
Bank AlBilad
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
THREE-MONTH PERIOD ENDED MARCH
31, 2009**

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>NOTES</u>	<u>SR'000</u>		
		<u>March 31, 2009 (Unaudited)</u>	<u>December 31, 2008 (Audited)</u>	<u>March 31, 2008 (Unaudited)</u>
<u>ASSETS</u>				
Cash and balances with SAMA		1,240,752	1,125,142	2,523,033
Due from banks and other financial institutions		4,190,227	3,894,328	4,433,462
Investments	5	1,658,055	1,882,529	1,996,434
Financing, net	6	9,086,847	8,274,804	7,186,611
Property and equipment, net		520,681	537,392	587,548
Other assets		<u>366,621</u>	<u>337,594</u>	<u>360,766</u>
Total assets		<u>17,063,183</u>	<u>16,051,789</u>	<u>17,087,854</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Liabilities				
Due to SAMA		400,079	825,000	-
Due to banks and other financial institutions		995	639,098	-
Customer deposits		12,911,721	10,971,045	13,224,172
Other liabilities		<u>506,280</u>	<u>403,806</u>	<u>714,443</u>
Total liabilities		<u>13,819,075</u>	<u>12,838,949</u>	<u>13,938,615</u>
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Employee share plan		(42,026)	(41,974)	(41,987)
Statutory reserve		93,911	93,911	62,644
Other reserve		(13,771)	(22,741)	(12,090)
Retained earning		<u>205,994</u>	<u>183,644</u>	<u>140,672</u>
Total shareholders' equity		<u>3,244,108</u>	<u>3,212,840</u>	<u>3,149,239</u>
Total liabilities and shareholders' equity		<u>17,063,183</u>	<u>16,051,789</u>	<u>17,087,854</u>

The accompanying notes from 1 to 11 form an integral part of these interim condensed consolidated financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

	SR'000	
	<u>2009</u>	<u>2008</u>
<u>INCOME</u>		
Income from investing and financing assets	154,237	175,913
Return paid to depositors	<u>(13,775)</u>	<u>(29,050)</u>
Net income from investing and financing assets	140,462	146,863
Fees from banking services, net	58,185	56,992
Exchange income, net	18,955	19,332
Dividend income	1,822	-
Gains on non-trading investments, net	<u>(2,188)</u>	<u>-</u>
Total operating income	<u>217,236</u>	<u>223,187</u>
<u>EXPENSES</u>		
Salaries and employee related benefits	95,975	98,147
Rent and premises related expenses	20,677	21,063
Depreciation and amortization	31,135	30,739
Other general and administrative expenses	23,640	18,712
Impairment charge for financing and investment assets	<u>23,459</u>	<u>3,696</u>
Total operating expenses	<u>194,886</u>	<u>172,357</u>
Net income for the period	<u>22,350</u>	<u>50,830</u>
Basic and diluted earnings per share (Saudi Riyals)	<u>0.07</u>	<u>0.17</u>

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BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

	SR'000	
	<u>2009</u>	<u>2008</u>
Net income for the period	22,350	50,830
Other comprehensive income- Available for sale investments	<u>8,970</u>	<u>(5,698)</u>
Total comprehensive income for the period	<u><u>31,320</u></u>	<u><u>45,132</u></u>

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BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

	SR'000					Total
	Share capital	Employee share plan	Statutory reserve	Other reserve	Retained earnings	
2009						
Balance at beginning of the period	3,000,000	(41,974)	93,911	(22,741)	183,644	3,212,840
Returned shares for employee share plan	-	(52)	-	-	-	(52)
Total comprehensive income for the period	-	-	-	8,970	22,350	31,320
Balance at end of the period	<u>3,000,000</u>	<u>(42,026)</u>	<u>93,911</u>	<u>(13,771)</u>	<u>205,994</u>	<u>3,244,108</u>
2008						
Balance at beginning of the period	3,000,000	(41,974)	62,644	(6,392)	89,842	3,104,107
Total comprehensive income for the period	-	-	-	(5,698)	50,830	45,132
Balance at end of the period	<u>3,000,000</u>	<u>(41,987)</u>	<u>62,644</u>	<u>(12,090)</u>	<u>140,672</u>	<u>3,149,239</u>

The accompanying notes from 1 to 11 form an integral part of these interim condensed consolidated financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009

