BANK ALBILAD
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended December 31, 2009

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

	Notes	2009 SAR'000	2008 SAR'000
ASSETS			
Cash and balances with SAMA	4	**1,297,241**	1,125,142
Due from banks and other financial institutions, net	5	**2,826,483**	3,894,328
Investments	6	**1,535,639**	1,882,529
Financing, net	7	**11,014,115**	8,276,084
Property and equipment, net	8	**394,502**	537,392
Other assets	9	**343,212**	336,314
Total assets		**17,411,192**	**16,051,789**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to SAMA	10	**150,000**	825,000
Due to banks and other financial institutions	11	**48,327**	639,098
Customer deposits	12	**13,720,627**	10,971,045
Other liabilities	13	**490,056**	403,806
Total liabilities		**14,409,010**	**12,838,949**
Shareholders' equity			
Share capital	14a	**3,000,000**	3,000,000
Employee share plan	14b	**(42,128)**	(41,974)
Statutory reserve	15	**29,166**	93,911
Other reserve	16	**15,144**	(22,741)
Retained earnings		**-**	183,644
Total shareholders' equity		**3,002,182**	**3,212,840**
Total liabilities and shareholders' equity		**17,411,192**	**16,051,789**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Notes	2009 SAR'000	2008 SAR'000
INCOME:			
Income from investing and financing assets	18	**572,254**	669,237
Return paid to depositors	19	**(24,140)**	(90,972)
Net income from investing and financing assets		**548,114**	578,265
Fee and commission income, net	20	**278,684**	229,821
Exchange income, net		**73,710**	78,234
Dividend income	21	**4,448**	423
(Losses) on non-trading investments, net	22	**(2,188)**	-
Other operating income	23	**5,012**	1,633
Total operating income		**907,780**	**888,376**
EXPENSES:			
Salaries and employee related benefits		**391,341**	369,456
Rent and premises related expenses		**106,403**	91,782
Depreciation and amortization	8	**139,111**	119,058
Other general and administrative expenses		**155,967**	98,208
Impairment charge for investing and other financial assets		**60,987**	65,000
Impairment charge for financing assets	7(a)	**302,360**	19,803
Total operating expenses		**1,156,169**	**763,307**
Net (loss) / income for the year		**(248,389)**	**125,069**
Basic and diluted earnings per share (Saudi Riyals)	24	**(0.83)**	**0.42**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009 SAR'000	2008 SAR'000
Net (loss) / income for the year	**(248,389)**	125,069
Other comprehensive income:		
- Available for sale financial assets		
Net change in fair value	**37,885**	(16,349)
Total comprehensive (loss) / income for the year	**(210,504)**	**108,720**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		SAR'000					
2009	**Note**	**Share capital**	**Employee share plan**	**Statutory reserve**	**Other reserve**	**Retained earnings**	**Total**
Balance at beginning of the year		**3,000,000**	**(41,974)**	**93,911**	**(22,741)**	**183,644**	**3,212,840**
Returned shares for employee share plan		**-**	**(154)**	**-**	**-**	**-**	**(154)**
Total comprehensive loss for the year		**-**	**-**	**-**	**37,885**	**(248,389)**	**(210,504)**
Transfer	**15**	**-**	**-**	**(64,745)**	**-**	**64,745**	**-**
Balance at end of the year		**3,000,000**	**(42,128)**	**29,166**	**15,144**	**-**	**3,002,182**

2008	**Share capital**	**Employee share plan**	**Statutory reserve**	**Other reserve**	**Retained earnings**	**Total**
Balance at beginning of the year	3,000,000	(41,987)	62,644	(6,392)	89,842	**3,104,107**
Returned shares for employee share plan	**-**	13	-	-	-	**13**
Total comprehensive income for the year	**-**	-		(16,349)	125,069	**108,720**
Transfer to statutory reserve	**-**	-	31,267	-	(31,267)	**-**
Balance at end of the year	**3,000,000**	**(41,974)**	**93,911**	**(22,741)**	**183,644**	**3,212,840**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Note	2009 SAR' 000	2008 SAR' 000
OPERATING ACTIVITIES			
Net (loss) income for the year		(248,389)	125,069
Adjustments to reconcile net (loss) income to net cash (used in) operating activities:			
Impairment charge for investing and other financial assets		60,987	65,000
Impairment charge for financing assets		302,360	19,803
Losses on non-trading investments ,net		2,188	-
Depreciation and amortization		139,111	119,058
Adjustment / disposal of property and equipment, net		39,253	(368)
Cash flow from operations		**295,510**	**328,562**
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(148,702)	57,614
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		260,528	(972,288)
Investments		352,325	(614,643)
Financing		(3,040,391)	(2,104,632)
Other assets		(6,898)	32,587
Net increase/ (decrease) in operating liabilities:			
Due to SAMA		(675,000)	825,000
Due to banks and other financial institutions		(590,771)	639,098
Customer deposits		2,749,582	(1,718,240)
Other liabilities		86,250	(438,640)
Net cash (used in) operating activities		**(717,567)**	**(3,965,582)**
INVESTING ACTIVITIES			
Proceeds from sales of non-trading investments		18,293	-
Purchase of property and equipment, net		(38,840)	(64,713)
Proceeds from sale of property and equipment		3,366	2,782
Net cash (used in) investing activities		**(17,181)**	**(61,931)**
FINANCING ACTIVITIES			
(Returned) / bought shares for employee share plan		(154)	13
Net cash (used in) / from financing activities		**(154)**	**13**
(Decrease) in cash and cash equivalents		**(734,902)**	**(4,027,500)**
Cash and cash equivalents at beginning of the year		**3,329,458**	**7,356,958**
Cash and cash equivalents at end of the year	25	**2,594,556**	**3,329,458**
Income from investing and financing assets received during the year		**505,008**	618,544
Return paid to depositors during the year		**35,697**	130,297
Supplemental non cash information			
Net changes in fair value reserve		**37,885**	(16,349)

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

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 Council 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 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 a 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 **67** banking branches (2008:61) and **94** exchange and remittance centers (2008:84) 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', a Saudi limited liability company registered in the kingdom of Saudi Arabia 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.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated 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 consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia and the Bank's Articles of Association.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held at Fair Value through Income Statement (FVIS) and available-for-sale financial assets.

c) Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Group’s functional currency. Except as indicated, financial information presented in SAR has been rounded to the nearest thousand.

d) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Such estimates, assumptions 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. Significant areas where management uses estimates, assumptions or exercised judgments are as follows:

(i) Impairment losses on investing and financing assets

The Bank reviews its financing portfolio to assess specific and collective impairment on a quarterly basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group.

