
Bank AlBilad
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE AND
NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2008 AND 2007**

REVIEW REPORT

To the Shareholders of Bank AlBilad
(A Saudi Arabian Joint Stock Company)

We have reviewed the accompanying interim consolidated balance sheet of Bank AlBilad (the "Bank") and its subsidiary as of 30 September 2008, and the related consolidated statement of income for the three-month and nine-month periods ended 30 September 2008 and the consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with generally accepted standards in Saudi Arabia, applicable to review engagements, and with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with applicable Accounting Standards for Financial Institutions issued by SAMA and with International Accounting Standard No. 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note (9) of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note (9) to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

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Rashid S. Al Rashoud

Certified Public Accountant

Registration Number 366



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(October 22, 2008)

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BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEETS

		September 30, 2008 (Unaudited) SAR' 000	December 31, 2007 (Audited) SAR' 000	September 30, 2007 (Unaudited) SAR' 000
	Notes			
ASSETS				
Cash and balances with SAMA		1,724,766	2,058,151	1,004,055
Due from banks and other financial institutions		118,347	14,229	36,483
Investments, net	3	12,508,852	13,599,126	13,960,342
Property and equipment, net		555,117	594,151	571,260
Other assets	4	433,838	370,181	205,689
Total assets		15,340,920	16,635,838	15,777,829
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Due to banks and other financial institutions		363	-	-
Customer deposits	5	11,175,929	12,689,285	11,871,494
Other liabilities		923,682	842,446	782,385
Total liabilities		12,099,974	13,531,731	12,653,879
Shareholders' equity				
Share capital		3,000,000	3,000,000	3,000,000
Unallocated shares		-	-	(2,585)
Employee share plan		(41,973)	(41,987)	(39,025)
Statutory reserve		62,644	62,644	44,529
Fair value reserve		(22,029)	(6,392)	(13,988)
Retained earnings		242,304	89,842	135,019
Total shareholders' equity		3,240,946	3,104,107	3,123,950
Total liabilities and shareholders' equity		15,340,920	16,635,838	15,777,829

The accompanying notes from 1 to 10 form an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOMES (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>Three – Month Period Ended September 30,</u>		<u>Nine – Month period Ended September 30,</u>	
	2008 SAR' 000	2007 SAR' 000	2008 SAR' 000	2007 SAR' 000
INCOME				
Income from investments:				
Murabaha	33,168	114,383	128,161	295,136
Bei Ajel	67,627	68,900	242,813	167,036
Musharakah	13,773	12,061	45,012	32,193
Installment sales	26,553	7,587	65,407	13,239
Ijara	10,682	-	10,682	-
Total income from investments	151,803	202,931	492,075	507,604
Income paid to customers - time investment	(7,496)	(51,934)	(40,031)	(114,793)
Income paid to customers - Al Bilad Account	(9,215)	(4,695)	(22,672)	(7,304)
Income from investments, net	135,092	146,302	429,372	385,507
Fees income from banking services, net	63,117	46,137	186,777	140,343
Exchange income, net	19,655	4,974	56,386	45,297
Total operating income	217,864	197,413	672,535	571,147
EXPENSES				
Salaries and employee - related expenses	78,794	74,971	271,556	237,387
Rent and premises - related expenses	24,139	20,068	67,315	59,806
Depreciation and amortization	30,910	24,953	91,206	72,623
Provision for investments	3,329	8,000	12,004	12,638
Other general and administrative expenses	36,053	30,307	77,992	89,172
Total operating expenses	173,225	158,299	520,073	471,626
Net income for the period	44,639	39,114	152,462	99,521
Basic and diluted earnings per share (SAR)	0.15	0.13	0.51	0.33

The accompanying notes from 1 to 10 form an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

<u>2008</u>	SAR'000						<u>Total</u>
	<u>Share capital</u>	<u>Unallocated shares</u>	<u>Employee share plan</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	
Balance at beginning of the period	3,000,000	-	(41,987)	62,644	(6,392)	89,842	3,104,107
Net change in fair value of investments	-	-	-	-	(15,637)	-	(15,637)
Net income for the period	-	-	-	-	-	152,462	152,462
Employee share plan / Returned shares			14				14
Balance at the end of the period	3,000,000	-	(41,973)	62,644	(22,029)	242,304	3,240,946

<u>2007</u>							
Balance at beginning of the period	3,000,000	(2,585)	(39,025)	44,529	(14,072)	35,498	3,024,345
Net change in fair value of investments	-	-	-	-	84	-	84
Net income for the period	-	-	-	-	-	99,521	99,521
Balance at the end of the period	3,000,000	(2,585)	(39,025)	44,529	(13,988)	135,019	3,123,950

The accompanying notes from 1 to 10 form an integral part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

