To: Bank AlBilad Shareholders
Assalamu alaikum warahmatullahi wabarakatuh,

We are pleased to present the annual report and consolidated financial statements of Bank AlBilad and its subsidiaries (The Bank) for the year ended December 31, 2011.This report presents a summary of the bank activities , achievements and the financial results for year end.

Operational results:

The Bank reported a net income of SAR 330 million for the year 2011, compared to a net income of SAR 92 million for the previous year. This was mainly due to increase in the revenue where the Bank recorded operating income of SAR 1,374 million, as compared to SAR 1,099 million, a growth 25% over the previous year. Income from financing and investment activities increased to SAR 703 million, as compared to SAR 625 million, with an increase of 12% over the previous year. These investments includes, Murabaha, Bai Ajel, Musharakah, Installment Sales and Ijarah. The net fee income from banking services reached SAR 458 million for the year 2011, compared to SAR 342 million for the last year, with an increase of 34%.The net foreign exchange income of SAR 189 million up by 56% over the corresponding period.

The operating expenses, including provision, on the other hand increased by 4% at SAR 1,044 million, and the provisions for investing and financing activities decreased by 13% to SAR 252 million in 2011 compared to SAR 290 million in 2010.

On the infrastructure side, the Bank during the year 2011 increased the number of branches to 82, compared to 75 at the end of the year 2010, remittance centers increased to 126 compared to 104 at the end of the year 2010 and ATMs to 582 compared to 492 at the end of the year 2010.

Financial position:

Total assets of the Bank at the end of 2011 were SAR 27,727 million, an increase of 31% compared with last year. The customer deposits at the end of the year, reached SAR 23,038 million, recording an increase of SAR 6,106 million, represent an increase of 36%. The financing also increased to SAR 13,780 million compared to SAR 12,290 million reflecting an increase of 12%.

Shareholders' equity:

Shareholders equity stood at the end of the year 2011 at SAR 3,416 million, compared to SAR 3,103 million at the end of 2010. The number of ordinary shares are 300 million shares. The Capital Adequacy Ratio at the end of 2011 was at 18.31% compared to the minimum requirement of 8%, reflecting the strong financial position of the Bank.

The bank achieved 1.35% as a return on average assets while the return on average shareholders' equity is 10.1% and earnings per share is SAR 1.10 per share.

Financial comparisons:

1. The following is an analysis of the major items of Consolidated statement of financial position:

(SAR in millions)

	2011	2010	2009	2008	2007
Net investment	951	1,611	1,534	1,883	1,349
Net financing	13,780	12,290	11,014	8,276	6,190
Total assets	27,727	21,117	17,411	16,052	16,636
Customer deposits	23,038	16,932	13,721	10,971	12,689
Total liabilities	24,311	18,014	14,409	12,839	13,532
Total Equity	3,416	3,103	3,002	3,213	3,104

2. The following analysis of the major items of Consolidated income statement:

(SAR in millions)

	2011	2010	2009	2008	2007
Net income from investing and financing assets	703	625	548	578	534
Net banking fees	458	342	280	230	177
Net foreign currency exchange gains	189	121	74	78	67
Total operating income	1,374	1,099	909	888	779
Total operating expenses	1,044	1,007	1,157	763	706
Impairment charge for investing and other financial assets	-	47	61	65	-
Impairment charge for financing assets	252	242	302	20	65
Net income (losses)for the year	330	92	(248)	125	73

Major activities:

The Bank operations are run through five major business lines as detailed below.

Retail banking
Services and products to individuals including deposits, financing, remittances and currency exchange.

Corporate banking
Services and products to corporate and commercial customers including deposits, financing and trade services

Treasury
Dealing with other financial institutions and providing treasury services to all segments.

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

Other
All other support functions.

Major activities of the Bank for the year 2011 are summarized in the following table:

(SAR in millions)

	2011					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	7,508	9,832	9,323	1	1,063	27,727
Capital expenditures	54	-	-	-	30	84
Total liabilities	14,094	8,953	413	4	847	24,311
Net income from investing and financing assets	351	322	19	-	11	703
Fee, commission and other income, net	445	86	75	43	22	671
Total operating income	796	408	94	43	33	1,374
Impairment charge for financing assets	81	171	-	-	-	252
Depreciation and amortization	77	10	2	-	-	89
Total operating expenses	651	335	32	26	-	1,044
Net income for the year	145	73	62	17	33	330

Geographical analysis of the revenues:

Analysis of the total revenue by region **(SAR in millions)**

	Central	Western	Eastern	Total
Gross revenue	733	411	230	**1,374**

Essentially, all revenues of the Bank are from activities inside the Kingdom. The bank does not have any branches or subsidiaries outside the Kingdom of Saudi Arabia.

