
Bank AlBilad
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS FOR THE
THREE-MONTH PERIODS ENDED
MARCH 31, 2008 AND 2007**

BANK ALBILAD
(A Saudi Joint Stock Company)

BALANCE SHEETS

		March 31, 2008 (Unaudited) SAR' 000	December 31, 2007 (Audited) SAR' 000	March 31, 2007 (Unaudited) SAR' 000
	Notes			
ASSETS				
Cash and balances with SAMA		2,523,033	2,058,151	701,389
Due from banks and other financial institutions		128,519	14,229	98,087
Investments, net	3	13,487,988	13,599,126	9,910,467
Property and equipment, net		587,548	594,151	529,395
Other assets	4	360,766	370,181	64,367
Total assets		17,087,854	16,635,838	11,303,705
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Customer deposits	5	13,224,172	12,689,285	7,980,604
Other liabilities		714,443	842,446	273,623
Total liabilities		13,938,615	13,531,731	8,254,227
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Unallocated shares		-	-	(2,585)
Employee share plan		(41,987)	(41,987)	(39,025)
Statutory reserve		62,644	62,644	44,529
Fair value reserve		(12,090)	(6,392)	(14,632)
Retained earnings		140,672	89,842	61,191
Total shareholders' equity		3,149,239	3,104,107	3,049,478
Total liabilities and shareholders' equity		17,087,854	16,635,838	11,303,705

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements

STATEMENT OF INCOMES (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

	2008 SAR' 000	2007 SAR' 000
INCOME		
Income from investments:		
Murabaha	58,469	81,117
Bei Ajel	85,422	47,188
Musharakah	16,308	9,224
Installment Sales	15,714	1,840
Total income from investments	175,913	139,368
Income paid to customers - time investment	(21,783)	(29,214)
Income paid to customers - albilad account	(7,267)	(360)
Income from investments, net	146,863	109,794
Fees income from banking services, net	56,992	41,945
Exchange income, net	19,332	19,493
Total operating income	223,187	171,232
EXPENSES		
Salaries and employee - related expenses	98,147	79,685
Rent and premises - related expenses	21,063	19,713
Depreciation and amortization	30,739	24,042
Provision for investments	3,696	1,918
Other general and administrative expenses	18,712	20,180
Total operating expenses	172,357	145,539
Net income for the period	50,830	25,693
Basic and diluted earnings per share (SAR)	0.17	0.09

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

<u>2008</u>	<u>Share capital</u>	<u>Unallocated shares</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at beginning of the period	3,000,000	-	(41,987)	62,644	(6,392)	89,842	3,104,107
Net change in fair value of investments	-	-	-	-	(5,698)	-	(5,698)
Net income for the period	-	-	-	-	-	50,830	50,830
Balance at the end of the period	3,000,000	-	(41,987)	62,644	(12,090)	140,672	3,149,239

2007

Balance at beginning of the period	3,000,000	(2,585)	(39,025)	44,529	(14,072)	35,498	3,024,345
Net change in fair value of investments	-	-	-	-	(560)	-	(560)
Net income for the period	-	-	-	-	-	25,693	25,693
Balance at the end of the period	3,000,000	(2,585)	(39,025)	44,529	(14,632)	61,191	3,049,478

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements

STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

	Note	2008 SAR' 000	2007 SAR' 000
OPERATING ACTIVITIES:			
Net income for the period		50,830	25,693
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Depreciation and amortization		30,739	24,042
Provision for investments		3,696	1,918
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(169,397)	(65,077)
Investments		101,744	(75,459)
Other assets		9,415	(2,803)
Net increase (decrease) in operating liabilities:			
Customer deposits		534,887	122,545
Other liabilities		(128,002)	(125,337)
Net cash from (used in) operating activities		433,912	(94,478)
INVESTING ACTIVITIES:			
Property and equipment, net		(24,136)	1,877
Net cash from (used in) investing activities		(24,136)	1,877
Increase (decrease) in cash and cash equivalents		409,776	(92,601)
Cash and cash equivalents at beginning of the period	7	1,379,108	516,277
Cash and cash equivalents at end of the period	7	<u>1,788,883</u>	<u>423,676</u>
<u>Supplemental non cash information</u>			
Net changes in fair value reserve		<u>(5,698)</u>	<u>(560)</u>

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

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 Council 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 Aul 1426H (corresponding to 19 April 2005) and its Head Office 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 60 banking branches (2007:48) and 83 exchange and remittance Centers (2007:82) in the Kingdom of Saudi Arabia. The Bank provides to its customers non-interest based banking products which are approved and supervised by an independent Shariah Authority, established by the Bank.

In accordance with the new regulatory requirements in Saudi Arabia, all banks are required to spin-off their asset management, brokerage, and advisory services into separate entities to be licensed by the Capital Market Authority (CMA).

In connection with the above, the Bank obtained the required licenses from the CMA. The actual transfers of these activities and services into independent activity are expected to take place on January 1, 2008 through Al-Bilad Company for Brokerage and Assets Management. Al-Bilad Company for Brokerage and Assets Management (a wholly owned Company by the Bank) obtained its commercial registration on 11 Du Al-Qu'ada 1428 H (Corresponding to November 21, 2007).

