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**Bank AlBilad**  
**(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS FOR THE  
THREE AND SIX-MONTH PERIODS  
ENDED JUNE 30, 2008 AND 2007**

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## REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of Bank AlBilad (the "Bank") as of 30 June 2008, and the related statement of income for the three-month and six-month periods ended 30 June 2008 and the statements of changes in shareholders' equity and cash flows and the notes from (1) to (10) for the six-month period then ended. We have not reviewed note (11), nor the information related to "Basel II disclosures" cross-referenced therein, which is not required to be within the scope of our review.

### **Management's Responsibility for the Financial Statements**

These interim condensed 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 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 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 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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**BANK ALBILAD**  
**(A Saudi Joint Stock Company)**

**BALANCE SHEETS**

		June 30, 2008 (Unaudited) SAR' 000	December 31, 2007 (Audited) SAR' 000	June 30, 2007 (Unaudited) SAR' 000
	Notes			
<b>ASSETS</b>				
Cash and balances with SAMA		2,148,715	2,058,151	984,957
Due from banks and other financial institutions		23,022	14,229	28,185
Investments, net	3	12,231,642	13,599,126	13,712,492
Property and equipment, net		570,092	594,151	534,869
Other assets	4	358,304	370,181	91,995
<b>Total assets</b>		<b>15,331,775</b>	<b>16,635,838</b>	<b>15,352,498</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Customer deposits	5	11,390,188	12,689,285	9,808,845
Other liabilities		735,289	842,446	2,461,848
<b>Total liabilities</b>		<b>12,125,477</b>	<b>13,531,731</b>	<b>12,270,693</b>
<b>Shareholders' equity</b>				
Share capital		3,000,000	3,000,000	3,000,000
Unallocated shares		-	-	(2,585)
Employee share plan		(41,987)	(41,987)	(39,025)
Statutory reserve		62,644	62,644	44,529
Fair value reserve		(12,024)	(6,392)	(17,019)
Retained earnings		197,665	89,842	95,905
<b>Total shareholders' equity</b>		<b>3,206,298</b>	<b>3,104,107</b>	<b>3,081,805</b>
<b>Total liabilities and shareholders' equity</b>		<b>15,331,775</b>	<b>16,635,838</b>	<b>15,352,498</b>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements



**STATEMENTS OF INCOMES (Unaudited)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007**

	<u>Three- Month Period Ended June30,</u>		<u>Six - Month Period Ended June30,</u>	
	2008 SAR' 000	2007 SAR' 000	2008 SAR' 000	2007 SAR' 000
<b>INCOME</b>				
<b>Income from investments:</b>				
Murabaha	36,524	99,636	94,993	180,753
Bei Ajel	89,764	50,948	175,186	98,136
Musharakah	14,931	10,908	31,239	20,132
Installment sales	23,140	3,812	38,854	5,652
<b>Total income from investments</b>	<b>164,359</b>	<b>165,304</b>	<b>340,272</b>	<b>304,673</b>
Income paid to customers - time investment	(10,752)	(33,284)	(32,535)	(62,859)
Income paid to customers - Al Bilad Account	(6,190)	(2,609)	(13,457)	(2,609)
<b>Income from investments, net</b>	<b>147,417</b>	<b>129,411</b>	<b>294,280</b>	<b>239,205</b>
Fees income from banking services, net	66,668	50,749	123,660	94,206
Exchange income, net	17,399	20,830	36,731	40,323
<b>Total operating income</b>	<b>231,484</b>	<b>200,990</b>	<b>454,671</b>	<b>373,734</b>
<b>EXPENSES</b>				
Salaries and employee - related expenses	94,615	82,731	192,762	162,416
Rent and premises - related expenses	22,113	20,025	43,176	39,738
Depreciation and amortization	29,557	23,628	60,296	47,670
Provision for investments	4,979	2,720	8,675	4,638
Other general and administrative expenses	23,227	37,172	41,939	58,865
<b>Total operating expenses</b>	<b>174,491</b>	<b>166,276</b>	<b>346,848</b>	<b>313,327</b>
<b>Net income for the period</b>	<b>56,993</b>	<b>34,714</b>	<b>107,823</b>	<b>60,407</b>
<b>Basic and diluted earnings per share (SAR)</b>	<b>0.19</b>	<b>0.12</b>	<b>0.36</b>	<b>0.20</b>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**  
**FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007**

<u>2008</u>	<u>SAR'000</u>						<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>	
<b>Balance at beginning of the period</b>	3,000,000	-	(41,987)	62,644	(6,392)	89,842	3,104,107
Net change in fair value of investments	-	-	-	-	(5,632)	-	(5,632)
Net income for the period	-	-	-	-	-	107,823	107,823
<b>Balance at the end of the period</b>	<b>3,000,000</b>	<b>-</b>	<b>(41,987)</b>	<b>62,644</b>	<b>(12,024)</b>	<b>197,665</b>	<b>3,206,298</b>
<u>2007</u>							
<b>Balance at beginning of the period</b>	3,000,000	(2,585)	(39,025)	44,529	(14,072)	35,498	3,024,345
Net change in fair value of investments	-	-	-	-	(2,947)	-	(2,947)
Net income for the period	-	-	-	-	-	60,407	60,407
<b>Balance at the end of the period</b>	<b>3,000,000</b>	<b>(2,585)</b>	<b>(39,025)</b>	<b>44,529</b>	<b>(17,019)</b>	<b>95,905</b>	<b>3,081,805</b>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements

