



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTHS
PERIOD ENDED SEPTEMBER 30, 2013**

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, 2013, 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-months period then ended, and the notes from (1) to (15). We have not reviewed note (16), nor the information related to “Basel III Capital Structure Disclosures” 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.

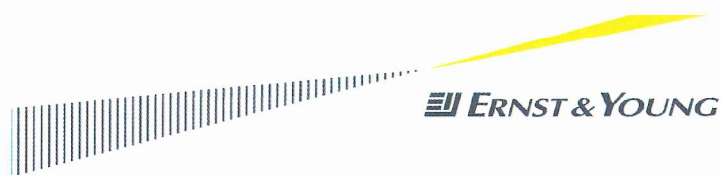
Scope of Review

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.

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.



Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (14) of 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.

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Registration No. 366

26 Dhul-Hijjah 1434H
(31 October 2013)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		September 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	September 30, 2012 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		3,583,220	2,932,369	3,465,319
Due from banks and other financial institutions, net		6,506,493	6,575,466	7,008,361
Investments, net	5	1,772,564	1,537,260	1,370,355
Financing, net	6	21,213,962	18,255,676	17,208,018
Property and equipment, net		355,824	336,225	338,259
Other assets		151,831	140,505	137,920
Total assets		33,583,894	29,777,501	29,528,232
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		1,105,502	570,830	563,235
Customer deposits	7	26,331,198	23,741,624	23,546,437
Other liabilities		1,261,708	1,094,231	1,206,773
Total liabilities		28,698,408	25,406,685	25,316,445
Shareholders' equity				
Share capital	13	4,000,000	3,000,000	3,000,000
Statutory reserve		370,104	370,104	134,653
Other reserve		45,239	15,066	12,729
Retained earnings		516,116	1,022,811	1,101,570
Employee share plan		(45,973)	(37,165)	(37,165)
Total shareholders' equity		4,885,486	4,370,816	4,211,787
Total liabilities and shareholders' equity		33,583,894	29,777,501	29,528,232

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
		September 30, 2013 SAR'000	September 30, 2012 SAR'000	September 30, 2013 SAR'000	September 30, 2012 SAR'000
INCOME:					
Income from investing and financing assets		254,067	219,753	715,598	628,943
Return on deposits and financial liabilities		(7,220)	(5,142)	(19,076)	(14,809)
Net income from investing and financing assets		246,847	214,611	696,522	614,134
Fee and commission income, net		164,228	161,161	500,070	495,236
Exchange income, net		63,490	56,716	180,386	177,452
Dividend income		2,201	1,462	7,085	5,357
Gains on non-trading investments, net		5,744	326	11,032	6,218
Other operating income		4,267	44	22,984	248
Total operating income		486,777	434,320	1,418,079	1,298,645
EXPENSES:					
Salaries and employee related benefits		141,807	134,392	436,715	394,158
Rent and premises related expenses		44,285	32,955	128,704	98,762
Depreciation and amortization		23,069	21,317	66,130	66,028
Other general and administrative expenses		40,465	39,151	122,340	117,812
Impairment charge for financing and other financial assets, net		40,070	86,360	148,733	209,940
Total operating expenses		289,696	314,175	902,622	886,700
Income from operating activities		197,081	120,145	515,457	411,945
Non-operating income	9	-	-	-	373,167
Net income for the period		197,081	120,145	515,457	785,112
Basic and diluted earnings per share (SAR)	13	0.49	0.30	1.29	1.96

The accompanying notes 1 to 16 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, 2013</u> <u>SAR'000</u>	<u>September</u> <u>30, 2012</u> <u>SAR'000</u>	<u>September</u> <u>30, 2013</u> <u>SAR'000</u>	<u>September</u> <u>30, 2012</u> <u>SAR'000</u>
Net income for the period	197,081	120,145	515,457	785,112
Other comprehensive income:				
<i>Items that can be recycled back to interim consolidated statement of income in future</i>				
-Available for sale financial assets				
Net changes in fair value	16,609	2,771	41,205	12,711
Net amount transferred to interim consolidated statement of income	(5,744)	(326)	(11,032)	(6,218)
Total comprehensive income for the period	207,946	122,590	545,630	791,605