Subsidiaries:

Company name	Date of establishment	Main activity	Company head office	Country of establishment	Ownership
AlBilad Investment Company	November 20, 2007	Investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities regulated by the CMA	Riyadh , Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	99%
AlBilad Real Estate Company	September 17, 2006	Registration of the real estate collaterals that the Bank obtains from its customers	Riyadh , Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	100%

Future plans:

The Bank is focusing to expand the network of its branches, Enjaz centers (remittance centers) and Automated Teller Machine (ATM) across the Kingdom in order to increase the service channels to attract new customers and improve customer services. Further, services through various automated delivery channels will also be enhanced. Moreover, the Bank will also increase its suite of products to meet the customer needs, and to increase the customer base.

Risk management:

The Bank is exposed to various risks, which is an essential component of the nature of banking business. These risks are monitored and managed through the Bank's Risk Group, which represents financial risk management, credit, market and operational risk. The details for these risks are mentioned in notes 25 to 29 of the consolidated financial statements attached to Board of Directors report.

Accounting standards applicable:

The consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA") and with International Financial Reporting Standards ("IFRS"). The Bank also prepares its consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia. There is no material departure from accounting standards issued by SOCPA.

Corporate Governance by-laws in the Kingdom of Saudi Arabia:

The Board of Directors approved a comprehensive set of Corporate Governance by-laws governed by the rules and conditions of the Bank's Charter, the Saudi Companies Law, the CMA Regulations and executive by-laws, in addition to other regulations of relevance.

The bank has implemented all the requirements of the corporate governance law except following article:

Article	Description	Reasons
Article 6 paragraph (B)	In case the article of association of the company indicates to use the cumulative voting, did the company use it when electing the existing board of directors in the general assembly?	Voting paragraph have been changed in the article of association in the extraordinary general assembly
Article 6 paragraph (D)	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	The bank does not have the authority to enforce judicial persons to disclose voting policies in their annual reports.
Article 12 paragraph (I)	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	There is no representative or judicial persons in the board of directors.

The Board of Directors:

The Board of Directors consists of 11 members, who were elected in the General Assembly meeting held on 25/04/1431 H, corresponding to April 10, 2010 for three years with effect from 03/05/1431 H corresponding to April 17, 2010.

The Board held five meetings during the year 2011 with the following attendance record of these meetings:

Member	09/01/2011	14/03/2011	20/06/2011	18/09/2011	12/12/2011
Mr.Musaed bin Mohammad Al Sinani	✓	✓	✓	X	✓
Mr.Ibrahim bin Abdullah Al Subaie	X	X	X	X	✓
Dr. Ibrahim bin Abdul Rahman Al-Barrak	✓	✓	✓	✓	✓
Dr. Abdul Rahman bin Ibrahim Al Hamid	✓	✓	✓	✓	✓
Eng. Ali bin Othman AlZaid	✓	X	✓	✓	✓
Mr.Adib bin Abdullah Al Zamil	✓	✓	✓	✓	✓
Mr Abdulrhaman bin Mohammed Remzi Addas	✓	✓	✓	✓	✓
Mr.Nasser bin Mohammed Al Subaie	✓	✓	✓	✓	✓
Mr.Khalid bin Abdul Aziz Al Mukairin	✓	✓	X	✓	✓
Mr.Khaled bin Abdulrahman Al-Rajhi	✓	✓	✓	✓	✓
Mr. Mohammed bin Abdullah AlQuwaiz	✓	✓	X	✓	✓

Memberships in other Joint Stock Companies:

