
Bank AlBilad
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS FOR THE
THREE-MONTH AND NINE MONTH
PERIODS ENDED SEPTEMBER 30,
2006**

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SPECIAL REVIEW REPORT

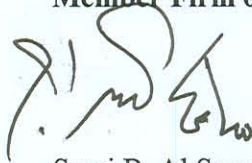
To the shareholders of Bank AlBilad:
(A Saudi Joint Stock Company)

We have reviewed the accompanying interim balance sheet of Bank AlBilad (the "Bank") as of September 30, 2006 and the related interim statements of income for the three-month and nine-month periods ended September 30, 2006, and the interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended, including the related condensed notes. These interim condensed financial statements are the responsibility of the Bank's management.

We conducted our review in accordance with generally accepted standards applicable to review engagements. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

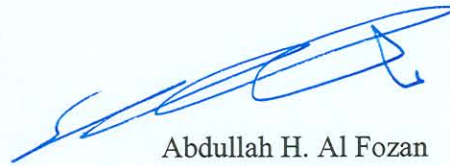
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards.

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers



Sami B. Al Sarraj
Registration No. 165

KPMG Al Fozan & Bannaga



Abdullah H. Al Fozan
Registration No. 348

October 14, 2006
(22 Ramadan 1427H)



BANK ALBILAD
(A Saudi Joint Stock Company)

BALANCE SHEETS (see Note 1)

	Notes	SAR'000	
		September 30, 2006	December 31, 2005
<u>ASSETS</u>		(Unaudited)	(Audited)
Cash and Balances with SAMA		559,263	1,284,560
Due from banks and other financial institutions		71,000	109,158
Investments, net	3	8,718,612	6,427,351
Fixed assets, net		471,225	373,714
Other assets		62,898	26,387
Total assets		<u>9,882,998</u>	<u>8,221,170</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Liabilities			
Customer deposits	4	6,228,684	5,026,567
Other liabilities		584,671	295,280
Total liabilities		<u>6,813,355</u>	<u>5,321,847</u>
Shareholders' equity			
Share capital	8	3,000,000	3,000,000
Unallocated shares	8	(2,585)	(2,585)
Other Reserve	3	(7,533)	-
Retained earnings (accumulated losses)		79,761	(98,092)
Total shareholders' equity		<u>3,069,643</u>	<u>2,899,323</u>
Total liabilities and shareholders' equity		<u>9,882,998</u>	<u>8,221,170</u>

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF INCOME
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)
(See Note 1)

SAR, 000		
Note	For the Three - Month Period Ended September 30, 2006	For the Nine - Month Period Ended September 30, 2006
INCOME		
Income from investments:		
Murabaha	43,066	123,182
Bei Ajel	44,642	132,274
Musharaka	<u>5,089</u>	<u>9,828</u>
Total income from investments	92,797	265,284
Fees from banking services, net	42,109	219,659
Exchange income, net	<u>7,193</u>	<u>25,927</u>
Total operating income	<u>142,099</u>	<u>510,870</u>
Salaries and employee-related expenses	60,592	175,748
Rent and premises-related expenses	17,138	48,905
Depreciation	19,077	49,284
Provision for investments	1,819	1,819
Other general and administrative expenses	<u>12,749</u>	<u>57,261</u>
Total operating expenses	<u>111,375</u>	<u>333,017</u>
Net income for the period	<u>30,724</u>	<u>177,853</u>
Basic and diluted earnings per share (expressed in SAR)	8	<u>0.11</u>
		<u>0.60</u>

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BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2006 (Unaudited) (See Note 1)

	SAR'000				
	Share capital	Unallocated shares	Other Reserve	Retained earnings (Accumulated losses)	Total
Balance at beginning of the period	3,000,000	(2,585)	-	(98,092)	2,899,323
Net income for the period	-	-	-	177,853	177,853
Net changes in fair value (note 3)	-	-	(7,533)	-	(7,533)
Balance at the end of the period	3,000,000	(2,585)	(7,533)	79,761	3,069,643

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE NINE - MONTH PERIOD ENDED SEPTEMBER 30, 2006 (Unaudited) (see Note 1)

	<u>Notes</u>	<u>SAR'000</u>
OPERATING ACTIVITIES:		
Net income for the period		177,853
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation		49,284
Provision for investments		1,819
(Increase) in operating assets:		
Statutory deposits with SAMA		(106,074)
Investments		(2,300,613)
Other assets		(36,511)
Increase in operating liabilities:		
Customer deposits		1,202,117
Other liabilities		<u>289,391</u>
Net cash used in operating activities		<u>(722,734)</u>
INVESTING ACTIVITIES:		
Purchase of fixed assets		<u>(146,795)</u>
Net cash used in investing activities		<u>(146,795)</u>
Decrease in cash and cash equivalents		(869,529)
Cash and cash equivalents at beginning of the period	6	<u>1,227,536</u>
Cash and cash equivalents at end of the period	6	<u>358,007</u>
<u>Supplemental non cash information</u>		
Net changes in fair value	3	<u>(7,533)</u>

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

1. GENERAL

a) Incorporation and Operations

Bank AlBilad, (the “Bank”) a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Council 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 Aual 1426H (corresponding to April 19, 2005). The Bank did not commence operation until after September 30, 2006 and therefore no income statement is available for the third quarter ended September 30, 2005. However for cash flow purpose, the share capital contribution by the shareholders was received by the Bank during the period ended September 30, 2005. The Head Office of the Bank is located at the following address:

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

The Bank's objectives include banking, investment and other activities in accordance with its Articles of Association and By-Laws and the Banking Control Law. The Bank provides these services through 38 banking branches and 80 exchange and remittance Centers in the Kingdom of Saudi Arabia.

b) Shari’a Committee

The Bank established a Shari’a Authority (the “Authority”). It ascertains that all the Bank’s activities are subject to its approvals and control including all sources of income.