Management uses estimates based on historical loss experience for financing with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counter party), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(iii) Classification of held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

(iv) Impairment of available-for-sale equity investments

The Bank exercises judgment to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates among other factors, the normal volatility in its share price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(v) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies used in the preparation of these consolidated financial statements are consistent with those of the prior year except for adoption of IFRS 8. Operating Segments and amendments to existing standards, as mentioned below:

- IFRS 8 “Operating Segments”, which supersedes IAS 14 “Segment Reporting” and requires disclosure of information about the Bank's operating segments;
- The amendments to IAS 1 “Presentation of Financial Statements”;
- IAS 32 “Financial Instruments: Presentation”.
- Amendments to IFRS 7, “Financial instruments: Disclosures” - The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Bank. The comparative information has been restated, where required, to conform to current year presentation.

a) Basis of the preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year 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 of during the year are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of net income and net assets, if any, attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries.

Minority 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. As at December 31, 2009, minority interest of 1% of net assets each in 'AlBilad Investment Company' and 'AlBilad Company Real Estate' 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 consolidated financial statements.

b) Trade date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Group 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

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 year-end, denominated in foreign currencies, are translated into Saudi Riyals at exchange rates prevailing at the date of the consolidated statement of financial position.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of comprehensive income.

d) Offsetting

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

e) Investments and financing

i) Investments - The Bank classifies its principal investments as follows:

Available for sale investments - Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to need for liquidity.

Available for sale investments are initially recognised at fair value including acquisition charges associated with the investments and are subsequently measured at fair value. Unrealized gain / loss for a change in fair value are recognized in "other reserves" under equity. On de-recognition gain / loss previously recognised in equity is included in the statement of income.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

A significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is included in the statement of income for the period.

Held at amortized cost - Held to maturity investments are not-derivatives financial assets with fixed and determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold.

Held to maturity investments are initially recognised at fair value including acquisition charges associated with the investments and are subsequently measured at amortized cost less any amount written off and the provision for impairment.

Following initial recognition, subsequent transfers between the various classes of investments and financing are not ordinarily permissible. The subsequent period-end reporting values for each class of investment are determined on the basis set out in the following paragraphs.

ii) Financing - Financing comprising of Bei Ajel, installment sales and Musharakah, originated by the Bank, are initially recognized at fair value including acquisition costs and are subsequently measured at cost less any amounts written off, and provision for impairment, if any. Financing are recognised when cash is advanced to borrowers, and are derecognized when either customer repays their obligations, or the financing are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Bei-ajel and installment sales - These financing contracts are based on Murabaha whereby the Bank sells to customers a commodity or an asset which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei Ajel is used for corporate customers whereas installment sales are used for retail customers.

Ijarah is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership of the leased asset to the lessee.

Musharakah is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

f) Impairment of investing and financial assets

An assessment is made at the date of each statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the difference between the asset's carrying amount and the present value of estimated future cash flows is calculated and any impairment loss 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 a provision account, and the amount of the adjustment is included in the consolidated statement of comprehensive income.

Specific provisions are evaluated individually. 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 necessarily 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 the specific provisions described above, 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 unidentified losses exist at the reporting date. The amount of the provision is estimated based on the historical default patterns of the investment and financing counter-parties as well as their credit ratings, taking into account the current economic climate.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or profit.
- Cash flow difficulties experienced by the customer.
- Breach of repayment covenants or conditions.
- Initiation of bankruptcy proceedings against the customer.
- Deterioration of the customer's competitive position.
- Deterioration in the value of collateral.

When financing amount is uncollectible, it is written-off against the related provision for impairment. Such financing is written-off after all necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the customer's credit rating), the previously recognized impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognized in the statement of comprehensive income in impairment charge. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

g) Revenue recognition

Income from investing and financing assets is recognized in the statement of income using the effective yield method on the outstanding balance over the term of the contract.

Fees and commission are recognized when the service has been provided. Financing commitment fees that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the financing.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis.

Fees received on asset management, wealth management, financial planning, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognised on a straight-line basis over the commitment period.

Special commission income against commodity murabaha with SAMA is recognised in the statement of income on time proportion basis.

Exchange income/loss is recognized when earned/incurred.

Dividend income from investment in equities is recognized when the right to receive the dividend is established.

h) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to receive the cash flows from the financial asset expires.

In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognised if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Bank has not retained control of the financial asset. The Bank recognises separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability (or a part of a financial liability) can only be derecognised when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

i) Zakat and withholding tax

Under Saudi Arabian Zakat and Income Tax Regulations, zakat is the liability of the shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat Regulations.

Zakat is not charged to the Bank's consolidated statement of income as it is deducted from the dividends paid to the shareholders.

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and is directly paid to the Department of Zakat & Income Tax on a monthly basis.

j) Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

Contingent assets are not recognized by the Bank, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-financial position transactions and are disclosed as contingent liabilities and commitments.

k) Accounting for leases

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

l) 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, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with a maturity of three months or less from the date of acquisition.

m) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and amortization. The cost of property and equipment and other fixed assets are 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

n) Customers' deposits

Customers' deposits, which are non-commission bearing accounts, are stated initially at fair value of the amount received and subsequently are measured at amortized cost.

o) Investment management services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Bank's share of these funds is included in the available-for-sale investment and fee income earned from managing these funds is disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly, are not included in the Bank's consolidated financial statements.

p) Income excluded from the statement of income

The Shariah Authority of the Bank conducts from time to time Shariah reviews to ensure compliance of its Shariah decisions. In cases where revenues have been wrongly or inadvertently recognized, the Board of Directors of the Bank shall, at the request of the Chief Executive Officer (CEO), authorize the exclusion of such revenues from the Bank's income for its final disposal.