The accompanying notes 1 to 16 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**

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Employee share plan</u>	<u>Total</u>
2013							
Balance at the beginning of the period		3,000,000	370,104	15,066	1,022,811	(37,165)	4,370,816
Net changes in fair value				41,205			41,205
Net amount transferred to interim consolidated statement of income				(11,032)			(11,032)
Net income recognized directly in shareholders' equity				30,173			30,173
Net income for the period					515,457		515,457
Total comprehensive income for the period				30,173	515,457		545,630
Employee share plan reserve						(8,808)	(8,808)
Issuance of Bonus shares	13	1,000,000			(1,000,000)		-
Zakat adjustment					(22,152)		(22,152)
Balance at end of the period		4,000,000	370,104	45,239	516,116	(45,973)	4,885,486
2012							
Balance at the beginning of the period		3,000,000	134,653	6,236	316,458	(41,097)	3,416,250
Net changes in fair value				12,711			12,711
Net amount transferred to interim consolidated statement of income				(6,218)			(6,218)
Net income recognized directly in shareholders' equity				6,493			6,493
Net income for the period					785,112		785,112
Total comprehensive income for the period				6,493	785,112		791,605
Employee share plan reserve						3,932	3,932
Balance at end of the period		3,000,000	134,653	12,729	1,101,570	(37,165)	4,211,787

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30

	Notes	2013 SAR' 000	2012 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		515,457	785,112
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Gains on non-trading investments, net		(11,032)	(6,218)
Gains from disposal of property and equipment, net		(3,988)	(179)
Depreciation and amortization		66,130	66,028
Impairment charge for financing and other financial assets, net		148,733	209,940
Non-operating income	9	-	(373,167)
Operating profit before changes in operating assets and liabilities		715,300	681,516
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(146,081)	(296,289)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		493,838	(802,485)
Investments		(51,790)	(399,944)
Financing		(3,101,679)	(3,135,170)
Other assets		(33,478)	(39,334)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		534,672	141,398
Customer deposits		2,589,574	508,503
Other liabilities		167,477	355,625
Net cash from (used in) operating activities		1,167,833	(2,986,180)
INVESTING ACTIVITIES			
Purchase of non-trading investments		(370,506)	(119,834)
Proceeds from sales of non-trading investments		228,197	113,592
Purchase of property and equipment		(94,241)	(76,415)
Proceeds from sale of property and equipment		12,500	743
Proceeds from sale of land	9	-	150,000
Net cash (used in) from investing activities		(224,050)	68,086
FINANCING ACTIVITIES			
Shares for employee share plan, net		(8,808)	3,932
Net cash (used in) from financing activities		(8,808)	3,932
Net decrease in cash and cash equivalents		934,975	(2,914,162)
Cash and cash equivalents at beginning of the period		5,076,661	9,007,824
Cash and cash equivalents at end of the period	10	6,011,636	6,093,662
Income received from investing and financing assets		716,217	617,670
Return paid on deposits and financial liabilities		35,468	6,187
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim consolidated statement of income		30,173	6,493
Financing provided towards sale of land	9	-	503,042
Issuance of bonus shares	13	1,000,000	-
Zakat adjustment	13	22,152	-

The accompanying notes 1 to 16 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, 2013****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”). 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, by-laws and the Banking Control Law. The Bank provides these services through 94 banking branches (2012: 87) and 147 exchange and remittance centers (2012: 138) in the Kingdom of Saudi Arabia.

b) Shariah Authority

The Bank established a Shariah authority (“the Authority”). It ascertains 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. The 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, 2012.

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 management in applying the Group’s accounting policies and the key sources of

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FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2012.

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

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 September 30, 2013.

