

BALANCE SHEET  
As at

SAR' 000	Note	30-09-2005 (Unaudited)	31-12-2004 (Audited)	30-09-2004 (Unaudited)
<b><u>ASSETS</u></b>				
Cash and balances with SAMA		2,225,246	2,009,263	1,983,083
Due from banks and other financial institutions		4,403,413	2,486,058	1,528,100
Investments, net	2	17,981,319	19,097,138	18,658,901
Loans and advances, net		43,129,156	34,463,424	32,420,552
Fixed assets, net		461,588	451,943	451,919
Other assets		1,185,753	1,161,657	1,062,045
<b>Total assets</b>		<b>69,386,475</b>	<b>59,669,483</b>	<b>56,104,600</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
<b><u>Liabilities</u></b>				
Due to banks and other financial institutions		7,668,811	4,171,161	5,320,091
Customer deposits		49,300,003	47,704,152	43,755,784
Other liabilities		3,413,253	2,281,886	1,275,276
Term loan	3	2,437,500	-	-
<b>Total liabilities</b>		<b>62,819,567</b>	<b>54,157,199</b>	<b>50,351,151</b>
<b><u>Shareholders' equity</u></b>				
Share capital		2,250,000	2,250,000	2,250,000
Statutory reserve		2,250,000	2,250,000	2,250,000
General reserve		955,000	955,000	505,000
Other reserves	5	(117,621)	50,388	106,129
Retained earnings		1,229,529	6,896	642,320
<b>Total shareholders' equity</b>		<b>6,566,908</b>	<b>5,512,284</b>	<b>5,753,449</b>
<b>Total liabilities and shareholders' equity</b>		<b>69,386,475</b>	<b>59,669,483</b>	<b>56,104,600</b>

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

STATEMENT OF INCOME  
(Unaudited)

SAR' 000	For the three months ended		For the nine months ended	
	30-09-2005	30-09-2004	30-09-2005	30-09-2004
Special commission income	787,627	538,090	2,124,137	1,520,594
Special commission expense	350,672	139,959	849,479	337,585
Net special commission income	436,955	398,131	1,274,658	1,183,009
Fees from banking services, net	306,824	137,743	718,995	346,918
Exchange income	40,255	20,214	98,161	56,859
Trading income, net	13,114	20,810	86,558	83,024
Dividend income	1,181	387	1,471	535
Gains on non trading investments, net	9,527	3,947	51,768	3,947
Other operating income	1,691	1,615	6,006	6,791
Total operating income	809,547	582,847	2,237,617	1,681,083
Salaries and employee related expenses	99,816	87,984	286,551	258,970
Rent and premises related expenses	15,412	14,530	42,580	40,586
Depreciation and amortization	15,302	16,315	45,850	48,049
Other general and administrative expenses	51,703	39,103	150,178	120,728
Provision for possible credit losses	23,313	22,407	103,852	48,246
Other operating expenses	576	1,878	935	2,423
Total operating expenses	206,122	182,217	629,946	519,002
Net income for the period	603,425	400,630	1,607,671	1,162,081
Weighted average number of outstanding shares	45,000	45,000	45,000	45,000
Earnings per share for the period (in SAR)	13.41	8.90	35.73	25.82

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited)

SAR' 000	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total
<u>For the nine months ended September 30, 2005</u>						
Balance at the beginning of the year, as restated (note 5)	2,250,000	2,250,000	955,000	50,388	6,896	5,512,284
Net income for the period	-	-	-	-	1,607,671	1,607,671
Interim gross dividend (note 9)	-	-	-	-	(385,038)	(385,038)
Net changes in fair value and cash flow hedges	-	-	-	(168,009)	-	(168,009)
Balance at the end of the period	2,250,000	2,250,000	955,000	(117,621)	1,229,529	6,566,908
<u>For the nine months ended September 30, 2004</u>						
Balance at the beginning of the year	2,250,000	2,100,000	505,000	185,989	9,376	5,050,365
Net income for the period	-	-	-	-	1,162,081	1,162,081
Transfer to statutory reserve	-	150,000	-	-	(150,000)	-
Interim gross dividend (note 9)	-	-	-	-	(379,137)	(379,137)
Net changes in fair value and cash flow hedges	-	-	-	(79,860)	-	(79,860)
Balance at the end of the period	2,250,000	2,250,000	505,000	106,129	642,320	5,753,449

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

STATEMENT OF CASH FLOWS  
(Unaudited)