4. CASH AND BALANCES WITH SAMA

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

	2009 SAR'000	2008 SAR'000
Cash in hand	**468,272**	430,507
Statutory deposit	**784,360**	635,658
Other balances	**44,609**	58,977
Total	**1,297,241**	**1,125,142**

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 customers' deposits, calculated at the end of each month.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

Due from banks and other financial institutions, net as of December 31, comprise the following:

	2009 SAR'000	2008 SAR'000
Current accounts	**80,010**	144,129
Commodity murabaha	**2,795,491**	3,750,199
Provision for impairment on commodity murabaha	**(49,018)**	-
	2,746,473	3,750,199
Total	**2,826,483**	**3,894,328**

6. INVESTMENTS, NET

Investments comprise the following as of December 31:

	2009		
	Quoted SAR' 000	**Unquoted SAR' 000**	**Total SAR' 000**
Available-for-sale investments			
Equities	**116,314**	**151,200**	**267,514**
Mutual fund	**17,741**	**-**	**17,741**
	134,055	**151,200**	**285,255**
Held at amortized cost			
Commodity murabaha with SAMA	**-**	**1,250,384**	**1,250,384**
	134,055	**1,401,584**	**1,535,639**

	2008		
Available-for-sale investments	Quoted SAR' 000	Unquoted SAR' 000	Total SAR' 000
Equities	113,498	150,000	263,498
Mutual fund	15,119	-	15,119
	128,617	150,000	278,617
Held at amortized cost			
Commodity murabaha with SAMA	-	1,603,912	1,603,912
	128,617	1,753,912	1,882,529

a) Movement in other reserves are summarized as follows:

	2009 SAR'000	2008 SAR'000
Balance at beginning of the year	**(22,741)**	(6,392)
Provided during the year	37,885	(16,349)
Balance at the end of the year	**15,144**	**(22,741)**

b) The analysis of investments by counter-party is as follows:

	2009 SAR'000	2008 SAR'000
Corporate	**267,514**	263,498
Banks and other financial institutions	**17,741**	15,119
SAMA	**1,250,384**	1,603,912
Total	**1,535,639**	**1,882,529**

7. FINANCING, NET

Financing, net as of December 31, comprise the following:

	Performing SAR' 000	Non performing SAR' 000	Total SAR' 000	Provisions SAR' 000	Net 2009 SAR' 000	Net 2008 SAR' 000
Held at amortized cost						
Bei ajel	**6,703,827**	**581,690**	**7,285,517**	**340,608**	**6,944,909**	5,472,307
Installment sales	**2,893,789**	**17,665**	**2,911,454**	**22,269**	**2,889,185**	1,618,253
Ijarah	**375,093**	**-**	**375,093**	**-**	**375,093**	375,458
Musharakah	**803,064**	**29,762**	**832,826**	**27,898**	**804,928**	810,066
Total	**10,775,773**	**629,117**	**11,404,890**	**390,775**	**11,014,115**	**8,276,084**

a) Impairment charge for financing:

The movement in the impairment provision for financing for the years ended 31 December is as follows:

	2009 SAR' 000	2008 SAR' 000
Balance at beginning of the year	**91,644**	72,207
Provided during the year	**302,360**	19,803
Amounts written off during the year	**(3,229)**	(366)
Balance at end of the year	**390,775**	**91,644**

b) The concentration risks and related provision, by major economic sectors as of December 31, are as follows:

2009	Performing financing SAR' 000	Non-performing financing SAR' 000	Provisions SAR' 000	Financing, net SAR' 000
Commercial	1,869,591	17,597	(15,734)	**1,871,454**
Industrial	1,251,888	366,674	(262,684)	**1,355,878**
Building and construction	2,790,475	6,867	(4,779)	**2,792,563**
Transportation and communication	18,211	-	-	**18,211**
Services	239,314	59,842	(58,430)	**240,726**
Agriculture and fishing	558,055	-	-	**558,055**
Personal	2,893,789	17,665	(22,269)	**2,889,185**
Other	1,154,450	160,472	(26,879)	**1,288,043**
Total	10,775,773	629,117	(390,775)	**11,014,115**

2008	Performing financing SAR '000	Non-performing financing SAR '000	Provisions SAR '000	Financing, net SAR '000
Commercial	3,618,392	16,157	(12,186)	3,622,363
Industrial	704,090	60,922	(53,969)	711,043
Building and construction	350,014	11,375	(5,882)	355,507
Transportation and communication	30,323	-	-	30,323
Services	11,622	4,703	(4,703)	11,622
Agriculture and fishing	188,188	-	-	188,188
Personal	1,625,116	8,040	(14,904)	1,618,252
Other	1,738,786	-	-	1,738,786
Total	8,266,531	101,197	(91,644)	8,276,084

c) Credit quality of portfolio (neither past due nor impaired)

For presentation purposes, the Bank has categorized its portfolio of financing that are neither past due nor impaired into five sub categories i.e. excellent, good, satisfactory, fair risk and watch list.

Grades	**2009**	2008
	SAR' 000	SAR' 000
Excellent	**381,399**	377,000
Good	**4,059,100**	2,917,887
Satisfactory	**1,926,706**	1,462,052
Fair risk	**3,724,265**	3,345,356
Watch list	**545,075**	54,550
Total	**10,636,545**	**8,156,845**

Excellent:
Strong financial position with excellent liquidity, capitalization, earnings, cash flow, management and capacity to repay are excellent.

Good:
Healthy financial position with good liquidity, capitalization, earnings, cash flow, management and capacity to repay are good.

Satisfactory:
Acceptable financial position with reasonable liquidity, capitalization, earnings, cash flow, management and capacity to repay are good.

Fair risk:
Financial position is fair but volatile. However, capacity to repay remains acceptable.

