Al Juraid & Company
Member Firm of
PricewaterhouseCoopers

KPMG
Al Fozan & Bannaga

Bank AlBilad
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2006 AND INDEPENDENT AUDITORS' REPORT

AL JURAID & COMPANY
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INDEPENDENT AUDITORS' REPORT

To the shareholders of Bank AlBilad:
(A Saudi Joint Stock Company)

We have audited the accompanying balance sheet of Bank AlBilad ("the Bank") as at December 31, 2006 and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended, including the related notes. These financial statements are the responsibility of the Bank's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and the Banking Control Law and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with auditing standards generally accepted in Saudi Arabia and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Bank as at December 31, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency and with International Financial Reporting Standards; and

- comply with the requirements of the Regulations for Companies, the Banking Control Law and the Bank's Articles of Association in so far as they affect the preparation and presentation of the financial statements.

AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers

Sami B. Al Sarraj
Registration No. 165

KPMG Al Fozan & Bannaga

Abdullah H. Al Fozan
Registration No. 348

15 Muharram 1428H

February 3, 2007

BANK ALBILAD
(A Saudi Joint Stock Company)

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005

	Notes	2006 SAR'000	2005 SAR'000
ASSETS			
Cash and balances with SAMA	3	**702,726**	1,284,560
Due from banks and other financial institutions	4	**124,274**	109,158
Investments, net	5	**9,824,825**	5,211,605
Property and equipment, net	6	**555,313**	373,714
Other assets	7	**74,226**	26,387
Total assets		**11,281,364**	**7,005,424**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Customer deposits	8	**7,858,059**	3,915,450
Other liabilities	9	**398,960**	190,651
Total liabilities		**8,257,019**	**4,106,101**
Shareholders' equity			
Share capital	10	**3,000,000**	3,000,000
Unallocated shares	10	**(2,585)**	(2,585)
Employee share plan	10	**(39,025)**	-
Statutory reserve	11	**44,529**	-
Fair value reserve		**(14,072)**	-
Retained earnings / (accumulated losses)		**35,498**	(98,092)
Total Shareholders' equity		**3,024,345**	**2,899,323**
Total liabilities and shareholders' equity		**11,281,364**	**7,005,424**

The accompanying notes 1 to 28 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005 (Note 1)

	Notes	**2006 SAR'000**	2005 SAR'000
INCOME			
Income from investments:			
Murabaha		**180,935**	89,523
Bei Ajel		**174,674**	14,311
Musharakah		**16,939**	-
Installment sales		**1,083**	5,417
Total income from investments		**373,631**	**109,251**
Returns on customers' direct investments		**(14,678)**	-
Income from investments, net		**358,953**	**109,251**
Fees from banking services, net	13	**254,275**	44,861
Exchange income, net		**41,671**	9,376
Total operating income		**654,899**	**163,488**
EXPENSES			
Salaries and employee - related benefits		**246,013**	104,561
Rent and premises - related expenses		**70,809**	24,240
Depreciation	6	**69,202**	8,727
Provisions for impairment of investments	5 (b)	**7,019**	-
Other general and administrative expenses		**83,737**	44,184
Total operating expenses		**476,780**	**181,712**
Pre-operating expenses, net		**-**	**79,868**
Net Income (loss) for the year/period		**178,119**	**(98,092)**
Earnings (loss) per share (Saudi Riyal)	14	**0.59**	**(0.33)**

The accompanying notes 1 to 28 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006 AND FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005 (Note 1)

		SAR'000						
2006	Notes	Share capital	Unallocated shares	Employee share plan	Statutory reserve	fair value reserve	Retained earnings (Accumulated losses)	Total
Balance at beginning of the year	**10**	**3,000,000**	**(2,585)**	**-**	**-**		**(98,092)**	**2,899,323**
Net change in fair value of investments	**5**	**-**	**-**	**-**	**-**	**(14,072)**	**-**	**(14,072)**
Net income		**-**	**-**	**-**	**-**	**-**	**178,119**	**178,119**
Transfer to statutory reserve	**11**	**-**	**-**	**-**	**44,529**	**-**	**(44,529)**	**-**
Employee share plan		**-**	**-**	**(39,025)**	**-**	**-**	**-**	**(39,025)**
Balance at December 31, 2006		**3,000,000**	**(2,585)**	**(39,025)**	**44,529**	**(14,072)**	**35,498**	**3,024,345**
2005								
Balance at beginning of the period	10	3,000,000	(2,585)	-	-	-	0	2,997,415
Net Loss		-	-	-	-	-	(98,092)	(98,092)
Balance at December 31, 2005		**3,000,000**	**(2,585)**	**-**	**-**	**-**	**(98,092)**	**2,899,323**

