

BALANCE SHEET
As at

SAR' 000	Note	31-03-2005 (Unaudited)	31-12-2004 (Audited)	31-03-2004 (Unaudited)
<u>ASSETS</u>				
Cash and balances with SAMA		2,142,255	2,009,263	1,854,673
Due from banks and other financial institutions		1,542,460	2,486,058	3,160,946
Investments, net	2	19,247,248	19,097,138	20,463,183
Loans and advances, net		37,115,237	34,463,424	26,954,744
Fixed assets, net		445,689	451,943	452,531
Other assets		1,102,176	1,161,657	1,775,195
Total assets		61,595,065	59,669,483	54,661,272
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
<u>Liabilities</u>				
Due to banks and other financial institutions		7,194,395	4,171,161	3,996,909
Customer deposits		47,099,944	47,704,152	43,892,062
Other liabilities		1,481,616	2,281,886	1,335,311
Total liabilities		55,775,955	54,157,199	49,224,282
<u>Shareholders' equity</u>				
Share capital		2,250,000	2,250,000	2,250,000
Statutory reserve		2,250,000	2,250,000	2,100,000
General reserve		955,000	955,000	505,000
Other reserves		(72,714)	50,388	242,451
Retained earnings		436,824	6,896	339,539
Total shareholders' equity		5,819,110	5,512,284	5,436,990
Total liabilities and shareholders' equity		61,595,065	59,669,483	54,661,272

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements

STATEMENT OF INCOME
(Unaudited)

SAR' 000	For the three months ended	
	31-03-2005	31-03-2004
Special commission income	629,040	480,430
Special commission expense	210,559	101,031
Net special commission income	418,481	379,399
Fees from banking services, net	143,128	83,319
Exchange income	23,957	18,341
FVIS trading income, net	27,833	21,860
Gains on non trading investments, net	25,645	-
Other operating income	2,548	1,954
Total operating income	641,592	504,873
Salaries and employee related expenses	89,916	88,002
Rent and premises related expenses	12,992	12,737
Depreciation and amortization	15,512	15,654
Other general and administrative expenses	47,886	35,318
Provision for possible credit losses	45,211	22,976
Other operating expenses	147	23
Total operating expenses	211,664	174,710
Net income for the period	429,928	330,163
Weighted average number of outstanding shares	45,000	45,000
Earnings per share for the period (in SAR)	9.55	7.34

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

SAR' 000	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total
<u>For the three months ended March 31, 2005</u>						
Balance at the beginning of the year, as restated (note 4)	2,250,000	2,250,000	955,000	50,388	6,896	5,512,284
Net income for the period	-	-	-	-	429,928	429,928
Net changes in fair value and cash flow hedges	-	-	-	(123,102)	-	(123,102)
Balance at the end of the period	2,250,000	2,250,000	955,000	(72,714)	436,824	5,819,110
<u>For the three months ended March 31, 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	-	-	-	-	330,163	330,163
Net changes in fair value and cash flow hedges	-	-	-	56,462	-	56,462
Balance at the end of the period	2,250,000	2,100,000	505,000	242,451	339,539	5,436,990

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STATEMENT OF CASH FLOWS
(Unaudited)

SAR' 000	Note	For the three months ended	
		31-03-2005	31-03-2004
<u>OPERATING ACTIVITIES</u>			
Net income for the period		429,928	330,163
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Amortization of premiums and (accretion of discounts) on non trading investments, net		5,731	2,063
Gains on non trading investments, net		(25,645)	-
Depreciation and amortization		15,512	15,654
Gains on disposal of fixed assets, net		(6)	(58)
Provision for possible credit losses, net		45,211	22,976
		470,731	370,798
Net (increase) decrease in operating assets:			
Statutory deposit with SAMA		(70,599)	(52,371)
FVIS investments held for trading		(155,328)	(547,758)
Loans and advances		(2,697,024)	(251,939)
Other assets		(12,251)	114,332
Net increase (decrease) in operating liabilities:			
Due to banks and other financial institutions		3,023,234	322,929
Customer deposits		(604,208)	1,257,766
Other liabilities		(240,996)	(366,710)
Net cash (used in) from operating activities		(286,441)	847,047
<u>INVESTING ACTIVITIES</u>			
Proceeds from sales and matured non trading investments		901,636	366,074
Purchase of non trading investments		(927,874)	(1,231,804)
Purchase of fixed assets		(9,261)	(14,358)
Proceeds from sale of fixed assets		9	58
Net cash used in investing activities		(35,490)	(880,030)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(559,274)	(442,241)
Cash used in financing activities		(559,274)	(442,241)
Decrease in cash and cash equivalents		(881,205)	(475,224)
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	6	1,890,035	3,479,884
<u>Supplemental non cash information</u>			
Net changes in fair value and cash flow hedges		(123,102)	56,462

The accompanying notes 1 to 7 form an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS For the three months ended March 31, 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 complies 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, 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 explained 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	31-03-2005 (Unaudited)	31-12-2004 (Audited)	31-03-2004 (Unaudited)
Held at FVIS	1,395,094	1,239,766	2,064,732
Available for sale	4,049,427	4,098,922	3,121,606
Held at amortized costs, other	12,049,083	12,000,339	13,227,805
Held to maturity	1,753,644	1,758,111	2,049,040
Total	19,247,248	19,097,138	20,463,183

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 (March 31, 2004: SAR 222 million at fair value of SAR 224 million) in available for sale.

