



BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE-MONTHS
PERIOD ENDED MARCH 31, 2011 AND 2010**

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2011 SAR'000 (Unaudited)	December 31, 2010 SAR'000 (Audited)	March 31, 2010 SAR'000 (Unaudited)
<u>Notes</u>			
ASSETS			
Cash and balances with SAMA	2,265,632	2,497,282	1,594,044
Due from banks and other financial institutions, net	4,294,487	4,032,405	3,762,293
Investments, net	5 1,998,185	1,610,918	1,708,335
Financing, net	6 12,615,892	12,289,826	11,190,200
Property and equipment, net	320,887	341,890	369,501
Other assets	392,058	344,365	353,646
Total assets	21,887,141	21,116,686	18,978,019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	511,128	382,429	1,032,270
Customer deposits	17,513,777	16,932,415	14,317,178
Other liabilities	712,412	698,881	564,670
Total liabilities	18,737,317	18,013,725	15,914,118
Shareholders' equity			
Share capital	3,000,000	3,000,000	3,000,000
Employee share plan	(42,136)	(42,136)	(42,128)
Statutory reserve	52,246	52,246	29,166
Other reserve	15,021	23,611	24,282
Retained earnings	124,693	69,240	52,581
Total shareholders' equity	3,149,824	3,102,961	3,063,901
Total liabilities and shareholders' equity	21,887,141	21,116,686	18,978,019

The accompanying notes 1 to 11 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)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010

	<u>For the three months period ended</u>	
	<u>March 31, 2011 SAR'000</u>	<u>March 31, 2010 SAR'000</u>
INCOME:		
Income from investing and financing assets	172,829	152,387
Return on deposits and financial liabilities	(7,904)	(3,908)
Net income from investing and financing assets	164,925	148,479
Fee and commission income, net	95,283	100,182
Exchange income, net	40,104	29,840
Dividend income	970	1,638
Gains on non-trading investments, net	3,186	5,873
Other operating income	3,969	73
Total operating income	308,437	286,085
EXPENSES:		
Salaries and employee related benefits	114,170	97,730
Rent and premises related expenses	26,395	24,194
Depreciation and amortization	23,308	30,147
Other general and administrative expenses	38,093	38,096
Impairment charge for financing and other assets	51,018	43,337
Total operating expenses	252,984	233,504
Net income for the period	55,453	52,581
Basic and diluted earnings per share (Saudi Riyals)	0.18	0.18

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

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010

	<u>For the three months period ended</u>	
	<u>March 31, 2011 SAR'000</u>	<u>March 31, 2010 SAR'000</u>
Net income for the period	55,453	52,581
Other comprehensive income:		
-Available for sale financial assets		
Net changes in fair value	(8,590)	9,138
Total comprehensive income for the period	<u>46,863</u>	<u>61,719</u>

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

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010**

	SAR '000'					
	<u>Share capital</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>2011</u>						
Balance at the beginning of the period	3,000,000	(42,136)	52,246	23,611	69,240	3,102,961
Total comprehensive income for the period	-	-	-	(8,590)	55,453	46,863
Balance at end of the period	<u>3,000,000</u>	<u>(42,136)</u>	<u>52,246</u>	<u>15,021</u>	<u>124,693</u>	<u>3,149,824</u>
	<u>Share capital</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>2010</u>						
Balance at the beginning of the period	3,000,000	(42,128)	29,166	15,144	-	3,002,182
Total comprehensive income for the period	-	-	-	9,138	52,581	61,719
Balance at end of the period	<u>3,000,000</u>	<u>(42,128)</u>	<u>29,166</u>	<u>24,282</u>	<u>52,581</u>	<u>3,063,901</u>

