

BALANCE SHEET
As at

SAR' 000	Notes	30-09-2006 (Unaudited)	31-12-2005 (Audited)	30-09-2005 (Unaudited)
<u>ASSETS</u>				
Cash and balances with SAMA		2,432,814	2,317,293	2,225,246
Due from banks and other financial institutions		4,934,303	2,277,131	4,403,413
Investments, net	2	16,897,647	18,127,849	17,981,319
Loans and advances, net		49,316,207	42,978,702	43,129,156
Fixed assets, net		541,683	475,877	461,588
Other assets		1,745,600	1,324,528	1,185,753
Total assets		75,868,254	67,501,380	69,386,475
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
<u>Liabilities</u>				
Due to banks and other financial institutions		4,224,298	4,946,403	7,668,811
Customer deposits		58,517,995	51,093,385	49,300,003
Other liabilities		1,874,464	1,839,192	3,413,253
Term loan		2,437,500	2,437,500	2,437,500
Total liabilities		67,054,257	60,316,480	62,819,567
<u>Shareholders' equity</u>				
Share capital	7	3,375,000	2,250,000	2,250,000
Statutory reserve	7	3,375,000	2,250,000	2,250,000
General reserve	7	250,000	2,500,000	955,000
Other reserves		(93,761)	(102,428)	(112,490)
Retained earnings		1,907,758	31,725	1,224,398
Proposed dividend		-	255,603	-
Total shareholders' equity		8,813,997	7,184,900	6,566,908
Total liabilities and shareholders' equity		75,868,254	67,501,380	69,386,475

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

STATEMENT OF INCOME
(Unaudited)

SAR' 000	Note	For the three months ended		For the nine months ended	
		30-09-2006	30-09-2005	30-09-2006	30-09-2005
Special commission income		1,101,894	787,627	3,114,822	2,124,137
Special commission expense		587,567	350,672	1,623,199	849,479
Net special commission income		514,327	436,955	1,491,623	1,274,658
Fees from banking services, net		384,809	306,824	1,353,641	718,995
Exchange income, net		37,133	40,255	106,660	98,161
Trading income, net		34,433	13,114	141,342	86,558
Dividend income		156	1,181	627	1,471
Gains (losses) on non trading investments, net		(10)	9,527	9,375	51,768
Other operating income		988	1,691	2,925	6,006
Total operating income		971,836	809,547	3,106,193	2,237,617
Salaries and employee related expenses		117,510	99,816	342,218	286,551
Rent and premises related expenses		17,519	15,412	49,722	42,580
Depreciation and amortization		17,790	15,302	49,450	45,850
Other general and administrative expenses		57,261	51,703	171,184	150,178
Provision for credit losses, net		21,813	23,313	66,669	103,852
Other operating expenses		583	576	2,184	935
Total operating expenses		232,476	206,122	681,427	629,946
Net income for the period		739,360	603,425	2,424,766	1,607,671
Weighted average number of outstanding shares	7	337,500	337,500	337,500	337,500
Earnings per share for the period (in SAR)	7	2.19	1.78	7.18	4.76

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

SAR' 000	Notes	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Proposed dividend	Total
<u>For the nine months ended September 30, 2006</u>								
Balance at the beginning of the year		2,250,000	2,250,000	2,500,000	(102,428)	31,725	255,603	7,184,900
Bonus shares issued	7	1,125,000	-	(1,125,000)	-	-	-	-
Transfer to statutory reserve	7	-	1,125,000	(1,125,000)	-	-	-	-
Net income for the period		-	-	-	-	2,424,766	-	2,424,766
Final dividend paid for 2005		-	-	-	-	-	(255,603)	(255,603)
Interim gross dividend paid	8	-	-	-	-	(548,733)	-	(548,733)
Net changes in fair value and cash flow hedges		-	-	-	8,667	-	-	8,667
Balance at the end of the period		3,375,000	3,375,000	250,000	(93,761)	1,907,758	-	8,813,997
<u>For the nine months ended September 30, 2005</u>								
Balance at the beginning of the year		2,250,000	2,250,000	955,000	55,519	1,765	559,274	6,071,558
Net income for the period		-	-	-	-	1,607,671	-	1,607,671
Final dividend paid for 2004		-	-	-	-	-	(559,274)	(559,274)
Interim gross dividend paid	8	-	-	-	-	(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	(112,490)	1,224,398	-	6,566,908

