



BANK ALBILAD
(A Saudi Joint Stock Company)

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

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank AlBilad (the “Bank”) and its subsidiaries (collectively referred to as “the Group”) as at September 30, 2014, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in shareholders’ equity and cash flows, and the notes from (1) to (13) for the nine-months period then ended. We have not reviewed note (14), nor the information related to “Disclosers Under Basel III Framework” cross-referenced therein, which is not required to be within the scope of our review. The Bank’s management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency (“SAMA”) and with International Accounting Standard No. 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

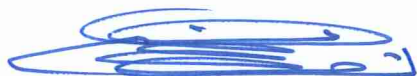
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with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

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (12) to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (12) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

Deloitte & Touche
Bakr Abulkhair & Co.

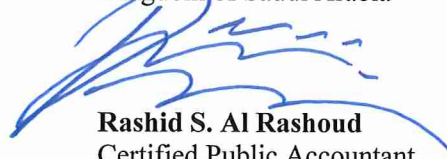
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia



Ehsan A. Makhdoun
Certified Public Accountant
Registration No. 358

Ernst & Young

P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366

10 Muhurram 1436H
(3 November 2014)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		September 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	September 30, 2013 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		5,236,504	4,186,998	3,583,220
Due from banks and other financial institutions, net		6,237,294	6,155,497	6,506,493
Investments, net	5	4,055,667	1,667,069	1,772,564
Financing, net	6	27,520,940	23,415,423	21,213,962
Property and equipment, net		766,601	762,204	355,824
Other assets		244,710	136,117	151,831
Total assets		44,061,716	36,323,308	33,583,894
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		373,854	975,616	1,105,502
Customer deposits	7	36,803,063	29,107,718	26,331,198
Other liabilities		1,192,818	1,139,085	1,261,708
Total liabilities		38,369,735	31,222,419	28,698,408
Shareholders' equity				
Share capital		4,000,000	4,000,000	4,000,000
Statutory reserve		552,396	552,396	370,104
Other reserves		73,855	43,338	45,239
Retained earnings		1,162,629	547,535	516,116
Employee share plan		(96,899)	(42,380)	(45,973)
Total shareholders' equity		5,691,981	5,100,889	4,885,486
Total liabilities and shareholders' equity		44,061,716	36,323,308	33,583,894

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
	September 30, 2014 SAR'000	September 30, 2013 SAR'000	September 30, 2014 SAR'000	September 30, 2013 SAR'000
INCOME:				
Income from investing and financing assets	279,782	254,067	787,996	715,598
Return on deposits and financial liabilities	(15,376)	(7,220)	(37,565)	(19,076)
Net income from investing and financing assets	264,406	246,847	750,431	696,522
Fee and commission income, net	185,481	164,228	533,979	500,070
Exchange income, net	72,687	63,490	215,255	180,386
Dividend income	2,311	2,201	6,671	7,085
Gains on non-trading investments, net	24,811	5,744	43,471	11,032
Other operating income	850	4,267	12,232	22,984
Total operating income	550,546	486,777	1,562,039	1,418,079
EXPENSES:				
Salaries and employee related benefits	192,823	141,807	548,051	436,715
Rent and premises related expenses	50,132	44,285	148,045	128,704
Depreciation and amortization	23,997	23,069	71,685	66,130
Other general and administrative expenses	55,674	40,465	159,241	122,340
Impairment charge for financing, net	(9,136)	45,410	19,923	154,073
Impairment charge for other asset, net	-	(5,340)	-	(5,340)
Total operating expenses	313,490	289,696	946,945	902,622
Net income for the period	237,056	197,081	615,094	515,457
Basic and diluted earnings per share (SAR)	0.59	0.49	1.53	1.29

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	<u>For the three months</u> <u>period ended</u>		<u>For the nine months</u> <u>period ended</u>	
	September 30, 2014 SAR'000	September 30, 2013 SAR'000	September 30, 2014 SAR'000	September 30, 2013 SAR'000
Net income for the period	237,056	197,081	615,094	515,457
Other comprehensive income:				
Items that are or may be reclassified to interim condensed consolidated statement of income				
-Available for sale financial assets:				
Net changes in fair value	36,933	16,609	73,988	41,205
Net amount transferred to interim condensed consolidated statement of income	(24,811)	(5,744)	(43,471)	(11,032)
Total comprehensive income for the period	249,178	207,946	645,611	545,630

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

BANK ALBILAD

(A Saudi Joint Stock Company)

