



BANK ALBILAD
(A Saudi Joint Stock Company)

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

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank AlBilad (the "Bank") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2013, 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 for the six-months period then ended, and the notes from (1) to (15). We have not reviewed note (16), nor the information related to "Basel III Pillar III Disclosures" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in note (14) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note (14) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

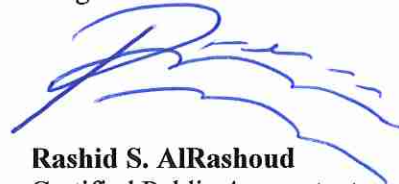
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14 Ramadan 1434H
(22 July 2013)



BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	June 30, 2012 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		3,653,739	2,932,369	3,329,540
Due from banks and other financial institutions, net		6,143,890	6,575,466	8,674,840
Investments, net	5	2,743,819	1,537,260	347,956
Financing, net	6	20,311,442	18,255,676	16,208,141
Property and equipment, net		340,971	336,225	343,774
Other assets		153,719	140,505	153,883
Total assets		33,347,580	29,777,501	29,058,134
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		707,613	570,830	97,143
Customer deposits	7	26,824,506	23,741,624	23,611,422
Other liabilities		1,125,631	1,094,231	1,260,372
Total liabilities		28,657,750	25,406,685	24,968,937
Shareholders' equity				
Share capital	13	4,000,000	3,000,000	3,000,000
Statutory reserve		370,104	370,104	134,653
Other reserve		34,374	15,066	10,284
Retained earnings		319,035	1,022,811	981,425
Employee share plan		(33,683)	(37,165)	(37,165)
Total shareholders' equity		4,689,830	4,370,816	4,089,197
Total liabilities and shareholders' equity		33,347,580	29,777,501	29,058,134

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

BANK ALBILAD

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INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

		<u>For the three months</u> <u>period ended</u>		<u>For the six months</u> <u>period ended</u>	
	<u>Note</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>	<u>June 30,</u> <u>2012</u> <u>SAR'000</u>	<u>June 30,</u> <u>2013</u> <u>SAR'000</u>	<u>June 30,</u> <u>2012</u> <u>SAR'000</u>
INCOME:					
Income from investing and financing assets		233,646	210,520	461,531	409,190
Return on deposits and financial liabilities		(5,919)	(4,898)	(11,856)	(9,667)
Net income from investing and financing assets		227,727	205,622	449,675	399,523
Fee and commission income, net		174,081	173,192	335,842	334,075
Exchange income, net		57,991	60,521	116,896	120,736
Dividend income		2,752	2,339	4,884	3,895
Gains on non-trading investments, net		2,512	2,659	5,288	5,892
Other operating income		16,431	184	18,717	204
Total operating income		481,494	444,517	931,302	864,325
EXPENSES:					
Salaries and employee related benefits		149,952	133,719	294,908	259,766
Rent and premises related expenses		44,050	32,849	84,419	65,807
Depreciation and amortization		21,746	22,226	43,061	44,711
Other general and administrative expenses		45,861	44,433	81,875	78,661
Impairment charge for financing, net		44,013	57,836	108,663	123,580
Total operating expenses		305,622	291,063	612,926	572,525
Income from operating activities		175,872	153,454	318,376	291,800
Non-operating income	9	-	-	-	373,167
Net income for the period		175,872	153,454	318,376	664,967
Basic and diluted earnings per share (SAR)	13	0.44	0.38	0.80	1.66

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	<u>For the three months period ended</u>		<u>For the six months period ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Net income for the period	175,872	153,454	318,376	664,967
Other comprehensive income:				
<i>Items that can be recycled back to interim consolidated statement of income in future</i>				
-Available for sale financial assets				
Net changes in fair value	12,459	(17,849)	24,596	9,940
Net amount transferred to interim consolidated statement of income	(2,512)	(2,659)	(5,288)	(5,892)
Total comprehensive income for the period	<u>185,819</u>	<u>132,946</u>	<u>337,684</u>	<u>669,015</u>

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

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

	Note	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Employee share plan</u>	<u>Total</u>
2013							
Balance at the beginning of the period		3,000,000	370,104	15,066	1,022,811	(37,165)	4,370,816
Net changes in fair value				24,596			24,596
Net amount transferred to interim consolidated statement of income				(5,288)			(5,288)
Net income recognized directly in shareholders' equity				19,308			19,308
Net income for the period					318,376		318,376
Total comprehensive income for the period				19,308	318,376		337,684
Employee share plan reserve						3,482	3,482
Issuance of Bonus shares	13	1,000,000			(1,000,000)		-
Zakat adjustment					(22,152)		(22,152)
Balance at end of the period		4,000,000	370,104	34,374	319,035	(33,683)	4,689,830
2012							
Balance at the beginning of the period		3,000,000	134,653	6,236	316,458	(41,097)	3,416,250
Net changes in fair value				9,940			9,940
Net amount transferred to interim consolidated statement of income				(5,892)			(5,892)
Net income recognized directly in shareholders' equity				4,048			4,048
Net income for the period					664,967		664,967
Total comprehensive income for the period				4,048	664,967		669,015
Employee share plan reserve						3,932	3,932
Balance at end of the period		3,000,000	134,653	10,284	981,425	(37,165)	4,089,197

