
BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE-MONTH
PERIODS ENDED MARCH 31, 2010 AND 2009**

BANK ALBILAD

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		MARCH 31, 2010 SAR'000 (Unaudited)	DECEMBER 31, 2009 SAR'000 (Audited)	MARCH 31, 2009 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		1,594,044	1,297,241	1,240,752
Due from banks and other financial institutions, net		3,762,293	2,826,483	4,190,227
Investment	5	1,709,603	1,535,639	1,658,055
Financing, net	6	11,190,200	11,014,115	9,087,793
Property and equipment, net		369,501	394,502	520,681
Other assets		352,378	343,212	365,675
Total assets		18,978,019	17,411,192	17,063,183
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to SAMA		-	150,000	400,079
Due to banks and other financial institutions		1,032,270	48,327	995
Customer deposits		14,317,178	13,720,627	12,911,721
Other liabilities		564,670	490,056	506,280
Total liabilities		15,914,118	14,409,010	13,819,075
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Employee share plan		(42,128)	(42,128)	(42,026)
Statutory reserve		29,166	29,166	93,911
Other reserve		24,282	15,144	(13,771)
Retained earnings		52,581	-	205,994
Total shareholders' equity		3,063,901	3,002,182	3,244,108
Total liabilities and shareholders' equity		18,978,019	17,411,192	17,063,183

The accompanying notes 1 to 11 form an integral part of these interim condensed consolidated financial statements.

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CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2010 and 2009

	MARCH 31,2010 SAR'000	MARCH 31,2009 SAR'000
INCOME:		
Income from investing and financing assets	152,387	154,237
Return paid on deposits and financial liabilities	(3,908)	(13,775)
Net income from investing and financing assets	148,479	140,462
Fees and commission income, net	89,790	57,750
Exchange income, net	29,857	17,236
Dividend income	1,638	1,822
Gains (losses) on non-trading investments, net	5,873	(2,188)
Other operating income	73	1,719
Total operating income	275,710	216,801
EXPENSES:		
Salaries and employee related benefits	101,308	98,256
Rent and premises related expenses	23,496	20,677
Depreciation and amortization	30,147	31,135
Other general and administrative expenses	24,841	20,924
Impairment charge for financing, investing and other financial assets	43,337	23,459
Total operating expenses	223,129	194,451
Net income for the period	52,581	22,350
Basic and diluted earnings per share (Saudi Riyals)	0.18	0.07

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2010 and 2009

	MARCH 31,2010 SAR'000	MARCH 31,2009 SAR'000
Net income for the period	52,581	22,350
Other comprehensive income:		
- Available for sale financial assets		
Net change in fair value	9,138	8,970
Total comprehensive income for the period	61,719	31,320

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**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2010 and 2009**

	SAR in '000'					<u>Total</u>
	<u>Share capital</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	
2010						
Balance at beginning of the period	3,000,000	(42,128)	29,166	15,144	-	3,002,182
Total comprehensive income for the period	-	-	-	9,138	52,581	61,719
Balance at end of the period	<u>3,000,000</u>	<u>(42,128)</u>	<u>29,166</u>	<u>24,282</u>	<u>52,581</u>	<u>3,063,901</u>
2009						
Balance at beginning of the period	3,000,000	(41,974)	93,911	(22,741)	183,644	3,212,840
Returned shares for employee share plan	-	(52)	-	-	-	(52)
Total comprehensive income for the period	-	-	-	8,970	22,350	31,320
Balance at end of the period	<u>3,000,000</u>	<u>(42,026)</u>	<u>93,911</u>	<u>(13,771)</u>	<u>205,994</u>	<u>3,244,108</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2010 and 2009