**STATEMENTS OF CASH FLOWS (Unaudited)**  
**FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007**

	Note	2008 SAR' 000	2007 SAR' 000
<b>OPERATING ACTIVITIES:-</b>			
Net income for the period		107,823	60,407
<b>Adjustments to reconcile net income to net cash (used in) from operating activities:</b>			
Depreciation and amortization		60,296	47,670
Provision for investments		8,675	4,638
<b>Net (increase) decrease in operating assets:</b>			
Statutory deposits with SAMA		(544,717)	(157,386)
Investments		1,353,177	(3,884,849)
Other assets		11,877	(28,172)
<b>Net (decrease) increase in operating liabilities:</b>			
Customer deposits		(1,299,097)	1,950,786
Other liabilities		(107,157)	2,062,888
<b>Net cash (used in) from operating activities</b>		<b>(409,123)</b>	<b>55,982</b>
<b>INVESTING ACTIVITIES:-</b>			
Property and equipment, net		(36,237)	(27,226)
<b>Net cash used in investing activities</b>		<b>(36,237)</b>	<b>(27,226)</b>
Net (decrease) increase in cash and cash equivalents		(445,360)	28,756
Cash and cash equivalents at beginning of the period	7	1,379,108	516,277
<b>Cash and cash equivalents at end of the period</b>	7	<b>933,748</b>	<b>545,033</b>
<b><u>Supplemental non cash information</u></b>			
Net changes in fair value reserve		(5,632)	(2,947)

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements



**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007**

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**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 (2007:54) and 85 exchange and remittance Centers (2007:82) 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.

In accordance with the new regulatory requirements in Saudi Arabia, all banks are required to spin-off their asset management, brokerage, and advisory services into separate entities to be licensed by the Capital Market Authority (CMA).

In connection with the above, the Bank obtained the required licenses from the CMA, and formed AlBilad Investment Company (wholly owned by the Bank) which obtained its commercial registration on 11 Du Al-Qu'ada 1428 H (Corresponding to November 21, 2007) and obtained approval from CMA for commencement of operations on May 25, 2008.

Due to materiality reasons, no separate financial statements have been prepared for the company for the period ending June 30, 2008. However all inter-company transactions have been eliminated while preparing financial statements for the Bank. With effect from July 01, 2008 separate financial statements will be prepared for the company (wholly owned by the Bank) and consolidated financial statements will be presented for the Bank.

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 obtain from its customers.

**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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**a) Basis of preparation**

The interim condensed 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 financial statements to comply with the Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia. These interim condensed financial statements are expressed in Saudi Arabian Riyal ("SAR") and are rounded off to the nearest thousands.

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

**Accounting policies**

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

**3. INVESTMENTS, NET**

Investments comprise the following:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>	<b>June 30, 2007</b>
	<b>SAR'000</b>	<b>SAR'000</b>	<b>SAR'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
<b>At amortized cost</b>			
Murabaha	4,853,675	7,131,053	9,913,283
Bei Ajel	5,126,821	4,580,720	2,645,390
Musharakah	823,693	892,071	567,063
Installment sales	1,155,113	717,184	319,285
<b>Available for sale</b>			
Other investments	272,340	278,098	267,471
<b>Total</b>	<b>12,231,642</b>	<b>13,599,126</b>	<b>13,712,492</b>



**BANK ALBILAD**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007**

**4. OTHER ASSETS**

Other assets comprise the following:

<u>SAR'000</u>	<b>June 30, 2008</b> <b>SAR'000</b> <b>(Unaudited)</b>	<b>December 31, 2007</b> <b>SAR'000</b> <b>(Audited)</b>	<b>June 30, 2007</b> <b>SAR'000</b> <b>(Unaudited)</b>
Prepaid rental expenses	25,457	12,719	26,304
Advances to suppliers	6,844	12,558	14,734
Management fee receivable	7,605	8,993	14,011
Other	318,398	335,911	36,946
<b>Total</b>	<b>358,304</b>	<b>370,181</b>	<b>91,995</b>

During 2007, the Bank applied to the Capital Market Authority (CMA) to establish a real estate mutual fund and until the completion of the legal procedures to establish this fund, the Bank purchased a land in north of Riyadh City amounting to SAR 280 million after coordinating with SAMA as the purpose of transfer it to the fund once established. The land included under other assets and is recorded as other assets at cost which approximate to fair