The accompanying notes 1 to 28 form an integral part of these financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND FOR THE PERIOD FROM APRIL 19, 2005 (DATE OF COMMERCIAL REGISTRATION) TO DECEMBER 31, 2005 (Note 1)

	Notes	2006 SAR'000	2005 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		**178,119**	(98,092)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation		**69,202**	8,727
Provisions for investments		**7,019**	-
Net increase in operating assets:			
Statutory deposit with SAMA	3	**(144,541)**	(166,182)
Investments		**(4,٦٣٤,311)**	(5,211,605)
Other assets		**(47,839)**	(26,387)
Net increase in operating liabilities:			
Customers deposits		**3,942,609**	3,915,450
Other liabilities		**208,309**	190,651
Net cash used in operating activities		**(421,433)**	**(1,387,438)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(250,801)**	(382,441)
Net cash used in investing activities		**(250,801)**	**(382,441)**
FINANCING ACTIVITIES			
Share capital contribution		-	**2,997,415**
Employee share plan		**(39,025)**	-
Net cash (used) provided by financing		**(39,025)**	**2,997,415**
(Decrease) increase in cash and cash equivalents		**(711,259)**	1,227,536
Cash and cash equivalents at beginning of the year / period	15	**1,227,536**	-
Cash and cash equivalents, at end of year /period	15	**516,277**	**1,227,536**
Supplemental non-cash information			
Net change in fair value of investments	**5**	**(14,072)**	**-**

The accompanying notes 1 to 28 form an integral part of these 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 Aual 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 40 banking branches and 80 exchange and remittance Centers in the Kingdom of Saudi Arabia. The Bank provides to its customers non-interest based banking products which are approved and supervised by an independent Shariah Authority, established by the Bank.

b) Shari'a Authority

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

c) Period of financial statements

According to the clause number 9 of the Bank's articles of association and clause number 40 of its By-laws, the Bank's fiscal year begins on January 1 and ends on December 31 of each Gregorian year. Comparative numbers are for the first fiscal period, witch was from April 19, 2005 (date of commercial registration) to December 31, 2005.

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 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 financial statements to comply with the Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia.

The 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 investments.

The financial statements are expressed in Saudi Riyals (SAR) and are rounded off to the nearest thousands.

b) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical 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 Bank'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 of financial assets

An assessment is made at each balance sheet date to determine whether there is an objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of the future anticipated cash flows, is recognized for changes in the asset's carrying amount. The carrying amount of the financial assets held at amortized cost is adjusted either directly or through the use of an allowance account, and the amount of the adjustment is included in the statement of operations.

Specific provisions are evaluated individually for all different types of investments. Considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions. In addition to specific provisions, the Bank also makes collective impairment provisions, which are evaluated on a group basis and are created for losses, where there is an objective evidence that a group of investments have greater risk of impairment than when originally initiated. The amount of the provision is estimated based on the historical default patterns of the investment counter parties as well as their credit ratings, taking into account the current economic climate.

Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

(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. All models are certified before they are used, and 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 investments

The Bank exercises judgment to consider impairment on the available-for-sale 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 fair values.

c) Trade date accounting

All regular-way purchases and sales of financial assets are recognized on the trade date (i.e. the date that the Bank 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.

d) Foreign currencies

The financial statements are denominated and presented in Saudi Riyals, watch is also the functional Transactions in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at the year end denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses on translation of monetory assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Bank intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

f) Revenue recognition

Income from Murabaha, Bei Ajel, Instilments sales and Musharaka, is recognized based on a constant rate of return on the outstanding balance method. No additional amounts are charged for delayed payments.