SAR' 000	Note	For the nine months ended	
		30-09-2005	30-09-2004
<b><u>OPERATING ACTIVITIES</u></b>			
Net income for the period		1,607,671	1,162,081
Adjustments to reconcile net income to net cash used in operating activities:			
Amortization of premiums and (accretion of discounts) on non trading investments, net		17,869	11,373
Gains on non trading investments, net		(51,768)	(3,947)
Depreciation and amortization		45,850	48,049
Gains on disposal of fixed assets, net		(43)	(144)
Provision for possible credit losses, net		103,852	48,246
Net (increase) decrease in operating assets:		1,723,431	1,265,658
Statutory deposit with SAMA		(191,447)	(229,781)
FVIS investments held for trading		85,090	257,392
Loans and advances		(8,769,584)	(5,743,017)
Other assets		(151,200)	702,188
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		3,497,650	1,646,111
Customer deposits		1,595,851	1,121,488
Other liabilities		1,690,641	(426,745)
Net cash used in operating activities		(519,568)	(1,406,706)
<b><u>INVESTING ACTIVITIES</u></b>			
Proceeds from sales and matured non trading investments		3,350,041	2,907,133
Purchase of non trading investments		(2,326,318)	(2,790,122)
Purchase of fixed assets		(55,530)	(46,301)
Proceeds from sale of fixed assets		78	304
Net cash from investing activities		968,271	71,014
<b><u>FINANCING ACTIVITIES</u></b>			
Term loan		2,437,500	-
Dividends paid		(944,312)	(821,378)
Cash from (used in) financing activities		1,493,188	(821,378)
Increase (decrease) in cash and cash equivalents		1,941,891	(2,157,070)
Cash and cash equivalents at the beginning of the year		2,771,240	3,955,108
Cash and cash equivalents at the end of the period	7	4,713,131	1,798,038
<b><u>Supplemental non cash information</u></b>			
Net changes in fair value and cash flow hedges		(168,009)	(79,860)

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS For the nine months ended September 30, 2005 and 2004

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim condensed financial statements are set out below:

#### a) Basis of preparation

The Bank follows the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA), International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. These interim condensed financial statements are prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting, and comply with the Banking Control Laws and Regulations for Companies in the Kingdom of Saudi Arabia.

These interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives, and investments held for trading, available for sale and FVIS (fair value through income statement).

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2004 except for the changes set out in note 1(b) below.

The interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR).

#### b) Change in accounting policies

The Bank has implemented the revised versions of International Accounting Standard (IAS) 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement effective January 1, 2005 with retrospective effect, wherever applicable, with respect to the recognition, measurement and disclosure of financial instruments.

The revised IAS 39 has introduced a new classification, fair value through income statement (FVIS), under which financial assets and liabilities, except for investments for equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, can be classified and carried at fair value with the changes in fair values recognized in the statement of income. This new classification includes financial assets and liabilities held for trading and items that are designated as FVIS at the time of initial recognition. Following initial recognition, transfers between the various classifications of financial assets or liabilities are not ordinarily permissible.

Certain investments previously classified as held at amortized costs, other, and having an active market, have been reclassified effective January 1, 2004 to available for sale investments at fair value through other reserves.

#### c) Comparative figures

Certain prior period amounts have been reclassified to conform with the current period presentation due to the adoption of the revised IAS 39 and 32.

## 2. Investments, net

The investments are classified as follows:

SAR' 000	30-09-2005 (Unaudited)	31-12-2004 (Audited)	30-09-2004 (Unaudited)
Held at FVIS	1,154,676	1,239,766	1,259,582
Available for sale	4,173,959	4,098,922	3,606,018
Held at amortized costs, other	10,904,111	12,000,339	12,034,736
Held to maturity	1,748,573	1,758,111	1,758,565
Total	17,981,319	19,097,138	18,658,901

Subsequent to the implementation of the revised IAS 39 on January 1, 2005, investments previously carried at amortized cost of SAR 659 million in held at amortized costs, other, are carried now at fair value of SAR 655 million (September 30, 2004: SAR 510 million at fair value of SAR 513 million) in available for sale.

For investments re-designated as available for sale, the cumulative changes in fair value amounting to SAR 11 million has been recognised in other reserves.

Investments held at FVIS represent investments held for trading.

## 3. Term loan

On June 29, 2005, the Bank entered into a five year syndicated term loan facility agreement for an amount of USD 650 million for general banking purposes. The facility has been drawn down in full and is repayable in 2010. However, the Bank has an option to effect early repayment subject to the terms and conditions of the related syndicated agreement.

## 4. Derivatives

The table below show the positive and negative fair values of derivative financial instruments held, together with their notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

SAR' 000	30-09-2005 (Unaudited)			31-12-2004 (Audited)			30-09-2004 (Unaudited)		
	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Commission rate swaps	571,503	663,897	78,447,279	504,672	532,482	77,763,848	523,173	617,690	68,380,530
Commission rate futures and options	12,306	6,846	14,735,500	35,494	33,142	16,096,750	62,126	39,426	29,769,250
Forward rate agreements	-	-	-	204	1,541	642,500	332	1,723	642,500
Forward foreign exchange contracts	101,033	109,202	34,879,194	122,640	85,967	43,398,580	103,720	57,635	47,519,818
Currency options	20,304	12,490	5,840,630	88,453	86,238	3,602,742	11,039	10,009	1,608,564
Held as fair value hedges:									
Commission rate swaps	106,291	44,062	12,263,721	69,736	84,139	11,988,352	133,944	80,330	12,787,844
Held as cash flow hedges:									
Commission rate swaps	58,462	40,780	5,531,000	179,878	3,875	4,589,000	203,396	681	4,516,500
Total	869,899	877,277	151,697,324	1,001,077	827,384	158,081,772	1,037,730	807,494	165,225,006
Value of netting arrangements	(234,520)	(234,520)	(31,971,442)	(307,988)	(307,988)	(30,858,182)	(357,718)	(357,718)	(31,086,080)
Total after netting	635,379	642,757	119,725,882	693,089	519,396	127,223,590	680,012	449,776	134,138,926