**5. CUSTOMER DEPOSITS**

Customer deposits comprise the following:

	<b>June 30, 2008</b> <b>SAR'000</b> <b>(Unaudited)</b>	<b>December 31, 2007</b> <b>SAR'000</b> <b>(Audited)</b>	<b>June 30, 2007</b> <b>SAR'000</b> <b>(Unaudited)</b>
Current accounts - Saudi Riyal	7,204,457	7,452,321	5,726,643
Current accounts - foreign currencies	16,149	40,809	20,437
Current accounts - Al Bilad Account	3,341,996	2,558,183	1,071,174
Other deposits	133,080	90,148	113,598
	<b>10,695,682</b>	<b>10,141,461</b>	<b>6,931,852</b>
Customer direct investments	694,506	2,547,824	2,876,993
<b>Total</b>	<b>11,390,188</b>	<b>12,689,285</b>	<b>9,808,845</b>

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

Other deposits include amounts collateral on behalf of the Bank's mutual funds account of SAR 9 million (2007: SAR 42 million) and SAR 124 million received as margins held for irrevocable commitments (2007: SAR 71 million).

**6. COMMITMENTS AND CONTINGENCIES**

The Bank's commitments and contingencies are as follows:

	June 30, 2008	December 31, 2007	June 30, 2007
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Letters of credit	1,046,013	487,815	335,263
Letters of guarantee	604,566	794,587	789,345
Acceptances	193,165	83,182	119,825
<b>Total</b>	<b>1,843,744</b>	<b>1,365,584</b>	<b>1,244,433</b>

**7. CASH AND CASH EQUIVALENTS**

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

	June 30, 2008	December 31, 2007	June 30, 2007
	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Audited)	(Unaudited)
Cash	706,954	322,610	314,825
Due from banks (maturing within 90 days from acquisition)	23,022	14,229	28,185
Balances with SAMA (excluding statutory deposits)	203,772	1,042,269	202,023
<b>Total</b>	<b>933,748</b>	<b>1,379,108</b>	<b>545,033</b>

**8. SEGMENTAL INFORMATION**

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

**Personal Banking/Retail Segment:** Includes services and products to individuals, including deposits, AlBilad accounts, Islamic financing products, investments and local and international shares dealing services.

**Corporate and Private Banking Segment:** Includes services and products to corporate and high net worth individuals including deposits, Islamic financing products, letters of credit, letters of guarantee and other investments products.

**Treasury and Investments Segment:** Includes treasury services and dealing with financial institutions.

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

**Other:** This segment includes all other cost centers and profit centers in the head office in areas of technology services and support.



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

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

<b>2008 SAR'000 (Unaudited)</b>	<b>Personal banking / Retail segment</b>	<b>Corporate and private banking segment</b>	<b>Treasury and investments segment</b>	<b>Remittances segment (Enjaz centers)</b>	<b>Others</b>	<b>Total</b>
Total assets	1,834,038	6,171,053	3,366,513	405,881	3,554,290	15,331,775
Total liabilities	8,371,927	3,123,668	458,182	114,306	57,394	12,125,477
Total operating income	101,224	202,612	51,027	72,302	27,506	454,671
Total operating expenses	67,753	135,609	31,168	52,546	59,772	346,848
Net income (loss) for the period	33,471	67,003	19,859	19,756	(32,266)	107,823
Capital expenditures	3,567	6,293	-	14,127	12,250	36,237
Depreciation and amortization	4,631	8,347	372	18,078	28,869	60,296
Provision for investments	11,811	69,071	-	-	-	80,882

<b>2007 SAR'000 (Unaudited)</b>	<b>Personal banking / Retail segment</b>	<b>Corporate and private banking segment</b>	<b>Treasury and investments segment</b>	<b>Remittances segment (Enjaz centers)</b>	<b>Others</b>	<b>Total</b>
Total assets	716,347	5,709,327	5,289,304	231,995	3,405,525	15,352,498
Total liabilities	5,915,016	4,592,768	1,623,867	66,602	72,440	12,270,693
Total operating income	73,119	131,921	63,862	48,695	56,137	373,734
Total operating expenses	67,666	101,885	36,840	43,571	63,365	313,327
Net income (loss) for the period	5,453	30,036	27,022	5,124	(7,228)	60,407
Capital expenditures	5,764	193	328	1,685	19,256	27,226
Depreciation and amortization	21,153	929	362	5,997	19,229	47,670
Provision for investments	-	11,657	-	-	-	11,657



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 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 Saudi Arabian Monetary Agency in supervising the

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

<b>Capital Adequacy Ratios</b>		
<b>Particulars</b>	<b>Total Capital Ratio %</b>	<b>Tier 1 capital ratio %</b>
30-Jun-08	22.4	21.7

**10. COMPARATIVE FIGURES**

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

**11. 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](http://www.bankalbilad.com.sa)) within 60 business days after June 30, 2008 as required by SAMA such disclosures are not subject to review by the external auditors of the Bank.