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BANK ALBILAD

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010

	<u>NOTES</u>	<u>March 31, 2011 SAR' 000</u>	<u>March 31, 2010 SAR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		55,453	52,581
Adjustments to reconcile net income to net cash from operating activities:			
(Gains) on non-trading investments, net		(3,186)	(5,873)
(Gains) from disposal of property and equipment, net		(1,993)	-
Depreciation and amortization		23,308	30,147
Impairment charge for financing and other assets		51,018	43,337
Operating profit before changes in operating assets and liabilities		<u>124,600</u>	<u>120,192</u>
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(30,495)	(80,759)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(314,015)	(82,091)
Investments		(399,632)	(150,231)
Financing		(377,084)	(219,422)
Other assets		(47,693)	(9,234)
Net increase/ (decrease) in operating liabilities:			
Due to SAMA		-	(150,000)
Due to banks and other financial institutions		128,699	983,943
Customer deposits		581,362	596,551
Other liabilities		13,531	74,614
Net cash (used in) from operating activities		<u>(320,727)</u>	<u>1,083,563</u>
INVESTING ACTIVITIES			
Purchase of non-trading investments		(48,354)	(67,339)
Proceeds from sales of non-trading investments		55,315	58,686
Purchase of property and equipment		(10,524)	(5,146)
Proceeds from sale of property and equipment		10,212	-
Net cash from (used in) investing activities		<u>6,649</u>	<u>(13,799)</u>
(Decrease) increase in cash and cash equivalents		(314,078)	1,069,764
Cash and cash equivalents at beginning of the period		<u>3,841,864</u>	<u>2,594,556</u>
Cash and cash equivalents at end of the period	8	<u>3,527,786</u>	<u>3,664,320</u>
Income received from investing and financing assets		<u>216,131</u>	<u>159,633</u>
Return paid on deposits and financial liabilities		<u>4,288</u>	<u>974</u>
<u>Supplemental non cash information</u>			
Net changes in fair value reserve		<u>(8,590)</u>	<u>9,138</u>

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

BANK ALBILAD

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010****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 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 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 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 77 banking branches (2010: 69) and 109 exchange and remittance centers (2010: 97) 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

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 interim condensed 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 do not include all information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2010.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010****3. BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the financial statement 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 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 period are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Non- controlling 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. Non- controlling interest is 1% of AlBilad Investment Company's net assets and is owned by representative shareholders and hence not presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position. AlBilad Real Estate Company is 100% owned by the Bank.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

- Revision to IAS 24 - Related Party Disclosures;
- Improvements in IFRS 7 - Financial Instruments: Disclosures;
- Improvements in IAS 1 - Presentation of Financial Statements; and
- Improvements in IAS 34 - Interim Financial Reporting.

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

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010****5. INVESTMENTS, NET**

	March 31, 2011 SAR' 000 (Unaudited)	December 31, 2010 SAR' 000 (Audited)	March 31, 2010 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	279,480	271,873	274,739
Mutual fund	18,215	38,187	32,912
Held at amortized cost			
Commodity murabaha with SAMA, at amortized cost	1,700,490	1,300,858	1,400,684
Total	1,998,185	1,610,918	1,708,335

6. FINANCING, NET

	March 31, 2011 SAR'000 (Unaudited)	December 31, 2010 SAR'000 (Audited)	March 31, 2010 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	6,114,237	6,318,379	6,664,853
Installment sales	4,928,021	4,436,012	3,326,821
Ijarah	375,862	375,103	375,837
Musharaka	1,197,772	1,160,332	822,689
Total	12,615,892	12,289,826	11,190,200

7. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2011 SAR' 000 (Unaudited)	December 31, 2010 SAR' 000 (Audited)	March 31, 2010 SAR' 000 (Unaudited)
Letters of credit	747,436	780,944	790,839
Letters of guarantee	1,784,888	1,649,874	1,573,984
Acceptances	257,764	242,688	202,608
Underwriting	300,000	300,000	300,000
Total	3,090,088	2,973,506	2,867,431

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010****b) Restricted investment accounts**

