Bank AlBilad
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2008

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2008 AND 2007

	Notes	**2008 SAR'000**	2007 SAR'000
ASSETS			
Cash and balances with SAMA	4	**1,125,142**	2,058,151
Due from banks and other financial institutions	5	**3,894,328**	6,074,145
Investments	6	**1,882,529**	1,349,235
Financing, net	7	**8,274,804**	6,189,975
Property and equipment, net	8	**537,392**	594,151
Other assets	9	**337,594**	370,181
Total assets		**16,051,789**	**16,635,838**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Due to SAMA	10	**825,000**	-
Due to banks and other financial institutions	11	**639,098**	-
Customers' deposits	12	**10,971,045**	12,689,285
Other liabilities	13	**403,806**	842,446
Total liabilities		**12,838,949**	**13,531,731**
Shareholder's Equity			
Share capital	14	**3,000,000**	3,000,000
Employee share plan	14	**(41,974)**	(41,987)
Statutory reserve	15	**93,911**	62,644
Other reserve	16	**(22,741)**	(6,392)
Retained earnings		**183,644**	89,842
Total shareholder's equity		**3,212,840**	**3,104,107**
Total liabilities and shareholder's equity		**16,051,789**	**16,635,838**

The accompanying notes 1 to 37 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, 2008 AND 2007

	Notes	2008 SAR'000	2007 SAR'000
INCOME			
Income from investing and financing assets	18	**669,237**	714,746
Return paid to depositors	19	**(90,972)**	(180,305)
Net income from investing and financing assets		**578,265**	**534,441**
Fees income from banking services, net	20	**216,024**	176,921
Exchange income, net		**78,234**	66,703
Dividend income	21	**423**	-
Other operating income	22	**1,633**	503
Total operating income		**874,579**	**778,568**
EXPENSES			
Salaries and employee related expenses		**369,456**	342,953
Rent and premises related expenses		**91,782**	82,146
Depreciation and amortization	8	**119,058**	103,764
Other general and administrative expenses		**84,411**	112,058
Impairment charge for investing assets	6	**65,000**	**-**
Impairment charge for financing assets	7 (a)	**19,803**	65,188
Total operating expenses		**749,510**	**706,109**
Net income for the year		**125,069**	**72,459**
Basic and diluted earnings per share (expressed in SAR per share)	23	**0.42**	**0.24**

The accompanying notes 1 to 37 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, 2008 AND 2007

SAR'000

2008	Notes	Share capital	Unallocated shares	Employee share plan	Statutory reserve	Other reserve	Retained earnings	Total
Balance at beginning of the year	14	**3,000,000**	**-**	**(41,987)**	**62,644**	**(6,392)**	**89,842**	**3,104,107**
Net change in fair value of Investment assets		**-**	**-**	**-**	**-**	**(16,349)**	**-**	**(16,349)**
Net income for the year		**-**	**-**	**-**	**-**	**-**	**125,069**	**125,069**
Transfer to statutory reserve	15	**-**	**-**	**-**	**31,267**	**-**	**(31,267)**	**-**
Employee share plan returned shares	14	**-**	**-**	**13**	**-**	**-**	**-**	**13**
Balance at end of the year		**3,000,000**	**-**	**(41,974)**	**93,911**	**(22,741)**	**183,644**	**3,212,840**

2007	Notes	Share capital	Unallocated shares	Employee share plan	Statutory reserve	Fair value reserve	Retained earnings	Total
Balance at beginning of the year	14	**3,000,000**	**(2,585)**	**(39,025)**	**44,529**	**(14,072)**	**35,498**	**3,024,345**
Net change in fair value of investments		-	-	-	-	7,680	-	7,680
Net income		-	-	-	-	-	72,459	72,459
Transfer to statutory reserve	15	-	-	-	18,115	-	(18,115)	-
Employee share plan transferred shares	14	-	2,585	(2,585)	-	-	-	-
Employee share plan returned shares	14	-	-	(377)	-	-	-	(377)
Balance at end of the year		**3,000,000**	**-**	**(41,987)**	**62,644**	**(6,392)**	**89,842**	**3,104,107**

The accompanying notes 1 to 37 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, 2008 AND 2007