	<u>Note</u>	<u>2010</u> <u>SAR' 000</u>	<u>2009</u> <u>SAR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		52,581	22,350
Adjustments to reconcile net income to net cash from operating activities:			
Impairment charge for financing, investing and other financial assets		43,337	23,459
Depreciation and amortization		30,147	31,135
(Gains) losses on non-trading investments ,net		(5,873)	2,188
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(80,758)	(100,545)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(82,091)	948,190
Investments		(150,300)	200,994
Financing, net		(219,422)	(819,199)
Other assets		(9,166)	(29,361)
Net increase / (decrease) in operating liabilities:			
Due to SAMA		(150,000)	(424,921)
Due to banks and other financial institutions		983,943	(638,103)
Customer deposits		596,551	1,940,676
Other liabilities		74,614	98,474
Net cash from operating activities		<u>1,083,563</u>	<u>1,255,337</u>
INVESTING ACTIVITIES			
Purchase of non-trading investments		(67,339)	-
Proceeds from sales of non-trading investments		58,686	18,293
Purchase of property and equipment, net		(5,146)	(14,424)
Net cash (used in) from investing activities		<u>(13,799)</u>	<u>3,869</u>
FINANCING ACTIVITIES			
(Returned) shares for employee share plan		-	(52)
Net cash used in financing activities		<u>-</u>	<u>(52)</u>
Increase in cash and cash equivalents		1,069,764	1,259,154
Cash and cash equivalents at beginning of the period		2,594,556	3,329,458
Cash and cash equivalents at end of the period	8	<u>3,664,320</u>	<u>4,588,612</u>
Income from investing and financing assets received		159,633	155,864
Return paid on deposits and financial liabilities		974	26,127
<u>Supplemental non cash information</u>			
Net changes in fair value reserve		9,138	8,970

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

MARCH 31, 2010 and 2009

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 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 Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

**Bank AlBilad
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia**

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, ‘AlBilad Investment Company’ and ‘AlBilad Real Estate Company’ (collectively referred to as “The Group”). The Group’s objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Group are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association, by-laws and the Banking Control Law. The activities are monitored by an independent Shariah authority established by the Bank. The Bank provides these services through 69 banking branches (2009:63) and 97 exchange and remittance centers (2009:87) in the Kingdom of Saudi Arabia.

In accordance with the Capital Market Authority (CMA) directives, the Bank established a wholly owned subsidiary (through direct and beneficial shareholding) ‘AlBilad Investment Company’, a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No (1010240489) issued on 11 Du Al-Qu'ada 1428 H (corresponding to November 20, 2007). The subsidiary took over the management of the Bank's investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA. It obtained approval from the CMA for commencement of operations on May 25, 2008. The Bank started consolidating the financial statements of the subsidiary effective from July 01, 2008.

The Bank has also established a wholly owned subsidiary, ‘AlBilad Real Estate Company’ 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 obtains from its customers.

b) Shariah Authority

The Bank established a Shariah authority (“the Authority”). It ascertains that all the Group’s activities are subject to its approvals and control.

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MARCH 31, 2010 and 2009

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (“SAMA”) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2009.

These interim condensed consolidated financial statements were approved by the Board of Directors on 12 Jumada Alawal 1431H (corresponding to 26 April, 2010).

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and are rounded off to the nearest thousands

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statement of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed off during the period are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Non- controlling interests represent the portion of net income and net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. Non- controlling interest is 1% of AlBilad Investment Company and AlBilad Company Real Estate net assets and is owned by representative shareholders and hence not presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these interim condensed consolidated financial statements.

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MARCH 31, 2010 and 2009

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the Bank's annual consolidated financial statements for the year ended December 31, 2009, except for the amendments to existing standards and interpretation mentioned below, which the Bank has adopted:

- Revision to IAS 27 -Consolidated and separate financial statements
- Amendments to IAS 39 - Financial instruments- Recognition and measurement
- IFRIC 18-Transfers of assets from customers

The adoption of these amendments has no impact on the financial position and financial performance of the Bank.

5. INVESTMENT

	March 31, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	March 31, 2009 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities- available for sale	276,007	267,514	240,302
Mutual fund	32,912	17,741	14,714
Held at amortized cost			
Commodity murabaha with SAMA, at amortized cost	1,400,684	1,250,384	1,403,039
Total	1,709,603	1,535,639	1,658,055

6. FINANCING, NET

	March 31, 2010 SAR'000 (Unaudited)	December 31, 2009 SAR'000 (Audited)	March 31, 2009 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	6,664,853	6,944,909	6,201,402
Installment sales	3,326,821	2,889,185	1,706,483
Ijarah	375,837	375,093	377,328
Musharaka	822,689	804,928	802,580
Total	11,190,200	11,014,115	9,087,793

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7. COMMITMENTS AND CONTINGENCIES**a- The Bank's commitments and contingencies are as follows:**

	March 31, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	March 31, 2009 SAR' 000 (Unaudited)
Letters of credit	790,839	515,971	418,801
Letters of guarantee	1,573,984	1,441,845	895,320
Acceptances	202,608	272,689	88,424
Underwriting	300,000	300,000	300,000
Total	2,867,431	2,530,505	1,702,545

b- Restricted investment accounts

	March 31, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	March 31, 2009 SAR' 000 (Unaudited)
Under Wakalah arrangement	571,713	771,724	466,038