Banking services fees are recognized on an accrual basis when the service has been provided.

g) Investments and provisions for impairment

The Bank offers its customers non-interest based banking products, which are approved by its Shariah Authority, as follows:

(i) Murabaha is an agreement whereby the Bank sells to a customer or other banks or financial institutions 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.

(ii) Bei Ajel is an agreement between the Bank and its customers (corporate) whereby the bank sells to a customer 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.

(iii) Instalment sale is an agreement between the Bank and its customers (retail) whereby the bank sells to a customer's 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.

(iv) Musharaka 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.

All of the above products are accounted for using IFRS and are in conformity with the accounting policies described in these financial statements.

Investments comprising of Murabaha, Bei Ajel, Installment sales and Musharaka, originated by the Bank, are initially recognized at fair value including acquisition charges and are subsequently measured at cost less any amounts written off, and provision for impairment, if any.

Provisions for investments 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.

Other investments consist of investments in the Bank's mutual funds which have been classified as available for sale investments, stated at fair value. Other investments also include equity investment in a Saudi closed joint stock company, still in the development stage, stated at cost.

The provision for investments is deducted from the related account for presentation purposes in the financial statements.

h) 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 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.

i) Zakat and withholding taxes

Under Saudi Arabian Zakat and Income tax regulations, zakat is the liability of the shareholders. Zakat is computed on the shareholders' equity or net income using the basis defined under the zakat regulations.

Zakat is not charged to the Bank's statement of operations 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 as per the prevailing regulations law and is being directly paid to the Department of Zakat & Income Tax, every month.

j) Investment management services

The Bank offers investment services to its customers, which include management of certain investment funds in consultation with professional investment advisors. The financial statements of these funds are not consolidated with these financial statements. The fees earned from these funds are 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 financial statements.

k) Segment information

The Bank's primary segment reporting format 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 business segments.

The Bank's business is conducted in Saudi Arabia only.

Transactions between the business segments are on normal commercial terms and conditions.

l) Provisions

Provisions for liabilities are recognized when the Bank has a present legal, or constructive obligation as a result of past events, it is more likely 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.

m) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. The cost of other property and equipment is 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

n) Customer deposits

Customer deposits, which are non-commission bearing accounts, are initially recognized at cost, being the fair value of the consideration received, and are subsequently measured at amortized cost.

o) Accounting for leases

Leases entered into by the Bank as a lessee are all operating leases. Accordingly, payments are charged to the statement of operations on a straight-line basis over the period of the lease.

p) 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 and balances with SAMA (excluding the statutory deposit) and due from banks maturing within ninety days of acquisition.

q) Income excluded from the statement of operations

The Shari'a Authority of the Bank conducts from time to time internal audits to ensure compliance of its Shari'a decisions. In cases where revenues have been wrongly or inadvertently recognized, the Board of Directors of the Bank shall at the request of the CEO authorize exclusion of such revenues from the Bank's income for its final disposal.

3. CASH AND BALANCES WITH SAMA

Cash and balances with SAMA as of December 31, comprise the following:

	2006 SAR'000	2005 SAR'000
Cash on hand	**303,191**	146,144
Statutory deposit with SAMA	**310,723**	166,182
Balances with SAMA (current accounts)	**88,812**	972,234
Total	**702,726**	**1,284,560**

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 customer deposits and other customer accounts, calculated at the end of each Gregorian month.

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Due from banks and other financial instustion as of December 31, 2006 and 2005 comprise foreign current accounts.

5. INVESTMENTS, NET

a) Investments, net comprise the following as of December 31:

	Total	Provisions	Net 2006	Net 2005
At amortized cost	SAR '000	SAR '000	SAR '000	SAR '000
Murabaha	**6,841,808**	**-**	**6,841,808**	3,503,379
Bei Ajel	**2,353,026**	**(7,019)**	**2,346,007**	1,696,214
Musharaka	**375,731**	**-**	**375,731**	6,595
Installment sales	**95,352**	**-**	**95,352**	5,417
Available for sale				
Other investments, net	**179,999**	**(14,072)**	**165,927**	**-**
Total	**9,845,916**	**(21,091)**	**9,824,825**	**5,211,605**

The provision of SAR 14 million against other investments, net reflects the decrease in fair value of investments held in mutual funds.