	Notes	2008 SAR'000	2007 SAR'000
OPERATING ACTIVITIES			
Net income for the year		**125,069**	**72,459**
Adjustments to reconcile net income to net cash (used in) from operating activities			
Impairment charge for financing assets		**19,803**	**65,188**
Impairment charge for investing assets		**65,000**	**-**
Depreciation and amortization		**119,058**	**103,764**
(Gains) on disposal of property and equipment, net		**(368)**	**-**
Net (increase)/decrease in operating assets			
Statutory deposit with SAMA	4	**57,614**	**(382,549)**
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		**(972,288)**	**1,388,230**
Investments		**(614,643)**	**(824,371)**
Financing		**(2,104,632)**	**(3,427,670)**
Other assets		**32,587**	**(306,358)**
Net (increase)/decrease in operating liabilities			
Due to SAMA		**825,000**	**-**
Due to banks and other financial institutions		**639,098**	**-**
Customers' deposits		**(1,718,240)**	**4,831,226**
Other liabilities		**(438,640)**	**443,486**
Net cash (used in) from operating activities		**(3,965,582)**	**1,963,405**
INVESTING ACTIVITIES			
Purchase of property and equipment		**(64,713)**	**(142,602)**
Proceeds from sale of property and equipment		**2,782**	**-**
Net cash (used in) investing activities		**(61,931)**	**(142,602)**
FINANCING ACTIVITIES			
Returned shares / bought shares for employee share plan	14	**13**	**(377)**
Net cash from (used in) financing activities		**13**	**(377)**
(Decrease)/increase in cash and cash equivalents		**(4,027,500)**	**1,820,426**
Cash and cash equivalents at beginning of the year	24	**7,356,958**	**5,536,532**
Cash and cash equivalents at end of the year	24	**3,329,458**	**7,356,958**
Supplemental non-cash information			
Net changes in fair value of investments		**(16,349)**	**7,680**

The accompanying notes 1 to 37 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 Counsel of Ministers' resolution No. 258 dated 18 Ramadan 1425 H (corresponding to November 1, 2004).

The Bank operates under Commercial Registration No. 1010208295 dated 10 Rabi Al Awal 1426H (corresponding to April 19, 2005) and its Head Office is located at the following address:

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

The consolidated financial statements comprises the financial statements of the Bank and its subsidiaries, 'AlBilad Investment Company' and 'AlBilad Real Estate Company' (collectively referred to as "The Group"). The Group's objective is to provide full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Group are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association, by-laws and the Banking Control Law. The activities are monitored by an independent Shariah authority established by the Bank. The Bank provides these services through **61** banking branches (2007:60) and **84** exchange and remittance centers (2007:84) 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' 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.

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 of financial assets.

c) Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian riyals (SAR), which is the Bank's functional currency. Except as indicated, financial information presented in SAR has been rounded off to the nearest thousands.

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 advices 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 financing

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 its 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) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Basis of consolidation

The consolidated financial statements comprise the financial statement of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting 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 off 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 attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at December 31, 2008, minority interest is 1% of AlBilad Investment Company and AlBilad Company Real Estate net assets and is owned by representative shareholders and hence not presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

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 SAR at the exchange rates prevailing at transactions dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

d) Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet 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 provisions for impairment

(i) Investments

All investment securities are initially recognized at fair value, including acquisition charges associated with the investment except for investment held as FVIS.

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 balance sheet 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.

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 or equity changing prices.

For equity investments held as available-for-sale, 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.

(ii) Financing

Bei Ajel and Installment Sales

The above 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 is 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.

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.

Provisions are determined according to management’s assessment of the adequacy of the recorded provision on a periodic basis. Such assessment takes into account the composition and volume of the related accounts, the historical pattern of losses, the credit rating of the customers and the economic environment in which the customers operate.

The provisions are deducted from the related accounts for presentation purposes in the financial statements.

f) Revenue recognition

(i) Murabaha, Bei Ajel and installment sales

Income from these products is recognized on a time proportion basis over the period of the contract based on the principal outstanding balance.

(ii) Ijarah

Ijarah income is recognized on a time apportioned basis over the lease term.

(iii) Musharakah

Income from Musharakah is recognized on a time proportion basis over the period of the contract based on the principal outstanding balance.

(iv) Exchange income/loss

Exchange income/loss are reorganized when earned/incurred.

(v) Dividend

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

g) 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.

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

i) 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.

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 balance sheet 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-balance sheet transactions and are disclosed as contingent liabilities and commitments.

k) 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.

l) 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 balance sheet date.