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

<u>2014</u> <u>SAR' 000</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>
Balance at the beginning of the period	4,000,000	552,396	43,338	547,535	(42,380)	5,100,889
Changes in shareholders' equity for the period						
Net changes in fair values of available for sale investments			73,988			73,988
Net amount transferred to interim condensed consolidated statement of income			(43,471)			(43,471)
Net income recognized directly in shareholders' equity			30,517			30,517
Net income for the period				615,094		615,094
Total comprehensive income for the period			30,517	615,094	-	645,611
Employee share plan reserve					(54,519)	(54,519)
Balance at end of the period	4,000,000	552,396	73,855	1,162,629	(96,899)	5,691,981
<u>2013</u> <u>SAR' 000</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>
Balance at the beginning of the period	3,000,000	370,104	15,066	1,022,811	(37,165)	4,370,816
Changes in shareholders' equity for the period						
Net changes in fair value of available for sale investments			41,205			41,205
Net amount transferred to interim condensed 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	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

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30

	Note	2014 SAR' 000	2013 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		615,094	515,457
Adjustments to reconcile net income to net cash from operating activities:			
Gains on non-trading investments, net		(43,471)	(11,032)
Loss/ (gains) from disposal of property and equipment, net		120	(3,988)
Depreciation and amortization		71,685	66,130
Impairment charge for financing, net		19,923	154,073
Impairment charge for other asset, net		-	(5,340)
Employee share plan		13,572	3,482
Operating profit before changes in operating assets and liabilities		676,923	718,782
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(418,807)	(146,081)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(230,102)	493,838
Investments		(2,098,779)	(51,790)
Financing		(4,125,440)	(3,101,679)
Other assets		(108,593)	(33,478)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(601,762)	534,672
Customer deposits		7,695,345	2,589,574
Other liabilities		53,733	167,477
Net cash from operating activities		842,518	1,171,315
INVESTING ACTIVITIES			
Purchase of non-trading investments		(469,023)	(370,506)
Proceeds from sales of non-trading investments		253,192	228,197
Purchase of property and equipment		(76,385)	(94,241)
Proceeds from sale of property and equipment		183	12,500
Net cash used in investing activities		(292,033)	(224,050)
FINANCING ACTIVITIES			
Purchase of shares for employee share plan		(68,091)	(12,290)
Net cash used in financing activities		(68,091)	(12,290)
Net (decrease) / increase in cash and cash equivalents		482,394	934,975
Cash and cash equivalents at beginning of the period		6,730,029	5,076,661
Cash and cash equivalents at end of the period	9	7,212,423	6,011,636
Income received from investing and financing assets		797,017	716,217
Return paid on deposits and financial liabilities		75,087	35,468
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim condensed consolidated statement of income		30,517	30,173
Issuance of bonus shares		-	1,000,000
Zakat adjustment		-	22,152

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

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****1. GENERAL****a) Incorporation and operation**

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

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

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

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, ‘AlBilad Investment Company’ and ‘AlBilad Real Estate Company’ (collectively referred to as “the Group”). These subsidiaries are 100% owned by the Bank and are incorporated in Kingdom of Saudi Arabia. The Bank’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association and the Banking Control Law. The Bank provides these services through 111 banking branches (2013: 94) and 155 exchange and remittance centers (2013: 147) in the Kingdom of Saudi Arabia.

b) Shariah Authority

The Bank established a Shariah authority (“the Authority”), to ascertain that all the Group’s activities are subject to its approvals and control.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – “Interim Financial Reporting”. The Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements do not include all of the information and disclosures required for full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2013.

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

BANK ALBILAD

(A Saudi Joint Stock Company)

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2013.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and are rounded off to the nearest 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, 2014.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2013 except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect/no financial impact on the interim condensed consolidated financial statements of the Group on the current period or prior period and is expected to have an insignificant effect in future periods:

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

BANK ALBILAD

(A Saudi Joint Stock Company)

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

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

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

5. INVESTMENTS, NET

	September 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	September 30, 2013 SAR' 000 (Unaudited)
Available-for-sale investments, net			
Equities	343,687	328,689	328,855
Mutual funds	103,042	28,221	33,380
Floating-rate securities - Sukuk	458,000	258,000	258,000
	904,729	614,910	620,235
Held at amortized cost			
Commodity Murabaha with SAMA	3,150,938	1,052,159	1,152,329
Total	4,055,667	1,667,069	1,772,564

BANK ALBILAD

(A Saudi Joint Stock Company)

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

	September 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	September 30, 2013 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	15,804,154	12,306,085	10,726,115
Installment sales and Credit card	10,297,712	9,486,885	8,924,658
Musharaka	1,311,001	1,530,608	1,446,869
Ijarah	574,038	526,288	541,849
Performing financing	27,986,905	23,849,866	21,639,491
Non-performing financing	431,348	460,868	448,568
Gross financing	28,418,253	24,310,734	22,088,059
Impairment charge for financing	(897,313)	(895,311)	(874,097)
Financing, net	27,520,940	23,415,423	21,213,962

