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Bank AlBilad
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005 AND INDEPENDENT AUDITORS' REPORT

BANK ALBILAD
(A Saudi joint stock Company)

BALANCE SHEET
AS AT DECEMBER 31, 2005

	Notes	SAR'000	SAR'000
ASSETS			
Cash and Balances with Saudi Arabian Monetary Agency (SAMA)	3		1,284,560
Due from banks	4		109,158
Investments			
Murabaha		3,508,796	
Bei Ajel		1,696,214	
Musharaka		111,224	
Total investments	5		**5,316,234**
Fixed assets, net	6		373,714
Other assets	7		26,387
Total assets			**7,110,053**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Customer deposits	8		3,915,450
Other liabilities	9		295,280
Total liabilities			**4,210,730**
Shareholders' equity			
Share capital	10	3,000,000	
Unallocated shares	10	(2,585)	
Paid up capital			2,997,415
Accumulated loss			(98,092)
Total shareholders' equity			**2,899,323**
Total liabilities and shareholders' equity			**7,110,053**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi joint stock Company)

STATEMENT OF OPERATIONS
FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005

	Notes	SAR’000
INCOME		
Income from investments:		
Murabaha		94,940
Bei Ajel		14,311
Total income from investments		**109,251**
Fees from banking services, net	12	44,861
Exchange differences income, net		9,376
Total operating income		**163,488**
EXPENSES		
Salaries and employee related benefits		104,561
Rent and premises related expenses		24,240
Depreciation	6	8,727
Other general and administrative expenses		44,184
Total operating expenses		**181,712**
Pre-operating expenses, net	13	79,868
Net loss for the period		**(98,092)**
Loss Per Share (Saudi Riyals)	14	**(1.64)**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi joint stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005

		SAR'000			
	Note	Share capital	Unallocated shares	Accumulated loss	Total
Share capital	10	3,000,000	(2,585)	-	2,997,415
Accumulated loss		-	-	(98,092)	(98,092)
Balance at December 31, 2005		**3,000,000**	**(2,585)**	**(98,092)**	**2,899,323**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi joint stock Company)

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005

	Notes	SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss		(98,092)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation		8,727
Net increase in operating assets:		
Statutory deposit with SAMA	3	(166,182)
Investments		(5,316,234)
Other assets		(26,387)
Net increase in operating liabilities:		
Customer deposits		3,915,450
Other liabilities		295,280
Net cash used by operating activities		**(1,387,438)**
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchase of fixed assets		(382,441)
Net cash used in investing activities		**(382,441)**
FINANCING ACTIVITIES -		
Share capital contribution		2,997,415
Net cash provided by financing activities		**2,997,415**
Cash and cash equivalents, end of period	16	**1,227,536**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

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), of 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 Aual 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

AlBilad'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 21 banking branches and 60 exchange and remittance Centers in the Kingdom of Saudi Arabia.

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.

c) Period of financial statements

According to the clause number 9 of the Bank's articles of association and clause number 40 of the it's Bylaws, the Bank's fiscal year begins on January 1 and ends on December 31 of each Gregorian year and the first fiscal year starts from the date of commercial registration until the end of December of the following year i.e. 2006. However, based on directives from regulators, these financial statements have been prepared for the period from April 19, 2005 (Date of commercial registration) until December 31, 2005 (hereinafter referred to as "the period").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing these financial statements are described as follows:

a) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA") and with International Financial Reporting Standards ("IFRS"). The Bank also prepares its financial statements to comply with the Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia.

The financial statements are prepared under the historical cost convention as modified to include the measurement at fair value of available-for-sale investments and investments held at fair value through income statement (FVIS)..

Certain new IFRS's and amendments to certain existing International Accounting Standards (IAS), and interpretations issued by the International Accounting Standards Board have been published and are mandatory for accounting periods beginning on or after January 1, 2006. These include:

- IAS 39 - Fair value options (effective from January 1, 2006);
- IFRS 7 - Financial instruments disclosures (effective from January 1, 2007); and
- IFRIC 4 - Determining whether an arrangement contains a lease (effective from January 1, 2006).