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

m) 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.

n) 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

	2008	2007
	SAR'000	SAR'000
Cash in hand	**430,507**	322,610
Statutory deposit	**635,658**	693,272
Other balances	**58,977**	1,042,269
Total	**1,125,142**	**2,058,151**

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

	2008	2007
	SAR'000	SAR'000
Current accounts	**144,129**	14,229
Commodity murabaha	**3,750,199**	6,059,916
Total	**3,894,328**	**6,074,145**

6. INVESTMENTS

	2008			2007		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	SR' 000	**SR' 000**	**SR' 000**	SR' 000	SR' 000	SR' 000
Equities	**113,498**	**150,000**	**263,498**	-	249,490	249,490
Mutual fund	**15,119**	**-**	**15,119**	28,608	-	28,608
Commodity murabaha with SAMA	**-**	**1,603,912**	**1,603,912**	-	1,071,137	1,071,137
Investments	**128,617**	**1,753,912**	**1,882,529**	**28,608**	**1,320,627**	**1,349,235**

a) Movement in impairment charge through income statement and other reserves are summarized as follows:

	2008 SAR'000		
	Impairment charge through income statement	**Allowance of impairment through other reserves**	**Total**
Balance at beginning of the year	**-**	**6,392**	**6,392**
Provided during the year	**65,000**	**16,349**	**81,349**
Balance at the end of the year	**65,000**	**22,741**	**87,741**

	2007 SAR'000		
	Impairment charge through income statement	**Allowance of impairment through other reserves**	**Total**
Balance at beginning of the year	-	14,072	**14,072**
Reversed during the year	-	(7,680)	**(7,680)**
Balance at the end of the year	-	**6,392**	**6,392**

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

	2008 SAR'000	2007 SAR'000
Corporate	**263,498**	249,490
Banks and other financial institutions	**15,119**	28,608
SAMA	**1,603,912**	1,071,137
Total	**1,882,529**	**1,349,235**

7. FINANCING, NET

	SAR' 000			
	Total	**Provisions**	**Net 2008**	**Net 2007**
At amortized cost				
Bei Ajel	**5,549,047**	**(76,740)**	**5,472,307**	4,330,291
Installment sales	**1,631,877**	**(14,904)**	**1,616,973**	717,184
Ijarah	**375,458**	**-**	**375,458**	250,429
Musharakah	**810,066**	**-**	**810,066**	892,071
Total	**8,366,448**	**(91,644)**	**8,274,804**	**6,189,975**

a) **Movements in provisions for financing are summarized as follows**:

	2008 SAR' 000	2007 SAR' 000
Balance at beginning of the year	**72,207**	7,019
Provided during the year	**19,803**	65,188
Amounts written off during the year	**(366)**	-
Balance at end of the year	**91,644**	**72,207**

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

	SAR '000			
2008	Performing financing	Non-performing financing	Provisions	Financing, net
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	**1,623,836**	**8,040**	**(14,904)**	**1,616,972**
Other	**1,738,786**	**-**	**-**	**1,738,786**
Total	**8,265,251**	**101,197**	**(91,644)**	**8,274,804**

	SAR '000			
2007	Performing financing	Non-performing financing	Provisions	Financing, net
Commercial	2,525,581	-	-	2,525,581
Industrial	304,780	59,671	(42,984)	321,467
Building and construction	429,077	24,894	(13,105)	440,866
Transportation and communication	2,008	-	-	2,008
Services	597,570	18,242	(14,566)	601,246
Agriculture and fishing	27,600	-	-	27,600
Personal	718,198	538	(1,552)	717,184
Other	1,554,023	-	-	1,554,023
Total	**6,158,837**	**103,345**	**(72,207)**	**6,189,975**

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

	SAR '000				
2008	**Bei Ajel**	**Installment sales**	**Ijarah**	**Musharakah**	**Total**
Standard category	**5,313,714**	**1,618,489**	**375,458**	**791,389**	**8,099,050**
Special mentioned category	**54,112**	**2,347**	**-**	**56**	**56,515**
Total financing	**5,367,826**	**1,620,836**	**375,458**	**791,445**	**8,155,565**

2007	Bei Ajel	Installment sale	Ijarah	Musharakah	Total
Standard category	4,462,967	717,927	-	890,802	6,071,696
Special mentioned category	32,452	-	-	1,269	33,721
Total financing	**4,495,419**	**717,927**	**-**	**892,071**	**6,105,417**

For presentation purposes, the Bank has categorized its portfolio of financing that are neither past due nor impaired into two sub categories i.e. standard and special mention, as required by SAMA.

