
Bank AlBilad
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIODS ENDED JUNE
30, 2007 AND 2006

REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of Bank Al Bilad (the Bank) as of June 30, 2007 and the related interim statements of income for the three and six-month periods then ended, and the interim statements of changes in shareholders' equity and cash flows for the six-month period then ended, including the related condensed notes.

Management's Responsibility for the Financial Statements

These interim condensed financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Review Scope

Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

We conducted our review in accordance with generally accepted standards in Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410. 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.

Conclusion

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 applicable Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Accounting Standard No. 34.

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29 Jumada II 1428 H
July 14, 2007



BANK ALBILAD
(A Saudi Joint Stock Company)

BALANCE SHEETS

	Notes	June 30, 2007 (Unaudited) SAR' 000	December 31, 2006 (Audited) SAR' 000	June 30, 2006 (Unaudited) SAR' 000
<u>ASSETS</u>				
Cash and balances with SAMA		984,957	702,726	557,262
Due from banks and other financial institutions		28,185	124,274	75,421
Investments, net	3	13,697,636	9,824,825	7,026,067
Property and equipment, net		534,869	555,313	447,278
Other assets		106,851	74,226	57,097
Total assets		15,352,498	11,281,364	8,163,125
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Liabilities				
Customer deposits	4	9,808,845	7,858,059	4,876,047
Other liabilities	5	2,461,848	398,960	246,198
Total liabilities		12,270,693	8,257,019	5,122,245
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Unallocated shares	8	(2,585)	(2,585)	(2,585)
Employee share plan	8	(39,025)	(39,025)	-
Statutory reserve		44,529	44,529	-
Fair value reserve		(17,019)	(14,072)	(5,572)
Retained earnings		95,905	35,498	49,037
Total shareholders' equity		3,081,805	3,024,345	3,040,880
Total liabilities and shareholders' equity		15,352,498	11,281,364	8,163,125

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

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

	<u>Three – Month Period Ended June30,</u>		<u>Six – Month period Ended June30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>SAR' 000</u>	<u>SAR' 000</u>	<u>SAR' 000</u>	<u>SAR' 000</u>
INCOME				
Income from investments:				
Murabaha	99,636	41,205	180,753	80,115
Bei Ajel	50,948	55,062	98,136	87,633
Musharaka	10,908	3,343	20,132	4,739
Installment sales	<u>3,812</u>	<u>-</u>	<u>5,652</u>	<u>-</u>
Total income from investments	165,304	99,610	304,673	172,487
Income paid to customer- time investments	(33,284)	-	(62,859)	-
Income paid to customer-Albilad Account	(2,609)	-	(2,609)	-
Income from investments, net	129,411	99,610	239,205	172,487
Fees from banking services, net	50,749	55,578	94,206	177,550
Exchange income, net	<u>20,830</u>	<u>7,425</u>	<u>40,323</u>	<u>18,734</u>
Total operating income	<u>200,990</u>	<u>162,613</u>	<u>373,734</u>	<u>368,771</u>
Salaries and employee-related expenses	82,731	61,481	162,416	115,156
Rent and premises-related expenses	20,025	20,790	39,738	31,767
Depreciation	23,628	16,614	47,670	30,207
Provision for investments	2,720	-	4,638	-
Other general and administrative expenses	<u>37,172</u>	<u>19,481</u>	<u>58,865</u>	<u>44,512</u>
Total operating expenses	<u>166,276</u>	<u>118,366</u>	<u>313,327</u>	<u>221,642</u>
Net income for the period	<u>34,714</u>	<u>44,247</u>	<u>60,407</u>	<u>147,129</u>
Earnings per share (SAR)	<u>0.12</u>	<u>0.15</u>	<u>0.21</u>	<u>0.49</u>

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BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

