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**Bank AlBilad**  
**(A Saudi Joint Stock Company)**

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

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## AL JURAID & COMPANY

MEMBER FIRM OF

PRICEWATERHOUSECOOPERS 

P.O. Box 8282  
Riyadh 11482  
Saudi Arabia



Al Fozan & Bannaga

P.O. Box 92876  
Riyadh 11663  
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### SPECIAL REVIEW REPORT

To the shareholders of Bank AlBilad  
(Saudi Joint Stock Company)

We have reviewed the accompanying balance sheet of Bank AlBilad ("the Bank") as of 30 June 2006, and the related statements of income, changes in shareholders' equity and cash flows for the three-month and six-month periods then ended. These interim condensed financial statements are the responsibility of the Bank's management.

We conducted our review in accordance with generally accepted auditing standards applicable to review engagements. 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.

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 Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards.

#### AL JURAID & COMPANY

Member firm of PricewaterhouseCoopers

Sami B. Al Sarraj  
Registration No. 165



#### KPMG

Al Fozan & Bannaga

Abdullah H. Al Fozan  
Registration No. 348



**BANK ALBILAD**  
**(A Saudi Joint Stock Company)**

**BALANCE SHEETS (see Note 1)**

		SAR'000	
		June 30, 2006	December 31, 2005
<b><u>ASSETS</u></b>	<b><u>Notes</u></b>	<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
Cash and Balances with SAMA		557,262	1,284,560
Due from banks and other financial institutions		75,421	109,158
Investments, net	3	8,111,865	6,427,351
Fixed assets, net		447,278	373,714
Other assets		57,097	26,387
<b>Total assets</b>		<b><u>9,248,923</u></b>	<b><u>8,221,170</u></b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
<b>Liabilities</b>			
Customer deposits	4	5,806,169	5,026,567
Other liabilities		401,874	295,280
<b>Total liabilities</b>		<b><u>6,208,043</u></b>	<b><u>5,321,847</u></b>
<b>Shareholders' equity</b>			
Share capital	8	3,000,000	3,000,000
Unallocated shares	8	(2,585)	(2,585)
Other Reserve	3	(5,572)	—
Retained earnings (accumulated losses)		49,037	(98,092)
<b>Total shareholders' equity</b>		<b><u>3,040,880</u></b>	<b><u>2,899,323</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>9,248,923</u></b>	<b><u>8,221,170</u></b>

The accompanying notes from 1 to 9 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 SIX - MONTH PERIODS ENDED JUNE 30, 2006 (Unaudited)**  
**(See Note 1)**

		SAR, 000	
	Note	For the Three - Month Period Ended June 30, 2006	For the Six - Month Period Ended June 30, 2006
<b>INCOME</b>			
<b>Income from investments:</b>			
Murabaha		41,205	80,115
Bei Ajel		55,062	87,633
Musharaka		<u>3,343</u>	<u>4,739</u>
<b>Total income from investments</b>		<b>99,610</b>	<b>172,487</b>
Fees from banking services, net		55,578	177,550
Exchange income, net		<u>7,425</u>	<u>18,734</u>
<b>Total operating income</b>		<b><u>162,613</u></b>	<b><u>368,771</u></b>
Salaries and employee-related expenses		61,481	115,156
Rent and premises-related expenses		20,790	31,767
Depreciation		16,614	30,207
Other general and administrative expenses		<u>19,481</u>	<u>44,512</u>
<b>Total operating expenses</b>		<b><u>118,366</u></b>	<b><u>221,642</u></b>
<b>Net income for the period</b>		<b><u>44,247</u></b>	<b><u>147,129</u></b>
<b>Basic and diluted earnings per share (expressed in SAR)</b>	<b>8</b>	<b><u>0.15</u></b>	<b><u>0.49</u></b>

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**BANK ALBILAD**  
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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX – MONTH PERIOD ENDED JUNE 30, 2006 (Unaudited) (See Note 1)**

	SAR'000				
	Share capital	Unallocated shares	Other Reserve	Retained earnings (Accumulated losses)	Total
Balance at beginning of the period	3,000,000	(2,585)	–	(98,092)	2,899,323
Net income for the period	–	–	–	147,129	147,129
Net changes in fair value (note 3)	–	–	(5,572)	–	(5,572)
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 9 form an integral part of these interim condensed financial statements

**BANK ALBILAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE SIX - MONTH PERIOD ENDED JUNE 30, 2006 (Unaudited) (see Note 1)**