	Note	2008 SAR' 000	2007 SAR' 000
OPERATING ACTIVITIES:-			
Net income for the period		152,462	99,521
Adjustments to reconcile net income to net cash (used in) from operating activities:			
Depreciation and amortization		91,206	72,623
Provision for investments		12,004	12,638
Net (increase) decrease in operating assets:			
Statutory deposits with SAMA		(305,641)	(198,493)
Investments		1,062,633	(4,137,668)
Other assets		(63,657)	(141,866)
Net (decrease) increase in operating liabilities:			
Due to banks and other financial institutions		363	-
Customer deposits		(1,513,356)	4,013,435
Other liabilities		81,236	383,424
Net cash (used in) from operating activities		(482,750)	103,614
INVESTING ACTIVITIES:-			
Additions to property and equipment		(52,172)	(88,570)
Net cash used in investing activities		(52,172)	(88,570)
Cash Flows from financing activities:			
Returned shares / employee share plan		14	-
Net cash provided by financing activities		14	-
Net (decrease) increase in cash and cash equivalents		(534,908)	15,044
Cash and cash equivalents at beginning of the period	7	1,379,108	516,277
Cash and cash equivalents at end of the period	7	844,200	531,321
<u>Supplemental non - cash information</u>			
Net changes in fair value reserve		(15,637)	84

The accompanying notes from 1 to 10 form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

1. GENERAL

a) Incorporation and operation

Bank AlBilad (the "Bank"), a Saudi Joint Stock Company, was formed and licensed pursuant to Royal Decree No. M/48 dated 21 Ramadan 1425H (corresponding to November 4, 2004), in accordance with the Council of Ministers' resolution No. 258 dated 18 Ramadan 1425 H (corresponding to November 1, 2004).

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

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

The Bank's objectives include banking, investment and other activities in accordance with its Articles of Association and By-Laws and the Banking Control Law. The Bank provides these services through 61 banking branches (2007:58) and 84 exchange and remittance centers (2007:84) in the Kingdom of Saudi Arabia. The Bank provides to its customers Shariah based banking products which are approved and supervised by an independent Shariah Authority, established by the Bank.

In accordance with the Capital Market Authority (CMA) directives, the Bank formed a new capital market subsidiary (through direct and beneficial shareholding), wholly owned by the Bank, "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 also established Al-Bilad for Real Estate Company (wholly owned by the Bank) 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, Due to materiality reasons separate financial statements of the real estate company have not been prepared for the period ending September 30, 2008.

b) Shariah Authority

The Bank has established a Shariah Authority (the "Authority"). It ascertains that the Bank's activities are subject to its approval and control.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are as follows:

a) Basis of preparation

The interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA") and International Accounting Standard No.34 - Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyal ("SAR") and are rounded off to the nearest thousands.

b) Accounting Policies

These interim condensed financial consolidated statements should be read in conjunction with the annual financial statements for the year ended December 31, 2007

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2007, as described in the annual financial statements for the year ended December 31, 2007.

c) Basis of consolidation

The interim condensed consolidated financial statements comprise the interim condensed financial statement of Bank Albilad and its subsidiary, Albilad Investment Company, (referred to as "the Group"). The financial statements of the subsidiary are prepared for the same reporting year as that of the Bank, using consistent accounting. Subsidiaries are all entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank.

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 subsidiary. As at September 30, 2008, minority interest is 1% of Albilad Investment Company 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.

Balances between the Bank and its subsidiary and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. INVESTMENTS, NET

Investments comprise the following:

	September 30, 2008 SAR'000 (Unaudited)	December 31, 2007 SAR'000 (Audited)	September 30, 2007 SAR'000 (Unaudited)
At amortized cost			
Murabaha	4,595,482	7,131,053	8,118,238
Bei Ajel	4,640,115	4,580,720	4,443,987
Musharakah	936,839	892,071	640,623
Ijara	379,506	-	-
Installment sales	1,488,503	717,184	486,992
Available for sale			
Other investments	468,407	278,098	270,502
Total	12,508,852	13,599,126	13,960,342

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007**

4. OTHER ASSETS

Other assets comprise the following:

	September 30, 2008	December 31, 2007	September 30, 2007
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Prepaid rental expenses	17,103	12,719	22,834
Advances to suppliers	91,870	12,558	11,706
Management fee receivable	7,138	8,993	12,343
Others *	317,727	335,911	158,806
Total	433,838	370,181	205,689

* During 2007, the Bank applied to the (CMA) to establish a real estate mutual fund and is in the phase of completing the legal formalities to establish this fund. Included in others above is an amount of SAR 280 million (2007: SAR 280 million) which the Bank has incurred on purchase of land in the North of Riyadh City which will be transferred to the fund once established. The land is recorded at cost which approximate fair value as of September 30, 2008.