BANK ALBILAD
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these interim condensed financial statements are set out below:

Basis of preparation

The Bank prepares these interim condensed financial statements in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (“SAMA”), and International Financial Reporting Standards (“IFRS”). The Bank also prepares its interim condensed financial statements in accordance with International Accounts Standards No. 34 – Interim Financial Reporting and also to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held for trading, held at Fair value through income statement (“FVIS”) and available for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The interim condensed financial statements are expressed in Saudi Arabian Riyals (“SAR”) and are rounded off to the nearest thousands.

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the Bank’s audited financial statements for the period from April 19, 2005 (date Commercial Registration) to December 31, 2005.

All Shariah approved banking products are accounted for using IFRS and are in conformity with the accounting policies used in the preparation of the Bank’s audited financial statements for the period from April 19, 2005 (Date of Commercial Registration) to December 31, 2005.

BANK ALBILAD
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

3. INVESTMENTS, NET

Investments comprise the following:

	SAR'000	
	(Unaudited) September 30, 2006	(Audited) December 31, 2005
Murabaha	5,888,304	4,619,913
Bei Ajel	2,152,925	1,696,214
Musharaka	511,735	111,224
Other investments, net	167,467	-
Provision for investments	(1,819)	-
Total	<u>8,718,612</u>	<u>6,427,351</u>

Equity investment represents an investment in a Saudi closed joint stock company that's under incorporation of SAR 150 millions. Investments in mutual funds represents investment in the Bank's Mutual funds classified as available for sale, and are shown at net of fair value reserve of SAR 7.533 millions.

4. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	SAR'000	
	(Unaudited) September 30, 2006	(Audited) December 31, 2005
Current accounts - Saudi Riyal	3,426,698	2,464,400
Current accounts - foreign currencies	14,611	8,079
Other deposits	2,787,375	2,554,088
Total	<u>6,228,684</u>	<u>5,026,567</u>

Other deposits include SAR 2,7 billion (December, 31 2005: SAR 1,1 billion) of customer time investments; deposits; Mutual Funds Accounts of SAR 17 million (December, 31 2005: SAR 1,429 million), and SAR 34 million (December, 31 2005: SAR 14 million) of margins held for irrevocable commitments.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

5. COMMITMENTS AND CONTINGENCIES

The Bank's commitments and contingencies are as follows:

	SAR'000	
	(Unaudited) September 30, 2006	(Audited) December 31, 2005
Letters of credit	306,978	104,955
Letters of guarantee	402,813	361,431
Acceptances	98,577	35,276
Irrevocable commitments to extend credit	<u>2,574,085</u>	<u>1,992,822</u>
Total	<u>3,382,453</u>	<u>2,494,484</u>

6. CASH AND CASH EQUIVALENTS

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

	SAR'000	
	(Unaudited) September 30, 2006	(Audited) December 31, 2005
Cash	244,793	146,144
Due from banks (maturing within 90 days of acquisition)	71,000	109,158
Balances with SAMA (current accounts)	<u>42,214</u>	<u>972,234</u>
Total	<u>358,007</u>	<u>1,227,536</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

7. SEGMENTAL INFORMATION

For management purposes, the Bank is comprised of five main business segments, as follows:

- **Personal Banking/Retail Segment:** Includes services and products to individuals, including deposits, Islamic financing products, investments and local and international shares dealing services.
- **Corporate and Private Banking Segment:** Includes services and products to corporate and high net worth individuals including deposits, Islamic financing product, letters of credit, letters of guarantee and other investments products.
- **Treasury and Investments Segment:** Includes treasury services and dealing with financial institutions.
- **Remittances Segment (Enjaz Centers):** Includes products and services through Enjaz network, including currency exchange, inward and outward transfers and remittances cheques.
- **Others:** This segment includes all other cost centers and profit centers in the head office in areas of technology services and support.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance.

The Bank's primary business is conducted in Saudi Arabia. The Bank's total assets and liabilities at September 30, 2006, its total operating income, expenses, and net income for the nine-months period then ended, by business segments being the primary segment, are as follows:

SAR'000 (Unaudited)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Others	Total
Total assets	379,891	2,839,469	3,371,365	186,716	3,105,557	9,882,998
Total liabilities	3,212,489	2,305,798	1,215,892	32,865	46,311	6,813,355
Total operating income	126,344	208,085	70,013	26,244	80,184	510,870
Total operating expenses	119,107	68,397	28,449	44,573	72,491	333,017
Net income (loss) for the period	7,237	139,688	41,564	(18,329)	7,693	177,853

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE – MONTH AND NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2006 (Unaudited)

8. SHARE CAPITAL AND EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended September 30, 2006 is calculated by dividing the net income for the period by 300 million shares to give a retroactive effect of the change in the number of shares increased as a result of the share split on April 8, 2006. In accordance with the Capital Market Authority's "CMA" announcement dated March 27, 2006, the shares of the Bank were split into five shares for every one share effective April 8, 2006. Accordingly, the number of shares has increased from 60 million ordinary shares of SR 50 each to 300 million ordinary shares of SR 10 each.

Due to share subscription allocation formula, as approved by CMA, shares with total par value of SAR 2.6 million remained unallocated. The Bank is awaiting instructions from the CMA for the disposal of these unallocated shares.

9. CORRESPONDING FIGURES

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