	Member	Company Name	Position	Type of Company
1	Mr. Musaed bin Mohammad Al Sinani	Saudi Hotels & Resort Areas	Chairman	Listed
2	Mr. Ibrahim bin Abdullah Al Subaie	Jabal Omar Development Co	Member	Listed
		Makkah Construction and Development	Member	Listed
		Arabian Cement Co.	Member	Listed
		Alsubaa Co.	Chairman	Family Company
3	Mr. Nasser bin Mohammed Al Subaie	Saudi Hotels & Resort Areas	Member	Listed
		Mohammed Ibrahim Alsubaie & Son Co (Masic).	Member	Limited liabilities
		Alrjan projects Co.	Member	Closed
		National Prawn Co.	Member	Limited liabilities
4	Mr.Khalid bin Abdul Aziz Al Mukairin	Albilad Investment Co.	Chairman	Limited liabilities
		Khalid bin Abdul Aziz Al Mukairin & Son Holding Co.	Chairman	Limited liabilities
		Almaktabah marketing Co.	Chairman	Closed
		Family investment Co.	Chairman	Limited liabilities
5	Mr. Khalid bin Abdulrahman Al-Rajhi	STC	Member	Listed
		Saudi Cement Company	Member	Listed
		Saudi United Cooperative Insurance Co.	Member	Listed
		Takween Advanced Industries Co.	Member	Listed
6	Mr.Adib bin Abdullah Al Zamil	Zamil Industrial Investment Co.	Member	Listed
		Methanol Chemicals Co.	Member	Listed
		Saudi International Petrochemical Co.	Member in the audit committee	Listed
		Jadwa Investment Co.	Member	Closed
		Alzamil Holding Group	Member for financial and investment affairs	Family Company
7	Dr. Abdul Rahman bin Ibrahim Al Hamid	Saudi Vitrified Clay Pipe	Member	Listed
		Alrajhi Holding Co.	Member	Closed
		Mohammed Ibrahim Alsubaie & Son Co (Masic).	Member	Limited liabilities
		HNC	Chairman	Limited liabilities
8	Mr. Abdulrhaman bin Mohammed Remzi Addas	Al Sorayai Trading And Industrial Group	Member	Listed
		Sedco Capital Co.	Member	Private
		Red Sea Markets Company Ltd.	Member	Private
		Quantum Investments Bank (Dubai)	Member	Private
9	Eng. Ali bin Othman Alzaid	Saudi Real Estate Co.	Chairman	Listed
		Hail Cement Company	Member	Listed
		Dar AlTamleek Co.	Chairman	Closed
		Rayadah Investment Co.	Member	Closed
		Almaakulaih Co.	Member	Closed
		Knowledge Economice City	Chairman	Closed
10	Mr. Mohammed bin Abdullah AlQuwaiz	Derayh Capital Co.	Managing Director	Closed

The Status of Board of Directors:

Member	Position	Status
Mr.Musaed bin Mohammad Al Sinani	Chairman	Independent
Mr.Ibrahim bin Abdullah Al Subaie	Member	Non-executive
Dr. Ibrahim bin Abdul Rahman Al-Barrak	Member	Independent
Dr. Abdul Rahman bin Ibrahim Al Hamid	Member	Independent
Eng. Ali bin Othman AlZaid	Member	Independent
Mr.Adib bin Abdullah Al Zamil	Member	Independent
Mr. Abdulrhaman bin Mohammed Remzi Addas	Member	Independent
Mr.Nasser bin Mohammed Al Subaie	Member	Non-executive
Mr.Khalid bin Abdul Aziz Al Mukairin	Member	Non-executive
Mr.Khaled bin Abdulrahman Al-Rajhi	Member	Non-executive
Mr. Mohammed bin Abdullah AlQuwaiz	Member	Independent

Major shareholders:

The major shareholders of the bank with more than 5% shareholders are as follows:

	Shareholder Name	Percentage %
1	Mohammed Ibrahim Mohammed AlSubaie	11.67
2	Abdullah Ibrahim Mohammed AlSubaie	11.14
3	First Investment Company	7.43
4	Abdulrahman Salih Abdulaziz AlRajhi	6.97
5	Abdulrahman Abdulaziz Salih AlRajhi	6.57

Shareholding of Board members, their wives and children:

The shareholding of Board members, their wives and children as at the end of December 2011 compared to December 2010 is as follows:

	Name	December 2011	December 2010	Net change	Net change in percentage
1	Mr. Musaed bin Mohammad Al Sinani	25,065	25,065	-	-
2	Mr. Ibrahim bin Abdullah Al Subaie	17,635	17,635	-	-
3	Dr. Ibrahim bin Abdul Rahman AlBarrak	40,566	40,566	-	-
4	Dr. Abdul Rahman bin Ibrahim Al Hamid	1,000	1,000	-	-
5	Eng. Ali bin Othman AlZaid	1,000	1,000	-	-
6	Mr. Adib bin Abdullah Al Zamil	7,500	7,500	-	-
7	Mr. Abdulrhaman bin Mohammed Remzi Addas	2,000	2,000	-	-
8	Mr. Nasser bin Mohammed Al Subaie and his family	507,490	255,550	251,940	98.59%
9	Mr. Khalid bin AbdulAziz AlMukairin	479,342	2,091,534	(1,612,201)	(77%)
10	Mr. Khaled bin Abdulrahman Al-Rajhi	9,100,000	9,100,000	-	-
11	Mr. Mohammed bin Abdulallh AlQuwaiz and his family	2,160	2,160	-	-

