BANK ALBILAD
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2016

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Bank AlBilad
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank AlBilad (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2016, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim consolidated statements of changes in shareholders' equity and cash flows, and the notes from (1) to (15) for the six-month period then ended. We have not reviewed note (16), nor the information related to "Disclosures Under Basel III Framework" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with generally accepted standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

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Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (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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28 Shawwal 1437H
(2 August 2016)

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

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

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

	Notes	**June 30, 2016 SAR'000 (Unaudited)**	December 31, 2015 SAR'000 (Audited)	June 30, 2015 SAR'000 (Unaudited)
Assets				
Cash and balances with Saudi Arabian Monetary Agency (SAMA)		**4,464,531**	4,602,121	4,302,042
Due from banks and other financial institutions, net		**9,074,191**	8,382,657	9,788,028
Investments, net	5	**2,992,852**	2,948,935	2,350,874
Financing, net	6	**36,930,159**	34,254,623	31,682,808
Property and equipment, net		**781,782**	792,084	784,511
Other assets		**169,926**	239,990	234,979
Total assets		**54,413,441**	51,220,410	49,143,242
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to SAMA		**2,000,911**	-	720,000
Due to banks and other financial institutions		**2,228,018**	1,421,652	2,456,096
Customer deposits	7	**42,118,378**	42,179,460	38,302,119
Other liabilities		**1,255,783**	1,177,059	1,574,607
Total liabilities		**47,603,090**	44,778,171	43,052,822
Shareholders' equity				
Share capital	13	**6,000,000**	5,000,000	5,000,000
Statutory reserve		**429,066**	961,066	763,960
Other reserves		**12,271**	(11,712)	40,194
Retained earnings		**481,714**	591,317	380,602
Treasury shares		**(114,389)**	(113,758)	(107,037)
Employee share plan reserve		**1,689**	15,326	12,701
Total shareholders' equity		**6,810,351**	6,442,239	6,090,420
Total liabilities and shareholders' equity		**54,413,441**	51,220,410	49,143,242

The accompanying notes from 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)

		For the three months period ended		For the six months period ended	
	Note	**June 30, 2016 SAR'000**	June 30, 2015 SAR'000	**June 30, 2016 SAR'000**	June 30, 2015 SAR'000
INCOME:					
Income from investing and financing assets		**433,051**	298,473	**829,446**	583,598
Return on deposits and financial liabilities		**(92,089)**	(11,910)	**(154,734)**	(25,117)
Income from investing and financing assets, net		**340,962**	286,563	**674,712**	558,481
Fee and commission income, net		**209,089**	205,085	**416,928**	393,428
Exchange income, net		**78,906**	77,955	**157,728**	160,141
Dividend income		**3,273**	3,550	**4,639**	7,344
(Losses) gains on non-trading investments, net		**(1,502)**	9,303	**(1,509)**	7,777
Other operating income		**6,080**	2,464	**11,302**	12,928
Total operating income		**636,808**	584,920	**1,263,800**	1,140,099
EXPENSES:					
Salaries and employee related benefits		**245,508**	198,448	**457,416**	430,093
Rent and premises related expenses		**64,969**	53,457	**128,694**	105,837
Depreciation		**23,926**	28,081	**48,396**	52,642
Other general and administrative expenses		**61,834**	69,349	**127,180**	125,682
Impairment charge for financing, net		**53,926**	29,127	**110,337**	45,243
Impairment charge on available for sale investments		**2,771**	-	**33,380**	-
Total operating expenses		**452,934**	378,462	**905,403**	759,497
Net income for the period		**183,874**	206,458	**358,397**	380,602
Basic and diluted earnings per share (SAR)	13	**0.31**	0.34	**0.60**	0.63

The accompanying notes from 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)