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30

	Notes	2013 SAR' 000	2012 SAR' 000
OPERATING ACTIVITIES			
Net income for the period		318,376	664,967
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Gains on non-trading investments, net		(5,288)	(5,892)
Gains from disposal of property and equipment, net		(898)	(173)
Depreciation and amortization		43,061	44,711
Impairment charge for financing, net		108,663	123,580
Non-operating income	9	-	(373,167)
Operating profit before changes in operating assets and liabilities		463,914	454,026
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(130,730)	(317,039)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		404,569	(971,946)
Investments		(1,051,387)	600,371
Financing		(2,164,429)	(2,048,933)
Other assets		(35,366)	(55,297)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		136,783	(324,694)
Customer deposits		3,082,882	573,488
Other liabilities		31,400	409,224
Net cash from (used in) operating activities		737,636	(1,680,800)
INVESTING ACTIVITIES			
Purchase of non-trading investments		(316,400)	(88,144)
Proceeds from sales of non-trading investments		185,824	101,215
Purchase of property and equipment		(47,830)	(60,614)
Proceeds from sale of property and equipment		921	738
Proceeds from sale of land	9	-	150,000
Net cash (used in) from investing activities		(177,485)	103,195
FINANCING ACTIVITIES			
Shares for employee share plan, net		3,482	3,932
Net cash from financing activities		3,482	3,932
Net increase (decrease) in cash and cash equivalents		563,633	(1,573,673)
Cash and cash equivalents at beginning of the period		5,076,661	9,007,824
Cash and cash equivalents at end of the period	10	5,640,294	7,434,151
Income received from investing and financing assets		477,201	410,314
Return paid on deposits and financial liabilities		5,376	3,777
Supplemental non cash information			
Net changes in fair value reserve and net amount transferred to interim consolidated statement of income		19,308	4,048
Financing provided towards sale of land	9	-	503,042
Issuance of bonus shares	13	1,000,000	-
Zakat adjustmnet	13	22,152	-

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013****1. GENERAL****a) Incorporation and operation**

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

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

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

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, ‘AlBilad Investment Company’ and ‘AlBilad Real Estate Company’ (collectively referred to as “the Group”). The Bank’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association, by-laws and the Banking Control Law. The Bank provides these services through 93 banking branches (2012: 83) and 147 exchange and remittance centers (2012: 136) in the Kingdom of Saudi Arabia.

b) Shariah Authority

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – “Interim Financial Reporting”. The Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The interim condensed consolidated financial statements do not include all of the information and disclosures required for full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2012.

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013**

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

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

3. BASIS OF CONSOLIDATION

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

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

AlBilad Investment Company and AlBilad Real Estate Company are 100% owned by the Bank as at June 30, 2013.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those of the prior year except for new standards and amendments to the existing standards, as mentioned below, which the bank has adopted:

a) New Standards

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

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

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

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013**

b) Amendments to existing standards

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

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

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

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

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

	June 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	June 30, 2012 SAR' 000 (Unaudited)
Available-for-sale investments, net			
Equities	302,841	288,137	269,313
Mutual funds	31,052	90,584	20,643
Sukuk	258,000	58,000	58,000
	<u>591,893</u>	<u>436,721</u>	<u>347,956</u>
Held at amortized cost			
Commodity Murabaha with SAMA	2,151,926	1,100,539	-
Total	<u>2,743,819</u>	<u>1,537,260</u>	<u>347,956</u>

6. FINANCING, NET

	June 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	June 30, 2012 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	10,321,857	8,915,846	8,392,359
Installment sales	8,510,428	7,666,006	6,600,682
Musharaka	1,340,010	1,471,247	1,191,102
Ijarah	514,484	529,348	338,120
Credit card	29,446	14,946	22,154
Performing financing	20,716,225	18,597,393	16,544,417
Non-performing financing	424,684	752,302	671,381
Gross financing	21,140,909	19,349,695	17,215,798
Impairment charge for financing	(829,467)	(1,094,019)	(1,007,657)
Financing, net	<u>20,311,442</u>	<u>18,255,676</u>	<u>16,208,141</u>

7. CUSTOMER DEPOSITS

	June 30, 2013 SAR'000 (Unaudited)	December 31, 2012 SAR'000 (Audited)	June 30, 2012 SAR'000 (Unaudited)
Current account	21,395,236	18,472,482	18,344,794
Albilad account	3,299,309	3,121,571	3,175,472
Time deposit	1,538,185	1,670,237	1,685,990
Other	591,776	477,334	405,166
Total	<u>26,824,506</u>	<u>23,741,624</u>	<u>23,611,422</u>