Shareholding of top executives, their spouses and children:

The shareholding of top executives, their spouses and their minor children as at the end of December 2011 compared to December 2010 is as follow:

	Name	December 2011	December 2010	Net change	Net change in percentage
1	Mr. Khalid bin Suleiman Al-Jasser	120	120	-	-
2	Mr. Eid bin Flaih Al-Anazi	165	165	-	-
3	Mr. Abdul Rahman Bin Hamad Al Suqhayer	85	85	-	-
	Total number of shares	**370**	**370**	**-**	**-**

Remunerations and Allowances:

The Bank pays remunerations and allowances to the Board Members and members of various Board Committees for attending the Board meetings as well as salaries, rewards and allowances to senior executives in accordance with their contracts. A breakdown of such remunerations is given hereunder:

	Members of Non-Executive Board	Seven Senior Executives including the Chief Executive and Chief Financial Officer
Salaries and remunerations	-	8,611,072
Periodic and annual allowances and rewards	4,180,000	2,687,500
Total	4,180,000	11,298,572

Arrangements with Shareholders, Board Members or Senior Executives for waiver of salaries, remunerations or dividends:

The Bank does not have any arrangements or agreements with any of its Shareholders, Board Members or Senior Executives of any salaries, bonuses, remunerations or dividends regarding waiver.

Interest in shares with voting eligibility

There is no interest in a class of voting held by persons (other than board of directors, senior executives and their spouses and minor children) that have notified the Bank of their holdings.

Bank's loan obligations, Debt, Convertible Debt, redeemable Debt, Optional rights

The Bank and its subsidiaries do not have any loan obligation, debt instrument or convertible debt instrument outstanding and has not issued any such instrument during the year 2011. The bank has not redeemed, purchase or cancelled any debt instrument, convertible debt, redeemable debt, option, rights etc. during the year 2011.

Board committees:

The Board has formed a number of committees in the Bank with specific tasks and responsibilities for each. The membership of such committees includes members nominated from the Board members, members with special skills, in addition to external bodies with proven record in their specialties. A brief of the main committees is given below:

Executive Committee:

The responsibilities of this Committee include the application of the Bank's policies, internal performance control, risk management and efficacy of managing the Bank's businesses. During the year 2011, 11 meetings of the Executive Committee were held.

The Executive Committee consists of the following six (6) members:

Member name	Position
Dr. Abdul Rahman bin Ibrahim Al Hamid	Chairman
Mr. Nasser bin Mohammed Al-Subaie	Member
Mr. Khalid bin Abdul Aziz Al-Mukairin	Member
Mr. Khaled bin Abdulrahman Al-Rajhi	Member
Mr.Abdulrhaman bin Mohammed Remzi Addas	Member
Mr.Khalid bin Suleiman Al-Jasser	Member

Audit Committee:

The responsibilities of the audit committee include supervision of internal audit division, including review of audit procedure, audit reports and corrective measures, to recommend to the Board appointment of the external auditors and fixing their remuneration, to supervise the activities of the external auditors and review their comments on the financial statements, to recommend the quarterly and annual financial statements to the Board for approval and to review the accounting policies adopted by the bank and give recommendations for any change, addition or deletion, if any. During the year 2011, 8 meetings of the Audit Committee were held.

The Audit Committee consists of the following four (4) members, one board member from the banks' Board of Directors, and three independent external members.

Member name	Position
Dr. Ibrahim bin Abdul Rahman Al-Barrak	Chairman
Dr. Ahmed Abdullah AlMogamis	Independent Members
Mr.Yosuf Bin Ahmed Al Burshaid	
Mr. Soliman Nasser AlHitlan	

Nominations and Remuneration Committee:

The Committee is responsible for making recommendations to the Board for nomination for the Board membership, performing annual revisions of the requirements for suitable skills for the Board membership; and revising the Board structure. Its tasks also includes submitting strength and weakness of the Board and making recommendations for members, ensuring timeliness of holding ordinary meetings of the Board and documenting its meetings, verify caution the independence status of the independent members. The Nominations and Remuneration Committee is also responsible for ensuring that there is no conflict of interests, setting up the reward and incentive policy for the Board and executive based on performance, and following up human resources related issues. During the year 2011, 4 meetings of the Nominations and Remuneration Committee were held.