	For the three months period ended		**For the six months period ended**	
	June 30, 2016 SAR'000	June 30, 2015 SAR'000	**June 30, 2016 SAR'000**	June 30, 2015 SAR'000
Net income for the period	**183,874**	206,458	**358,397**	380,602
Other comprehensive income:				
Items that can be recycled back to interim consolidated statement of income in subsequent periods / have been recycled in the current period				
- Available for sale investments				
• Net changes in fair value	**15,113**	12,416	**(10,906)**	25,193
• Net amount transferred to interim consolidated statement of income	**1,502**	(9,303)	**1,509**	(7,777)
• Impairment charge for the period	**2,771**	-	**33,380**	-
Total other comprehensive income	**19,386**	3,113	**23,983**	17,416
Total comprehensive income for the period	**203,260**	209,571	**382,380**	398,018

The accompanying notes from 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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30

2016 **SAR' 000**	**Notes**	**Share capital**	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Treasury shares**	**Employee share plan reserve**	**Total**
Balance at the beginning of the period		**5,000,000**	**961,066**	**(11,712)**	**591,317**	**(113,758)**	**15,326**	**6,442,239**
Changes in shareholders' equity for the period								
Net changes in fair values of available for sale investments				**(10,906)**				**(10,906)**
Net amount transferred to interim consolidated statement of income				**1,509**				**1,509**
Impairment charge on available for sale investments				**33,380**				**33,380**
Net income recognized directly in shareholders' equity				**23,983**				**23,983**
Net income for the period					**358,397**			**358,397**
Total comprehensive income for the period				**23,983**	**358,397**			**382,380**
Issuance of bonus shares	13	**1,000,000**	**(532,000)**		**(468,000)**			**-**
Treasury shares						**(631)**		**(631)**
Employee share plan reserve							**(13,637)**	**(13,637)**
Balance at end of the period		**6,000,000**	**429,066**	**12,271**	**481,714**	**(114,389)**	**1,689**	**6,810,351**

2015 SAR' 000	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Treasury shares	Employee share plan reserve	Total
Balance at the beginning of the period		4,000,000	768,403	22,778	1,195,557	(110,705)	15,320	5,891,353
Changes in shareholders' equity for the period								
Net changes in fair value of available for sale investments				25,193				25,193
Net amount transferred to interim consolidated statement of income				(7,777)				(7,777)
Net income recognized directly in shareholders' equity				17,416				17,416
Net income for the period					380,602			380,602
Total comprehensive income for the period				17,416	380,602			398,018
Cash dividend	13				(200,000)			(200,000)
Issuance of bonus shares	13	1,000,000	(4,443)		(995,557)			-
Treasury shares						3,668		3,668
Employee share plan reserve							(2,619)	(2,619)
Balance at end of the period		5,000,000	763,960	40,194	380,602	(107,037)	12,701	6,090,420

The accompanying notes from 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 CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30

	Note	2016 SAR' 000	2015 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		**358,397**	380,602
Adjustments to reconcile net income to net cash from operating activities:			
Losses (gains) on non-trading investments, net		**1,509**	(7,777)
Gains from disposal of property and equipment, net		**(670)**	(56)
Depreciation		**48,396**	52,642
Impairment charge for financing, net		**110,337**	45,243
Impairment charge on available for sale investments		**33,380**	-
Employees' share plan		**(1,783)**	1,049
Operating profit before changes in operating assets and liabilities		**549,566**	471,703
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		**(20,889)**	(46,646)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**311,468**	(848,049)
Commodity murabaha with SAMA maturing after ninety days from the date of acquisition		**(36,751)**	701,157
Financing		**(2,785,873)**	(3,372,780)
Other assets		**70,064**	(46,324)
Net increase (decrease) in operating liabilities:			
Due to SAMA		**2,000,911**	720,000
Due to banks and other financial institutions		**806,366**	1,265,077
Customer deposits		**(61,082)**	1,578,377
Other liabilities		**78,724**	150,807
Net cash generated from operating activities		**912,504**	573,322
INVESTING ACTIVITIES			
Purchase of non-trading investments		**(219,690)**	(580,704)
Proceeds from sales of non-trading investments		**201,618**	139,260
Purchase of property and equipment		**(38,465)**	(38,858)
Proceeds from sale of property and equipment		**1,042**	129
Net cash generated used in investing activities		**(55,495)**	(480,173)
FINANCING ACTIVITIES			
Purchase of shares for employee share plan		**(12,486)**	-
Dividend paid		**-**	(200,000)
Cash used in financing activities		**(12,486)**	(200,000)
Net increase (decrease) in cash and cash equivalents		**844,523**	(106,851)
Cash and cash equivalents at the beginning of the period		**8,066,276**	8,711,751
Cash and cash equivalents at the end of the period	9	**8,910,799**	8,604,900
Income received from investing and financing assets		**790,477**	578,193
Return paid on deposits and financial liabilities		**126,488**	28,446
<u>Supplemental non cash information</u>			
Total other comprehensive income		**23,983**	17,416

