
BANK ALBILAD
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH
PERIODS ENDED SEPTEMBER 30, 2010 AND 2009**

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		September 30, 2010 SAR'000 (Unaudited)	December 31, 2009 SAR'000 (Audited)	September 30, 2009 SAR'000 (Unaudited)
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		1,674,148	1,297,241	1,452,789
Due from banks and other financial institutions, net		3,857,019	2,826,483	2,720,391
Investments	5	1,287,415	1,535,639	1,489,276
Financing, net	6	11,656,349	11,014,115	10,564,747
Property and equipment, net		342,657	394,502	452,008
Other assets		357,776	343,212	339,094
Total assets		19,175,364	17,411,192	17,018,305
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to SAMA		265,000	150,000	360,000
Due to banks and other financial institutions		423,876	48,327	658,315
Customer deposits		14,810,385	13,720,627	12,135,682
Other liabilities		585,985	490,056	558,603
Total liabilities		16,085,246	14,409,010	13,712,600
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Employee share plan		(42,136)	(42,128)	(42,142)
Statutory reserve		29,166	29,166	93,911
Other reserve		15,306	15,144	19,191
Retained earnings		87,782	-	234,745
Total shareholders' equity		3,090,118	3,002,182	3,305,705
Total liabilities and shareholders' equity		19,175,364	17,411,192	17,018,305

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

BANK ALBILAD

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009

	<u>For the three months ended</u>		<u>For the Nine months ended</u>	
	<u>September 30, 2010 SAR'000</u>	<u>September 30, 2009 SAR'000</u>	<u>September 30, 2010 SAR'000</u>	<u>September 30, 2009 SAR'000</u>
INCOME				
Income from investing and financing assets	167,134	147,283	475,868	445,416
Return paid on deposits and financial liabilities	(4,256)	(2,511)	(12,345)	(21,762)
Net income from investing and financing assets	162,878	144,772	463,523	423,654
Fees and commission income, net	74,225	66,962	250,978	204,162
Exchange income, net	29,099	16,888	90,477	51,332
Dividend income	900	1,047	3,090	4,448
Gains (losses) on non-trading investments, net	1,051	-	8,210	(2,188)
Other operating income (loss)	83	81	151	3,685
Total operating income	268,236	229,750	816,429	685,093
EXPENSES				
Salaries and employee related benefits	97,606	87,386	287,633	290,009
Rent and premises related expenses	23,981	21,368	71,930	69,172
Depreciation and amortization	25,947	33,555	84,131	98,193
Other general and administrative expenses	27,699	35,013	89,120	78,101
Impairment charge for financing, investing and other financial assets	90,638	50,527	195,833	98,517
Total operating expenses	265,871	227,849	728,647	633,992
Net income for the period	2,365	1,901	87,782	51,101
Basic and diluted earnings per share (Saudi Riyals)	0.01	0.01	0.29	0.17

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

BANK ALBILAD

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009

	<u>For the three months ended</u>		<u>For the Nine months ended</u>	
	<u>September 30,</u> <u>2010</u> <u>SAR'000</u>	<u>September 30,</u> <u>2009</u> <u>SAR'000</u>	<u>September 30,</u> <u>2010</u> <u>SAR'000</u>	<u>September 30,</u> <u>2009</u> <u>SAR'000</u>
Net income for the period	2,365	1,901	87,782	51,101
Other comprehensive income:				
-Available for sale financial assets				
Net changes in fair value	8,482	15,255	162	41,932
Total comprehensive income for the period	10,847	17,156	87,944	93,033

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

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009**

	SAR '000'					
	<u>Share capital</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>2010</u>						
Balance at beginning of the period	3,000,000	(42,128)	29,166	15,144	-	3,002,182
Returned shares for employee share plan	-	(8)	-	-	-	(8)
Total comprehensive income for the period	-	-	-	162	87,782	87,944
Balance at end of the period	3,000,000	(42,136)	29,166	15,306	87,782	3,090,118
<u>2009</u>						
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	-	(168)	-	-	-	(168)
Total comprehensive income for the period	-	-	-	41,932	51,101	93,033
Balance at end of the period	3,000,000	(42,142)	93,911	19,191	234,745	3,305,705