The Bank accepts restricted investment accounts from customers under Wakalah arrangements. The amounts received as placements are invested by the Bank in commodity murabaha with banks and financial institutions. The Bank charges fees for management of these accounts.

c- Zakat

The DZIT field inspection team conducted an inspection of the Bank for calculation of the Zakat due for the year ended December 31, 2006. As per the assessment, the DZIT disallowed all financing and other financial assets which resulted in a Zakat base of SAR 2.53 billion and Zakat liability of SAR 63.3 million as against an amount of SAR 1.8 million determined by the Bank. The Bank has filed an appeal against the assessment. The estimated amount of Zakat liability for the years ended December 31, 2007, 2008 and 2009, based on the assumption applied by the DZIT amounts to SAR 63 million, 65 million and 70 million, respectively.

Zakat due from the shareholders for the year ended December 31, 2009 amounted to SAR 9.5 million (2008: SAR 4.1 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

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8. CASH AND CASH EQUIVALENTS

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

	March 31, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	March 31, 2009 SAR' 000 (Unaudited)
Cash	506,234	468,272	486,945
Due from banks (maturing within 90 days from acquisition)	2,935,394	2,081,675	4,084,063
Balances with SAMA (excluding statutory deposits)	222,692	44,609	17,604
Total	3,664,320	2,594,556	4,588,612

9. SEGMENT INFORMATION

The Bank has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the ALCO, the Chief Operating Decision Maker, in order to allocate resources to the segments and to assess its performance. Following the adoption of IFRS 8, the identification of the Bank's reportable segments has not changed. The Bank's main business is conducted in the Kingdom of Saudi Arabia.

For management purposes, the Bank is divided into the following six segments:

Retail banking

Includes services and products to individuals, including deposits and financing.

Corporate

Includes services and products to corporate including deposits, Islamic financing products, letters of credit, letters of guarantee and other investment products.

Treasury

Includes treasury services and dealing with financial institutions.

Investment banking and brokerage

Includes investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

Remittances segment (Enjaz Centers)

Includes products and services through Enjaz network, including currency exchange, inward and outward transfers and remittances cheques.

Other

Includes all other cost centers in the areas of technology services and support services.

Transactions between the above segments are on normal commercial terms and conditions. There are no material items of income or expenses between the above segments. Assets and liabilities for the

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MARCH 31, 2010 and 2009

segments comprise operating assets and liabilities, which represents the majority of the Bank's assets and liabilities. During the period, indirect expenses are allocated to respective segments based on the approved criteria, and the allocation of such expenses was not made last period.

The Bank's total assets and liabilities, together with its total operating income and expenses, and net (losses) income, for the period ended March 31, for each segment are as follows:

SAR'000	MARCH 31, 2010 (Unaudited)						
	Retail banking	Corporate	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	4,483,486	8,157,123	5,346,226	510	35	990,639	18,978,019
Capital expenditures	3,010	153	10	7	444	1,522	5,146
Total liabilities	9,410,806	4,489,394	1,146,520	390,578	293,181	183,639	15,914,118
Total operating income	55,409	103,016	31,095	8,345	67,476	10,369	275,710
Impairment charge for financing, investing and other financial assets	2,626	40,711	-	-	-	-	43,337
Depreciation and amortization	19,125	3,817	839	884	5,482	-	30,147
Total operating expenses	99,813	71,032	5,339	7,263	39,682	-	223,129
Net income / (loss) for the period	(44,404)	31,984	25,756	1,082	27,794	10,369	52,581

SAR'000	MARCH 31, 2009 (Unaudited)						
	Retail banking	Corporate	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	2,327,626	7,462,936	2,889,553	574,182	319,057	3,489,829	17,063,183
Capital expenditures	10,690	1	1	1	1,906	1,825	14,424
Total liabilities	8,856,277	3,226,230	589,040	511,646	91,131	544,751	13,819,075
Total operating income	52,505	92,946	4,871	12,378	50,443	3,658	216,801
Impairment charge for financing, investing and other financial assets	-	7,490	15,969	-	-	-	23,459
Depreciation and amortization	8,718	2,491	569	54	7,784	11,519	31,135
Total operating expenses	47,787	52,511	20,141	6,568	40,641	26,803	194,451
Net income / (loss) for the period	4,718	40,435	(15,270)	5,810	9,802	(23,145)	22,350

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10. 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 SAMA in supervising the Bank.

Capital Adequacy Ratios	March 31, 2010		March 31, 2009	
	(Unaudited)		(Unaudited)	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	19.44	18.96	23.74	23.58

11. COMPARATIVE FIGURES

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