The Nominations and Remuneration Committee consists of the following five members, four board members from the banks' board of directors, and one independent external member.

Member name	Position
Mr. Abdulrhaman Mohammed Remzi Addas	Chairman
Mr.Nasser bin Mohammed Al Subaie	Member
Mr.Khalid bin Abdul Aziz Al Mukairin	Member
Mr. Mohammed Abdullah AlQuwaiz	Member
Mr. Khalid Saleh AlHathal	Independent member

The internal control system:

The Internal Control framework of Bank Albilad is approved by the Board of Directors. Bank Albilad's management is responsible for implementation of the internal control system and for reviewing the same at regular intervals to ensure its effectiveness.

The internal control framework ensures that all relevant controls are in place to avoid major risks including credit, liquidity, operational risk, violation of law or regulations, unauthorized activities and fraud. In addition to regular reviews by the concerned departments, exposures to these risks are covered by various management committees formed for monitoring the control framework.

The Operational Risk and Compliance functions also monitor the control environment during their respective reviews in close coordination with each other. The Internal Audit function provides the management with an independent and objective assessment of the effectiveness of the control framework. This objective is achieved by following a risk based audit plan which is approved by the Audit Committee. The Internal Audit is also responsible for investigating any fraud case detected within the Bank and applying the necessary procedure for investigation. The Anti-Fraud and Investigation department within the Internal Audit function also performs regular fraud and investigation related awareness sessions for the Bank's employees.

Shariah Commitment:

Bank AlBilad has since its inception committed itself to the application of the Islamic Shariah. The Bank has an approved Shariah Board Charter which grants the Shariah Board total independence from other Bank departments. Most prominent points of this Charter are as follows:

1. The Bank does not implement any product, contract, or agreement unless it has been submitted to, and approved by the Shariah Board.
2. Rulings of the Shariah Board are binding to the Bank
3. The Shariah Board and Shariah Group contribute to the development of products with respect to their compliance with the Shariah rules.
4. The Shariah Board and Shariah Group contribute to disseminating awareness of the Islamic banking concepts within the Bank.

Shariah Board:

Shariah Board members consist of six scholars who are also specialized in the modern financial transactions. They are:

1. H.E. Shaikh Abdullah bin Sulaiman bin Manea, Head of the Shariah Board,
2. H.E. Shaikh Prof. Abdullah bin Muhammad Al-Mutlaq, Deputy,
3. Shaikh Prof. Abdullah bin Mousa Al-Ammar, member,
4. Shaikh Dr. Abdulaziz bin Fawzan Al-Fawzan, member,
5. Shaikh Dr. Yusuf bin Abdullah Al-Shubaili, member,
6. Shaikh Dr. Muhammad bin Saud Al-Osaimi, member.

Preparatory Committee:

One of the functions that emanate from the Shariah Board is the "Preparatory Committee", consisting of four members from the members of the Shariah Board. The Preparatory Committee performs many tasks, including the following:

1. Studying the issues forwarded to the Board for initial perusal and verification prior to submission them to the Board.
2. Studying the Shariah-related inquires received from the Bank's employees and customers for appropriate guidance.
3. Studying initiatives for new products and provide necessary guidance.

During the year 2011, the Shariah Board held 6 meetings, and the Preparatory Committee held 23 meetings.

Department of the Shariah Board Secretariat:

Department of the Shariah Board Secretariat compiles information on matters submitted to the Board and prepares the relevant research and studies. Department of the Shariah Board Secretariat is the link between the Shariah Board and the Bank departments. It disseminates awareness of the Islamic banking concept and receives inquiries from the Bank employees and customers concerning the applicable procedures of the Bank.

Shariah Audit Department

The Shariah Audit Department verifies the Bank's compliance with the rulings of the Shariah Board by conducting periodic field visits to the Bank's departments.

The department is checking the products by taking random samples of documents and shares the results of the test with relevant departments, thereby ensuring that reasonable degree of conviction is present as regards to Bank's commitment to Islamic banking. The Department also responds to customer inquiries, clarifying the mechanism implemented in the Bank's products. The Department also works to resolve customer complaints, and communicates with the relevant departments of the Bank to resolve the same.

Means of Communication with Shareholders:

The Board adopts transparency as one of the Bank's main principles. Transparency, however, is one of the corporate governance fundamentals intended to ensure fair and equal treatment of all shareholders and define the Board's responsibility towards the Bank and shareholders in general. The Bank follows the standards and instructions of the Saudi Arabian Monetary Agency (SAMA), the Capital Market Authority (CMA) and the recommendations of the Basel Committee regarding corporate governance. It submits comprehensive information about its activities and businesses as part of the annual report and the brief initial financial statements announced in the local papers, on Tadawul web site, and on the Bank's web site: (www.bankalbilad.com) which contains additional information and features of the Bank. The Bank also pays considerable attention to inquiries received from its stakeholders and to answering such inquiries. Furthermore, it encourages its shareholders to attend the General Assembly meetings where the Bank's activities are discussed.