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 of the prior year except for new standards and amendments to the existing standards, as mentioned below, which the bank has adopted:

a) New Standards

IFRS 10 Consolidated financial statements: IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair value measurements: Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013*****b) Amendments to existing standards***

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.
- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.
- IAS 19 Employee Benefits – Amendments: The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in statement of income and other comprehensive income.
- IAS 27 Separate Financial Statements (2011): now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:

- IFRS 1 - First time adoption of IFRS: Repeated application of IFRS 1 and borrowing cost exemption;
- IAS 1 – Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
- IAS 16 – Property, plant and equipment: Classification of servicing equipment;
- IAS 34 – Interim Financial Reporting: Segment assets and liabilities.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013****5. INVESTMENTS, NET**

	September 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	September 30, 2012 SAR' 000 (Unaudited)
Available-for-sale investments, net			
Equities	328,855	288,137	283,450
Mutual funds	33,380	90,584	28,590
Sukuk	258,000	58,000	58,000
	<u>620,235</u>	<u>436,721</u>	<u>370,040</u>
Held at amortized cost			
Commodity Murabaha with SAMA	1,152,329	1,100,539	1,000,315
Total	<u>1,772,564</u>	<u>1,537,260</u>	<u>1,370,355</u>

6. FINANCING, NET

	September 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	September 30, 2012 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	10,726,115	8,915,846	8,664,209
Installment sales	8,853,592	7,666,006	7,259,216
Musharaka	1,446,869	1,471,247	1,069,584
Ijarah	541,849	529,348	481,269
Credit card	71,066	14,946	12,662
Performing financing	<u>21,639,491</u>	<u>18,597,393</u>	<u>17,486,940</u>
Non-performing financing	448,568	752,302	815,097
Gross financing	<u>22,088,059</u>	<u>19,349,695</u>	<u>18,302,037</u>
Impairment charge for financing	<u>(874,097)</u>	<u>(1,094,019)</u>	<u>(1,094,019)</u>
Financing, net	<u>21,213,962</u>	<u>18,255,676</u>	<u>17,208,018</u>

7. CUSTOMER DEPOSITS

	September 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	September 30, 2012 SAR'000 (Unaudited)
Current account	20,623,785	18,472,482	18,184,543
Albilad account	3,034,800	3,121,571	3,258,672
Time deposit	2,042,185	1,670,237	1,680,236
Other	630,428	477,334	422,986
Total	<u>26,331,198</u>	<u>23,741,624</u>	<u>23,546,437</u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013****8. COMMITMENTS AND CONTINGENCIES****a) The Group's commitments and contingencies are as follows:**

	September 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	September 30, 2012 SAR' 000 (Unaudited)
Letters of guarantee	<u>2,793,391</u>	<u>2,371,305</u>	<u>2,270,901</u>
Letters of credit	<u>1,038,926</u>	<u>1,164,368</u>	<u>894,173</u>
Acceptances	<u>427,759</u>	<u>262,393</u>	<u>326,864</u>
Total	<u>4,260,076</u>	<u>3,798,066</u>	<u>3,491,938</u>

b) Restricted investment accounts

	September 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	September 30, 2012 SAR' 000 (Unaudited)
Under Wakalah arrangement	<u>-</u>	<u>-</u>	<u>6,000</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 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, 2012 amounted to SAR 24.3 million (2011: SAR 10 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 2011 have been calculated on basis consistent with prior years.

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Pursuant to the issuance of bonus shares, the Bank has adjusted the amount paid to the DZIT from the retained earnings for the assessment years from 2006 to 2011.

9. NON-OPERATING INCOME

During the first quarter of 2012, the Bank sold a parcel of land which was included under other assets with carrying value of SAR 280 million. The Bank acquired the land in 2007 for its own use. The land was sold for a total consideration of SAR 653 million and a gain of SAR 373 million was recognised as non-operating income in 2012.

The Bank granted Bei Ajel facility for the amount of SAR 503 million to the Company acquiring the land (the "Company"), which had fully utilized the issued facility. Based on the facility terms, the financed amount was repayable in two installments on February and August 2013 of which the amount due in February 2013 has been fully settled. The amount due in August 2013 has been partially settled and the remaining amount is secured by the land.

The financing is secured by personal guarantee of the borrowing Company's shareholders and also the title of land, which has been retained by the Bank pending the collection of the full facility.