The Bank's management is currently assessing the impact of these pronouncements on the Bank's operations and its financial position.

In the ordinary course of business, the Bank makes certain estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The financial statements are expressed in Saudi Riyals (SAR) and are rounded off to the nearest thousands.

b) Trade date accounting

All regular-way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

c) Foreign currencies

The financial statements are denominated in Saudi Riyals. Transactions in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the period-end denominated in foreign currencies, are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Realized and unrealized gains and losses resulted from the translation are charged or credit to the statement of operations.

d) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the related amounts and when the Bank intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

e) Recognition of income

Income from Murabaha, Bei Ajel and Musharaka, are recognized based on a constant rate of return on the outstanding balance method. No additional amounts are charged for delayed payments.

Income from banking services is recognized as and when the related services are provided.

f) Investments and provisions for impairment

Investments comprising of Murabaha, Bei Ajel and Musharaka, originated by the Bank, are initially recognized at cost and are subsequently measured at cost less any amounts written off, and provision for impairment, if any.

Provision for Murabaha, Bei Ajel and Musharaka, Including those arising from savoring credit risk exposure If any, are determined according to management's assessment of the adequacy of the recorded provision on a periodic basis. Such assessment takes into account the composition and volume of the related accounts, the historical pattern of losses, the credit rating of the customers, and the economic environment in which the customers operate.

The provision for investments is deducted from the related account for presentation purposes in the financial statements.

g) Zakat and withholding tax

Zakat is calculated based on the rules and regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia and is considered as a liability of the shareholders to be deducted from dividend distributions.

Withholding tax is being withheld from payments made to non resident vendors for services rendered as per the prevailing tax law and is being directly paid to the DZIT every month.

h) Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is an objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of the future anticipated cash flows, is recognized for changes in the asset's carrying amount. The carrying amount of the financial assets held at amortized cost is adjusted either directly or through the use of an allowance account, and the amount of the adjustment is included in the statement of operations.

Specific provisions are evaluated individually for all different types of investments. Considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. In addition to specific provisions, the Bank also makes collective impairment provisions, which are evaluated on a group basis and are created for losses, where there is objective evidence that a group of investments have greater risk of impairment than when originally initiated. The amount of the provision is estimated based on the historical default patterns of the investment counter parties as well as their credit gradings, taking into account the current economic climate.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

i) Provisions

Provisions for liabilities are recognized when the Bank has present legal, or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

j) Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of other fixed assets is depreciated or amortized using the straight-line method over the estimated useful lives of the assets, as follows:

Leasehold improvements	10 years or the lease period, whichever is shorter
Equipment and furniture	4 to 5 years
Computer hardware and software	5 years

k) Customer deposits

Customer deposits, which are non-commission bearing accounts, are initially recognized at cost, being the fair value of the consideration received, and are subsequently measured at amortized cost.

l) Accounting for leases

Leases entered into by the Bank as a lessee are all operating leases. Accordingly, payments are charged to the statement of operations on a straight-line basis over the period of the lease.

m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as those amounts included in cash and balances with SAMA (excluding the statutory deposit) and due from banks maturing within ninety days of acquisition.

n) Income excluded from the statement of operations

The Shari'a Authority of the Bank conducts from time to time internal audits to ensure compliance of its Shari'a decisions. In cases where revenues have been wrongly or inadvertently recognized, the Board of Directors of the Bank shall at the request of the CEO authorize exclusion of such revenues from the Bank's income for its final disposal.

3. CASH AND BALANCES WITH SAMA

Cash and balances with SAMA as of December 31, 2005 comprise the following:

	SAR'000
Cash on hand	146,144
Statutory deposit with SAMA	166,182
Balances with SAMA (current accounts)	972,234
Total	**1,284,560**

In accordance with the Banking Control Law and Regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA, at stipulated percentages of its customer deposits and other customer accounts, calculated at the end of each Gregorian month.