b) Movements in Provisions are summarized as follows:

	2006 SAR' 000	2005 SAR' 000
Balance at beginning of the year/period	**-**	-
Provided during the year/period	**7,019**	-
Bad debts written off	**-**	-
Recoveries of amounts previously provided	**-**	-
Balance at end of the year/period	**7,019**	**-**

The net charge to income is of SAR 7 million (2005: SAR Nil), in respect of provision for Bei Ajel for the year.

c) The net investments concentration risks and related provision, by major economic sectors at December 31, are as follows**:**

	Performing investments	Non-performing investments	Provisions	Investments, net
2006	SAR '000	SAR '000	SAR '000	SAR '000
Banks and other financial institutions	**6,841,808**	-	-	**6,841,808**
Commercial	**1,631,489**	-	-	**1,631,489**
Industrial	**96,527**	**16,967**	**(4,100)**	**109,394**
Building and construction	**185,483**	**4,058**	**(2,919)**	**186,622**
Transportation & communication	**32,110**	-	-	**32,110**
Services	**27,628**	-	-	**27,628**
Agriculture and fishing	**27,600**	-	-	**27,600**
Personal	**95,352**	-	-	**95,352**
Other	**872,822**	**14,072**	**(14,072)**	**872,822**
Total	**9,810,819**	**35,097**	**(21,091)**	**9,824,825**
2005				
Banks and other financial institutions	3,503,379	-	-	3,503,379
Commercial	689,655	-	-	689,655
Industrial	245,199	-	-	245,199
Building and construction	346,726	-	-	346,726
Transportation & communication	58,089	-	-	58,089
Personal	5,417	-	-	5,417
Other	363,140	-	-	363,140
Total	**5,211,605**	-	-	**5,211,605**

6. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements SAR '000	Equipment & furniture SAR '000	Computer hardware and software SAR '000	Total SAR '000
Cost:				
At December 31, 2005	138,898	83,722	159,821	382,441
Additions during the year	154,314	39,104	57,383	250,801
At December 31, 2006	**293,212**	**122,826**	**217,204**	**633,242**
Accumulated depreciation:				
At December 31, 2005	(998)	(3,932)	(3,797)	(8,727)
Charge for the year	(15,786)	(23,767)	(29,649)	(69,202)
At December 31, 2006	**(16,784)**	**(27,699)**	**(33,446)**	**(77,929)**
Net book value:				
At December 31, 2006	**276,428**	**95,127**	**183,758**	**555,313**
At December 31, 2005	**137,900**	**79,790**	**156,024**	**373,714**

Leasehold improvements include work-in-progress amounting to SAR 80.5 million (2005: SAR 33.3 million).

7. OTHER ASSETS

Other assets as of December 31comprise the following:

	2006 SAR'000	2005 SAR'000
Prepaid rental expenses	**30,781**	10,382
Advances to suppliers	**12,945**	4,444
Management fee receivable	**11,746**	-
Other	**18,754**	11,561
Total	**74,226**	**26,387**

8. CUSTOMER DEPOSITS

Customer deposits as of December 31, comprise the following:

	2006 SAR'000	2005 SAR'000
Current accounts - Saudi Riyal	**4,834,870**	2,464,400
Current accounts - foreign currencies	**13,805**	8,079
Customer direct investments	**2,939,369**	-
Other deposits	**70,015**	1,442,971
Total	**7,858,059**	**3,915,450**

Other deposits include deposits received for the Bank's mutual funds account of SAR 27 million (2005: SAR1,429million) and SAR 43 million received as margins held for irrevocable commitments (2005:SAR 14 million).