Financing under the standard category are performing, have sound fundamental characteristics and include those that exhibit neither actual nor potential weaknesses. The special mention category includes loans and advances that are also performing, current and up to date in terms of principal and profit payments. However, they require close management attention as they may have potential weaknesses both financial and non financial that may, at some future date, result in the deterioration of the repayment prospects of either the principal or the profit payments. The special mention loans and advances would not expose the Bank to sufficient risk to warrant a worse classification.

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

	SAR '000				
2008	**Bei Ajel**	**Installment sales**	**Ijarah**	**Musharakah**	**Total**
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**
2007					
1 to 30 days	42,288	189	-	800	43,277
31 to 90 days	-	44	-	-	44
91 to 180 days	-	38	-	-	38
Above 180 days	10,161	-	-	-	10,161
Total	**52,449**	**271**	**-**	**800**	**53,520**

e) Collateral

The Bank in the ordinary course of its financing activities hold collaterals as security to mitigate credit risk. These collaterals mostly include deposits, financial guarantees, local equities, real estate and other fixed assets. These collaterals are principally held against corporate and real estate facilities and are managed against relevant exposures at their net realizable values.

2008	**Bei Ajel**	**Musharaka**	**Ijarah**	**Installment sales**	**Total**
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**	**1,013,321**	**2,102,468**
Total	**5,549,047**	**810,066**	**375,458**	**1,631,877**	**8,366,448**
2007					
Real estate	876,532	98,739	-	298,145	**1,273,416**
Shares and investment	2,264,575	274,997	-	**-**	**2,539,572**
Third party guarantee	424,902	269,261	-	**-**	**694,163**
Assignment of proceeds	105,988	176,050	-	**-**	**282,038**
Unsecured	728,949	73,024	250,429	420,591	**1,472,993**
Total	**4,400,946**	**892,071**	**250,429**	**718,736**	**6,262,182**

8. PROPERTY AND EQUIPMENT, NET

	SAR '000			
	Leasehold improvements	Equipment and furniture	Computer hardware and software	Total
Cost:				
At December 31, 2007	**355,919**	**137,687**	**282,238**	**775,844**
Additions during the year	**31,462**	**8,656**	**24,595**	**64,713**
Disposal	**(1,715)**	**(663)**	**(55)**	**(2,433)**
At December 31, 2008	**385,666**	**145,680**	**306,778**	**838,124**
Accumulated depreciation:				
At December 31, 2007	**(42,673)**	**(48,228)**	**(90,792)**	**(181,693)**
Charge for the year	**(29,493)**	**(33,386)**	**(56,179)**	**(119,058)**
Disposal	**8**	**2**	**9**	**19**
At December 31, 2008	**(72,158)**	**(81,612)**	**(146,962)**	**(300,732)**
Net book value:				
At December 31, 2008	**313,508**	**64,068**	**159,816**	**537,392**
At December 31, 2007	313,246	89,459	191,446	594,151

Leasehold improvements include work-in-progress as of December 31, 2008 amounting to SAR 90 Million (2007: SAR 63 million).

9. OTHER ASSETS

	Notes	**2008** **SAR'000**	2007 SAR'000
Prepaid rental expenses		**28,602**	12,719
Advances to suppliers		**12,272**	12,558
Management fee receivable		**5,255**	8,993
Other	9.1	**291,465**	335,911
Total		**337,594**	**370,181**

9.1 Included in other is an amount of SAR 280 million (2007: SAR 280 million) representing cost of land purchased by the Bank for transfer to a real estate fund, pending approval of CMA.

10. DUE TO SAMA

	2008	2007
	SAR'000	SAR'000
Cash management account with SAMA	**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

	2008	2007
	SAR'000	SAR'000
Current accounts	**848**	-
Time investments	**638,250**	-
Total	**639,098**	-

12. CUSTOMERS' DEPOSITS

	Notes	**2008**	2007
		SAR'000	SAR'000
Current accounts	12.1	**6,824,960**	7,493,130
Al Bilad Accounts		**3,108,934**	2,558,183
Customers' time investments		**943,043**	2,547,824
Other deposits	12.2	**94,108**	90,148
Total		**10,971,045**	**12,689,285**

12.1 The above include foreign currency deposits of SAR 31 million (2007: SAR 41 million).

12.2 Other deposits include collaterals on behalf of the Bank's mutual funds of SAR 3.5 million (2007: SAR 18 million) and margins held for irrevocable commitments of SAR 90 million (2007: SAR 72 million).