SAR' 000

	<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 (Accumulated loss)</u>	<u>Total</u>
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	-	-	-	-	(2,947)	-	(2,947)
Net income	-	-	-	-	-	60,407	60,407
Balance at the end of the period	3,000,000	(2,585)	(39,025)	44,529	(17,019)	95,905	3,081,805
2006							
Balance at beginning of the period	3,000,000	(2,585)	-	-	-	(98,092)	2,899,323
Net change in fair value of investments	-	-	-	-	(5,572)	-	(5,572)
Net income	-	-	-	-	-	147,129	147,129
Balance at the end of the period	3,000,000	(2,585)	-	-	(5,572)	49,037	3,040,880

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

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF CASH FLOWS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

	<u>Note</u>	June 30, 2007 <u>SAR'000</u>	June 30, 2006 <u>SAR'000</u>
OPERATING ACTIVITIES:			
Net income for the period		60,407	147,129
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Depreciation		47,670	30,207
Provision for investments		4,638	-
(Increase) in operating assets:			
Statutory deposits with SAMA		(157,386)	(144,594)
Investments		(3,880,396)	(1,820,034)
Other assets		(32,625)	(30,710)
Increase in operating liabilities:			
Customer deposits		1,950,786	960,597
Other liabilities		<u>2,062,888</u>	<u>55,547</u>
Net cash flow from / (used in) operating activities		<u>55,982</u>	<u>(801,858)</u>
INVESTING ACTIVITIES:			
Property and equipment, net		<u>(27,226)</u>	<u>(103,771)</u>
Net cash (used in) investing activities		<u>(27,226)</u>	<u>(103,771)</u>
Increase (decrease) in cash and cash equivalents		28,756	(905,629)
Cash and cash equivalents at beginning of the period	7	<u>516,277</u>	<u>1,227,536</u>
Cash and cash equivalents at end of the period	7	<u>545,033</u>	<u>321,907</u>
<u>Supplemental non cash information</u>			
Net movement in fair value reserve		<u>(2,947)</u>	<u>(5,572)</u>

The accompanying notes from 1 to 10 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 SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 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 Awal 1426H (corresponding to April 19, 2005). The Head office address is as follows :

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 54 banking branches (2006: 31) and 82 exchange and remittance centers (2006: 79) in the Kingdom of Saudi Arabia.

b) Shari'a Authority

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.

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 Accounting Standard No. 34 – Interim Financial Reporting and in compliance with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

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

BANK ALBILAD
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

Adoption of new and revised accounting standards

The Bank adopted IFRS 7, Financial Instruments: Disclosures and amendments to IAS 1 presentation of Financial Statements – Capital Disclosures effective January 1, 2007 with retrospective effect, wherever applicable. IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risk arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level of capital and how capital is managed. The changes introduced by these standards do not have any significant implication to these financial statements as they are condensed financial statements.

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, 2006.

3. INVESTMENTS, NET

Investments comprise the following:

	<u>SAR' 000</u>		
	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Investments held at amortized cost:			
Murabaha	9,913,283	6,841,808	4,206,313
Bei Ajel	2,645,390	2,346,007	2,559,753
Musharaka	567,063	375,731	203,452
Installment sales	304,429	95,352	37,120
Investments available for sale:			
Other investments, net	267,471	165,927	19,429
Total	<u>13,697,636</u>	<u>9,824,825</u>	<u>7,026,067</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

4. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	<u>SAR' 000</u>		
	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Current accounts - Saudi Riyal	5,726,643	4,834,870	4,207,732
Current accounts - foreign currencies	20,991	13,805	625,047
Current accounts - Al Bilad Account	1,071,174	-	-
Other deposits	<u>113,044</u>	<u>70,015</u>	<u>43,268</u>
	6,931,852	4,918,690	4,876,047
Customer direct investments	<u>2,876,993</u>	<u>2,939,369</u>	<u>-</u>
Total	<u>9,808,845</u>	<u>7,858,059</u>	<u>4,876,047</u>

During the period ended June 30, 2007, the Bank introduced the "Al Bilad Account" where the holders of such accounts will be entitled to income on their balances.