	<u>NOTE</u>	<u>SR'000</u>	
		<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:			
Net income for the period		22,350	50,830
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Impairment charge for financing and investment assets		23,459	3,696
Depreciation and amortization		31,135	30,739
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(100,545)	(169,397)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		948,190	(83,192)
Investments		221,475	(652,897)
Financing		(819,533)	(1,000,332)
Other assets		(29,027)	9,415
Net increase (decrease) in operating liabilities:			
Due to SAMA		(424,921)	-
Due to banks and other financial institutions		(638,103)	-
Customer deposits		1,940,676	534,887
Other liabilities		98,474	(128,002)
Net cash from (used in) operating activities		<u>1,273,630</u>	<u>(1,404,253)</u>
INVESTING ACTIVITY -			
Purchase of property and equipment		(14,424)	(24,136)
Net cash used in investing activity		<u>(14,424)</u>	<u>(24,136)</u>
FINANCING ACTIVITY -			
Returned shares for employee share plan		(52)	-
Net cash from (used in) financing activities		<u>(52)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents		1,259,154	(1,428,388)
Cash and cash equivalents at beginning of the period		3,329,458	7,356,956
Cash and cash equivalents at end of the period 8		<u>4,588,612</u>	<u>5,928,568</u>
SUPPLEMENTAL NON-CASH INFORMATION			
Net changes in fair value reserve		8,970	(5,698)

The accompanying notes from 1 to 11 form an integral part of these interim condensed consolidated financial statements

BANK ALBILAD
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009**

1. GENERAL

a) Incorporation and operation

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 Counsel of Ministers’ resolution No. 258 dated 18 Ramadan 1425 H (corresponding to November 1, 2004).

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

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

The consolidated financial statements comprises the financial statements of the Bank and its subsidiaries, ‘AlBilad Investment Company’ and ‘AlBilad Real Estate Company’ (collectively referred to as “the Group”). The Group’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Group 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 activities are monitored by an independent Shariah authority established by the Bank. The Bank provides these services through 63 banking branches (2008: 60) and 87 exchange and remittance centers (2008: 83) in the Kingdom of Saudi Arabia.

In accordance with the Capital Market Authority (“CMA”) directives, the Bank established a wholly owned subsidiary (through direct and beneficial shareholding) ‘AlBilad Investment Company’, a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010240489 issued on 11 Du Al-Qu'ada 1428H (corresponding to November 20, 2007). The subsidiary took over the management of the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA. It obtained approval from the CMA for commencement of operations on May 25, 2008. The Bank started consolidating the financial statements of the subsidiary effective from July 1, 2008.

The Bank has also established a wholly owned subsidiary, ‘AlBilad Real Estate Company’ that obtained its Commercial Registration on 24 Sha'aban 1427H

(corresponding to September 17, 2006). The purpose of this company is to register the real estate collaterals that the Bank obtains from its customers.

b) Shariah Authority

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (“SAMA”) and IAS 34 - ‘Interim Financial Reporting’. The Bank also prepares its consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2008. The consolidated financial statements are presented in Saudi Arabian Riyals (“SR”) and are rounded off to the nearest thousands.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (the “Group”). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. 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. The results of subsidiaries acquired or disposed off during the year are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of net income and net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at March 31, 2009, minority interest is 1% of AlBilad Investment Company and AlBilad Real Estate Company net assets and is owned by representative shareholders and hence not presented separately in the consolidated statement of income and within shareholders’ equity in the consolidated statement of financial position.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2008, as described in the annual financial statements for the year ended December 31, 2008 except for the adoption of IFRS 8 'Operating Segments' and amendments to existing standards, as mentioned below. The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Group. The comparative information has been restated, where required, to conform to current period presentation.

IFRS 8 - Operating Segments, which supersedes IAS 14 - Segment Reporting and require disclosure of information about the Group's operating segments; the revisions and amendments to IAS 1 - 'Presentation of Financial Statements'; and amendments to IFRS 2 - 'Share Based Payments - vesting conditions and cancellations' and IAS 32 - 'Financial Instruments: Presentation'.