9. OTHER LIABILITIES

Other liabilities as of December 31, comprise the following:

	2006 SAR'000	2005 SAR'000
Accrued expenses	**130,478**	125,718
Cash management account with SAMA	**115,000**	-
Accounts payable	**96,621**	23,144
Initial Public Offering deposits - local company	**-**	23,169
Contributions to Musharaka Investments	**12,879**	4,139
Others	**43,982**	14,481
Total	**398,960**	**190,651**

10. SHARE CAPITAL

a. The authorized share capital as of December 31, comprises the following:

	2006	2005
Number of shares	300 million	60 million
Par value per share	SAR 10	SAR 50
Share capital	SAR 3,000 million	SAR 3,000 million
Unallocated shares(258,500 shares)	SAR 2.59 million	SAR 2.59 million

In accordance with the Capital Market Authority's (CMA) announcement dated March 27, 2006, the shares of the Bank were split into five shares for every one share effective April 8, 2006. Accordingly, the number of shares of the Bank has increased from 60 million ordinary shares of SR 50 each to 300 million ordinary shares of SR 10 each.

b. Unallocated shares

Due to share subscription allocation formula, as approved by the CMA, 258,500 shares with total par value of SAR 2.59 million remained unallocated.

c. 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 in its meeting held on November 13th, 2006. The board has resolved to use the balance of the unallocated shares of 258,500 shares for this program at par value of SAR 10 per share, in addition to one million shares which have been bought from the market in 2006 with a total cost of SAR 39 million. SAMA has given its initial approval for this program; and the terms of the employee share plan are in the process of being finalized. The employee share plan will consist of the following:

	SAR in million	Number of shares
Unallocated shares balance, at par value	2.6	258,500
New shares bought from the market, at cost	39	1,000,000
Total employee stock options program	41.6	1,258,500

11. STATURY 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 44.5 million has been transferred from 2006 net income. The statutory reserve is not available for distribution.

12. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As at December 31, 2006 there were routine legal proceedings outstanding against the Bank. No provisions have been made as professional legal advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

As at December 31, 2006 the Bank had capital commitments of SAR 33 million (2005: SAR 87 million) relating to contracts for branch leasehold improvements.

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 extended credit, principally in the form of investments, 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.

- The contractual maturities of commitments and contingencies as of December 31, are as follows:

	2006 SAR'000			
	Less than 3 months	From 3 months to one year	From one year to 5 years	Total
Letters of credit	121,231	231,464	15,773	368,468
Letters of guarantee	20,259	67,338	398,816	486,413
Acceptances	57,364	51,042	-	108,406
Total	**198,854**	**349,844**	**414,589**	**963,287**

	2005 SAR'000			
	Less than 3 months	From 3 months to one year	From one year to 5 years	Total
Letters of credit	53,278	4,739	46,938	104,955
Letters of guarantee	5,081	46,976	309,374	361,431
Acceptances	35,276	-	-	35,276
Total	**93,635**	**51,715**	**356,312**	**501,662**

The unused portion of non-firm commitments, which can be revoked at any time by the Bank outstanding as at December 31, 2006, amounted to SAR 469 million (2005: SAR 32.3 million).

- The analysis of commitments and contingencies by counter party as of December 31:

	2006 SAR'000	2005 SAR'000
Corporate	**955,205**	495,426
Other	**8,082**	6,236
Total	**963,287**	**501,662**

d) Operating lease commitments

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

	2006 SAR'000	2005 SAR'000
Less than one year	**2,143**	٥١٣
One year to five years	**39,442**	36,421
Over five years	**389,830**	193,194
Total	**431,415**	**230,128**

13. FEES FROM BANKING SERVICES, NET

Fees from banking services, net for the year/period ended December 31, comprise the following:

	2006 SAR'000	2005 SAR'000
Fees from banking services		
Mutual fund subscription fees	**80,926**	28,533
Brokerage commission	**70,038**	7,903
Letters of credit fees	**28,629**	12,247
Remittance	**19,332**	2,111
Management fees (mutual fund & others)	**56,041**	990
Others	**31,034**	108
Total	**286,000**	**51,892**

Cost of banking services		
ATM & point of sale fees	**12,627**	-
Fees paid to brokers	**6,632**	1,541
Data transmission fees	**6,957**	4,604
Others	**5,509**	886
Total	**31,725**	7,031
Fees from banking services, net	**254,275**	**44,861**

14. EARNINGS (LOSS) PER SHARE

Loss per share for the period ended December 31, 2005 was calculated by dividing the net loss for the period by 299.7 million shares to give a retroactive effect of share split which was made on April 8, 2006 (see note 10).

