim condensed consolidated statement of financial position date are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of financing, due from and due to banks and held to maturity investment 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.

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), 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 31 December 2013.

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

Treasury

Dealing with other financial institutions and providing treasury services to all segments.

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 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 business segments, based on approved criteria.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014**

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

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

SAR'000	June 30, 2013 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	11,221,265	12,705,649	8,310,444	269,194	841,028	33,347,580
Total liabilities	17,892,801	9,048,108	591,210	92,097	1,033,534	28,657,750
Net income from investing and financing assets	197,801	212,782	19,686	507	18,899	449,675
Fee, commission and other income, net	323,966	57,443	36,306	37,420	26,492	481,627
Total operating income	521,767	270,225	55,992	37,927	45,391	931,302
Impairment charge for financing	39,029	69,634	-	-	-	108,663
Depreciation and amortization	37,241	5,092	580	148	-	43,061
Total operating expenses	402,828	172,291	19,467	18,340	-	612,926
Net income for the period	118,939	97,934	36,525	19,587	45,391	318,376

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014****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.

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, are calculated under the Basel III framework.

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

	June 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Unaudited)	June 30, 2013 SAR' 000 (Unaudited)
Credit Risk RWA	30,833,699	28,053,891	24,455,467
Operational Risk RWA	3,341,556	3,142,572	2,866,481
Market Risk RWA	401,713	612,338	336,000
Total Pillar-I RWA	34,576,968	31,808,801	27,657,948
Tier I Capital	5,469,535	5,100,889	4,689,830
Tier II Capital	385,421	350,674	305,693
Total Tier I & II Capital	5,854,956	5,451,563	4,995,523
Capital Adequacy Ratio %			
Tier I ratio	15.82%	16.04%	16.96%
Tier I + Tier II ratio	16.93%	17.14%	18.06%

13. COMPARATIVE FIGURES

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

14. DISCLOSERS 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 prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.