The Bank also established Al-Bilad for Real Estate Company (wholly Owned by the Bank) 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 gets from its customers.

b) Shari'a Authority

The Bank established a Shari'a Authority (the "Authority"). It ascertains that the Bank's activities are subject to its approvals and control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are as follows:

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

a) Basis of preparation

The interim condensed 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 also prepares its interim condensed financial statements to comply with the Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia. These interim condensed financial statements are expressed in Saudi Arabian Riyal ("SAR") and are rounded off to the nearest thousands.

These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2007

Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Bank's audited financial statements for the year ended December 31, 2007, as described in the annual financial statements for the year ended December 31, 2007.

3. INVESTMENTS, NET

Investments comprise the following:

	March 31, 2008 SAR'000 (Unaudited)	December 31, 2007 SAR'000 (Audited)	March 31, 2007 SAR'000 (Unaudited)
At amortized cost			
Murabaha	6,013,422	7,131,053	6,790,805
Bei Ajel	5,204,522	4,580,720	2,242,147
Musharaka	1,029,351	892,071	527,020
Installment sales	952,738	717,184	180,127
Available for sale			
Other investments	287,955	278,098	170,368
Total	13,487,988	13,599,126	9,910,467

4. OTHER ASSETS

Other assets comprise the following:

<u>SAR'000</u>	March 31, 2008 SAR'000 (Unaudited)	December 31, 2007 SAR'000 (Audited)	March 31, 2007 SAR'000 (Unaudited)
Prepaid rental expenses	33,878	12,719	30,478
Advances to suppliers	6,830	12,558	13,003
Management fee receivable	8,611	8,993	11,534
Other	311,477	335,911	9,352
Total	360,796	370,181	64,367

BANK ALBILAD
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008 AND 2007

During 2007 the Bank applied to the Capital Market Authority (CMA) to establish a real estate mutual fund, the Bank purchased a land in north of Riyadh city amounting to SAR 280 million after obtaining the approval from SAMA as the purpose of transfer it to the fund once established. The land is recorded as other assets at cost which approximate to fair value as of 31 March 2008.

5. CUSTOMERS' DEPOSITS

Customers' deposits comprise the following:

	March 31, 2008	December 31, 2007	March 31, 2007
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Current accounts - Saudi Riyal	8,207,364	7,452,321	4,770,357
Current accounts - foreign currencies	18,557	40,809	11,428
Current accounts - Al Bilad Account	3,482,721	2,558,183	558,692
Other deposits	121,251	90,148	68,723
Customer direct investments	1,394,279	2,547,824	2,571,404
Total	13,224,172	12,689,285	7,980,604

Other deposits include amounts collateral on behalf of the Bank's mutual funds account of SAR 3 million (2007: SAR 32 million) and SAR 18 million received as margins held for irrevocable commitments (2007: SAR 37 million). Current accounts include foreign currencies amounted to SAR 19 million in US dollar (2007: SAR 11 million) and which are all current accounts.

6. COMMITMENTS AND CONTINGENCIES

The Bank's commitments and contingencies are as follows:

	March 31, 2008	December 31, 2007	March 31, 2007
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Letters of credit	448,528	487,815	278,648
Letters of guarantee	843,450	794,587	637,070
Acceptances	75,202	83,182	122,283
Total	1,367,180	1,365,584	1,038,001

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

7. CASH AND CASH EQUIVALENTS

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

	March 31, 2008	December 31, 2007	March 31, 2007
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Cash	404,503	322,610	235,740
Due from banks (maturing within 90 days from acquisition)	128,519	14,229	98,087
Balances with SAMA (excluding statutory deposits)	1,255,861	1,042,269	89,849
Total	1,788,883	1,379,108	423,676

8. SEGMENTAL INFORMATION

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

- **Personal Banking/Retail Segment:** Includes services and products to individuals, including deposits, AlBilad accounts, 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 products, 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.
- **Other:** This segment includes all other cost centers and profit centers in the head office in areas of technology services and support.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

The Bank's total assets and liabilities as at March 31, its total operating income, expenses and net income for the three month periods ended, by business segments, are as follows:

2008 SAR'000 (Unaudited)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Others	Total
Total assets	1,142,126	6,802,258	5,357,436	320,363	3,465,671	17,087,854
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
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

2007 SAR'000 (Unaudited)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Others	Total
Total assets	486,939	3,781,032	3,663,089	196,380	3,176,265	11,303,705
Total liabilities	3,546,038	3,437,389	1,171,172	37,620	62,008	8,254,227
Total operating income	33,682	49,871	42,109	18,958	28,124	172,744
Total operating expenses	32,376	36,200	43,783	18,839	35,853	147,051
Net income (loss) for the period	1,306	13,671	18,326	119	(7,729)	25,693

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2008 AND 2007

9. 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 SAMA has issued guidance regarding implementation of Basel II , tillar 3 disclosures effective January 1 ,2008 . consequently, the following disclosure has been made for the first period and comparative not

Capital Adequacy Ratios		
Particulars	Total Capital Ratio	Tier 1 capital ratio
31-Mar-08	28.3%	27.8%

10. COMPARATIVE FIGURES

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