
Bank AlBilad
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS FOR THE
THREE – MONTH AND NINE-MONTH
PERIODS ENDED SEPTEMBER 30,
2007 AND 2006**

REVIEWERS' 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, 2007, and the related statement of income for the three-month and six-month periods ended September 30, 2007 and the statements of changes in shareholders' equity and cash flows for the nine-month period then ended.

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.

Scope of Review

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.

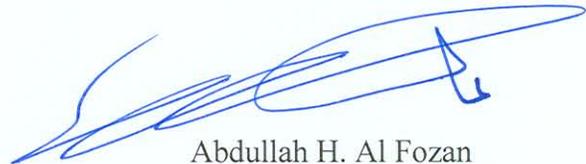
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27 Ramadhan 1428H
October 9, 2007



BANK ALBILAD
(A Saudi Joint Stock Company)

BALANCE SHEETS

	Notes	September 30, 2007 (Unaudited) SAR' 000	December 31, 2006 (Audited) SAR' 000	September 30, 2006 (Unaudited) SAR' 000
<u>ASSETS</u>				
Cash and balances with SAMA		1,004,055	702,726	579,264
Due from banks and other financial institutions		36,483	124,274	71,000
Investments, net	3	13,960,342	9,824,825	7,430,342
Property and equipment, net		571,260	555,313	471,225
Other assets		205,689	74,226	52,578
Total assets		15,777,829	11,281,364	8,604,409
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Liabilities				
Customer deposits	4	11,871,494	7,858,059	5,165,382
Other liabilities	5	782,385	398,960	369,384
Total liabilities		12,653,879	8,257,019	5,534,766
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		(13,988)	(14,072)	(7,533)
Retained earnings		135,019	35,498	79,761
Total shareholders' equity		3,123,950	3,024,345	3,069,643
Total liabilities and shareholders' equity		15,777,829	11,281,364	8,604,409

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 THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2007 AND 2006
(Unaudited)

	<u>Three – Month Period Ended September 30,</u>		<u>Nine – Month period Ended September 30,</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	114,383	43,066	295,136	123,182
Bei Ajel	68,900	44,642	167,036	132,274
Musharaka	12,061	5,089	32,193	9,828
Installment sales	7,587	-	13,239	-
Total income from investments	202,931	92,797	507,604	265,284
Income paid to customers- time investments	(51,934)	-	(114,793)	-
Income paid to customers-Albilad Account	(4,695)	-	(7,304)	-
Income from investments, net	146,302	92,797	385,507	265,284
Fees from banking services, net	46,137	42,109	140,343	219,659
Exchange income, net	4,974	7,193	45,297	25,927
Total operating income	197,413	142,099	571,147	510,870
EXPENSES				
Salaries and employee-related expenses	74,971	60,592	237,387	175,748
Rent and premises-related expenses	20,068	17,138	59,806	48,905
Depreciation	24,953	19,077	72,623	49,284
Provision for investments	8,000	1,819	12,638	1,819
Other general and administrative expenses	30,307	12,749	89,172	57,261
Total operating expenses	158,299	111,375	471,626	333,017
Net income for the period	39,114	30,724	99,521	177,853
Earnings per share (SAR)	0.13	0.10	0.33	0.59

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BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 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	-	-	-	-	84	-	84
Net income	-	-	-	-	-	99,521	99,521
Balance at end of the period	3,000,000	(2,585)	(39,025)	44,529	(13,988)	135,019	3,123,950
2006							
Balance at beginning of the period	3,000,000	(2,585)	-	-	-	(98,092)	2,899,323
Net income	-	-	-	-	(7,533)	-	(7,533)
	-	-	-	-	-	177,853	177,853
Balance at end of the period	3,000,000	(2,585)	-	-	(7,533)	79,761	3,069,643

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BANK ALBILAD
(A Saudi Joint Stock Company)