	March 31, 2011 SAR' 000 (Unaudited)	December 31, 2010 SAR' 000 (Audited)	March 31, 2010 SAR' 000 (Unaudited)
Under wakalah arrangement	<u>213,729</u>	<u>188,409</u>	<u>571,713</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 is charged on these accounts.

c) Zakat

The Department of Zakat and Income Tax (DZIT) conducted an inspection of the Bank for calculation of the Zakat due for the years ended December 31, 2006, 2007 and 2008. As per the assessments, the DZIT disallowed financing and other financial assets for the year 2006 and arbitrarily disallowed certain expenses for the years 2007 and 2008 which resulted in a Zakat base of SAR 2.53 billion, SAR 2.6 billion and SAR 2.66 billion and Zakat liability of SAR 63.3 million, SAR 62.5 million and SAR 60.9 million as against an amount of SAR 1.7 million, SAR 2.4 million and SAR 5.5 million determined by the Bank for those years, respectively. The Bank has filed appeals against the assessment for the year 2006 and is in the process of filing appeals against assessments for 2007 and 2008. The estimated amount of Zakat liability for the years ended December 31, 2009 and 2010, based on the assumption applied by the DZIT amounts to SAR 70 million and 69 million, respectively.

Zakat due from the shareholders for the year ended December 31, 2010 amounted to SAR 3.6 million (2009: SAR 5.4 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

8. CASH AND CASH EQUIVALENTS

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

	March 31, 2011 SAR' 000 (Unaudited)	December 31, 2010 SAR' 000 (Audited)	March 31, 2010 SAR' 000 (Unaudited)
Cash	822,724	772,976	506,234
Due from banks and other financial institutions (maturing within 90 days from acquisition)	2,283,107	2,335,040	2,935,394
Balances with SAMA excluding statutory deposits	<u>421,955</u>	<u>733,848</u>	<u>222,692</u>
Total	<u>3,527,786</u>	<u>3,841,864</u>	<u>3,664,320</u>

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FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010**

9. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Bank 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 Bank's main business is conducted in the Kingdom of Saudi Arabia.

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

Retail banking

Includes 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 Bank's total assets and liabilities, together with its total operating income and expenses, and net income, for the Three months period ended March 31, for each segment are as follows:

SAR'000	March 31, 2011 (Unaudited)					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	6,059,059	7,778,608	6,216,110	881	1,832,483	21,887,141
Capital expenditures	6,753	12	-	1	3,758	10,524
Total liabilities	12,402,881	4,538,327	500,023	583,674	712,412	18,737,317
Total operating income	179,465	88,484	20,499	9,515	10,474	308,437
Impairment charge for financing, investing and other financial assets	17,016	34,002	-	-	-	51,018
Depreciation and amortization	19,928	2,690	320	370	-	23,308
Total operating expenses	159,108	77,196	9,212	5,778	1,690	252,984
Net income for the period	20,357	11,288	11,287	3,737	8,784	55,453

SAR'000	March 31, 2010 (Unaudited)					
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	4,483,521	8,157,123	5,346,226	510	990,639	18,978,019
Capital expenditures	3,454	153	10	7	1,522	5,146
Total liabilities	9,703,987	4,489,394	1,146,520	390,578	183,639	15,914,118
Total operating income	133,135	103,016	31,237	8,345	10,352	286,085
Impairment charge for financing, investing and other financial assets	2,626	40,711	-	-	-	43,337
Depreciation and amortization	24,607	3,817	839	884	-	30,147
Total operating expenses	149,728	71,032	5,481	7,263	-	233,504
Net income / (loss) for the period	(16,593)	31,984	25,756	1,082	10,352	52,581

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2011 and 2010****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 SAMA in supervising the Bank.

Capital Adequacy Ratios	March 31, 2011		March 31, 2010	
	(Unaudited)		(Unaudited)	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	18.90	17.97	19.44	18.96

11. COMPARATIVE FIGURES

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