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

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the "Bank"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Counsel of Ministers' resolution No. 258 dated 18 Ramadan 1425H (corresponding to November 1, 2004).

The Bank operates under Commercial Registration No.1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

Bank AlBilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, 'AlBilad Investment Company' and 'AlBilad Real Estate Company' (collectively referred to as "the Group"). These subsidiaries are 100% owned by the Bank and are incorporated in the Kingdom of Saudi Arabia.

The Group's objective is to provide full range of banking services and conduct financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association and the Banking Control Law. The Bank provides these services through 121 banking branches (June 30, 2015: 116) and 173 exchange and remittance centers (June 30, 2015: 163) in the Kingdom of Saudi Arabia.

b) Shariah Authority

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – "Interim Financial Reporting". The Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements do not include all of the information and disclosures required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2015.

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2015.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and are rounded off to the nearest thousands.

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

AlBilad Investment Company and AlBilad Real Estate Company are 100% owned by the Bank as at June 30, 2016 and both are incorporated in the Kingdom of Saudi Arabia.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the interim condensed consolidated financial statements of the Group:

a) New standards

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Amendments to existing standards

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

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

- Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;
  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
  - The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

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

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

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

  - IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

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

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

5. INVESTMENTS, NET

	June 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	June 30, 2015 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	**312,813**	308,541	380,998
Mutual funds	**241,638**	236,909	417,884
Sukuk	**598,428**	600,263	601,878
	1,152,879	1,145,713	1,400,760
Held to maturity			
Commodity Murabaha with SAMA	**1,839,973**	1,803,222	950,114
Total	**2,992,852**	2,948,935	2,350,874

6. FINANCING, NET

	June 30, 2016 SAR'000 (Unaudited)	December 31, 2015 SAR'000 (Audited)	June 30, 2015 SAR'000 (Unaudited)
Bei Ajel	**22,880,339**	20,812,829	18,893,945
Installment sales, Ijarah and credit cards	**12,609,869**	11,708,958	11,116,262
Musharaka	**1,693,106**	1,863,143	1,806,526
Ijarah	**199,565**	219,157	237,729
Performing financing	**37,382,879**	34,604,087	32,054,462
Non-performing financing	**521,843**	514,762	498,688
Gross financing	**37,904,722**	35,118,849	32,553,150
Impairment charge for financing	**(974,563)**	(864,226)	(870,342)
Financing, net	**36,930,159**	34,254,623	31,682,808

7. CUSTOMER DEPOSITS

	June 30, 2016 SAR'000 (Unaudited)	December 31, 2015 SAR'000 (Audited)	June 30, 2015 SAR'000 (Unaudited)
Demand	**26,719,962**	28,502,322	29,712,668
Albilad account (Mudarabah)	**3,879,945**	3,326,469	3,353,024
Direct investment	**10,639,830**	9,452,440	4,312,258
Others	**878,641**	898,229	924,169
Total	**42,118,378**	42,179,460	38,302,119

8. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	June 30, 2015 SAR' 000 (Unaudited)
Letters of guarantee	**3,938,826**	3,700,033	3,623,054
Letters of credit	**575,492**	475,688	980,080
Acceptances	**206,447**	454,411	653,684
Irrevocable commitments to extend credit	**1,040,283**	1,400,739	1,158,537
Total	**5,761,048**	6,030,871	6,415,355

b) **Zakat**

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

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

Zakat assessments for the years 2007 and 2008 were received from the preliminary Appeal Committee and for the years from 2009 to 2011 were received from the DZIT and the basis for these Zakat assessments is being contested by the Bank. The additional zakat amount for these years amounted to SAR 302.6 million.

The Zakat assessments for the years from 2012 to 2015 have not been finalized by the DZIT and the Bank may not be able to determine reliably the impact of such assessments. However, the assessments may result in additional liability.

9. CASH AND CASH EQUIVALENTS

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

	June 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	June 30, 2015 SAR' 000 (Unaudited)
Cash	**1,863,738**	1,473,037	1,671,880
Due from banks and other financial institutions (maturing within ninety days from acquisition)	**6,976,258**	5,973,256	5,758,247
Held to maturity investment (maturing within ninety days from acquisition)	**-**	-	950,114
Balances with SAMA (excluding statutory deposit)	**70,803**	619,983	224,659
Total	**8,910,799**	8,066,276	8,604,900

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
June 30, 2016					
Financial assets measured at fair value					
Available for sale investments	**1,152,879**	**697,811**	**-**	**455,068**	**1,152,879**
Financial assets not measured at fair value					
Due from banks and other financial institutions, net	**9,074,191**	**-**	**-**	**9,074,191**	**9,074,191**
Held to maturity investments	**1,839,973**	**-**	**-**	**1,839,973**	**1,839,973**
Financing, net	**36,930,159**	**-**	**-**	**36,437,900**	**36,437,900**

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

SAR' 000	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
June 30, 2016					
Financial liabilities not measured at fair value					
Due to SAMA	**2,000,911**	-	-	**2,000,911**	**2,000,911**
Due to banks and other financial institutions	**2,228,018**	-	-	**2,228,018**	**2,228,018**
Customers' deposits	**42,118,378**	-	-	**42,118,378**	**42,118,378**

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

The fair values of financial instruments which are not measured at fair value in these interim condensed consolidated financial statements are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of financing, profit bearing customer deposits, held to maturity investments ,due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since either the current market profit rates for similar financial instruments are not significantly different from the contracted rates, or for the short duration of certain financial instruments particularly due from and due to banks and other financial institutions or a combination of both. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

11. SEGMENT INFORMATION

Operating segments, based on customer groups are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Assets and Liabilities Committee (ALCO) and, the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. The Group's main business is conducted in the Kingdom of Saudi Arabia.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2015 except that certain customer deposits (direct investments) which were previously reported as part of retail banking and corporate banking segment are now being reported as part of treasury segment with effect from 1 January 2016 as a result of some changes in Group's internal reporting mechanism.

For management purposes, the Group is divided into the following five segments:

Retail banking
Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking
Services and products to corporate and commercial customers including deposits, financing and trade services.

Treasury
Money market, trading and treasury services.

Investment banking and brokerage
Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Other
All other support functions including CEO Office which manages equity investments of the Group.

Transactions between the above operating segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to operating segments, based on approved criteria.