Earnings per share for the year ended December 31, 2006 are calculated by dividing the net income for the year by 299.7 million shares, which is the weighted average of outstanding number of shares during the year.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows as of December 31, comprise the following:

	2006 SAR'000	2005 SAR'000
Cash	**303,191**	146,144
Due from banks (maturing within 90 days of acquisition)	**124,274**	109,158
Balances with SAMA (excluding statutory deposits)	**88,812**	972,234
Total	**516,277**	**1,227,536**

16. SEGMENTAL INFORMATION

a) For management purposes, the Bank is comprised of five main banking segments, as follows:

- **Personal Banking/Retail Segment:** Includes services and products to individuals, like deposits, credit facilities, investments and local and international shares dealing services.
- **Corporate and Private Banking Segment:** Includes services and products to corporate and high net worth individuals like deposits, credit facilities, letters of credit, letters of guarantee and other investment products.
- **Treasury and Investment Segment:** Includes treasury services and dealing with financial institutions.
- **Remittances Segment (Enjaz Centers):** Includes products and services through Enjaz network, like currency exchange, inward and outward transfers and remittances cheques.
- **Others:** This segment includes all other cost centers and profit centers in the head office in areas of technology services and support.

The following are the balances of and results of operations for the year ended December 31, 2006:

SAR'000 (2006)	Personal banking / Retail segment	Corporate and private banking segment	Treasury and investments segment	Remittances segment (Enjaz centers)	Others	Total
Total assets	715,397	3,776,450	3,363,697	323,029	3,102,791	11,281,364
Total liabilities	3,982,567	4,042,655	137,386	43,155	51,256	8,257,019
Total operating income	162,037	241,222	91,618	48,194	111,828	654,899
Total operating expenses	149,486	107,388	48,624	64,290	106,992	476,780
Net income (loss) for the year	12,551	133,834	42,994	(16,096)	4,836	178,119

However, during the period ended December 31, 2005 the Bank's principal activities were in the following three segments:

٢٠٠٥	Banking Branches (Retail)	Enjaz Centers	Others	Total
Total assets	5,411,549	86,093	1,507,782	7,005,424
Total liabilities	4,076,821	29,280	-	4,106,101
Total operating income	89,730	4,401	69,357	163,488
Operating expenses	١54,257	39,658	67,665	261,580
Net (loss) income for the period	(64,527)	(35,257)	1,692	(98,092)

17. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss.

Investments, letters of credit and guarantees represent the majority of credit related financial instruments. The monitoring and management of risks associated with these instruments are made through the setting up of approved credit limits, through the avoidance of inappropriate concentration of risks, and through ensuring customers' credit worthiness and obtaining adequate collaterals, when necessary.

Concentrations of credit risks 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 risks 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 the diversification of the investment portfolio 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 maximum credit risk from on and off balance sheet financial instruments is equal to the book value disclosed in the financial statements, excluding the fair values of collaterals and cash margins received on letters of credit and guarantee.

18. GEOGRAPHICAL CONCENTRATION

Below is the geographical distribution of the main categories of assets, liabilities, commitments and contingencies and credit risk as of December 31.

2006

	SAR'000					
	Kingdom of Saudi Arabia	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	**702,726**	**-**	**-**	**-**	**-**	**702,726**
Due from banks and other financial institutions	**-**	**34,143**	**4,272**	**30,221**	**55,638**	**124,274**
Investments						
Murabaha	**2,227,149**	**1,865,043**	**2,663,545**	**26,921**	**59,150**	**6,841,808**
Bei Ajel	**2,346,007**	**-**	**-**	**-**	**-**	**2,346,007**
Musharaka	**375,731**	**-**	**-**	**-**	**-**	**375,731**
Installment sales	**95,352**	**-**	**-**	**-**	**-**	**95,352**
other Investments, net	**165,927**	**-**	**-**	**-**	**-**	**165,927**
24 -	-	-	-	111,224		
Total	**5,912,892**	**1,899,186**	**2,667,817**	**57,142**	**114,788**	
10,651,825						
Liabilities						
Customer deposits	**7,858,059**	**-**	**-**	**-**	**-**	**7,858,059**
Total	**7,858,059**	**-**	**-**	**-**	**-**	**7,858,059**
Commitments and contingencies	**963,287**	**-**	**-**	**-**	**-**	**963,287**
Credit risk (stated at credit equivalent amounts) of commitments and contingencies	**633,356**	**-**	**-**	**-**	**-**	**633,356**