7. CUSTOMER DEPOSITS

	September 30, 2014 SAR'000 (Unaudited)	December 31, 2013 SAR'000 (Audited)	September 30, 2013 SAR'000 (Unaudited)
Demand	26,641,717	22,640,801	20,623,785
Saving	3,612,744	3,069,358	3,034,800
Time	5,772,912	2,755,637	2,042,185
Others	775,690	641,922	630,428
Total	36,803,063	29,107,718	26,331,198

8. COMMITMENTS AND CONTINGENCIES**a) The Group's commitments and contingencies are as follows:**

	September 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	September 30, 2013 SAR' 000 (Unaudited)
Letters of guarantee	3,284,794	2,833,211	2,793,391
Letters of credit	1,143,373	1,547,525	1,038,926
Acceptances	530,357	313,626	427,759
Irrevocable commitments to extend credit	936,407	1,716,000	1,356,849
Total	5,894,931	6,410,362	5,616,925

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****b) Zakat**

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

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

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

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

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

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

9. CASH AND CASH EQUIVALENTS

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

	September 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Audited)	September 30, 2013 SAR' 000 (Unaudited)
Cash	2,111,730	1,609,797	1,643,374
Due from banks and other financial institutions (maturing within 90 days of the acquisition date)	4,171,443	4,319,748	4,118,766
Balances with SAMA excluding statutory deposits	929,250	800,484	249,496
Total	<u>7,212,423</u>	<u>6,730,029</u>	<u>6,011,636</u>

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****10. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between carrying values and fair value estimates.

Determination of fair value and fair value hierarchy

The fair value of on-balance sheet financial instruments are not significantly different from their carrying values included in the interim condensed consolidated financial statements.

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

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

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

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

2014	<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>554,729</u>	<u>-</u>	<u>350,000</u>	<u>904,729</u>
2013				
SAR' 000				
Financial assets				
Investments in available for sale securities	<u>470,235</u>	<u>-</u>	<u>150,000</u>	<u>620,235</u>

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

The fair values of financial instrument at interim condensed consolidated statement of financial position date are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of financing, due from and due to banks and held to maturity investment which are carried at amortized cost are not significantly different from the carrying values included in the interim condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****11. SEGMENT INFORMATION**

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2013.

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

Retail banking

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

Corporate banking

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

Treasury

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

Investment banking and brokerage

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

Other

All other support functions.

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

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014

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, 2014 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	13,838,053	18,327,810	10,096,953	323,277	1,475,623	44,061,716
Total liabilities	23,913,807	13,020,096	243,014	118,126	1,074,692	38,369,735
Net income from investing and financing assets	312,073	368,580	37,897	245	31,636	750,431
Fee, commission and other income, net	532,303	92,213	63,058	61,596	62,438	811,608
Total operating income	844,376	460,793	100,955	61,841	94,074	1,562,039
Impairment charge for financing	59,015	(39,092)	-	-	-	19,923
Depreciation and amortization	67,619	2,896	780	390	-	71,685
Total operating expenses	728,252	148,947	36,389	32,022	1,335	946,945
Net income for the period	116,124	311,846	64,566	29,819	92,739	615,094

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	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

BANK ALBILAD

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2014****12. CAPITAL ADEQUACY**

The Group's objectives when managing capital are, to comply with the capital requirements set by SAMA; to safeguard the Group's ability to continue as a going concern; and to maintain a strong capital base.

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

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

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

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

	September 30, 2014 SAR' 000 (Unaudited)	December 31, 2013 SAR' 000 (Unaudited)	September 30, 2013 SAR' 000 (Unaudited)
Credit Risk RWA	32,221,943	28,053,891	25,700,376
Operational Risk RWA	3,461,366	3,142,572	3,002,081
Market Risk RWA	854,638	612,338	791,813
Total Pillar-I RWA	36,537,947	31,808,801	29,494,270
Tier I Capital	5,691,981	5,100,889	4,885,487
Tier II Capital	402,774	350,674	321,255
Total Tier I & II Capital	6,094,755	5,451,563	5,206,742
Capital Adequacy Ratio %			
Tier I ratio	%15.58	16.04%	16.56%
Tier I + Tier II ratio	%16.68	17.14%	17.65%

13. COMPARATIVE FIGURES

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

14. DISCLOSERS UNDER BASEL III FRAMEWORK

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