Due to Regulatory Authorities:

(SAR in millions)

	2011	**2010**
Zakat	10.0	3.6
GOSI	3.3	2.9

Zakat:

The Bank received Zakat assessments from the Department of Zakat and Income Tax (DZIT) in respect of prior years from 2006 to 2008. The assessment resulted in additional Zakat liability of SR 62, SR 60 and SR 55 million for years 2006, 2007 and 2008 respectively and is primarily due to the disallowance of financing and other financial assets from the Zakat base of the Bank and disallowance of certain expenses.

The Bank has filed appeals against all the assessments' years. The DZIT upheld the assessment for the year 2006.The Bank has now filed an appeal against the decision with the Appeal Committee.

Further, the Bank in consultation with its advisors has contested the assessment made by DZIT and along with the Saudi banking industry has raised this issue with SAMA for a satisfactory resolution. The Bank has accordingly not recognized the additional zakat liability as assessed by DZIT for the years 2006, 2007 and 2008 in the consolidated financial statements.

Zakat due from the shareholders for the year ended December 31, 2011 amounted to SAR 10 million (2010: SAR 3.6 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

Fines imposed on the Bank by the supervisory authorities:

The bank did not get any significant fines during the year 2011, and most of the fines imposed due to operational processes and were resolved amicably.
The following table includes the fines imposed on the bank by supervisory authorities:

supervisory authority	The number of fines	Total amount
Saudi Arabian monetary Agency	5	22,000
Capital Market Authority	2	315,000
Ministry of Municipal and Rural Affairs	2	47,000

Dividend Policy:

After the deduction of all general expenses, other cost and provision of the required reserve for bad debt, investments losses and unexpected liabilities, the bank distributes its net profit as per the recommendation of the Board of Director and in accordance with the Banking supervision law and the guidance the Saudi Arabian Monetary Agency as follows:

1. Calculate the due Zakat amount on the shareholders which the bank pays on behalf of the shareholders.
2. The bank will transfer 10% (ten percents) of its net profit after deducting Zakat to the statutory reserve until this reserve equals the paid up capital.
3. Five percent (5%) of the paid up capital of the rest of the profit after the deduction of statutory reserve and Zakat will be allocated as dividend in accordance with the Board of Directors' recommendation and the approval of the general assembly meeting. If the rest of the profit less than 5%, the shareholders do not have the right of dividend payment. The general assembly meeting does not have the right to propose a dividend in excess of the amount recommended by the Board of Directors.
4. The usage of the remaining profit, if any, will be subject to Board of Directors' recommendation and approval from general assembly meeting.

- With requires to point 2 of dividend policy, (The Saudi Arabian Banking Control Law requires the bank to transfer 25% of its net profit transfer it to the statutory reserve until this reserve equal the paid up capital and the Bank follows this law irrespective of its Article as mentioned in point 2 above.
- The Board of Directors' have not recommended any dividend distribution for the year 2011 to support the growth prospective financial position of the Bank

Bank Credit Rating:

Bank Albilad is in the process with one of the international rating agency for rating of the bank.

Human Resources:

The total number of the Bank's employees as at the end of 2011 was 2,247 (Two Thousand and Twenty Hundred Forty Seven) employees compared to 1,961(One Thousand Nine Hundred and Sixty one) employees at the end of 2010. The Saudization percentage at the end of 2011 was 71%. The Bank recruits employees on the basis of high competence and banking experience. It has organized and implemented specialized training courses for newly recruited university and administrative institute graduates, in addition to developmental courses offered to all employees. During the year 1,957 staff members of the Bank undergone various trainings.

End of Service Benefits:

Benefits payable to employees of the banks at the end of their service are accrued in accordance with the guidelines set by the Saudi Arabian Labor Regulations and included in other liabilities in the consolidated statement of financial position.

Employees Share Plan:

The bank offers its eligible employees an equity settled share based payment plan as approved by SAMA and CMA. The cost of the plan is measured by reference to the fair value at the date on which the shares are granted. The cost of the plan is recognized over the period in which the service condition is fulfilled on straight line bases, ending on the date at which the relevant employees become fully entitled to the shares (the vesting date). At each reporting date, Management revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employee share plan reserve.