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BANK ALBILAD

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009

	<u>Note</u>	<u>September 30, 2010 SAR' 000</u>	<u>September 30, 2009 SAR' 000</u>
OPERATING ACTIVITIES			
Net income for the period		87,782	51,101
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Gains) losses on non-trading investments ,net		(8,210)	2,188
(Gains) on disposal of property and equipment, net		-	(1,352)
Depreciation and amortization		84,131	98,193
Impairment charge for financing, investing and other financial assets		195,833	98,517
Operating profit before changes in operating assets and liabilities		<u>359,536</u>	<u>248,647</u>
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(143,278)	(160,236)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(618,116)	116,058
Investments		249,983	377,568
Financing		(823,067)	(2,375,210)
Other assets		(14,564)	(2,781)
Net increase (decrease) in operating liabilities:			
Due to SAMA		115,000	(465,000)
Due to banks and other financial institutions		375,549	19,217
Customer deposits		1,089,758	1,164,637
Other liabilities		95,929	154,797
Net cash from (used in) operating activities		<u>686,730</u>	<u>(922,303)</u>
INVESTING ACTIVITIES			
Purchase of non-trading investments		(90,699)	-
Proceeds from sales of non-trading investments		97,312	43,460
Purchase of property and equipment		(32,286)	(14,822)
Proceeds from sale of property and equipment		-	3,365
Net cash (used in) from investing activities		<u>(25,673)</u>	<u>32,003</u>
FINANCING ACTIVITIES			
(Returned) shares for employee share plan		(8)	(168)
Net cash (used in) financing activities		<u>(8)</u>	<u>(168)</u>
Increase (decrease) in cash and cash equivalents		661,049	(890,468)
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>3,255,605</u>	<u>2,438,990</u>
Income received from investing and financing assets		<u>460,094</u>	<u>409,011</u>
Return paid on deposits and financial liabilities		<u>2,792</u>	<u>35,344</u>
<u>Supplemental non cash information</u>			
Net changes in fair value reserve		<u>162</u>	<u>41,932</u>

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

BANK ALBILAD

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the “Bank”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, 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 70 banking branches (2009: 66) and 100 exchange and remittance centers (2009: 93) in the Kingdom of Saudi Arabia.

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.

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 are expressed in Saudi Arabian Riyals (SAR) which is the Bank's functional currency and are rounded off to the nearest thousands

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009**

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 interim condensed 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 interim condensed consolidated statement of income and within equity in the interim condensed 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.

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 financials 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 above amendments to existing standards and interpretations are effective for 2010 but adoption of these did not have a material impact to the Bank's interim condensed consolidated financial statements.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009****5. INVESTMENTS**

	September 30, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	September 30, 2009 SAR' 000 (Unaudited)
Available-for-sale investments			
Equities	268,265	267,514	271,275
Mutual fund	18,851	17,741	18,027
Held at amortized cost			
Commodity murabaha with SAMA, at amortized cost	1,000,299	1,250,384	1,199,974
Total	<u>1,287,415</u>	<u>1,535,639</u>	<u>1,489,276</u>

6. FINANCING, NET

	September 30, 2010 SAR'000 (Unaudited)	December 31, 2009 SAR'000 (Audited)	September 30, 2009 SAR'000 (Unaudited)
Held at amortized cost			
Bei Ajel	5,795,966	6,944,909	6,701,677
Installment sales	4,350,311	2,889,185	2,670,492
Ijarah	375,845	375,093	376,220
Musharaka	1,134,227	804,928	816,358
Total	<u>11,656,349</u>	<u>11,014,115</u>	<u>10,564,747</u>

7. COMMITMENTS AND CONTINGENCIES

a) The Bank's commitments and contingencies are as follows:

	September 30, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	September 30, 2009 SAR' 000 (Unaudited)
Letters of credit	661,664	515,971	419,723
Letters of guarantee	1,876,739	1,441,845	1,022,055
Acceptances	208,173	272,689	118,322
Underwriting	300,000	300,000	300,000
Total	<u>3,046,576</u>	<u>2,530,505</u>	<u>1,860,100</u>