#### 4. Derivatives (continued)

Commission rate swaps include the notional amount of SAR 31,972 million (December 31, 2004: SAR 30,858 million and September 30, 2004: SAR 31,086 million), with an aggregate positive fair value and a negative fair value of SAR 235 million (December 31, 2004: SAR 308 million and September 30, 2004: SAR 358 million) which are netted out for credit exposure purposes, as the Bank intends to settle these on a net basis.

#### 5. Other reserves

SAR' 000	30-09-2005 (Unaudited)			31-12-2004 (Audited)			30-09-2004 (Unaudited)		
	Cash flow hedges	Available for sale investments	Total	Cash flow hedges	Available for sale investments	Total	Cash flow hedges	Available for sale investments	Total
Balance at the beginning of the year	65,565	(15,177)	50,388	202,558	(16,569)	185,989	202,558	(16,569)	185,989
Net change in fair value	(80,461)	10,863	(69,598)	43,122	5,336	48,458	55,847	14,936	70,783
Transfer to statement of income	(46,643)	(51,768)	(98,411)	(180,115)	(3,944)	(184,059)	(146,699)	(3,944)	(150,643)
Net movement during the period	(127,104)	(40,905)	(168,009)	(136,993)	1,392	(135,601)	(90,852)	10,992	(79,860)
Balance at the end of the period	(61,539)	(56,082)	(117,621)	65,565	(15,177)	50,388	111,706	(5,577)	106,129

SAR 4 million has been reduced from net change in fair value for December 31, 2004 due to the effect of the implementation of revised IAS 39 (September 30, 2004: added SAR 3 million).

#### 6. Credit related commitments and contingencies

The credit related commitments and contingencies are classified as follows:

SAR' 000	30-09-2005 (Unaudited)	31-12-2004 (Audited)	30-09-2004 (Unaudited)
Letters of credit	7,056,625	5,410,715	6,129,698
Letters of guarantees	10,862,923	9,971,835	9,432,930
Acceptances	1,548,356	1,317,715	1,057,640
Irrevocable commitments to extend credit	2,170,408	3,379,667	2,724,586
Other	6,750	6,750	9,000
Total	21,645,062	20,086,682	19,353,854

#### 7. Cash and cash equivalents

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

SAR' 000	30-09-2005 (Unaudited)	31-12-2004 (Audited)	30-09-2004 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	309,718	285,182	269,938
Due from banks and other financial institutions maturing within ninety days	4,403,413	2,486,058	1,528,100
Total	4,713,131	2,771,240	1,798,038

## 8. Business segments

The Bank is organized into the following main business segments:

**Retail Banking** – incorporating private and small establishment customers' demand accounts, overdrafts, loans, saving accounts, deposits, credit and debit cards, retail investments products, consumer loans, international and local shares brokerage services, funds management, insurance (brokerage) and certain forex products.

**Corporate Banking** – incorporating corporate demand accounts, deposits, overdrafts, loans and other credit facilities and derivative products.

**Treasury Banking** – incorporating treasury services, trading activities, investment securities, money market, the Bank's funding operation and derivative products.

Transactions between the business segments are reported according to the Bank's internal transfer pricing policy. The Bank's total assets and liabilities as at September 30, 2005 and 2004, its total operating income and expenses, and its net income for the nine months then ended, by business segment, are as follows:

(Unaudited) SAR' 000	Retail banking	Corporate banking	Treasury banking	Total
<u>30-09-2005</u>				
Total assets	8,429,845	36,622,006	24,334,624	69,386,475
Total liabilities	30,730,559	19,135,686	12,953,322	62,819,567
Total operating income	1,130,607	565,536	541,474	2,237,617
Total operating expenses	405,775	149,455	74,716	629,946
Net income for the period	724,832	416,081	466,758	1,607,671
<u>30-09-2004</u>				
Total assets	4,801,683	29,241,238	22,061,679	56,104,600
Total liabilities	31,104,814	13,043,792	6,202,545	50,351,151
Total operating income	703,661	488,285	489,137	1,681,083
Total operating expenses	331,988	117,209	69,805	519,002
Net income for the period	371,673	371,076	419,332	1,162,081

## 9. Interim dividend, zakat and taxation

The interim gross dividend for the six months period ended June 30, 2005 of SAR 385 million (June 30, 2004: SAR 379 million) was paid on July 16, 2005. Zakat attributable to Saudi shareholders for the period amounted to approximately SAR 17 million (June 30, 2004: SAR 13 million). This was deducted from their share of the dividend, resulting in net dividend to Saudi shareholders of SAR 8 per share (June 30, 2004: 8 per share). The income tax liability of the foreign shareholders was deducted from their share of the dividend.