Under the terms of the plan, the Group has already purchased certain number of Treasury shares for the purposes of the above scheme. As per the approved scheme with the approval of SAMA, primarily for discharging its obligation under share based payment plans and are carried at cost., the custodianship of the above mentioned shares has been given to an independent Investment company ('the custodian"). The custodian shall only keep the shares, along with any benefits accrued there on, during the vesting period and shall have no voting rights during the same period. Upon completion of the vesting period the title of the shares will be transferred to the eligible employees along with any benefits accrued thereon in the shape of dividends, rights, bonus etc.

Significant features of the share based payment plan is as follows:

Grant date	17th December 2011
Maturity Date	1st January 2014
Number of share offered on the grant date	159,000
Share price on the grant date (SAR)	19.60
Value of shares offered on grant date (SAR'000)	3,116
Vesting period	3 years
Vesting condition	Employees to remain in service
Method of settlement	Equity

The movement in the number of shares is as follows	2011
Beginning of the year	-
Granted during the year	159,000
Forfeited	-
Exercised	-
End of the year	159,000

The shares are granted only under a service condition with no market condition associated with them.

Contracts with Related Parties:

The Bank, within the ordinary course of its business, deals with related parties. Such dealings are subject to the regulations provided for in the Banking Control Regulations and instruction of SAMA. The Bank has not entered into contracts that had or implied any personal benefits for anyone of the Board Members, the Chairman, the Chief Executive Officer, or the Chief Financial Officer, nor with anyone of their relatives.

a) Directors, and other major shareholders and their affiliates balances:

	2011 SAR'000	2010 SAR'000
Bei ajel	**1,601,817**	711,054
Musharaka	**34,663**	102,855
Commitments and contingencies	**67,965**	8,103
Current accounts	**20,726**	24,538
Al Bilad account	**1,583**	8,159
Direct investments	**-**	90,001

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

b) Bank's Mutual funds:

	2011 SAR'000	2010 SAR'000
These are the outstanding balances with Bank's mutual funds as of December 31:		
Customer deposits	**5,274**	6,202

a) Related party income and expense:

The following is an analysis of the related party income and expenses included in the consolidated income statement for the years ended December 31:

	2011 SAR'000	2010 SAR'000
Income from financing	**21,233**	24,197
Income from commitments and contingencies	**743**	691
Management fees (AlBilad mutual funds)	**11,043**	13,332
Board of Directors' remunerations	**4,180**	4,091
Compensations, remuneration and bonuses and end of service benefits to executive management members	**37,304**	31,775

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

External Auditors:

Messrs. KPMG Al-Fozan and Al-Sadhan and Deloitte &Touche Bakr Abulkhair & Co. were appointed as the Bank's External Auditors for the year ended December 31, 2011, in the General Assembly meeting held on 30 Rabi al Thani 1432 H corresponding to April 04, 2011.

Responsibilities of the Board Members towards the Financial Statements:

The authorities and responsibilities of the Board members are twofold; legal and contractual, which are governed by the Companies Law, the Bank's Charter, and the Corporate Governance By-laws. In addition, the Banking Control Regulations specify the direct relation of the board members with the Bank, their conduct and their responsibilities towards the Bank's commitment to / violation of the requirements of the regulations. The Board of Directors reaffirms the following points to the shareholders and related parties:

- The accounting records have been prepared accurately.
- The system of internal control is sound in design and has been effectively implemented.
- There is no doubt about the Bank's ability to carry on with its activities.
- The banks' external auditors have provided a clean audit opinion on the consolidated financial statements for current year.

Finally, we take this opportunity to express our sincere thanks to The Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz and HRH Crown Prince Naif bin Abdulaziz and Minister of the Interior for their continued support and encouragement of the banking sector in the Kingdom. Thanks are also extended to the Ministry of Finance, the Ministry of Commerce and Industry, the Saudi Arabian Monetary Agency, and the Capital Market Authority for their continued support and encouragement.

We would like also to thank our shareholders, customers and employees for their relentless efforts aimed at improving and developing the Bank's performance towards achieving its objectives.