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FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 and 2009****b) Restricted investment accounts**

	September 30, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	September 30, 2009 SAR' 000 (Unaudited)
Under wakalah arrangement	203,303	771,724	683,742

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 other financial institutions. Management fees is charged on 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 zakat liability of SAR 1.8 million determined by the Bank. The Bank has filed an appeal against the assessment. The DZIT field inspection team has also reviewed the status of the Bank's assets and liabilities for defining the Zakat liability for the years ended December 31, 2007 and 2008, respectively. The final assessment for the same period has not been received as yet, however, the estimated amount of Zakat liability for the years ended December 31, 2007, 2008 and 2009, based on the assumptions applied by the DZIT for the year ended December 31, 2006 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 paid by the Bank on behalf of the shareholders will be deducted from their future dividends.

8. CASH AND CASH EQUIVALENTS

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

	September 30, 2010 SAR' 000 (Unaudited)	December 31, 2009 SAR' 000 (Audited)	September 30, 2009 SAR' 000 (Unaudited)
Cash	704,622	468,272	654,772
Due from banks and other financial institutions (maturing within 90 days from acquisition)	2,509,095	2,081,675	1,782,095
Balances with SAMA excluding statutory deposits	41,888	44,609	2,123
Total	3,255,605	2,594,556	2,438,990

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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 Assets and Liabilities Committee (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

Services and products including deposits and financing to individuals and private banking customers.

Corporate banking

Services and products including deposits, financing and trade services to corporate and commercial customers.

Treasury

Dealing with other financial institutions and providing treasury services to all segments.

Investment banking and brokerage

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

Remittances segment (Enjaz Centers)

Products and services including currency exchange, inward and outward transfers and remittances cheques through Enjaz network,

Other

All other support functions.

Transactions between the above segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to business segments, based on approved criteria.

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The Bank's total assets and liabilities, together with its total operating income and expenses, and net income, for the Nine month periods ended September 30, for each segment are as follows:

SAR'000	SEPTEMBER 30, 2010 (Unaudited)						
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	5,786,208	7,648,703	4,790,377	279	30,358	919,439	19,175,364
Capital expenditures	18,444	171	10	425	4,268	8,968	32,286
Total liabilities	9,959,250	5,088,926	744,059	379	96,071	196,561	16,085,246
Total operating income	203,210	267,200	93,277	25,429	212,611	14,702	816,429
Impairment charge for financing, investing and other financial assets	9,318	171,515	15,000	-	-	-	195,833
Depreciation and amortization	58,576	7,625	1,789	2,191	13,950	-	84,131
Total operating expenses	332,407	237,907	26,194	20,695	111,444	-	728,647
Net income / (loss) for the period	(129,197)	29,293	67,083	4,734	101,167	14,702	87,782

SAR'000	SEPTEMBER 30, 2009 (Unaudited)						
	Retail banking	Corporate banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	3,948,427	8,172,657	3,821,959	82,729	60	992,473	17,018,305
Capital expenditures	548	360	7	4	7,761	6,142	14,822
Total liabilities	9,491,895	2,306,987	1,059,777	556,288	177,505	120,148	13,712,600
Total operating income	140,577	266,205	105,452	30,234	140,300	2,325	685,093
Impairment charge for financing, investing and other financial assets	7,452	79,096	11,969	-	-	-	98,517
Depreciation and amortization	38,873	2,792	877	365	12,329	42,957	98,193
Total operating expenses	287,249	147,780	29,593	46,777	121,796	797	633,992
Net income / (loss) for the period	(146,672)	118,425	75,859	(16,543)	18,504	1,528	51,101

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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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	September 30, 2010		September 30, 2009	
	(Unaudited)		(Unaudited)	
Particulars	Total capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 capital ratio
	%		%	
Top consolidated level	18.34	17.53	21.63	21.30

11. COMPARATIVE FIGURES

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