	<u>Note</u>	<u>SAR'000</u>
<b>OPERATING ACTIVITIES:</b>		
Net income for the period		147,129
<b>Adjustments to reconcile net income to net cash used in operating activities:</b>		
Depreciation		30,207
<b>(Increase) in operating assets:</b>		
Statutory deposits with SAMA		(144,594)
Investments		(1,690,086)
Other assets		(30,710)
<b>Increase in operating liabilities:</b>		
Customer deposits		779,602
Other liabilities		<u>106,594</u>
<b>Net cash used in operating activities</b>		<u><b>(801,858)</b></u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of fixed assets		<u>(103,771)</u>
<b>Net cash used in investing activities</b>		<u><b>(103,771)</b></u>
Decrease in cash and cash equivalents		(905,629)
Cash and cash equivalents at beginning of the period	6	<u><b>1,227,536</b></u>
<b>Cash and cash equivalents at end of the period</b>	6	<u><b>321,907</b></u>
<b><u>Supplemental non cash information</u></b>		
Net changes in fair value	3	<u><b>(5,572)</b></u>

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements

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

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**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 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 Aual 1426H (corresponding to April 19, 2005). The Bank did not commence operation until after June 30, 2005 and therefore no income statement is available for the second quarter ended June 30, 2005. However for cash flow purpose, the share capital contribution by the shareholders was received by the bank during the period ended June 30, 2005. The Head Office of the Bank 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 31 banking branches and 79 exchange and remittance Centers in the Kingdom of Saudi Arabia.

**b) Shari’a Committee**

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.



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**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 to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held for trading, held at Fair value through income statement (“FVIS”) and available for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

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

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the Bank's audited financial statements for the period from April 19, 2005 (date Commercial Registration) to December 31, 2005.

All Shariah approved banking products are accounted for using IFRS and are in conformity with the accounting policies used in the preparation of the Bank’s audited financial statements for the period from April 19, 2005 (Date of Commercial Registration) to December 31, 2005.



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

**3. INVESTMENTS, NET**

Investments comprise the following:

	SAR'000	
	(Unaudited)	(Audited)
	June 30, 2006	December 31, 2005
Murabaha	5,173,555	4,619,913
Bei Ajel	2,559,753	1,696,214
Musharaka	359,129	111,224
Other Investment, net	19,428	-
<b>Total</b>	<b>8,111,865</b>	<b>6,427,351</b>

Other investment comprise of investments in one of the Bank's mutual funds, classified as available for sale, and is shown at net of fair value reserve of SAR 5.6 million.

**4. CUSTOMER DEPOSITS**

Customer deposits comprise the following:

	SAR'000	
	(Unaudited)	(Audited)
	June 30, 2006	December 31, 2005
Current accounts - Saudi Riyal	4,755,813	2,464,400
Current accounts - foreign currencies	76,966	8,079
Other deposits	973,390	2,554,088
<b>Total</b>	<b>5,806,169</b>	<b>5,026,567</b>

Other deposits include deposits received for the Bank's Mutual Funds of SAR 19 million (December, 31 2005: SAR 1,429 million), and SAR 24 million (December, 31 2005: SAR 14 million) of margins held for irrevocable commitments.

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

**5. COMMITMENTS AND CONTINGENCIES**

The Bank's commitments and contingencies are as follows:

	SAR'000	
	(Unaudited)	(Audited)
	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Letters of credit	221,009	104,955
Letters of guarantee	371,181	361,431
Acceptances	<u>117,224</u>	<u>35,276</u>
<b>Total</b>	<b><u>709,414</u></b>	<b><u>501,662</u></b>

**6. CASH AND CASH EQUIVALENTS**

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

	SAR'000	
	(Unaudited)	(Audited)
	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Cash	148,101	146,144
Due from banks (maturing within 90 days of acquisition)	75,421	109,158
Balances with SAMA (current accounts)	<u>98,385</u>	<u>972,234</u>
<b>Total</b>	<b><u>321,907</u></b>	<b><u>1,227,536</u></b>

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

**7. 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, 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 product, 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 June 30, 2006, its total operating income, expenses, and net income for the six-months period then ended, by business segments being the primary segment, are as follows:

SAR'000 (Unaudited)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Other	Total
Total assets	292,074	2,980,219	2,718,321	145,998	3,112,311	9,248,923
Total liabilities	3,378,860	1,771,737	975,152	36,335	45,959	6,208,043
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



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**FOR THE THREE – MONTH AND SIX - MONTH PERIODS ENDED JUNE 30, 2006 (Unaudited)**

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**8. SHARE CAPITAL AND EARNINGS PER SHARE**

Basic and diluted earnings per share for the period ended June 30, 2006 is calculated by dividing the net income for the period by 300 million shares to give a retroactive effect of change in the number of shares increased as a result of the share split on April 8, 2006. In accordance with the Capital Market Authority's announcement dated March 27, 2006, the shares of the Bank were split into five shares for every one share effective April 8, 2006. Accordingly, the number of shares has now increased from 60 million ordinary shares of SR 50 each to 300 million ordinary shares of SR 10 each.

Due to share subscription allocation formula, as approved by 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.

**9. CORRESPONDING FIGURES**

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