13. OTHER LIABILITIES

	2008	2007
	SAR'000	SAR'000
Accrued expenses	**73,852**	108,084
Accounts payable	**205,347**	653,751
Contributions to Musharakah investments	**17,941**	20,145
Other	**106,666**	60,466
Total	**403,806**	**842,446**

14. SHARE CAPITAL

a) The authorized issued and fully paid capital of the Bank consists of 300 million shares of SAR 10 each. (2007: 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. The Board has resolved to transfer the balance of the unallocated shares of 258 thousands shares for this plan at par value and the transfer was done in 2007. In addition the Board resolved to purchase additional one million shares for this plan from the market and this purchase was made in 2006 with a total cost of SAR 39 million. SAMA has given its initial approval for this plan however the terms and the details of the plan are still in the process of being finalized. The plan will consist of the following:

	SAR in million	Number of shares
Total employee share plan	42	1,293,355

The shares of the employee share plan are recorded initially in the shareholders equity in the balance sheet until the Bank completes the legal process related to the employee share plan to ultimately transfer these shares to this plan.

During 2007, the Bank received approximately 38 thousand shares returned from subscribed shares which did not complete the legal procedure for subscription and allotment and therefore, these subscriptions have been returned to the Bank as per CMA's instruction. The Bank included these shares in the employee share plan waiting final resolution.

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. Accordingly, SAR 31.3 million (2007: SAR 18.1 million) has been transferred to the statutory reserve. The statutory reserve is not currently available for distribution.

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, 2008, 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, 2008, the Bank had capital commitments of SAR 28 million (2007: 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, 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:

2008 — SAR'000

	Less than 3 months	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**

2007

	Less than 3months	From 3 months to 12 months	From 1 to 5 years	Total
Letters of credit	99,452	305,892	82,471	**487,815**
Letters of guarantee	13,688	339,112	441,787	**794,587**
Acceptances	55,824	22,124	5,234	**83,182**
Total	**168,964**	**667,128**	**529,492**	**1,365,584**

The outstanding unused portion of commitments, as of December 31, 2008, which can be revoked at any time by the Bank amounts to SAR 1,947 million (2007: SAR 959 million).

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

	2008 SAR'000	2007 SAR'000
Government and quasi government	**579,807**	-
Corporate	**1,045,564**	1,290,567
Banks and other financial institutions	**-**	58,835
Other	**1,374,948**	16,182
Total	**3,000,319**	**1,365,584**

d) Operating lease commitments

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

	2008	2007
	SAR'000	SAR'000
Less than one year	**3,553**	2,446
One year to five years	**51,573**	88,545
Over five years	**311,195**	375,038
Total	**366,321**	**466,029**

e) Restricted investment accounts

	2008	2007
	SAR'000	SAR'000
Under Wakalah arrangement	**815,126**	**739,837**

The Bank accepts restricted investment accounts from customers under Wakalah arrangement. The amount received as placement is invested by the Bank in Commodity Murabaha with banks and financial institutions. The Bank charges fees for management of these accounts.

18. INCOME FROM INVESTING AND FINANCING ASSETS

	2008	2007
	SAR'000	SAR'000
Commodity murabaha with SAMA	**42,105**	26,251
Commodity murabaha with banks and financial institutions	**132,829**	367,246
Bei Ajel	**326,576**	247,913
Installment sales	**95,290**	24,744
Ijarah	**13,950**	3,005
Mushrakah	**58,487**	45,587
Total	**669,237**	**714,746**

19. RETURN PAID TO DEPOSITORS

	2008	2007
	SAR'000	SAR'000
Al Bilad accounts	**34,759**	14,472
Time investments	**56,213**	165,833
Total	**90,972**	**180,305**