	2005 SAR'000					
	Kingdom of Saudi Arabia	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	1,284,560	-	-	-	-	1,284,560
Due from banks and other financial institutions	-	96,610	295	11,833	420	109,158
Investments						
Murabaha	2,574,107	929,272	-	-	-	3,503,379
Bei Ajel	1,696,214	-	-	-	-	1,696,214
Musharaka	6,595	-	-	-	-	6,595
Installment sales	5,417	-	-	-	-	5,417
Total	**5,566,893**	**1,025,882**	**295**	**11,833**	**420**	**6,605,323**
Liabilities						
Customer deposits	3,915,450	-	-	-	-	3,915,450
Total	**3,915,450**	**-**	**-**	**-**	**-**	**3,915,450**
Commitments and contingencies	**501,662**	**-**	**-**	**-**	**-**	**501,662**
Credit risk (stated at credit equivalent amounts) of commitments and contingencies	**292.726**	**-**	**-**	**-**	**-**	
292.726						

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.

19. CURRENCY RISK

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 both overnight and intra day positions, which are monitored daily.

The Bank had the following significant exposures denominated in foreign currencies as of December 31:

	2006	2005
	SAR'000	SAR'000
	(Dr) Cr position	(Dr) Cr position
US Dollar	**3,690,331**	295,575
Kuwaiti Dinar	**10,508**	89,812
Bangladeshi Taka	**10,381**	4,504
Indian Rupees	**5,795**	4,500
UAE Dirham	**14,239**	3,804
Other	**17,025**	4,425

20. LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements in a timely manner without incurring losses. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. To mitigate this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a balance of cash and cash equivalents. The table below summarizes the maturity profile of the Bank's assets and liabilities, on the basis of the remaining period at the balance sheet date to the contractual maturity date, and do not take into account the effective maturities as indicated by the Bank's customer deposits retention history, and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank is required to maintain a statutory deposit equal to a sum of not less than 7% of total customer deposits, and 2% of total other customer accounts. In addition to the statutory deposit, the Bank is required to maintain a liquid reserve, in the form of cash, gold or assets which can be converted into cash within a period not exceeding 30 days, of not less than 20% of the deposit liabilities.

The Bank may also raise additional funds through special investment arrangements with SAMA including Bei Ajel transactions.

The maturity profile of assets, liabilities and shareholders' equity as of December 31, is as follows:

2006

	SAR'000					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and cash equivalents	**516,277**	-	-	-	-	**516,277**
Deposits with SAMA	-	-	-	-	**310,723**	**310,723**
Investments:						
Murabaha	**5,371,512**	**927,948**	**542,348**	-	-	**6,841,808**
Bei Ajel	**55,976**	**1,681,528**	**552,519**	**55,984**	-	**2,346,007**
Musharakah	-	-	**375,731**	-	-	**375,731**
Installment sales	-	-	**65,838**	**29,514**	-	**95,352**
Other investments, net	**15,927**	-	-	-	**150,000**	**165,927**
Property and equipment, net	-	-	-	-	**555,313**	**555,313**
Other assets	-	-	-	-	**74,226**	**74,226**
—						
Total	**5,959,692**	**2,609,476**	**1,536,436**	**85,498**	**1,090,262**	**11,281,364**
Liabilities and shareholders' Equity						
Customer deposits	**6,805,435**	**827,624**	**225,000**	-	-	**7,858,059**
Other liabilities	-	-		-	-	**398,960**
398,960						
Shareholders' equity	-	-	-	-	**3,024,345**	**3,024,345**
Total	**6,805,435**	**827,624**	**225,000**	-	**3,423,305**	**11,281,364**