The Group's total assets and liabilities as at June 30, 2016 and 2015, together with its total operating income and expenses, and net income, for the six months period then ended, for each segment are as follows:

SAR'000	June 30, 2016 (Unaudited)					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	17,932,333	23,338,825	11,595,749	763,258	783,276	54,413,441
Total liabilities	27,330,677	6,883,811	10,131,908	157,589	3,099,105	47,603,090
Income from investing and financing assets	248,216	470,018	106,283	4,929	-	829,446
Return on deposits and financial liabilities	(42,693)	(10,738)	(100,392)	-	(911)	(154,734)
Funding Pool	17,086	(132,490)	68,804	(3,114)	49,714	-
Net income from investing and financing assets	222,609	326,790	74,695	1,815	48,803	674,712
Fee, commission and other income, net	423,347	69,501	47,929	35,791	12,520	589,088
Total operating income	645,956	396,291	122,624	37,606	61,323	1,263,800
Impairment charge for financing , net	30,063	80,274	-	-	-	110,337
Impairment charge on available for sale investments	-	-	-	-	33,380	33,380
Depreciation	43,130	3,748	665	853	-	48,396
Total operating expenses	612,857	201,544	30,447	26,307	34,248	905,403
Net income for the period	33,099	194,747	92,177	11,299	27,075	358,397

SAR'000	June 30, 2015 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	15,324,703	20,808,652	10,792,769	400,641	1,816,477	49,143,242
Total liabilities	28,421,608	9,974,734	3,081,872	134,994	1,439,614	43,052,822
Income from investing and financing assets	215,941	331,424	34,484	1,749	-	583,598
Return on deposits and financial liabilities	(16,820)	(7,040)	(1,257)	-	-	(25,117)
Funding Pool	23,494	(42,558)	(53)	(1,333)	20,450	-
Net income from investing and financing assets	222,615	281,826	33,174	416	20,450	558,481
Fee, commission and other income, net	394,568	71,945	47,505	39,527	28,073	581,618
Total operating income	617,183	353,771	80,679	39,943	48,523	1,140,099
Impairment charge for financing , net	34,904	10,339	-	-	-	45,243
Impairment charge on available for sale investments	-	-	-	-	-	-
Depreciation	48,893	2,795	527	427	-	52,642
Total operating expenses	565,995	145,465	25,190	21,930	917	759,497
Net income for the period	51,188	208,306	55,489	18,013	47,606	380,602

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 regulatory capital 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.

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

	June 30, 2016 SAR' 000 (Unaudited)	December 31, 2015 SAR' 000 (Audited)	June 30, 2015 SAR' 000 (Unaudited)
Credit Risk RWA	**42,089,647**	39,449,578	38,034,834
Operational Risk RWA	**4,117,297**	3,905,237	3,724,754
Market Risk RWA	**1,077,713**	149,700	817,519
Total Pillar-I RWA	**47,284,657**	43,504,515	42,577,107
Tier I Capital	**6,810,351**	6,442,239	6,090,420
Tier II Capital	**522,835**	467,373	466,942
Total Tier I & II Capital	**7,333,186**	6,909,612	6,557,362
Capital Adequacy Ratio %			
Tier I ratio	**14.40%**	14.81%	14.30%
Tier I + Tier II ratio	**15.51%**	15.88%	15.40%

13. CAPITAL INCREASE

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

The Board of Directors in its meeting held on January 8, 2015 approved a dividend of SAR 200 million i.e. SAR 0.5 per share for the year 2014.

The Board of Directors also recommended in meeting held on January 8, 2015 a bonus issuance of one share for every four shares held. This was subsequently approved in the Bank's Extra-ordinary General Assembly meeting thus raising the Bank's capital from SAR 4,000 million to SAR 5,000 million. The bonus share were issued by capitalizing an amount of SAR 995.6 million from retained earnings, and transfer of an amount of SAR 4.4 million from statutory reserve as per the approval from SAMA increasing the number of shares outstanding after the bonus issuance from 400 million shares to 500 million shares.

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

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

These interim condensed consolidated financial statements were approved by the Bank's Board of Directors on 22 Sha'wwal 1437H (corresponding to 27 July, 2016).

15. COMPARATIVE FIGURES

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

16. DISCLOSURES UNDER BASEL III FRAMEWORK

Certain additional disclosures are required under the Basel III framework. These disclosures will be made available on the Bank's website (www.bankalbilad.com) within the prescribed time as required by SAMA. Such disclosures are not subject to review by the external auditors of the Bank.