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

STATEMENT OF CASH FLOWS
(Unaudited)

SAR' 000	Note	For the nine months ended	
		30-09-2006	30-09-2005
<u>OPERATING ACTIVITIES</u>			
Net income for the period		2,424,766	1,607,671
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Amortization of premiums and (accretion of discounts) on non trading investments, net		8,223	17,869
Gains on non trading investments, net		(9,375)	(51,768)
Depreciation and amortization		49,450	45,850
Gains on disposal of fixed assets, net		(28)	(43)
Provision for credit losses, net		66,669	103,852
Change in fair value		22,274	(26,374)
Net (increase) decrease in operating assets:		2,561,979	1,697,057
Statutory deposit with SAMA		(89,081)	(191,447)
Due from banks and other financial institutions maturing after 90 days		(150,000)	-
Investments held as FVIS, trading		(417,195)	85,090
Loans and advances		(6,378,971)	(8,789,204)
Other assets		(243,578)	(114,645)
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		(727,010)	3,493,010
Customer deposits		7,274,251	1,581,400
Other liabilities		19,463	1,730,719
Net cash from (used in) operating activities		1,849,858	(508,020)
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales and matured non trading investments		2,691,215	3,338,493
Purchase of non trading investments		(1,093,580)	(2,326,318)
Purchase of fixed assets		(115,293)	(55,530)
Proceeds from sale of fixed assets		65	78
Net cash from investing activities		1,482,407	956,723
<u>FINANCING ACTIVITIES</u>			
Term loan		-	2,437,500
Dividend paid		(804,336)	(944,312)
Net cash (used in) from financing activities		(804,336)	1,493,188
Increase in cash and cash equivalents		2,527,929	1,941,891
Cash and cash equivalents at the beginning of the year		2,663,637	2,771,240
Cash and cash equivalents at the end of the period	5	5,191,566	4,713,131
<u>Supplemental non cash information</u>			
Net changes in fair value and cash flow hedges		8,667	(168,009)

The accompanying notes 1 to 8 form an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the nine months ended September 30, 2006 and 2005****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) and International Financial Reporting Standards (IFRS), and complies with the Banking Control Law and Regulations for Companies in the Kingdom of Saudi Arabia.

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of derivatives, and available for sale and Fair Value through Income Statements (FVIS). In addition, assets and liabilities that are hedged (in a fair value hedging relationship) are carried at fair value to the extent of the risk being hedged.

In the ordinary course of business, the Bank makes certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The Bank's management exercises its judgement in the process of applying its accounting policies, as such estimates, assumptions and judgements 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.

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

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the Bank's annual financial statements for the year ended December 31, 2005 except for the change set out in note 1(b) below.

b) Change in accounting policies

The Bank has adopted the revised version of International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement – The Fair Value Option effective January 1, 2006 with retrospective effect. The adoption has had no impact on the Bank's financial statements since no investments have been reclassified.

c) Comparative figures

Certain prior period amounts have been reclassified to conform with the current period presentation.

2. Investments, net

The investments are classified as follows:

SAR' 000	30-09-2006 (Unaudited)	31-12-2005 (Audited)	30-09-2005 (Unaudited)
Held as FVIS	1,507,836	1,090,641	1,154,676
Available for sale	4,581,277	4,385,992	4,173,959
Held at amortized costs, other	9,439,303	10,903,246	10,904,111
Held to maturity	1,369,231	1,747,970	1,748,573
Total	16,897,647	18,127,849	17,981,319

Investments held as FVIS represent investments held for trading.

3. Derivatives

The table below shows 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	30-09-2006 (Unaudited)			31-12-2005 (Audited)			30-09-2005 (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	685,451	868,354	97,575,694	544,913	686,725	87,162,363	571,503	663,897	78,447,279
Commission rate futures and options	5,552	5,192	7,151,500	12,954	6,410	12,665,500	12,306	6,846	14,735,500
Forward rate agreements	167	179	998,750	128	266	691,000	-	-	-
Forward foreign exchange contracts	95,534	51,766	62,475,448	102,549	94,422	28,288,650	101,033	109,202	34,879,194
Currency options	56,768	29,844	6,070,396	21,256	15,624	3,953,512	20,304	12,490	5,840,630
Held as fair value hedges:									
Commission rate swaps	261,755	54,083	11,111,415	156,767	38,274	11,381,103	106,291	44,062	12,263,721
Held as cash flow hedges:									
Commission rate swaps	94,493	35,115	4,943,500	38,725	44,994	4,831,000	58,462	40,780	5,531,000
Total	1,199,720	1,044,533	190,326,703	877,292	886,715	148,973,128	869,899	877,277	151,697,324
Value of netting arrangements	(371,214)	(371,214)	(29,028,830)	(256,163)	(256,163)	(28,809,206)	(234,520)	(234,520)	(31,971,442)
Total after netting	828,506	673,319	161,297,873	621,129	630,552	120,163,922	635,379	642,757	119,725,882