20. FEES INCOME FROM BANKING SERVICES, NET

	2008 SAR'000	2007 SAR'000
Fees income from banking services		
ATM & point of sale fees income	**53,613**	30,838
Brokerage commission	**38,874**	49,163
Letters of credit fees	**12,471**	13,392
Remittance fees	**161,715**	94,709
Management fees (mutual fund & others)	**32,253**	52,339
Facilities management fees	**22,603**	17,359
Others	**18,592**	13,183
Total	**340,121**	**255,564**
Cost of banking services		
ATM & point of sale fees expense	**69,363**	48,661
Fees paid to brokers	**8,736**	8,311
Data transmission fees	**12,224**	8,982
Others	**33,774**	12,689
Total	**124,097**	**78,643**
Fees income from banking services, net	**216,024**	**176,921**

21. DIVIDEND INCOME

	2008 SAR'000	2007 SAR'000
Available-for-sale investments	**423**	-

22. OTHER OPERATING INCOME

	2008 SAR'000	2007 SAR'000
Gain on sale of property and equipment	**367**	-
Others	**1,266**	503
Total	**1,633**	**503**

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2008 and 2007 are calculated by dividing the net income for the year by 300 million shares outstanding as of December 31,2008 (2007: 300 million shares).

24. CASH AND CASH EQUIVALENTS

	2008	2007
	SAR'000	SAR'000
Cash	**430,507**	322,610
Due from banks (maturing within ninety days from acquisition)	**2,839,974**	5,992,079
Balances with SAMA (excluding statutory deposit)	**58,977**	1,042,269
Total	**3,329,458**	**7,356,958**

25. SEGMENTAL INFORMATION

The Bank's primary segment reporting is determined to be business segment. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are distinct from those of other segments. The Bank's primary business is conducted in Saudi Arabia.

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

a) Retail banking
Includes services and products to individuals, including, deposits, AlBilad accounts, Islamic financing products, investments and local and international shares dealing services.

b) Corporate & Private banking
Includes services and products to corporate and high net worth individuals including deposits, Islamic financing products, letters of credit, letters of guarantee and other investment products.

c) Treasury
Includes treasury services and dealing with financial institutions.

d) Investment banking and brokerage
Includes investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.

e) Remittances segment (Enjaz Centers)
Includes products and services through Enjaz network, including currency exchange, inward and outward transfers and remittances cheques.

f) Other
Includes all other cost centers and profit centers in the head office in areas of technology services and support.

(i) The Bank's total assets and liabilities as at December 31, its total operating income, expenses and net income for the year then ended, by business segments, are as follows:

SAR'000

2008	Retail Banking	Corporate & Private banking	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	**154,386**	**412,744**	**63,498**	**29,035**	**152,726**	**62,190**	**874,579**
Total operating expenses	**137,827**	**273,828**	**97,528**	**19,410**	**114,175**	**106,742**	**749,510**
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**
Provision for financing	**13,719**	**6,084**	**-**	**-**	**-**	**-**	**19,803**
Provision for Investment	**-**	**-**	**65,000**	**-**	**-**	**-**	**65,000**

2007	Retail Banking	Corporate & Private banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Other	Total
Total assets	1,286,525	6,239,909	5,376,337	-	292,945	3,440,122	**16,635,838**
Total liabilities	8,323,312	3,489,679	1,496,319	-	139,673	82,748	**13,531,731**
Total operating income	157,906	306,779	95,193	-	111,986	106,704	**778,568**
Total operating expenses	136,103	260,487	69,735	-	95,860	143,924	**706,109**
Net income (loss) for the year	21,803	46,292	25,458	-	16,126	(37,220)	**72,459**
Capital expenditures	44,098	403	328	-	4,071	93,702	**142,602**
Depreciation and amortization	46,454	4,285	745	-	9,016	43,264	**103,764**
Provision for financing	1,552	63,636	-	-	-	-	**65,188**
Provision for Investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The figures for the year 2007 for Investment banking and brokerage have been included in Treasury.

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

	SAR'000			
2008	**Retail banking segment**	**Corporate & Private banking**	**Treasury**	**Total**
Total assets	**1,616,973**	**6,657,831**	**278,617**	**8,553,421**
Commitments and contingencies	**-**	**3,000,319**	**-**	**3,000,319**

	SAR'000			
2007	Retail banking segment	Corporate & Private banking	Treasury	Total
Total assets	717,184	5,472,791	278,098	**6,468,073**
Commitments and contingencies	-	1,365,584	-	**1,365,584**

26. 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-balance sheet financial instruments, such as letters of credit, letter of guarantees and loan commitments.