5. CUSTOMER DEPOSITS

Customer deposits comprise the following:

	September 30, 2008	December 31, 2007	September 30, 2007
	SAR'000 (Unaudited)	SAR'000 (Audited)	SAR'000 (Unaudited)
Current accounts - Saudi Riyal	6,297,012	7,452,321	5,569,093
Current accounts - foreign currencies	23,796	40,809	11,860
Current accounts - Al Bilad account	3,648,759	2,558,183	1,560,200
Other deposits	73,726	90,148	91,510
	10,043,293	10,141,461	7,232,663
Customer direct investments	1,132,636	2,547,824	4,638,831
Total	11,175,929	12,689,285	11,871,494

5.1 . Other deposits include amounts received as collateral on behalf of the Bank's mutual funds account of SAR 5 million (2007: SAR 16 million) and SAR 69 million (2007: SAR 75 million) received as margins held for irrevocable commitments.

5.2 . Included in the customer direct investments is an amount of SAR 638 million (2007: Nil) from financial institutions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

6. COMMITMENTS AND CONTINGENCIES

The Bank's commitments and contingencies are as follows:

	September 30, 2008	December 31, 2007	September 30, 2007
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Letters of credit	429,257	487,815	504,666
Letters of guarantee	1,030,787	794,587	765,112
Acceptances	179,024	83,182	92,682
Total	1,639,068	1,365,584	1,362,460

7. CASH AND CASH EQUIVALENTS

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

	September 30, 2008	December 31, 2007	September 30, 2007
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Cash	610,883	322,610	481,824
Due from banks (maturing within 90 days from acquisition)	118,347	14,229	36,483
Balances with SAMA (excluding statutory deposits)	114,970	1,042,269	13,014
Total	844,200	1,379,108	531,321

8. SEGMENTAL INFORMATION

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

- 1-Personal banking/retail:** Includes services and products to individuals, including, deposits, AlBilad accounts, Islamic financing products, investments and local and international shares dealing services.
- 2-Investment banking and brokerage:** Investment management services and asset management activities related to dealing, managing, arranging, advising and custody of securities.
- 3-Corporate and 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.
- 4-Treasury:** Includes treasury services and dealing with financial institutions.
- 5-Remittances segment (Enjaz Centers):** Includes products and services through Enjaz network, including currency exchange, inward and outward transfers and remittances cheques.
- 6-Other:** This segment includes all other cost and profit centers in the head office in areas of technology services and support.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

The Bank's total assets and liabilities as at September 30, its capital expenditures, total operating income, expenses and net income for the nine month periods ended, by business segments, are as follows:

2008 SAR'000 (Unaudited)	Personal banking / Retail	Corporate and private banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Others	Total
Total assets	2,164,793	7,051,295	1,329,769	675,633	381,834	3,737,596	15,340,920
Total liabilities	8,417,897	2,000,117	752,503	619,162	141,938	168,357	12,099,974
Total operating income	147,906	304,174	51,805	17,003	113,461	38,186	672,535
Total operating expenses	105,242	205,941	29,371	10,532	88,247	80,740	520,073
Net income (loss) for the period	42,664	98,233	22,434	6,471	25,214	(42,554)	152,462
Capital expenditures	3,981	6,312	-	-	18,759	23,120	52,172
Depreciation and amortization	18,137	8,636	559	-	18,968	44,906	91,206
Provision for investments	11,297	707	-	-	-	-	12,004

2007 SAR'000 (Unaudited)	Personal banking / Retail	Corporate and private banking	Treasury	Investment banking and brokerage	Remittances (Enjaz centers)	Others	Total
Total assets	1,018,930	5,775,630	5,195,995	-	318,126	3,469,148	15,777,829
Total liabilities	6,536,756	3,297,977	2,638,642	-	131,639	48,865	12,653,879
Total operating income	111,992	214,598	76,749	-	77,946	89,862	571,147
Total operating expenses	100,802	164,626	47,491	-	65,106	93,601	471,626
Net income (loss) for the period	11,190	49,972	29,258	-	12,840	(3,739)	99,521
Capital expenditures	8,007	194	328	-	1,702	78,339	88,570
Depreciation and amortization	32,994	3,988	548	-	6,796	28,297	72,623
Provision for investments	-	12,638	-	-	-	-	12,638

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

9. 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 ratios established by the Basel Committee on Banking Supervision and adopted by the SAMA in supervising the Bank.

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

Capital Adequacy Ratios (Un Audited) as September 30 , 2008

	Total Capital Ratio %	Tier 1 capital ratio %
Top Consledet Level	22.6%	21.6%

10. COMPARATIVE FIGURES

Comparative figures have been reclassified wherever necessary to confirm to the current period presentation.