Commission rate swaps include a notional amount of SAR 29,029 million (December 31, 2005: SAR 28,809 million and September 30, 2005: SAR 31,972 million), with an aggregate positive fair value and a negative fair value of SAR 371 million (December 31, 2005: SAR 256 million and September 30, 2005: SAR 235 million) which are netted out for credit exposure purposes, as the Bank intends to settle these on a net basis.

4. Credit related commitments and contingencies

The credit related commitments and contingencies are classified as follows:

SAR' 000	30-09-2006 (Unaudited)	31-12-2005 (Audited)	30-09-2005 (Unaudited)
Letters of credit	8,774,551	6,214,559	7,056,625
Letters of guarantees	13,884,341	12,210,158	10,862,923
Acceptances	1,666,086	1,521,041	1,548,356
Irrevocable commitments to extend credit	2,623,741	1,984,790	2,170,408
Other	6,750	6,750	6,750
Total	26,955,469	21,937,298	21,645,062

5. Cash and cash equivalents

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

SAR' 000	30-09-2006 (Unaudited)	31-12-2005 (Audited)	30-09-2005 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	412,946	386,506	309,718
Due from banks and other financial institutions maturing within ninety days	4,778,620	2,277,131	4,403,413
Total	5,191,566	2,663,637	4,713,131

6. 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, 2006 and 2005, 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>30-09-2006</u>				
Total assets	11,312,834	40,699,862	23,855,558	75,868,254
Total liabilities	32,668,757	26,056,986	8,328,514	67,054,257
Total operating income	1,850,943	717,617	537,633	3,106,193
Total operating expenses	448,115	135,494	97,818	681,427
Net income for the period	1,402,826	582,123	439,817	2,424,766
<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

7. Share capital, bonus share issue, statutory reserve, general reserve and earnings per share

In accordance with the shareholders' resolution passed at the General Assembly Meeting held on March 5, 2006, a bonus issue of 22.5 million shares at a nominal value SAR 50 each was approved to the existing shareholders, on the basis of 1 bonus share for every 2 shares held, through the capitalization of general reserve.

In addition, SAR 1,125 million has been transferred from general reserve to statutory reserve to equal the Bank's share capital. No further transfer is required since the limit has been attained. This reserve is not available for distribution.

In accordance with the Council of Ministers resolution dated 27/2/1427H (corresponding to March 27, 2006) and the Capital Market Authority directive dated 29/2/1427H (corresponding to March 29, 2006), the nominal value of the Bank's shares have been split from the existing 67.5 million shares of SAR 50 per share to 337.5 million shares of SAR 10 per share effective from 10/3/1427H (corresponding to April 08, 2006) without changing the Bank's paid up capital.

Earnings per share for the period ended September 30, 2006 and 2005 is calculated by dividing the net income for the period by 337.5 million shares, to give a retrospective effect for the change in the number of shares which increased as a result of the share split as set out above. The retrospective calculation is required by IAS 33 – Earnings per Share.

8. Interim dividend, zakat and income tax

The interim gross dividend for the six months period ended June 30, 2006 of SAR 549 million (June 30, 2005: SAR 385 million) was paid on July 26, 2006.

Zakat attributable to Saudi shareholders for the period amounted to approximately SAR 29 million (June 30, 2005: SAR 17 million). This was deducted from their share of the dividend, resulting in net dividend to Saudi shareholders of SAR 1.5 per share (June 30, 2005: SAR 1.6 per share. The net dividend per share has been recalculated retrospectively to give effect for the increased number of shares as a result of bonus issue and share split during the current year).

The income tax liability of the foreign shareholders was deducted from their share of the dividend.