The Bank assesses the probability of default of counterparties using internal rating tools. Also the Bank uses the external ratings, of the major rating agency, 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 business. 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 markets products and emerging best practice.

Analysis of investments by counter-party is provided in note 6(a). 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 7(b). The information on maximum credit risk exposure and their relative risk weights is also provided.

a) Geographical Concentration

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

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	2,943,699	817,053	28,852	24,157	80,567	3,894,328
Investments	1,882,529	-	-	-	-	1,882,529
Financing, net	8,274,804	-	-	-	-	8,274,804
Total	14,226,174	817,053	28,852	24,157	80,567	15,176,803
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

2007	SAR'000					
	Kingdom of Saudi Arabia	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	2,058,151	-	-	-	-	**2,058,151**
Due from banks and other financial institutions	2,460,850	3,274,402	384,475	15,054	(60,636)	**6,074,145**
Investments	1,349,235	-	-	-	-	**1,349,235**
Financing, net	6,189,975	-	-	-	-	**6,189,975**
Total	**12,058,211**	**3,274,402**	**384,475**	**15,054**	**(60,636)**	**15,671,506**
Liabilities						
Customers' deposits	12,689,285	-	-	-	-	**12,689,285**
Total	**12,689,285**	**-**	**-**	**-**	**-**	**12,689,285**
Commitments and contingencies	**1,365,584**	**-**	**-**	**-**	**-**	**1,365,584**
Credit risk (stated at credit equivalent amounts) of commitments and contingencies	**901 ,745**	**-**	**-**	**-**	**-**	**901,745**

Credit equivalent amounts reflect the amounts that result from translating the Bank's off-balance sheet 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.

All the non-performing financing and the related provision are in the Kingdom of Saudi Arabia.

27. MARKET RISK

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

a) Risk of rate of return

Risk of rate of return represents the cash flows from investment returns related to future financial instruments cash flows which affected by changes in market price for investments returns.

A fair value risk of investment returns represents the risks related to the changes in the fair value for financial instruments. There is no significant exposure effecting the changes in market price for investments returns on future cash flows since most of financial assets have fixed returns and they are reported in the financial statements based on amortized cost. In addition major portion of the Bank's liabilities do not carry any return.

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 summarize exposure to foreign currency exchange rate risk at December 31

	SAR '000			
	2008		2007	
	Saudi Riyal	**Foreign Currency**	**Saudi Riyal**	**Foreign Currency**
Assets				
Cash and balances with SAMA	**1,113,837**	**11,305**	2,033,894	24,257
Due from banks and other financial institutions	**3,750,199**	**144,129**	5,966,545	107,600
Investments	**1,882,529**	**-**	1,349,235	
Financing, net	**7,899,346**	**375,458**	6,189,975	-
Property and equipment, net	**537,392**	**-**	594,151	-
Other assets	**337,594**	**-**	370,181	-
Total	**15,520,897**	**530,892**	**16,503,981**	**131,857**
Liabilities and equity				
Due to SAMA	**825,000**	**-**	-	-
Due to banks and other financial institutions	**450,810**	**188,288**	-	-
Customer Deposits	**10,934,486**	**36,559**	12,648,476	40,809
Other liabilities	**403,806**	**-**	842,446	-
Equity	**3,212,840**	**-**	3,104,107	-
Total	**15,826,942**	**224,847**	**16,595,029**	**40,809**

The United States Dollar is the main foreign currency which the Bank uses for dealings compared to other foreign currencies.

(ii) Currency Position

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

	2008 SAR '000 Long/(short)	2007 SAR '000 Long/(short)
US Dollar	**268,651**	34,031
Euro	**9,499**	14,966
UAE Dirham	**9,219**	5,674
Bangladeshi Taka	**6,297**	14,255
Others	**12,379**	22,122
Total	**306,045**	**90,048**

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 reasonable 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 reasonable possible change in equity indices, with all other variables held constant, is as follows:

	31-December-08		31-December-07	
Market Indices	**Change in equity price %**	**Effect in SAR '000**	**Change in equity price %**	**Effect in SAR '000**
Tadawul	**± 5**	**9,068**	± 10	-
Unquoted	**± 2**	**3,000**	± 2	3,000

28. 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 balance sheet 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% (2007: 9%) of total demand deposits and 4% of time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its deposit liabilities, 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.