Watch list:
Cash flow problems may result in delay in payment of profit / installment. Facilities require frequent monitoring, however management considered that full repayment will be received.

d) The table below sets out gross balances of individually impaired financing, together with the fair value of related collaterals held by the Bank as at 31 December:

2009	**Bei Ajel SAR '000**	**Installment sales SAR '000**	**Ijarah SAR '000**	**Musharakah SAR '000**	**Total SAR '000**
Individually impaired loan	**581,690**	**-**	-	**29,762**	**611,452**
Fair value of collateral	138,435	-	-	-	138,435

2008	**Bei Ajel SAR '000**	**Installment sales SAR '000**	**Ijarah SAR '000**	**Musharakah SAR '000**	**Total SAR '000**
Individually impaired loan	**66,738**	**-**	-	26,419	**93,157**
Fair value of collateral	8,722	-	-	-	8,722

e) Credit quality of portfolio (past due but not impaired)

2009	Bei Ajel SAR '000	Installment sales SAR '000	Ijarah SAR '000	Musharakah SAR '000	Total SAR '000
1 to 30 days	**25,007**	**45,768**	-	**16,944**	**87,719**
31 to 90 days	-	**13,535**	-	**13,099**	**26,634**
91 to 180 days	**24,875**	**-**	-	-	**24,875**
Above 180 days	**-**	**-**	-	-	**-**
Total	**49,882**	**59,303**	**-**	**30,043**	**139,228**
Fair value of collateral	**167,695**	**-**	**-**	**16,017**	**183,712**

2008	Bei Ajel SAR '000	Installment sales SAR '000	Ijarah SAR '000	Musharakah SAR '000	Total SAR '000
1 to 30 days	6,731	266	-	18,621	**25,618**
31 to 90 days	-	95	-	-	**95**
91 to 180 days	3,496	386	-	-	**3,882**
Above 180 days	77,838	2,253	-	-	**80,091**
Total	**88,065**	**3,000**	**-**	**18,621**	**109,686**

Neither past due nor impaired and past due but not impaired comprise the total performing financing.

f) Collateral

The Bank in the ordinary course of its financing activities holds collateral as security to mitigate credit risk. The collateral mostly includes deposits, financial guarantees, local equities and real estate. Collateral is principally held against corporate and real estate facilities and is managed against relevant exposures at their net realizable values.

The financing balances at December 31 as per the collateral are as follows:

2009	Bei Ajel SAR '000	Musharaka SAR '000	Ijarah SAR '000	Installment sales SAR '000	Total SAR '000
Real estate	**2,429,052**	**108,721**	**-**	**760,028**	**3,297,801**
Shares and investment	**1,779,323**	**284,739**	**-**	**-**	**2,064,062**
Third party guarantee	**1,957,983**	**265,758**	**-**	**-**	**2,223,741**
Assignment of proceeds	**441,028**	**108,526**	**-**	**-**	**549,554**
Unsecured	**678,131**	**65,082**	**375,093**	**2,151,426**	**3,269,732**
Total	**7,285,517**	**832,826**	**375,093**	**2,911,454**	**11,404,890**

2008

Real estate	1,423,289	92,286	-	618,556	2,134,131
Shares and investment	1,855,884	170,678	-	-	2,026,562
Third party guarantee	1,576,210	389,250	-	-	1,965,460
Assignment of proceeds	40,353	97,474	-	-	137,827
Unsecured	653,311	60,378	375,458	1,014,601	2,103,748
Total	5,549,047	810,066	375,458	1,633,157	8,367,728

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net comprise the following as of December 31:

SAR '000	Leasehold improvements	Equipment and furniture	Computer hardware and software	Total 2009	Total 2008
Cost:					
January 1	**385,666**	**145,680**	**306,778**	**838,124**	775,844
Additions during the year	**4,628**	**30,781**	**11,868**	**47,277**	64,713
Adjustments / disposal	**(44,584)**	**(9,916)**	**(31,090)**	**(85,590)**	(2,433)
At December 31	**345,710**	**166,545**	**287,556**	**799,811**	838,124
Accumulated depreciation and amortization:					
January 1	**72,158**	**81,612**	**146,962**	**300,732**	181,693
Charge for the year	**41,280**	**35,274**	**62,557**	**139,111**	119,058
Adjustments / disposal	**(9,902)**	**(7,902)**	**(16,730)**	**(34,534)**	(19)
At December 31	**103,536**	**108,984**	**192,789**	**405,309**	300,732
Net book value:					
At December 31, 2009	**242,174**	**57,561**	**94,767**	**394,502**	
At December 31, 2008	*313,508*	*64,068*	*159,816*		***537,392***

Leasehold improvements include work-in-progress as of December 31, 2009 amounting to SAR 90 Million (2008: SAR 63 million).

Adjustments mainly include impairment charges against leasehold improvements and computer hardware and software amounting to SR 26.2 million and 14.3 million, respectively. The amount of impairment charge is included in other general and administrative expenses.

9. OTHER ASSETS

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

	Notes	2009 SAR'000	2008 SAR'000
Prepaid rental expenses		**29,316**	28,602
Advances to suppliers		**11,518**	12,272
Management fee receivable		**4,993**	5,255
Other	9.1	**297,385**	290,185
Total		**343,212**	**336,314**

9.1 Included in "Other" is an amount of SAR 280 million (2008: SAR 280 million) representing cost of land purchased by the Bank. SAMA has authorized the Bank to hold the land partly for its own use and to sell remaining part. The decision of the Board of Directors on this is pending.

10. DUE TO SAMA

Due to SAMA comprise the following as of December 31:

	2009 SAR'000	2008 SAR'000
Cash management account with SAMA	**150,000**	**825,000**

The above amount represents borrowing from SAMA against cash management facility available for Islamic banks.

11. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise the following as of December 31:

	2009 SAR'000	2008 SAR'000
Current accounts	**10,821**	848
Time investments	**37,506**	638,250
Total	**48,327**	**639,098**

12. CUSTOMER DEPOSITS

Customer deposits by currency comprise the following as of December 31:

	Notes	**2009 SAR'000**	2008 SAR'000
Current accounts	12.1	**9,532,335**	6,824,960
Al Bilad Accounts		**3,043,370**	3,108,934
Customers' time investments		**963,916**	943,043
Other deposits	12.2	**181,006**	94,108
Total		**13,720,627**	10,971,045

12.1 Current accounts include foreign currency deposits of SAR 40 million which mainly comprise of amount in USD (2008: SAR 31 million).

12.2 Other deposits include collateral on behalf of the Bank's mutual funds of SAR 4 million (2008: SAR 3.5 million) and margins held for irrevocable commitments of SAR 177 million (2008: SAR 90 million).

13. OTHER LIABILITIES

Other liabilities comprise the following as of December 31:

	2009	2008
	SAR'000	SAR'000
Accounts payable	**321,849**	205,347
Accrued expenses - Staff	**77,562**	67,407
Accrued expenses – Other	**47,642**	73,852
Contributions to musharakah investments	**-**	17,941
Other	**43,003**	39,259
Total	**490,056**	**403,806**

14. SHARE CAPITAL

a) The authorized issued and fully paid capital of the Bank consists of 300 million shares of SAR 10 each. (2008: 300 million shares of SAR 10 each)

b) Employee share plan

The Bank plans to establish an employee compensation program in the form of a share option scheme, the formation of which has been approved by the Board of Directors ("the Board") in its meeting held on November 13, 2006.

In addition to the original subscription of 310,295 shares, the Board resolved to purchase an additional one million shares for this plan. This purchase was made in 2006 at a total cost of SAR 39 million. SAMA has given its initial approval for this plan however the terms of the plan are still in the process of being finalized.

	SAR in million	Numbers of shares
Total employee share plan	42	1,310,295

These shares are disclosed under shareholders' equity in the statement of financial position and will be transferred to 'Employee Share Plan' once finalized.

15. STATUTORY RESERVE

In accordance with Article 13 of the Saudi Arabian Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid up capital of the Bank. The statutory reserve is not available for distribution. However, the statutory reserve shall be used for meeting the Bank's losses or for increasing its capital.

Net loss for the year, after adjusting retained earnings has been allocated against the statutory reserve.

16. OTHER RESERVE

Other reserve represents the net unrealized revaluation gains/(losses) of available for sale investments. These reserves are not available for distribution.

17. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As of December 31, 2009, there were routine legal proceedings outstanding against the Bank. No provisions have been made as professional legal advice indicates that it is not probable that any significant loss will arise.

b) Capital commitments

As of December 31, 2009, the Bank had capital commitments of SAR 25 million (2008: SAR 37 million) relating to leasehold improvements on leased branches.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, acceptances 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 extend credit, principally in the form of financing, 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.

(i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2009 (SAR'000)	**Less than 3 months**	**From 3 months to 12 months**	**From 1 to 5 years**	**Total**
Letters of credit	**298,185**	**215,217**	**2,569**	**515,971**
Letters of guarantee	**126,053**	**589,194**	**726,598**	**1,441,845**
Acceptances	**211,545**	**44,455**	**16,689**	**272,689**
Underwriting	**-**	**300,000**	**-**	**300,000**
Total	**635,783**	**1,148,866**	**745,856**	**2,530,505**

2008 (SAR'000)	Less than 3months	From 3 months to 12 months	From 1 to 5 years	Total
Letters of credit	257,985	186,193	3,824	448,002
Letters of guarantee	187,569	509,789	325,544	1,022,902
Acceptances	147,744	8,864	22,807	179,415
Underwriting	-	1,350,000	-	1,350,000
Total	593,298	2,054,846	352,175	3,000,319

The outstanding unused portion of commitments, as of December 31, 2009, which can be revoked at any time by the Bank amounts to SAR 2,665 million (2008: SAR 1,947 million).

(ii) The analysis of commitments and contingencies by counter party as of December 31 is as follows :

	2009 SAR'000	2008 SAR'000
Government and quasi government	**1,246,710**	579,807
Corporate	**982,477**	1,045,564
Other	**301,318**	1,374,948
Total	**2,530,505**	**3,000,319**

d) Operating lease commitments

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

	2009 SAR'000	2008 SAR'000
Less than one year	**50,000**	3,553
One year to five years	**167,622**	51,573
Over five years	**82,528**	311,195
Total	**300,150**	**366,321**

e) Restricted investment accounts

	2009	2008
	SAR'000	SAR'000
Under Wakalah arrangement	**771,724**	**815,126**

The Bank accepts restricted investment from customers under wakalah arrangements. These investments are invested by the Bank in commodity murabaha with banks and financial institutions. Management fees are charged on these accounts.

f) 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.

18. INCOME FROM INVESTING AND FINANCING ASSETS

Income from investing and financing assets for the years ended December 31 comprises the following:

	2009	2008
	SAR'000	SAR'000
Held at amortized cost		
Investment		
Commodity murabaha with SAMA	**10,911**	42,105
Commodity murabaha with banks and financial institutions	**29,453**	132,829
Financing		
Bei ajel	**320,004**	326,576
Installment sales	**165,323**	95,290
Ijarah	**6,937**	13,950
Mushrakah	**39,626**	58,487
Total	**572,254**	**669,237**

19. RETURN PAID TO DEPOSITORS

Return paid to depositors for the years ended December 31, comprises the following:

	2009 **SAR'000**	2008 SAR'000
Al Bilad accounts	**7,925**	34,759
Time investments	**16,215**	**56,213**
Total	**24,140**	**90,972**

20. FEES AND COMMISSION INCOME, NET

Fees and commission income, net for the years ended December 31, comprise the following:

	2009 **SAR'000**	2008 SAR'000
Fees and commission income		
ATM & point of sale fee income	**59,202**	53,613
Brokerage commission	**24,683**	38,874
Letter of credit and guarantee fee	**11,451**	12,471
Remittance fees	**189,603**	161,216
Management fees (mutual fund & others)	**38,034**	40,891
Facilities management fees	**38,330**	22,603
Others	**3,869**	10,453
Total emocni eef	**365,172**	**340,121**
Fees and commission expenses		
ATM & point of sale fee expenses	**66,546**	**69,363**
Fees paid to brokers	**4,952**	**8,736**
Data transmission fees	**9,825**	**12,224**
Others	**5,165**	**19,977**
Total fee expenses	**86,488**	**110,300**
Fees income from banking services, net	**278,684**	**229,821**

21. DIVIDEND INCOME

Dividend income for the years ended December 31, comprise the following:

	2009	2008
	SAR'000	SAR'000
Available-for-sale investments	**4,448**	423

22. (LOSSES) ON NON-TRADING INVESTMENTS, NET

Losses on non – trading investments for the years ended December 31, comprise the following:

	2009	2008
	SAR'000	SAR'000
Available-for-sale investments	**(2,188)**	-

23. OTHER OPERATING INCOME

Other operating income for the years ended December 31, comprise the following:

	2009	2008
	SAR'000	SAR'000
Gain on sale of property and equipment	**1,352**	367
Others	**3,660**	1,266
Total	**5,012**	1,633

24. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2009 and 2008 are calculated by dividing the net income for the year by 300 million shares outstanding as of December 31,2009 and 2008.

25. CASH AND CASH EQUIVALENTS

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

	2009	2008
	SAR'000	SAR'000
Cash	**468,272**	430,507
Due from banks (maturing within ninety days from acquisition)	**2,081,675**	2,839,974
Balances with SAMA (excluding statutory deposit)	**44,609**	58,977
Total	**2,594,556**	3,329,458

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

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

2009 (SAR'000)	Retail Banking	Corporate	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	**4,279,666**	**8,291,522**	**3,991,445**	**77,738**	**33,633**	**737,188**	**17,411,192**
Total liabilities	**11,169,123**	**2,296,542**	**187,506**	**377,930**	**207,282**	**170,627**	**14,409,010**
Total operating income	**187,077**	**331,493**	**148,767**	**35,445**	**188,159**	**16,839**	**907,780**
Total operating expenses	**459,808**	**379,462**	**71,193**	**16,153**	**177,424**	**52,129**	**1,156,169**
Net (loss) income for the year	**(272,731)**	**(47,969)**	**77,574**	**19,292**	**10,735**	**(35,290)**	**(248,389)**
Capital expenditures	**27,771**	**482**	**7**	**-**	**1,565**	**17,452**	**47,277**
Depreciation and amortization	**82,824**	**13,839**	**3,668**	**11,868**	**26,734**	**178**	**139,111**
Impairment charge for financing assets	**22,269**	**280,091**	**-**	**-**	**-**	**-**	**302,360**
Impairment charge for investing and other financial assets	**-**	**-**	**60,987**	**-**	**-**	**-**	**60,987**

2008 (SAR'000)	Retail Banking	Corporate	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	2,225,488	7,137,318	2,066,535	677,474	312,710	3,632,264	16,051,789
Total liabilities	8,020,929	2,119,233	1,129,746	617,849	69,416	881,776	12,838,949
Total operating income	168,183	412,744	63,498	29,035	152,726	62,190	888,376
Total operating expenses	151,624	273,828	97,528	19,410	114,175	106,742	763,307
Net income (loss) for the year	16,559	138,916	(34,030)	9,625	38,551	(44,552)	125,069
Capital expenditures	11,511	6,645	-	3	19,662	26,892	64,713
Depreciation and amortization	31,370	8,738	745	206	21,192	56,807	119,058
Impairment charge for financing assets	13,719	6,084	-	-	-	-	19,803
Impairment charge for investing and other financial assets	-	-	65,000	-	-	-	65,000

(b) The Bank's credit exposure by business segments is as follows:

2009 SAR'000	**Retail banking segment**	**Corporate & Private banking**	**Treasury**	**Total**
Total assets	**2,889,185**	**8,124,930**	**4,362,122**	**15,376,237**
Commitments and Contingencies	**-**	**1,119,724**	**-**	**1,119,724**

2008 SAR'000	Retail banking segment	Corporate & Private banking	Treasury	Total
Total assets	1,618,253	6,657,831	5,776,857	14,052,941
Commitments and Contingencies	-	959,172	-	959,172

Bank credit exposure is comprised of Due from bank and other financial institutions, investment and financing.

27. FINANCIAL RISK MANAGEMENT

The Bank's activities are exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the banking business, and these risks are an inevitable consequence of participating in financial markets. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Bank reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practice.

Risk management is performed by the Credit and Risk Management Group (CRMG) under policies approved by the Board of Directors. The CRMG identifies and evaluates financial risks in close co-operation with the Bank's operating units. The most important types of risks identified by the Bank are credit risk, operational risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk and price risk.

28. CREDIT RISK

The Bank manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arrive principally in financing and investment activities. There is also credit risk in off-financial position financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Bank assesses the probability of default of counterparties using internal rating tools. Also, the Bank uses external ratings of the major rating agencies, where available.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

Concentrations of credit risk 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 risk 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 diversification to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Bank also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant facilities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Bank regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

Analysis of investments by counter-party is provided in note 6(b). For details of the composition of financing refer to note 7. For commitments and contingencies refer to note 17. The information on the Bank's maximum credit exposure by business segment is given in note 26(b). The information on maximum credit risk exposure and their relative risk weights is also provided.

a) Geographical Concentration

(i) The geographical distribution of major assets, liabilities, commitments and contingencies and credit risk as of December 31:

2009 SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	South East Asia	Other Countries	Total
Assets						
Cash and balances with SAMA	1,297,241	-	-	-	-	1,297,241
Due from banks and other financial institutions, net	2,082,644	677,850	18,157	20,347	27,485	2,826,483
Investments	1,535,639	-	-	-	-	1,535,639
Financing, net	11,014,115	-	-	-	-	11,014,115
Total	15,929,639	677,850	18,157	20,347	27,485	16,673,478
Liabilities						
Due to SAMA	150,000	-	-	-	-	150,000
Due to banks and other financial institutions	48,327	-	-	-	-	48,327
Customers' deposits	13,720,627	-	-	-	-	13,720,627
Total	13,918,954	-	-	-	-	13,918,954
Commitments and contingencies	2,530,505	-	-	-	-	2,530,505
Credit risk (stated at credit equivalent amounts) **of Commitments and Contingencies**	1,119,724	-	-	-	-	1,119,724