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

	June 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	June 30, 2012 SAR' 000 (Unaudited)
Letters of guarantee	<u>2,570,889</u>	<u>2,371,305</u>	<u>2,270,936</u>
Letters of credit	<u>1,144,156</u>	<u>1,164,368</u>	<u>627,220</u>
Acceptances	<u>259,938</u>	<u>262,393</u>	<u>328,792</u>
Total	<u>3,974,983</u>	<u>3,798,066</u>	<u>3,226,948</u>

b) Restricted investment accounts

	June 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	June 30, 2012 SAR' 000 (Unaudited)
Under Wakalah arrangement	<u>500</u>	<u>-</u>	<u>75,998</u>

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

c) Zakat

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

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

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

Zakat payable by the shareholders for the year ended December 31, 2012 amounted to SAR 24.3 million (2011: SAR 10 million). Zakat is paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

Zakat base for the years from 2009 to 2011 have been calculated on basis consistent with prior years.

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

9. NON-OPERATING INCOME

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

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

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

10. CASH AND CASH EQUIVALENTS

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

	June 30, 2013 SAR' 000 (Unaudited)	December 31, 2012 SAR' 000 (Audited)	June 30, 2012 SAR' 000 (Unaudited)
Cash	1,649,186	1,153,106	1,194,377
Due from banks and other financial institutions (maturing within 90 days from acquisition)	3,661,554	3,688,561	5,602,458
Balances with SAMA excluding statutory deposits	329,554	234,994	637,316
Total	5,640,294	5,076,661	7,434,151

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013****11. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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.

Determination of fair value and fair value hierarchy

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	Level 1	Level 2	Level 3	Total
SAR' 000				
Financial Assets				
Investments in available for sale securities	<u>441,893</u>	<u>-</u>	<u>150,000</u>	<u>591,893</u>
2012				
SAR' 000				
Financial Assets				
Investments available for sale securities	<u>197,956</u>	<u>-</u>	<u>150,000</u>	<u>347,956</u>

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

The fair values of financial instrument at 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 SIX MONTHS PERIOD ENDED JUNE 30, 2013**

12. 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.

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

Retail banking

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

Corporate banking

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

Treasury

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

Investment banking and brokerage

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

Other

All other support functions.

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

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

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

SAR'000	June 30, 2012 (Unaudited)					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	8,769,699	10,962,413	8,533,541	786	791,695	29,058,134
Total liabilities	15,785,118	7,904,621	37,523	4,152	1,237,523	24,968,937
Net income from investing and financing assets	179,379	190,799	16,017	-	13,328	399,523
Fee, commission and other income, net	323,456	47,225	47,468	36,694	9,959	464,802
Total operating income	502,835	238,024	63,485	36,694	23,287	864,325
Impairment charge for financing, net	56,872	66,708	-	-	-	123,580
Depreciation and amortization	38,117	5,782	677	135	-	44,711
Total operating expenses	378,457	160,102	18,658	15,308	-	572,525
Net operating income for the period	124,378	77,922	44,827	21,386	23,287	291,800
Non-operating income	-	-	-	-	373,167	373,167
Net income for the period	124,378	77,922	44,827	21,386	396,454	664,967

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

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

14. CAPITAL ADEQUACY

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

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

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

SAMA has issued the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from January 1, 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, are calculated under the Basel III framework. For the purposes of presentation, the RWAs, total capital and related ratios as at June 30, 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at December 31, 2012 and June 30, 2012 are calculated under Basel II and have not been restated.

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

	June 30, 2013	December 31, 2012	June 30, 2012
	SAR' 000	SAR' 000	SAR' 000
	(Unaudited)	(Audited)	(Unaudited)
Credit Risk RWA	24,455,467	22,005,550	20,446,523
Operational Risk RWA	2,866,481	2,629,094	2,391,889
Market Risk RWA	336,000	451,388	873,150
Total Pillar-I RWA	27,657,948	25,086,032	23,711,562
Tier I Capital	4,689,830	3,429,012	3,424,230
Tier II Capital	305,693	1,216,873	920,549
Total Tier I & II Capital	4,995,523	4,645,885	4,344,779
Capital Adequacy Ratio %			
Tier I ratio	16.96%	13.67%	14.44%
Tier I + Tier II ratio	18.06%	18.52%	18.32%

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15. COMPARATIVE FIGURES

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

16. BASEL III PILLAR 3 DISCLOSURES

Certain additional quantitative disclosures are required under Basel III Pillar 3. These disclosures will be published on the Bank's website (www.bankalbilad.com) within 60 days after 30 June 2013 as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank. The comparative disclosures as at December 31, 2012 and June 30, 2012 are calculated under Basel II framework and have not been restated.