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

	SAR'000					
2008	**Within 3 months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and cash equivalents	3,329,458	-	-	-	-	3,329,458
Deposits with SAMA	-	-	-	-	635,658	635,658
Due from banks and other financial institutions	-	1,054,354				1,054,354
Investments, net	1,603,912	-	-	-	278,617	1,882,529
Financing, net	812,833	3,724,639	3,242,696	494,636	-	8,274,804
Property and equipment, net	-	-	-	-	537,392	537,392
Other assets	-	-	-	-	337,594	337,594
Total assets	5,746,203	4,778,993	3,242,696	494,636	1,789,261	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
Equity	-	-	-	-	3,212,840	3,212,840
Total liabilities and equity	12,104,432	119,230	211,481	-	3,616,646	16,051,789

	SAR'000					
2007	**Within 3 months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and cash equivalents	7,356,958	-	-	-	-	**7,356,958**
Deposits with SAMA	-	-	-	-	693,272	**693,272**
Due from banks and other financial institutions	-	82,066	-	-	-	**82,066**
Investments, net	1,071,137	-	-	-	278,098	**1,349,235**
Financing, net	413,388	1,699,404	3,511,517	565,666	-	**6,189,975**
Property and equipment, net	-	-	-	-	594,151	**594,151**
Other assets	-	-	-	-	370,181	**370,181**
Total	**8,841,483**	**1,781,470**	**3,511,517**	**565,666**	**1,935,702**	**16,635,838**
Liabilities and equity						
Customers' deposits	12,027,420	661,865	-	-	-	**12,689,285**
Other liabilities	-	-	-	-	842,446	**842,446**
Equity	-	-	-	-	3,104,107	**3,104,107**
Total liabilities and equity	**12,027,420**	**661,865**	**-**	**-**	**3,946,553**	**16,635,838**

29. 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 estimated fair values of the on balance sheet financial instruments, excluding Bei Ajel, installment sales and Musharakah, which are carried at amortized cost, are not significantly different from their respective net book values.

30. 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:

	2008	2007
	SAR'000	SAR'000
a) Directors, and other major shareholders and their affiliates-Balances:		
Bei Ajel	**845,401**	664,968
Commitments and contingencies	**6,187**	32,611
Current accounts	**14,463**	16,340
Al Bilad Account	**7,996**	5,621
Direct investments	-	58,604

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

	2008	2007
	SAR'000	SAR'000
b) Bank's Mutual funds: These are the outstanding balances with Bank's mutual funds as of December 31:		
Customers' deposits	**11,247**	16,783

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:

	2008 **SAR'000**	2007 SAR'000
Income from financing	**17,771**	3,584
Management fees (Albilad mutual funds)	**1,911**	26,358
Board of Directors' remunerations	**457**	2,585
Compensations, remuneration and bonuses to executive management members	**19,870**	14,979

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

31. CAPITAL ADEQUACY

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratio established by the Basel Committee on Banking Supervision and adopted by the Saudi Arabian Monetary Agency in supervising the Bank.

Pursuant to SAMA guidelines regarding implementation of Basel II, Pillar 3 disclosures effective 1 January 2008, the following disclosures have been made and comparatives have not been presented.

	SAR'000 **2008**
Credit Risk RWA	**11,383,571**
Operational Risk RWA	**1,590,144**
Market Risk RWA	**306,181**
Total Pillar-I RWA	**13,279,896**
Total Pillar-II RWA	**2,589,664**
Tier I Capital	**3,087,771**
Tier II Capital	**125,069**
Total Tier I & II Capital	**3,212,840**
Capital Adequacy Ratio %	
Tier I ratio	**23.25%**
Tier I + Tier II ratio	**24.19%**

32. INVESTMENT MANAGEMENT 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 1,161 million (2007: SAR 1,734 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 20).

33. 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) within 60 business days after December 31, 2008 as required by SAMA. Such disclosures are not subject to audit by the external auditors of the Bank.

34. PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

The Bank elected not to early adopt IFRS 8 "operating segment" which has been issued and is mandatory for compliance for the accounting year beginning January 1, 2009.

35. ZAKAT DUE FROM THE SHAREHOLDERS

Zakat due from the shareholders for the year ended December 31, 2008 amounted to SAR 4.1 million (2007: SAR 2.4 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

36. COMPARATIVE FIGURES

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Bank's Board of Directors on 27 Safar. 1430H (corresponding to 22 February , 2009).