10. CASH AND CASH EQUIVALENTS

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

	September 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	September 30, 2012 SAR' 000 (Unaudited)
Cash	1,643,374	1,153,106	1,133,391
Due from banks and other financial institutions (maturing within 90 days from acquisition)	4,118,766	3,688,561	4,105,440
Balances with SAMA excluding statutory deposits	249,496	234,994	854,831
Total	6,011,636	5,076,661	6,093,662

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2013****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. 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 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 instrument (i.e. without modification or repacking) ;

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.

2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
SAR' 000				
Financial Assets				
Investments in available for sale securities	<u>470,235</u>	<u>-</u>	<u>150,000</u>	<u>620,235</u>
2012				
SAR' 000				
Financial Assets				
Investments available for sale securities	<u>220,040</u>	<u>-</u>	<u>150,000</u>	<u>370,040</u>

Level 3 investments comprise of unquoted available-for-sale investments that are carried at cost, as their fair value cannot be reliably measured.

The fair values of financial instrument at 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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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.

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

SAR'000	September 30, 2013 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	11,598,956	13,181,929	7,670,739	263,823	868,447	33,583,894
Total liabilities	17,655,996	8,741,165	1,039,539	96,237	1,165,471	28,698,408
Net income from investing and financing assets	298,441	337,883	30,860	789	28,549	696,522
Fee, commission and other income, net	492,607	85,005	55,655	50,335	37,955	721,557
Total operating income	791,048	422,888	86,515	51,124	66,504	1,418,079
Impairment charge for financing and other financial assets, net	51,948	102,125	(5,340)	-	-	148,733
Depreciation and amortization	57,270	7,908	694	258	-	66,130
Total operating expenses	602,280	250,659	21,685	27,998	-	902,622
Net income for the period	188,768	172,229	64,830	23,126	66,504	515,457

SAR'000	September 30, 2012 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	9,325,549	11,067,713	8,309,686	785	824,499	29,528,232
Total liabilities	16,044,654	7,622,452	442,566	93,627	1,113,146	25,316,445
Net income from investing and financing assets	253,952	322,847	37,335	-	-	614,134
Fee, commission and other income, net	503,292	40,086	56,207	51,287	33,639	684,511
Total operating income	757,244	362,933	93,542	51,287	33,639	1,298,645
Impairment charge for financing, net	69,211	140,729	-	-	-	209,940
Depreciation and amortization	56,629	8,245	957	197	-	66,028
Total operating expenses	561,171	274,526	27,094	23,909	-	886,700
Net operating income for the period	196,073	88,407	66,448	27,378	33,639	411,945
Non-operating income	-	-	-	-	373,167	373,167
Net income for the period	196,073	88,407	66,448	27,378	406,806	785,112

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The shareholders' of the Bank in their Extra Ordinary General Assembly meeting held on April 9, 2013 approved issuance of bonus shares for the year ended December 31, 2012 of 100 million shares of SAR 10 each.

Basic earnings per share for the period ended September 30, 2013 and 2012 is calculated by dividing the net income for the period attributable to the equity holders by 400 million shares to give a retroactive effect of change in the number of shares increased as a result of the bonus shares issued.

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

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

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. For the purposes of presentation, the RWAs, total capital and related ratios as at September 30, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 and September 30, 2012 are calculated under Basel II and have not been restated.

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

	September 30, 2013	December 31, 2012	September 30, 2012
	SAR' 000	SAR' 000	SAR' 000
Credit Risk RWA	25,700,376	22,005,550	20,937,221
Operational Risk RWA	3,002,081	2,629,094	2,504,513
Market Risk RWA	791,813	451,388	274,788
Total Pillar-I RWA	29,494,270	25,086,032	23,716,522
Tier I Capital	4,885,487	3,429,012	3,426,675
Tier II Capital	321,255	1,216,873	1,046,827
Total Tier I & II Capital	5,206,742	4,645,885	4,473,502
Capital Adequacy Ratio %			
Tier I ratio	16.56%	13.67%	14.45%
Tier I + Tier II ratio	17.65%	18.52%	18.86%

15. COMPARATIVE FIGURES

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

16. BASEL III - CAPITAL STRUCTURE

Certain disclosures on the Bank's capital structure are required to be published on Bank's website. These disclosures will be published on the Bank's website www.bankalbilad.com as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.