



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE-MONTH
PERIOD ENDED MARCH 31, 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 March 31, 2013 and the related interim consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and the notes from (1) to (14). 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 (13) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (13) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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20 Jumad Thani 1434H
(30 April 2013)

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2013	December 31, 2012	March 31, 2012
	SAR'000	SAR'000	SAR'000
<u>Notes</u>	(Unaudited)	(Audited)	(Unaudited)
ASSETS			
Cash and balances with SAMA	3,123,148	2,932,369	2,616,649
Due from banks and other financial institutions, net	6,564,019	6,575,466	9,582,321
Investments, net	5 2,438,939	1,537,260	802,953
Financing, net	6 18,688,388	18,255,676	15,062,037
Property and equipment, net	336,614	336,225	339,012
Other assets	176,436	140,505	136,720
Total assets	31,327,544	29,777,501	28,539,692
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	351,182	570,830	689,075
Customer deposits	7 25,280,638	23,741,624	22,909,369
Other liabilities	1,173,043	1,094,231	988,929
Total liabilities	26,804,863	25,406,685	24,587,373
Shareholders' equity			
Share capital	3,000,000	3,000,000	3,000,000
Employee share plan	(37,165)	(37,165)	(41,097)
Statutory reserve	370,104	370,104	134,653
Other reserves	24,427	15,066	30,792
Retained earnings	1,165,315	1,022,811	827,971
Total shareholders' equity	4,522,681	4,370,816	3,952,319
Total liabilities and shareholders' equity	31,327,544	29,777,501	28,539,692

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 CONSOLIDATED STATEMENT OF INCOME (Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31

	<u>Note</u>	<u>2013</u> <u>SAR'000</u>	<u>2012</u> <u>SAR'000</u>
INCOME:			
Income from investing and financing assets		227,885	198,670
Return on deposits and financial liabilities		<u>(5,937)</u>	<u>(4,769)</u>
Net income from investing and financing assets		221,948	193,901
Fee and commission income, net		161,761	160,883
Exchange income, net		58,905	60,215
Dividend income		2,132	1,556
Gains on non-trading investments, net		2,776	3,233
Other operating income		<u>2,286</u>	<u>20</u>
Total operating income		449,808	419,808
EXPENSES:			
Salaries and employee related benefits		144,956	126,047
Rent and premises related expenses		40,369	32,958
Depreciation and amortization		21,315	22,485
Other general and administrative expenses		36,014	34,228
Impairment charge for financing ,net		64,650	65,744
Total operating expenses		<u>307,304</u>	<u>281,462</u>
Income from operating activities		<u>142,504</u>	<u>138,346</u>
Non-operating income	9	<u>-</u>	<u>373,167</u>
Net income for the period		<u>142,504</u>	<u>511,513</u>
Basic and diluted earnings per share (SAR)		<u>0.48</u>	<u>1.71</u>

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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31

	2013	2012
	SAR'000	SAR'000
Net income for the period	142,504	511,513
Other comprehensive income:		
-Available for sale financial assets		
Net changes in fair value	12,137	27,789
Net amount transferred to interim consolidated statement of income	(2,776)	(3,233)
Total comprehensive income for the period	151,865	536,069

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 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31**

	SAR '000'					
	<u>Share capital</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
2013						
Balance at the beginning of the period	3,000,000	(37,165)	370,104	15,066	1,022,811	4,370,816
Net changes in fair value				12,137		12,137
Net amount transferred to interim consolidated statement of income				(2,776)		(2,776)
Net income recognized directly in shareholder's equity				9,361		9,361
Net income for the period					142,504	142,504
Total comprehensive income for the period				9,361	142,504	151,865
Balance at end of the period	3,000,000	(37,165)	370,104	24,427	1,165,315	4,522,681
2012						
Balance at the beginning of the period	3,000,000	(41,097)	134,653	6,236	316,458	3,416,250
Net changes in fair value				27,789		27,789
Net amount transferred to interim consolidated statement of income				(3,233)		(3,233)
Net income recognized directly in shareholders' equity				24,556		24,556
Net income for the period					511,513	511,513
Total comprehensive income for the period	-	-	-	24,556	511,513	536,069
Balance at end of the period	3,000,000	(41,097)	134,653	30,792	827,971	3,952,319

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 CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE THREE MONTH PERIOD ENDED MARCH 31