4. DUE FROM BANKS

Due from banks as of December 31, 2005 comprise foreign current accounts.

5. INVESTMENTS, NET

The concentration risks of the investments by major economic sectors at December 31, 2005 are as follows:

	SAR'000
Banks and other financial institutions	3,503,379
Commercial	689,655
Industrial	245,199
Building and construction	346,726
Transportation & communication	58,089
Personal	5,414
Other	467,772
Total	**5,316,234**

6. FIXED ASSETS, NET

Fixed assets, net as of December 31, 2005 comprise the following:

	SAR'000			
	Leasehold improvements	Equipment & furniture	Computer hardware and software	Total
Cost	138,898	83,722	159,821	382,441
Accumulated depreciation	(998)	(3,932)	(3,797)	(8,727)
Net book value	**137,900**	**79,790**	**156,024**	**373,714**

Leasehold improvements include work-in-progress amounting to SAR 33.3 million.

7. OTHER ASSETS

Other assets as of December 31, 2005 comprise the following:

	SAR'000
Advances to suppliers	4,444
Prepaid rental expenses	10,382
Other	11,561
Total	**26,387**

8. CUSTOMER DEPOSITS

Customer deposits as of December 31, 2005 comprise the following:

	SAR'000
Current accounts - Saudi Riyal	2,464,400
Current accounts - foreign currencies	8,079
Other deposits	1,442,971
Total	**3,915,450**

Other deposits include deposits received for the Bank's Mutual Funds of SAR 1,429 million (Note 25), and SAR 14 million of margins held for irrevocable commitments.

9. OTHER LIABILITIES

Other liabilities as of December 31, 2005 comprise the following:

	SAR'000
Contributions to Musharaka investments (Note 5)	108,768
Accrued expenses	125,718
Accounts payable	23,144
Initial Public Offering deposits - local company	23,169
Other	14,481
Total	**295,280**

10. SHARE CAPITAL

The authorized, issued and fully paid share capital and wholly owned by Saudi shareholders as of December 31, 2005 comprises the following:

Number of shares	60 million
Par value per share	SAR 50
Share capital	SAR 3,000 million
Unallocated shares	SAR 2.6 million

Unallocated Shares

Due to share subscription allocation formula, as approved by the CMA, shares with total par value of SAR 2.6 million remained unallocated. The Bank is awaiting instructions from the CMA for the disposal of these unallocated shares.

11. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2005, there were routine legal proceedings outstanding against the Bank. No provisions have been made as professional legal advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2005, the Bank had capital commitments of approximately SAR 87 million relating to contracts for branch leasehold improvements.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, and unused commitments to extend credit facilities. The primary purpose of these instruments is to ensure that funds are available to customers as required. Letters of guarantee and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as investments.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate, and therefore, carry less risk.

Cash requirements under letters of credit and guarantee are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Commitments to extend credit represent unused portions of authorization to extended credit, principally in the form of investments, guarantees or letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Bank is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

- The contractual maturities of commitments and contingencies at December 31, 2005 are as follows:

	SAR'000			
	Less than 3 months	From 3 months to one year	From one year to 5 years	Total
Letters of credit	53,278	4,739	46,938	104,955
Letters of guarantee	5,081	46,976	309,374	361,431
Acceptances	35,276	-	-	35,276
Total	**93,635**	**51,715**	**356,312**	**501,662**

The unused portion of non-firm commitments, which can be revoked at any time by the Bank, that is outstanding as at December 31, 2005, amounted to SAR 32.3 million.