5. INVESTMENTS

	SR'000		
	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)	March 31, 2008 (Unaudited)
Equities available for sale	240,302	263,498	150,000
Mutual fund	14,714	15,119	137,955
Commodity Murabaha with SAMA	<u>1,403,039</u>	<u>1,603,912</u>	<u>1,708,479</u>
Total	<u>1,658,055</u>	<u>1,882,529</u>	<u>1,996,434</u>

6. FINANCING, NET

	SR'000		
	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)	March 31, 2008 (Unaudited)
Bei Ajel	6,201,402	5,472,307	4,919,183
Installment sales	1,705,537	1,616,973	952,738
Ijarah	377,328	375,458	285,339
Musharakah	<u>802,580</u>	<u>810,066</u>	<u>1,029,351</u>
Total	<u>9,086,847</u>	<u>8,274,804</u>	<u>7,186,611</u>

7. COMMITMENTS AND CONTINGENCIES

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

	SR'000		
	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)	March 31, 2008 (Unaudited)
Letters of credit	418,801	448,002	448,528
Letters of guarantee	895,320	1,022,902	843,450
Acceptances	88,424	179,415	75,202
Underwriting	<u>300,000</u>	<u>1,350,000</u>	<u>-</u>
Total	<u>1,702,545</u>	<u>3,000,319</u>	<u>1,367,180</u>

b) Restricted investment accounts

Under Wakalah arrangement	<u>466,038</u>	<u>815,126</u>	<u>534,420</u>
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The Bank accepts restricted investment accounts from customers under Wakalah arrangement. The amount received as placement is invested by the Bank in Commodity Murabaha with banks and financial institutions. The Bank charges fees for management of these accounts.

8. CASH AND CASH EQUIVALENTS

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

	SR'000		
	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)	March 31, 2008 (Unaudited)
Cash	486,945	430,507	404,503
Due from banks (maturing within 90 days from acquisition)	4,084,063	2,839,974	4,268,204
Balances with SAMA (excluding statutory deposits)	<u>17,604</u>	<u>58,977</u>	<u>1,255,861</u>
Total	<u>4,588,612</u>	<u>3,329,458</u>	<u>5,928,568</u>

9. BUSINESS SEGMENTS

For management purposes, the Bank is divided into the following six segments:

- a) **Retail banking and investment services**
Includes services and products to individuals, including, deposits, AlBilad accounts, Islamic financing products, investments and local and international shares dealing services.
- b) **Corporate & private banking**
Includes services and products to corporate and high net worth individuals including deposits, Islamic financing products, letters of credit, letters of guarantee, other investment products and dealing with financial institutions.
- c) **Treasury**
Includes treasury services.
- d) **Investment banking and brokerage**
Includes investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.
- e) **Remittances segment (Enjaz Centers)**
Includes products and services through Enjaz network, including currency exchange, inward and outward transfers and remittances cheques.
- f) **Other**
Includes all other cost centers and profit centers in the head office in areas of technology services and support.

	SR'000						Total
	Retail banking	Corporate & private banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	
2009							
Total assets	2,327,626	7,462,936	2,889,553	574,182	319,057	3,489,829	17,063,183
Capital expenditures	10,690	1	1	1	1,906	1,825	14,424
Total liabilities	8,856,277	3,226,230	589,040	511,646	91,131	544,751	13,819,075
Total operating income	52,940	92,946	4,871	12,378	50,443	3,658	217,236
Provision for financing and investment assets	-	7,490	15,969	-	-	-	23,459
Depreciation and amortization	8,718	2,491	569	54	7,784	11,519	31,135
Total operating expenses	48,222	52,511	20,142	6,567	40,641	26,803	194,886
Net income (loss) for the period	4,718	40,435	(15,270)	5,810	9,802	(23,145)	22,350

	SR'000						
	Retail banking	Corporate & private banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
2008							
Total assets	1,142,126	6,802,258	5,357,436	-	320,363	3,465,671	17,087,854
Capital expenditures	4,293	2,478	1	-	7,333	10,031	24,136
Total liabilities	9,024,538	3,899,800	847,785	-	120,991	45,501	13,938,615
Total operating income	53,454	102,681	24,413	-	35,162	7,477	223,187
Provision for financing and investment assets	-	3,696	-	-	-	-	3,696
Depreciation and amortization	7,762	2,464	306	-	7,684	12,523	30,739
Total operating expenses	40,538	62,906	15,518	-	27,603	25,792	172,357
Net income (loss) for the period	12,916	39,775	8,895	-	7,559	(18,315)	50,830

The figures for the three-month period ended March 31, 2008 for Investment banking and brokerage segment have been included in Treasury segment.

10. CAPITAL ADEQUACY

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

	Percentage			
	March 2009		March 2008	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
Top consolidated level	23.74%	23.58%	28.95%	28.49%

11. COMPARATIVE FIGURES

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