5. OTHER LIABILITIES

Other liabilities comprise the following: 77,351

	<u>SAR' 000</u>		
	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)	June 30, 2006 (Unaudited)
Initial Public Offering subscriptions - local company	2,013,985	-	-
Cash management account with SAMA	-	115,000	-
Accrued expenses	75,629	130,478	88,564
Accounts payable	271,628	96,621	77,351
Contributions to musharaka investments	37,369	12,879	12,409
Others	<u>63,237</u>	<u>43,982</u>	<u>67,874</u>
Total	<u>2,461,848</u>	<u>398,960</u>	<u>246,198</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

6. COMMITMENTS AND CONTINGENCIES

The Bank's commitments and contingencies are as follows:

	<u>SAR' 000</u>		
	June 30, 2007 <u>(Unaudited)</u>	December 31, 2006 <u>(Audited)</u>	June 30, 2006 <u>(Unaudited)</u>
Letters of credit	335,263	368,468	221,009
Letters of guarantee	789,345	486,413	371,181
Acceptances	119,825	108,406	117,224
Irrevocable commitments to extend credit	<u>3,006,409</u>	<u>3,263,422</u>	<u>1,490,276</u>
Total	<u>4,250,842</u>	<u>4,226,709</u>	<u>2,199,690</u>

7. CASH AND CASH EQUIVALENTS

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

	<u>SAR' 000</u>		
	June 30, 2007 <u>(Unaudited)</u>	December 31, 2006 <u>(Audited)</u>	June 30, 2006 <u>(Unaudited)</u>
Cash	314,825	303,191	148,101
Due from banks (maturing within 90 days of acquisition)	28,185	124,274	75,421
Balances with SAMA (current accounts)	<u>202,023</u>	<u>88,812</u>	<u>98,385</u>
Total	<u>545,033</u>	<u>516,277</u>	<u>321,907</u>

8. EMPLOYEE SHARE PLAN

The Bank plans to establish an employee compensation program in the form of a share option scheme the formation of which was approved by the Board of Directors in its meeting held on November 13th, 2006. The Board also resolved to use the balance of the unallocated shares of 258,500 shares for this program at par value of SAR 10 per share, in addition to one million shares which were bought from the market during 2006 at a total cost of SAR 39 million. SAMA has given its initial approval for this program; and the terms of the employee share plan are in the process of being finalized. The employee share plan upon final approval will consist of the following:

	<u>SAR in million</u>	<u>Number of shares</u>
Unallocated shares balance, at par value	2.6	258,500
New shares bought from the market, at cost	39	1,000,000
Total	<u>41.6</u>	<u>1,258,500</u>

BANK ALBILAD
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

9. 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, 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.
- **Others:** This segment includes all other cost centers and profit centers at 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 June 30, 2007 and 2006, its total operating income, expenses, and net income for the six-month period then ended, by business segment are as follows:

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	716,347	5,709,327	5,289,304	231,995	3,405,525	15,352,498
Total liabilities	5,915,016	4,592,768	1,623,867	66,602	72,440	12,270,693
Total operating income	73,119	131,921	63,862	48,695	56,137	373,734
Total operating expenses	67,666	101,885	36,840	43,571	63,365	313,327
Net income (loss) for the period	5,453	30,036	27,022	5,124	(7,228)	60,407

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX -MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (Unaudited)

2006 SAR'000 (Unaudited)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Others	Total
Total assets	292,047	2,794,213	1,816,263	145,998	3,114,604	8,163,125
Total liabilities	3,384,476	1,138,590	514,592	36,335	48,252	5,122,245
Total operating income	88,691	160,234	57,345	10,672	51,829	368,771
Total operating expenses	87,062	33,380	19,824	32,709	48,667	221,642
Net income (loss) for the period	1,629	126,854	37,521	(22,037)	3,162	147,129

10. CORRESPONDING FIGURES

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