	NOTE	2013 SAR' 000	2012 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		142,504	511,513
Adjustments to reconcile net income to net cash from / (used in) operating activities			
Gains on non-trading investments, net		(2,776)	(3,233)
Gains from disposal of property and equipment, net		(898)	(17)
Depreciation and amortization		21,315	22,485
Impairment charge for financing ,net		64,650	65,744
Non-operating income		-	(373,167)
Operating profit before changes in operating assets and liabilities		<u>224,795</u>	<u>223,325</u>
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(29,409)	(263,374)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		788,476	(1,009,411)
Investments		(950,547)	199,717
Financing		(497,362)	(844,993)
Other assets		(35,931)	(38,134)
Net increase/ (decrease) in operating liabilities:			
Due to banks and other financial institutions		(219,648)	267,238
Customer deposits		1,539,014	(128,565)
Other liabilities		78,812	137,780
Net cash from (used in) operating activities		<u>898,200</u>	<u>(1,456,417)</u>
INVESTING ACTIVITIES			
Purchase of non-trading investments		(65,683)	(74,508)
Proceeds from sales of non-trading investments		126,688	51,087
Purchase of property and equipment		(21,726)	(33,061)
Proceeds from sale of property and equipment		920	17
Proceeds from sale of land		-	150,000
Net cash from investing activities		<u>40,199</u>	<u>93,535</u>
Net increase (decrease) in cash and cash equivalents		<u>938,399</u>	<u>(1,362,882)</u>
Cash and cash equivalents at beginning of the period		<u>5,076,661</u>	<u>9,007,824</u>
Cash and cash equivalents at end of the period	11	<u>6,015,060</u>	<u>7,644,942</u>
Income received from investing and financing assets		<u>256,683</u>	<u>241,040</u>
Return paid on deposits and financial liabilities		<u>2,766</u>	<u>1,648</u>
<u>Supplemental non cash information</u>			
Net changes in fair value reserve and net amount transferred to interim consolidated statement of income		<u>9,361</u>	<u>24,556</u>
Financing provided towards sale of land		<u>-</u>	<u>503,042</u>

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 THREE MONTH PERIOD ENDED MARCH 31, 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 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**

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 Group’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association, by-laws and the Banking Control Law. The Bank provides these services through 89 banking branches (2012: 83) and 144 exchange and remittance centers (2012: 132) 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

The 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 IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements do not include all information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the bank for the year ended December 31, 2012.

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

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

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, 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 and AlBilad Real Estate Company are 100% owned by the Bank as at March 31, 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

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

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.

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 profit or loss 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 financial position or financial performance of The Group.

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013****5. INVESTMENTS, NET**

	March 31, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	March 31, 2012 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	306,492	288,137	304,253
Mutual funds	23,361	90,584	40,046
Sukuk	58,000	58,000	58,000
	387,853	436,721	402,299
Held at amortized cost			
Commodity murabaha with SAMA	2,051,086	1,100,539	400,654
Total	2,438,939	1,537,260	802,953

Determination of fair value and fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and, willing parties, in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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 SAR' 000	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets				
Financial investments available for sale	237,853	-	150,000	387,853
2012 SAR' 000				
Financial Assets				
Financial investments available for sale	252,299	-	150,000	402,299

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013**

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 on-statement of financial position financial instruments are not significantly different from the carrying values included in the financial statements. The fair values of financing due from, 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.

6. FINANCING, NET

	March 31, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	March 31, 2012 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	8,817,519	8,915,846	8,024,365
Installment sales	8,295,522	7,666,006	6,020,791
Musharaka	1,396,738	1,471,247	925,220
Ijarah	530,163	529,348	353,983
Credit cards	20,801	14,946	908
Performing financing	19,060,743	18,597,393	15,325,267
Non-performing financing	786,314	752,302	686,590
Gross financing	19,847,057	19,349,695	16,011,857
Impairment charge for financing	(1,158,669)	(1,094,019)	(949,820)
Financing, net	18,688,388	18,255,676	15,062,037

7. CUSTOMER DEPOSITS

	March 31, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	March 31, 2012 SAR'000 (Unaudited)
Current Accounts	19,707,013	18,472,482	17,700,732
Albilad Accounts	3,382,814	3,121,571	3,148,673
Time deposits	1,635,395	1,670,237	1,680,230
Other	555,416	477,334	379,734
Total	25,280,638	23,741,624	22,909,369

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013****8. COMMITMENTS AND CONTINGENCIES****a) The Group's commitments and contingencies are as follows:**

	March 31, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	March 31, 2012 SAR' 000 (Unaudited)
Letters of guarantee	<u>2,426,324</u>	<u>2,371,305</u>	<u>2,141,654</u>
Underwriting	<u>1,650,000</u>	-	-
Letters of credit	<u>982,787</u>	<u>1,164,368</u>	<u>569,420</u>
Acceptances	<u>391,751</u>	<u>262,393</u>	<u>332,461</u>
Total	<u>5,450,862</u>	<u>3,798,066</u>	<u>3,043,535</u>

b) Restricted investment accounts

	March 31, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	March 31, 2012 SAR' 000 (Unaudited)
Under Wakalah arrangement	<u>-</u>	<u>-</u>	<u>175,918</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 deals 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 difference 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.