For investments re-designated as available for sale, the cumulative changes in fair value amounting to SAR 16 million has been recognised in other reserves.

Investments held at FVIS represent investments held for trading.

3. 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	31-03-2005 (Unaudited)			31-12-2004 (Audited)			31-03-2004 (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	585,094	610,479	76,752,417	504,672	532,482	77,763,848	842,443	1,002,791	65,348,562
Commission rate futures and options	12,898	11,329	15,808,000	35,494	33,142	16,096,750	55,606	40,230	9,532,500
Forward rate agreements	-	1,181	198,750	204	1,541	642,500	582	2,159	698,750
Forward foreign exchange contracts	73,434	66,508	38,310,626	122,640	85,967	43,398,580	150,873	126,257	35,237,972
Currency options	14,621	9,568	5,087,476	88,453	86,238	3,602,742	19,650	18,957	1,526,652
Held as fair value hedges:									
Commission rate swaps	67,622	111,678	12,491,839	69,736	84,139	11,988,352	216,766	121,716	11,152,739
Forward foreign exchange contracts	-	-	-	-	-	-	1,152	-	188,118
Held as cash flow hedges:									
Commission rate swaps	95,598	25,674	4,189,000	179,878	3,875	4,589,000	389,986	-	5,692,500
Total	849,267	836,417	152,838,108	1,001,077	827,384	158,081,772	1,677,058	1,312,110	129,377,793
Value of netting arrangements	(280,445)	(280,445)	(30,262,678)	(307,988)	(307,988)	(30,858,182)	(585,680)	(585,680)	(27,999,216)
Total after netting	568,822	555,972	122,575,430	693,089	519,396	127,223,590	1,091,378	726,430	101,378,577

Commission rate swaps include the notional amount of SAR 30,263 million (December 31, 2004: SAR 30,858 million and March 31, 2004: SAR 27,999 million), with an aggregate positive fair value and a negative fair value of SAR 280 million (December 31, 2004: SAR 308 million and March 31, 2004: SAR 586 million) which are netted out for credit exposure purposes, as the Bank intends to settle these on a net basis.

4. Other reserves

SAR' 000	31-03-2005 (Unaudited)			31-12-2004 (Audited)			31-03-2004 (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	73,653	(25,725)	47,928	43,122	5,336	48,458	87,402	22,020	109,422
Transfer to statement of income	(145,385)	(25,645)	(171,030)	(180,115)	(3,944)	(184,059)	(52,960)	-	(52,960)
Net movement during the period	(71,732)	(51,370)	(123,102)	(136,993)	1,392	(135,601)	34,442	22,020	56,462
Balance at the end of the period	(6,167)	(66,547)	(72,714)	65,565	(15,177)	50,388	237,000	5,451	242,451

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 (March 31, 2004: added SAR 2 million).

5. Credit related commitments and contingencies

The credit related commitments and contingencies are classified as follows:

SAR' 000	31-03-2005 (Unaudited)	31-12-2004 (Audited)	31-03-2004 (Unaudited)
Letters of credit	5,727,323	5,410,715	5,415,785
Letters of guarantees	10,814,809	9,971,835	8,554,314
Acceptances	1,476,398	1,317,715	1,119,131
Irrevocable commitments to extend credit	2,217,963	3,379,667	1,713,969
Other	6,750	6,750	11,250
Total	20,243,243	20,086,682	16,814,449

6. Cash and cash equivalents

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

SAR' 000	31-03-2005 (Unaudited)	31-12-2004 (Audited)	31-03-2004 (Unaudited)
Cash and balances with SAMA excluding statutory deposits	347,575	285,182	318,938
Due from banks and other financial institutions maturing within ninety days	1,542,460	2,486,058	3,160,946
Total	1,890,035	2,771,240	3,479,884

7. 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, 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 March 31, 2005 and 2004, its total operating income and expenses, and its net income for the three months then ended, by business segment, are as follows:

(Unaudited) SAR' 000	Retail banking	Corporate banking	Treasury banking	Total
<u>31-03-2005</u>				
Total assets	6,476,642	32,391,654	22,726,769	61,595,065
Total liabilities	32,509,844	14,973,634	8,292,477	55,775,955
Total operating income	283,317	171,519	186,756	641,592
Total operating expenses	128,236	59,422	24,006	211,664
Net income for the period	155,081	112,097	162,750	429,928
<u>31-03-2004</u>				
Total assets	3,755,460	24,874,800	26,031,012	54,661,272
Total liabilities	29,852,592	14,353,959	5,017,731	49,224,282
Total operating income	203,387	152,668	148,818	504,873
Total operating expenses	109,449	42,829	22,432	174,710
Net income for the period	93,938	109,839	126,386	330,163