- The analysis of commitments and contingencies by counter party as at December 31, 2005 is as follows:

	SAR'000
Government and quasi Government	287,274
Corporate	208,152
Other	6,236
Total	**501,662**

d) Operating lease commitments

The future minimum lease payments under non-cancelable operating leases, where the Bank is the lessee, at December 31, 2005 are as follows:

	SAR'000
Less than one year	513
One year to five years	36,421
Over five years	193,194
Total	**230,128**

12. FEES FROM BANKING SERVICES, NET

Fees from banking services, net for the period ended December 31, 2005 comprise the following:

	SAR'000
Fee income	51,892
Fee expense	(7,031)
Net fee income	**44,861**

13. PRE-OPERATING EXPENSES, NET

The following is a summary of the net pre-operating expenses for the period ended 18th April 2005:

	SAR'000
Salaries and employee-related expenses	39,068
Consulting expenses	22,898
Rental and building-related expenses	7,765
Other general and administrative expenses	38,109
Total pre-operating expenses	**107,840**
Murabaha income during pre-operating period	27,972
Pre-operating expenses, net	**79,868**

14. LOSS PER SHARE

Loss per share are calculated by dividing the net loss for the period by the number of shares outstanding of approximately 60 million shares during the period.

15. ZAKAT

Zakat due is calculated based on the Bank's zakat base. According to the Bank's zakat base as of December 31, 2005 no zakat is due on the Bank for the period.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows as at December 31, 2005 comprise the following:

	SAR'000
Cash	146,144
Due from banks (maturing within 90 days of acquisition)	109,158
Balances with SAMA (current accounts)	972,234
Total	**1,227,536**

17. 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, like deposits, credit facilities, investments and local and international shares dealing services.
- **Corporate and Private Banking Segment:** Includes services and products to corporate and high net worth individuals like deposits, credit facilities, 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, like 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.

However, during the period ended December 31st, 2005 the Bank's principal activities were in the following three segments:

	Banking Branches	Enjaz Centers	Others	Total
Total Assets	5,516,178	86,093	1,507,782	7,110,053
Total liabilities	4,181,450	29,280	-	4,210,730
Total operating income	89,730	4,401	69,357	163,488
Operating Expenses	154,257	39,658	67,665	261,580
Net (loss)Income for the period	(64,527)	(35,257)	1,692	(98,092)

18. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss.

Investments, letters of credit and guarantees represent the majority of credit related financial instruments. The monitoring and management of risks associated with these instruments are made through the setting up of approved credit limits, through the avoidance of inappropriate concentration of risks, and through ensuring customers' credit worthiness and obtaining adequate collaterals, when necessary.

Concentrations of credit risks arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through the diversification of the investment portfolio to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate.The maximum credit risk from on and off balance sheet financial instruments is equal to the book value disclosed in the financial statements, excluding the fair values of collaterals and cash margins received on letters of credit and guarantee.

19. GEOGRAPHICAL CONCENTRATION

Below is the geographical distribution of the main categories of assets, liabilities, commitments and contingencies and credit risk as of December 31, 2005.

	SAR'000					
	Kingdom of Saudi Arabia	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	1,284,560	-	-	-	-	1,284,560
Due from banks	-	96,610	295	11,833	420	109,158
Investments						
Murabaha	2,579,524	929,272	-	-	-	3,508,796
Bei Ajel	1,696,214	-	-	-	-	1,696,214
Musharaka	111,224	-	-	-	-	111,224
Total	**5,671,522**	**1,025,882**	**295**	**11,833**	**420**	**6,709,952**
Liabilities						
Customer deposits	3,915,450	-	-	-	-	3,915,450
Total	**3,915,450**	**-**	**-**	**-**	**-**	**3,915,450**
Commitments and contingencies	**501,662**	**-**	**-**	**-**	**-**	**501,662**
Credit risk of commitments and contingencies	**208,762**	**-**	**-**	**-**	**-**	**208,762**

20. CURRENCY RISK

The Bank is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Bank's management sets limits on the level of exposure by individual currency and in total for both overnight and intra day positions, which are monitored daily.