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

Zakat payable by the shareholders for the year ended December 31, 2012 amounted to SAR 25 million (2011: SAR 10 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

Zakat base for the years 2009, 2010 and 2011 have been calculated on basis consistent with prior years.

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.

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 is repayable in two installments on February and August 2013 of which the amount due in February 2013 has been fully settled. As a result of the sale, the Bank recognized non-operating income of SAR 373 million, with income per share amounting to SAR 1.24.

The financing is secured by personal guarantee of 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. PROPOSED INCREASE IN BANK'S SHARE CAPITAL

The Board of Directors have recommended, which was approved in the Extra-Ordinary General Assembly Meeting held on April 9, 2013, to increase the share capital from SAR 3 billion to SAR 4 billion by issuing bonus shares to its shareholders in the ratio of one share for every 3 shares held by shareholders in the Bank's shareholders register as at the end of trading on the Extra-Ordinary General Assembly Meeting day.

11. CASH AND CASH EQUIVALENTS

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

	March 31, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	March 31, 2012 SAR' 000 (Unaudited)
Cash	1,359,969	1,153,106	930,090
Due from banks and other financial institutions (maturing within 90 days from acquisition)	4,465,590	3,688,561	6,472,474
Balances with SAMA excluding statutory deposits	189,501	234,994	242,378
Total	6,015,060	5,076,661	7,644,942

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

12. SEGMENT INFORMATION

Operating segments, based on customer, groups are identified on the basis of internal reports about components of the Bank 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 Bank'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.

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013**

The Bank's total assets and liabilities, together with its total operating income and expenses, and net income, for the three month period ended March 31, for each segment are as follows:

SAR'000	2013					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	10,701,624	11,274,159	8,265,685	244,256	841,820	31,327,544
Total liabilities	17,422,516	7,928,034	281,270	112,976	1,060,067	26,804,863
Net income from investing and financing assets	96,652	105,852	9,730	274	9,440	221,948
Fee, commission and other income, net	160,572	29,486	17,934	14,051	5,817	227,860
Total operating income	257,224	135,338	27,664	14,325	15,257	449,808
Impairment charge for financing, net	18,463	46,187	-	-	-	64,650
Depreciation and amortization	18,328	2,642	271	74	-	21,315
Total operating expenses	197,279	91,964	9,277	8,784	-	307,304
Net income for the period	59,945	43,374	18,387	5,541	15,257	142,504

SAR'000	2012					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	7,871,321	10,461,831	9,383,298	849	822,393	28,539,692
Total liabilities	15,585,295	7,346,818	666,328	4,583	984,349	24,587,373
Net income from investing and financing assets	88,330	92,583	7,333	-	5,655	193,901
Fee, commission and other income, net	152,776	26,225	23,580	18,520	4,806	225,907
Total operating income	241,106	118,808	30,913	18,520	10,461	419,808
Impairment charge for financing, net	23,553	42,191	-	-	-	65,744
Depreciation and amortization	18,928	3,144	341	72	-	22,485
Total operating expenses	181,488	83,785	9,078	7,111	-	281,462
Income from operating activities	59,618	35,023	21,835	11,409	10,461	138,346
Non-operating income	-	-	-	-	373,167	373,167
Net income for the period	59,618	35,023	21,835	11,409	383,628	511,513

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013****13. CAPITAL ADEQUACY**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by SAMA in supervising the Bank.

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, calculated under the Basel III framework, are as follows:

For the purposes of presentation, the RWAs, total capital and related ratios as at March 31, 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 March 31, 2012 are calculated under Basel II and have not been restated.

	March 31, 2013 SAR' 000	December 31, 2012 SAR' 000	March 31, 2012 SAR' 000
Credit Risk RWA	22,040,428	22,005,550	19,596,915
Operational Risk RWA	2,527,788	2,629,094	2,280,111
Market Risk RWA	452,550	451,388	1,146,063
Total Pillar-I RWA	25,020,766	25,086,032	23,023,089
Tier I Capital	4,522,681	3,429,012	3,440,805
Tier II Capital	277,112	1,216,873	756,474
Total Tier I & II Capital	4,799,793	4,645,885	4,197,279
Capital Adequacy Ratio %			
Tier I ratio	18.08%	13.67%	14.95%
Tier I + Tier II ratio	19.18%	18.52%	18.23%

14. COMPARATIVE FIGURES

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