2008 SAR'000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other Countries**	**Total**
Assets						
Cash and balances with SAMA	1,125,142	-	-	-	-	1,125,142
Due from banks and other financial institutions, net	2,943,699	817,053	28,852	24,157	80,567	3,894,328
Investments, net	1,882,529	-	-	-	-	1,882,529
Financing, net	8,276,084	-	-	-	-	8,276,084
Total	14,227,454	817,053	28,852	24,157	80,567	15,178,083
Liabilities						
Due to SAMA	825,000	-	-	-	-	825,000
Due to banks and other financial institutions	639,098	-	-	-	-	639,098
Customers' deposits	10,971,045	-	-	-	-	10,971,045
Total	12,435,143	-	-	-	-	12,435,143
Commitments and contingencies	3,000,319	-	-	-	-	3,000,319
Credit risk (stated at credit equivalent amounts) **of Commitments and Contingencies**	959,172	-	-	-	-	**959,172**

Credit equivalent amounts reflect the amounts that result from translating the Bank's off-financial position commitments and contingencies into the risk equivalent of investments, using credit conversion factors prescribed by SAMA. Credit conversion factor is used to capture the potential credit risk resulting from the Bank meeting its commitments.

ii) The geographical distribution of the impaired investing and financing assets and the impairments provision for investing and financing assets

2009

SAR'000	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Non- performing financing assets	**629,117**		**-**	**-**	**-**	**629,117**
Provision for impairment on financing assets	**390,775**	**-**	**-**	**-**	**-**	**390,775**
Net non- performing financing assets	**238,342**	**-**	**-**	**-**	**-**	**238,342**
Non- performing financing other financial assets	**146,024**	**96,263**	**-**	**-**	**-**	**242,287**
Provision for impairment on other financial assets	**11,969**	**49,018**	**-**	**-**	**-**	**60,987**
Net non-performing other financial assets	**134,055**	**47,245**	**-**	**-**	**-**	**181,300**

2008

SAR'000	Kingdom of Saudi Arabia	Other GCC and Middle East	Europe	South East Asia	Other Countries	Total
Non- performing financing assets	101,197					101,197
Provision for impairment On financing assets	91,644	-	-	-	-	91,644
Net non- performing financing assets	9,553	**-**	**-**	**-**	**-**	9,553
Non- performing financing other financial assets	193,617	-	-	-	-	193,617
Provision for impairment on other financial assets	65,000	-	-	-	-	65,000
Net non-performing other financial assets	128,617	**-**	**-**	**-**	**-**	128,617

29. MARKET RISK

Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate due to changes in market variables such as profit rate risk, foreign exchange rates, and equity prices.

a) Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Bank does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortized cost. In addition to this, a substantial portion of the Bank's financial liabilities are non-interest bearing.

b) Currency Risk

(i) 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 intra day positions, which are monitored daily.

The Bank had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2009		2008	
	Saudi Riyal SAR '000	**Foreign Currency SAR '000**	Saudi Riyal SAR '000	Foreign Currency SAR '000
Assets				
Cash and balances with SAMA	**1,274,973**	**22,268**	1,113,837	11,305
Due from banks and other financial institutions, net	**2,028,954**	**797,529**	3,750,199	144,129
Investments	**1,535,639**	**-**	1,882,529	-
Financing, net	**10,639,022**	**375,093**	7,900,626	375,458
Property and equipment, net	**394,502**	**-**	537,392	-
Other assets	**343,212**	**-**	336,314	-
Total	**16,216,302**	**1,194,890**	15,520,897	530,892
Liabilities and equity				
Due to SAMA	**150,000**	**-**	825,000	-
Due to banks and other financial institutions	**10,552**	**37,775**	450,810	188,288
Customer deposits	**13,665,922**	**54,705**	10,934,486	36,559
Other liabilities	**477,071**	**12,985**	403,806	-
Equity	**3,002,182**	**-**	3,212,840	-
Total	**17,305,727**	**105,465**	**15,826,942**	**224,847**

A substantial portion of the net foreign currency exposure to the Bank is in US Dollars, where the SR is pegged to the US Dollar. The other currency exposures are not considered significant to the Bank's foreign currency risks and as a result the Bank is not exposed to major foreign currency risks.

(ii) Currency Position

At the end of the year, the Bank had the following significant net exposures denominated in foreign currencies:

	2009 SAR '000 Long/(short)	2008 SAR '000 Long/(short)
US Dollar	**925,502**	268,651
Euro	**(2,565)**	9,499
UAE Dirham	**3,844**	9,219
Bangladeshi Taka	**(13,951)**	6,297
Others	**176,595**	12,379
Total	**1,089,425**	306,045

The Bank has performed a sensitivity analysis for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

c) Equity Price Risk

Equity risk refers to the risk of decrease in fair values of equities in the Bank's available-for-sale investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Bank's equity investments held as available for sale due to reasonably possible change in equity indices, with all other variables held constant is as follows:

	31-December-09		**31-December-08**	
Market Indices	**Change in equity price %**	**Effect in SAR '000**	**Change in equity price %**	**Effect in SAR '000**
Tadawul	± 5	6,703	± 5	9,068
Unquoted	± 2	3,000	± 2	3,000

30. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected discounted cash inflows.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Bank and operating subsidiary. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2008: 7%) of total demand deposits and 4% (2008: 4%) of time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with SAMA.

a) The maturity profile of assets, liabilities and equity as of December 31 are as follows:

2009 SAR'000	Within 3 Months	3 months to 1 year	One year to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	512,881	-	-	-	-	512,881
Deposits with SAMA	-	-	-	-	784,360	784,360
Due from banks and other financial institutions, net	2,081,675	744,808	-	-	-	2,826,483
Investments	1,250,384	-	-	-	285,255	1,535,639
Financing, net	2,162,142	4,361,329	4,096,354	394,290	-	11,014,115
Property and equipment, net	-	-	-	-	394,502	394,502
Other assets	-	-	-	-	343,212	343,212
Total assets	6,007,082	5,106,137	4,096,354	394,290	1,807,329	17,411,192
Liabilities and equity						
Due to SAMA	150,000	-	-	-	-	150,000
Due to banks and other financial institutions	48,327	-	-	-	-	48,327
Customers' deposits	13,018,022	702,605				13,720,627
Other liabilities	-	-	-	-	490,056	490,056
Shareholders' equity	-	-	-	-	3,002,182	3,002,182
Total liabilities and equity	13,216,349	702,605	-	-	3,492,238	17,411,192

2008 **SAR'000**	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 Years**	**No fixed maturity**	**Total**
Assets						
Cash and balances with SAMA	489,484	-	-	-	-	489,484
Deposits with SAMA	-	-	-	-	635,658	635,658
Due from banks and other financial institutions	2,839,974	1,054,354	-	-	-	3,894,328
Investments	1,603,912	-	-	-	278,617	1,882,529
Financing, net	814,113	3,724,639	3,242,696	494,636	-	8,276,084
Property and equipment, net	-	-	-	-	537,392	537,392
Other assets	-	-	-	-	336,314	336,314
Total assets	5,747,483	4,778,993	3,242,696	494,636	1,787,981	16,051,789
Liabilities and equity						
Due to SAMA	825,000	-	-	-	-	825,000
Due to banks and other financial institutions	639,098	-	-	-	-	639,098
Customers' deposits	10,640,334	119,230	211,481	-	-	10,971,045
Other liabilities	-	-	-	-	403,806	403,806
Shareholders' equity	-	-	-	-	3,212,840	3,212,840
Total liabilities and equity	12,104,432	119,230	211,481	-	3,616,646	16,051,789

b) Analysis of financial liabilities by the remaining contractual maturities as of December 31, are as follows

2009 SAR'000	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 Years**	**No fixed Maturity**	**Total**
Financial liabilities						
Due to SAMA	**150,000**	-	-	-	-	**150,000**
Due to banks and other financial institutions	**48,327**	-	-	-	-	**48,327**
Customer deposits	**13,017,834**	**711,795**	-	-	-	**13,729,629**

2008 SAR'000						
Financial liabilities						
Due to SAMA	825,000	-	-	-	-	825,000
Due to banks and other financial institutions	644,376	-	-	-	-	644,376
Customer deposits	10,641,940	119,521	211,481	-	-	10,972,942

31. 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 Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking):

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

2009 **SAR' 000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments available for sale	**134,055**	**-**	**-**	**134,055**
2008 SAR' 000 Financial Assets				
Financial investments available for sale	128,617	-	-	128,617

The fair values of on-statement of financial position financial instruments are not significantly different from the carrying values included in the financial statements. The fair values of financing due from and due to banks which are carried at amortized cost are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

32. 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 years ended December 31 are as follows:

	2009 **SAR'000**	2008 SAR'000
a) Directors, and other major shareholders and their affiliates balances:		
Bei ajel	**900,843**	845,401
Musharaka	**6,242**	-
Commitments and contingencies	**20,123**	6,187
Current accounts	**40,240**	14,463
Al Bilad account	**8,386**	7,996
Direct investments	**381**	-

Major shareholders are those shareholders who own 5% or more of the Bank's issued share capital.

	2009 **SAR'000**	2008 SAR'000
b) Bank's Mutual funds:		
These are the outstanding balances with Bank's mutual funds as of December 31:		
Customers' deposits	**3,930**	11,247

c) Related party income and expense:

The following is an analysis of the related party income and expenses included in the consolidated statement of income for the years ended December 31:

	2009 SAR'000	**2008 SAR'000**
Income from financing	**16,960**	17,771
Management fees (Albilad mutual funds)	**16,420**	22,909
Board of Directors' remunerations	**3,529**	3,400
Compensations, remuneration and bonuses and end of service benefits to executive management members	**22,418**	23,706

Executive management members are those who have the authority and responsibility, directly or indirectly, to plan, steer and control the Bank's activities.

33. CAPITAL ADEQUACY

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management. SAMA requires to hold minimum level of regulatory capital and maintain a ratio of 8% of total regulatory capital to the risk-weighted assets.

	2009 SAR'000	2008 SAR'000
Credit Risk RWA	**13,489,386**	11,383,571
Operational Risk RWA	**1,779,640**	1,590,144
Market Risk RWA	**1,107,638**	306,181
Total Pillar-I RWA	**16,376,664**	13,279,896
Tier I Capital	**3,250,571**	3,087,771
Tier II Capital	**(235,617)**	125,069
Total Tier I & II Capital	**3,014,954**	3,212,840
Capital Adequacy Ratio %		
Tier I ratio	**19.85%**	23.25%
Tier I + Tier II ratio	**18.41%**	24.19%

34. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary. These services include the management of five mutual funds with assets totaling SAR 1,028 million (2008: SAR 1,161 million). All 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 its 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 32).

35. BASEL II PILLAR 3 DISCLOSURES

Certain additional quantitative disclosures are required under Basel II Pillar 3. These disclosures will be made available to the public on the Bank's website (www.bankalbilad.com.sa) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors.

36. ISSUED IFRS' BUT NOT YET EFFECTIVE

The Bank has chosen not to early adopt the amendments and the newly issued Standards as follows:

- Improvements to IFRSs 2009 – various standards effective date 1 January 2010
- IAS 24 Related Party Disclosures (revised 2009), effective date 1 January 2011
- IFRS 9 Financial Instruments effective date 1 January 2013

37. COMPARATIVE FIGURES

Certain prior period's figures have been reclassified to conform to current year presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Bank's Board of Directors on 25 Safar 1431H (corresponding to 9 February, 2010).