The Bank had the following significant exposure denominated in foreign currencies as of December 31, 2005:

	SAR'000 (Dr) Cr position
US Dollar	295,575
Kuwaiti Dinar	89,812
Bangladeshi Taka	4,504
Indian Rupees	4,500
UAE Dirham	3,804
Other	4,425

21. LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements in a timely manner without incurring losses. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. To mitigate this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a balance of cash and cash equivalents. The table below summarizes the maturity profile of the Bank's assets and liabilities, on the basis of the remaining period at the balance sheet date to the contractual maturity date, and do not take into account the effective maturities as indicated by the Bank's customer deposits retention history, and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank is required to maintain a statutory deposit equal to a sum of not less than 7% of total customer deposits, and 2% of total other customer accounts. In addition to the statutory deposit, the Bank is required to maintain a liquid reserve, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days, of not less than 20% of the deposit liabilities.

The Bank may also raise additional funds through special investment arrangements with SAMA including Bei Ajel transactions.

The maturity profile of assets, liabilities and shareholders' equity as of December 31, 2005 are as follows:

	SAR'000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and cash equivalents	1,227,536	-	-	-	-	1,227,536
Deposits with SAMA	-	-	-	-	166,182	166,182
Investments:						
Murabaha	1,402,840	-	2,105,956	-	-	3,508,796
Bei Ajel	-	1,009,200	687,014	-	-	1,696,214
Musharakah	111,224	-	-	-	-	111,224
Fixed assets, net	-	-	-	-	373,714	373,714
Other assets	-	-	-	-	26,387	26,387
Total	**2,741,600**	**1,009,200**	**2,792,970**	**-**	**566,283**	**7,110,053**
Liabilities and shareholders' equity						
Customer deposits	3,915,450	-	-	-	-	3,915,450
Other liabilities	-	-	-	-	295,280	295,280
Shareholders' equity	-	-	-	-	2,899,323	2,899,323
Total	**3,915,450**	**-**	**-**	**-**	**3,194,603**	**7,110,053**

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

The estimated fair values of the on balance sheet financial instruments, excluding Murabaha, Bei Ajel and Musharaka are not significantly different from their respective net book values.

23. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances of transactions with the related parties for the period ended December 31, 2005 are as follows:

	SAR'000
a) Directors, other major shareholders and their affiliates:	
Bei Ajel	624,948
Commitments and contingencies	6,880
Current accounts	43,076

Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.

	SAR'000
b) Bank's Mutual funds:	
Customer deposits	1,429,334

c) Related party income and expense:

The following is an analysis of the related party income and expenses included in the statement of operations for the period:

	SAR'000
Income from investments	7,023
Management fees (AlBilad mutual funds)	28,533
Board of Directors' remunerations	385
Salary and remuneration of executive managers	8,993

24. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and contingencies, to reflect their relative risk as described in the following table.

	SAR'000 Capital	Ratio
Tier I - core capital	2,899,323	96%

Risk weighted assets	SAR'000		
	Carrying value /notional amount	Credit equivalent	Risk weighted assets
Balance sheet assets			
0%	1,836,048	-	-
20%	3,066,466	-	613,293
100%	2,207,539	-	2,207,539
Total	7,110,053	-	2,820,832
Commitments and contingencies			
0%	-	-	-
20%	140,231	140,231	28,046
50%	361,431	361,431	180,716
100%	-	-	-
Total	501,662	501,662	208,762
Grand total			3,029,594

25. INVESTMENT MANAGEMENT SERVICES

The Bank offers investment management services to its customers. These services include the management of three mutual funds with assets totaling SAR 1,429 million. All three of these funds comply with Shariah rules and are subject to Shariah control on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors. The Bank also manages private investment portfolios on behalf of customers. The financial statements of these funds and private portfolios are not included in the financial statements of the Bank. However, the transactions between the Bank and the funds are disclosed under related party transactions (see Note 23). Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in the financial statements of the Bank.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 Muharram 1427H corresponding to February 20, 2006.