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

	Note	September 30, 2007 SAR'000	September 30, 2006 SAR'000
OPERATING ACTIVITIES:			
Net income for the period		99,521	177,853
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Depreciation		72,623	49,284
Provision for investments		12,638	1,819
(Increase) in operating assets:			
Statutory deposits with SAMA		(198,493)	(106,074)
Investments		(4,148,072)	(2,228,090)
Other assets		(131,462)	(26,191)
Increase in operating liabilities:			
Customer deposits		4,013,435	1,249,932
Other liabilities		<u>383,424</u>	<u>178,733</u>
Net cash flow from / (used in) operating activities		<u>103,614</u>	<u>(702,734)</u>
INVESTING ACTIVITIES:			
Property and equipment, net		<u>(88,570)</u>	<u>(146,795)</u>
Net cash (used in) investing activities		<u>(88,570)</u>	<u>(146,795)</u>
Increase (decrease) in cash and cash equivalents		15,044	(849,529)
Cash and cash equivalents at beginning of the period		<u>516,277</u>	<u>1,227,536</u>
Cash and cash equivalents at end of the period	7	<u>531,321</u>	<u>378,007</u>
Supplemental non cash information			
Net movement in fair value reserve		<u>84</u>	<u>(7,533)</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 NINE -MONTH PERIODS ENDED SEPTEMBER 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 58 banking branches (2006: 38) and 84 exchange and remittance centers (2006: 80) in the Kingdom of Saudi Arabia.

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

However the actual transfer of the activities/operations to the too new companies is expected to take place during 2008.

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:

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

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.

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>		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Investments held at amortized cost:			
Murabaha	8,118,238	6,841,808	4,779,686
Bei Ajel ,net	4,443,987	2,346,007	2,151,106
Musharaka	640,623	375,731	276,448
Installment sales	486,992	95,352	55,635
Investments available for sale:			
Other investments, net	<u>270,502</u>	<u>165,927</u>	<u>167,467</u>
Total	<u><u>13,960,342</u></u>	<u><u>9,824,825</u></u>	<u><u>7,430,342</u></u>

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

4. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	<u>SAR' 000</u>		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Current accounts - Saudi Riyal	5,569,093	4,834,870	3,426,698
Current accounts - foreign currencies	11,860	13,805	14,611
Current accounts - Al Bilad Account	1,560,200	-	-
Other deposits	91,510	70,015	51,258
	<u>7,232,663</u>	<u>4,918,690</u>	<u>3,492,567</u>
Customer direct investments	4,638,831	2,939,369	1,672,815
Total	<u>11,871,494</u>	<u>7,858,059</u>	<u>5,165,382</u>

During the period ended September 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:

	<u>SAR' 000</u>		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Accounts payable	448,890	96,621	214,194
Accrued expenses	99,819	130,478	81,434
Cash management account with SAMA	80,000	115,000	20,000
Contributions to musharaka investments	45,361	12,879	16,610
Clearing accounts	41,406	-	-
Others	66,909	43,982	37,146
	<u>782,385</u>	<u>398,960</u>	<u>369,384</u>
Total	<u>782,385</u>	<u>398,960</u>	<u>369,384</u>

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

6. COMMITMENTS AND CONTINGENCIES

The Bank's commitments and contingencies are as follows:

	SAR' 000		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Letters of credit	504,666	368,468	306,978
Letters of guarantee	765,112	486,413	402,813
Acceptances	92,682	108,406	98,577
Irrevocable commitments to extend credit	<u>2,664,064</u>	<u>3,263,422</u>	<u>2,574,085</u>
Total	<u>4,026,524</u>	<u>4,226,709</u>	<u>3,382,453</u>

7. CASH AND CASH EQUIVALENTS

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

	SAR' 000		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
Cash	481,824	303,191	244,794
Due from banks (maturing within 90 days of acquisition)	36,483	124,274	71,000
Balances with SAMA (current accounts)	<u>13,014</u>	<u>88,812</u>	<u>62,213</u>
Total	<u>531,321</u>	<u>516,277</u>	<u>378,007</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:

	SAR in million	Number of shares
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>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE -MONTH PERIODS ENDED SEPTEMBER 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 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, 2007 and 2006, its total operating income, expenses, and net income for the nine-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	1,018,930	5,775,630	5,195,995	318,126	3,469,148	15,777,829
Total liabilities	6,536,756	3,297,977	2,638,642	131,639	48,865	12,653,879
Total operating income	111,992	214,598	76,749	77,946	89,862	571,147
Total operating expenses	100,802	164,626	47,491	65,106	93,601	471,626
Net income (loss) for the period	11,190	49,972	29,258	12,840	(3,739)	99,521

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE -MONTH PERIODS ENDED SEPTEMBER 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	379,891	2,839,469	2,092,776	186,716	3,105,557	8,604,409
Total liabilities	3,212,489	1,027,209	1,215,892	32,865	46,311	5,534,766
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

10. CORRESPONDING FIGURES

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