	2005 SAR'000					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and cash equivalents	1,227,536	-	-	-	-	1,227,536
Deposits with SAMA	-	-	-	-	166,182	166,182
Investments:						
Murabaha	1,402,840	-	2,100,539	-	-	3,503,379
Bei Ajel	-	1,009,200	687,014	-	-	1,696,214
Musharakah	6,595	-	-	-	-	6,595
Installment sale	-	-	5,417	-	-	5,417
Property and equipment, net	-	-	-	-	373,714	373,714
Other assets	-	-	-	-	26,387	26,387
Total	**2,636,971**	**1,009,200**	**2,792,970**	**-**	**566,283**	**7,005,424**
Liabilities and shareholders' equity						
Customer deposits	3,915,450	-	-	-	-	3,915,450
Other liabilities	-	-	-	-	190,651	190,651
Shareholders' equity	-	-	-	-	2,899,323	2,899,323
Total	**3,915,450**	**-**	**-**	**-**	**3,089,974**	**7,005,424**

21. 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 Murabaha, Bei Ajel, installment sales and Musharakah are not significantly different from their respective net book values.

22. 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 year ended December 31, 2006 and the period ended December 31, 2005 are as follows:

	2006 SAR'000	2005 SAR'000
a) Directors, other major shareholders and their affiliates:		
Bei Ajel	**350,323**	624,948
Commitments and contingencies	**14,968**	6,880
Current accounts	**21,195**	43,076

Other major shareholders represent shareholdings of more than 5% of the Bank's issued share capital.

	2006 SAR'000	2005 SAR'000
b) Bank's Mutual funds:		
Customer deposits	**26,784**	1,429,334

c) Related party income and expense:

The following is an analysis of the related party income and expenses included in the statement of operations for the year/period:

	2006 SAR'000	2005 SAR'000
Income from investments	**1,080**	7,023
Management fees (AlBilad mutual funds)	**45,602**	990
Board of Directors' remunerations	**٧٠٦**	385
Compensations to executive management members	**14,283**	8,993

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

23. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and contingencies, to reflect their relative risk as described in the following table:

	2006 (SAR,000)		2005 (SAR,000)	
	Capital SAR '000	**Ratio %**	Capital SAR '000	Ratio %
Tier I - capital	**3,024,345**	**54%**	2,899,323	96%

	2006 (SAR,000)			2005 (SAR,000)		
	Carrying value /notional amount	**Credit equivalent**	**Risk weighted assets**	Carrying value /notional amount	Credit equivalent	Risk weighted assets
Risk weighted assets						
Balance sheet assets						
0%	**1,053,983**	**-**	**-**	1,836,048	-	-
20%	**6,614,825**	**-**	**1,322,965**	3,066,466	-	613,293
100%	**3,612,556**	**-**	**3,612,556**	2,102,910	-	2,102,910
Total	**11,281,364**	**-**	**4,935,521**	**7,005,424**		**2,716,203**
Commitments and contingencies						
20%	**108,406**	**108,406**	**21,681**	35,276	35,276	7,055
50%	**486,413**	**486,413**	**243,207**	361,431	361,431	180,716
100%	**368,468**	**368,468**	**368,468**	104,955	104,955	104,955
Total	**963,287**	**963,287**	**633,356**	**501,662**	**501,662**	**292,726**
Grand total			**5,568,877**			**3,008,929**

24. INVESTMENT MANAGEMENT SERVICES

The Bank offers investment management services to its customers. These services include the management of three mutual funds with assets totaling SAR 1,734 million (2005: SAR 1,429 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 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 22).

25. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Certain new IFRS and IAS have been published in their final form and are mandatory for compliance for the Bank's accounting year beginning January 1, 2007 which the Bank has opted not to adopt earlier. These include:

IAS 1 (Amendment) – Capital Disclosures
IFRS 7 – Financial Instruments – Disclosures
IFRIC 10 – Interim Financial Reporting and Impairment
IFRS 7 Financial Instruments: Disclosure, introduces new disclosures to improve the information about the financial instruments. It requires the disclosure of qualitative and quantitative information about the exposure to risks arising from financial instruments.

The amendment to IAS 1 introduces disclosures about the level of the Bank's capital and how it manages capital.

26. Zakat due from the shareholders

Zakat due from the shareholders for the year ended December 31, 2006 amounted to SAR 1,8 million. Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends. No Zakat was due for the period ended December 31, 2005

27. COMPARATIVE FIGURES

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

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Bank's board of directors on 15 Muharram 1428H (corresponding to February 3, 2007).