BANK ALBILAD
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended December 31, 2011

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG
KPMG Al Fozan & Al Sadhan

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bank AlBilad (the "Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated income statement, statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes from 1 to 39. We have not audited note 35, nor the information related to "Basel II Pillar 3 disclosures" cross referenced therein, which is not required to be within the scope of our audit.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency ("SAMA"), International Financial Reporting Standards, the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws. In addition, management is responsible for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

KPMG
KPMG Al Fozan & Al Sadhan

Opinion

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

- present fairly, in all material respects, the financial position of the Group as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Financial Institutions in the Kingdom of Saudi Arabia issued by SAMA and with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Ehsan A. Makhdoum
Certified Public Accountant
Registration No. 358

KPMG Al Fozan & Al Sadhan

P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Tareq A. Al Sadhan
Certified Public Accountant
Registration No. 352

Rabi Al-Awal 21, 1433H
February 13, 2012

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011 AND 2010

	Notes	2011 SAR'000	2010 SAR'000
ASSETS			
Cash and balances with SAMA	4	**5,834,702**	2,497,282
Due from banks and other financial institutions, net	5	**6,454,366**	4,032,405
Investments, net	6	**951,458**	1,610,918
Financing, net	7	**13,779,746**	12,289,826
Property and equipment, net	8	**328,436**	341,890
Other assets	9	**378,461**	344,365
Total assets		27,727,169	**21,116,686**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and other financial institutions	10	**421,837**	382,429
Customer deposits	11	**23,037,934**	16,932,415
Other liabilities	12	**851,148**	698,881
Total liabilities		24,310,919	**18,013,725**
Shareholders' equity			
Share capital	13	**3,000,000**	3,000,000
Employee share plan	37	**(41,097)**	(42,136)
Statutory reserve	14	**134,653**	52,246
Other reserve	6 (a)&15	**6,236**	23,611
Retained earnings		**316,458**	69,240
Total shareholders' equity		3,416,250	**3,102,961**
Total liabilities and shareholders' equity		27,727,169	**21,116,686**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	2011 SAR'000	2010 SAR'000
INCOME:			
Income from investing and financing assets	17	**727,934**	646,192
Return paid on deposits and financial liabilities	18	**(24,948)**	(21,447)
Net income from investing and financing assets		**702,986**	**624,745**
Fee and commission income, net	19	**458,296**	341,879
Exchange income, net		**189,436**	121,162
Dividend income	20	**10,884**	3,478
Gains on non-trading investments, net	21	**7,396**	7,557
Other operating income	22	**4,510**	311
Total operating income		**1,373,508**	**1,099,132**
EXPENSES:			
Salaries and employee related benefits	31	**448,977**	384,593
Rent and premises related expenses		**111,276**	100,337
Depreciation and amortization	8	**88,689**	111,107
Other general and administrative expenses		**142,699**	121,228
Impairment charge for other financial assets		**-**	47,244
Impairment charge for financing assets	7(a)	**252,242**	242,303
Total operating expenses		**1,043,883**	**1,006,812**
Net income for the year		**329,625**	**92,320**
Basic and diluted earnings per share (Saudi Riyals)	23	**1.10**	**0.31**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Note	2011 SAR'000	2010 SAR'000
Net income for the year		**329,625**	92,320
Other comprehensive income:			
- Net change in fair value of available for sale financial assets	6(a)	**(17,375)**	8,467
Total comprehensive income for the year		**312,250**	**100,787**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		SAR'000					
2011	**Notes**	**Share capital**	**Employee share plan**	**Statutory reserve**	**Other reserve**	**Retained earnings**	**Total**
Balance at the beginning of the year		**3,000,000**	**(42,136)**	**52,246**	**23,611**	**69,240**	**3,102,961**
Total comprehensive income for the year		**-**	**-**	**-**	**(17,375)**	**329,625**	**312,250**
Employee share plan reserve	37	**-**	**1,039**	**-**	**-**		**1,039**
Transfer to statutory reserve	**14**	**-**	**-**	**82,407**	**-**	**(82,407)**	**-**
Balance at the end of the year		**3,000,000**	**(41,097)**	**134,653**	**6,236**	**316,458**	**3,416,250**
2010							
Balance at the beginning of the year		3,000,000	(42,128)	29,166	15,144	-	**3,002,182**
Total comprehensive income for the year		-	-	-	8,467	92,320	**100,787**
Returned shares for employee share plan	37	-	(8)	-	-	-	**(8)**
Transfer to statutory reserve	14	-	-	23,080	-	(23,080)	**-**
Balance at the end of the year		**3,000,000**	**(42,136)**	**52,246**	**23,611**	**69,240**	**3,102,961**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

BANK ALBILAD
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Note	2011 SAR' 000	2010 SAR' 000
OPERATING ACTIVITIES			
Net income for the year		329,625	92,320
Adjustments to reconcile net income to net cash from / (used in) operating activities:			
(Gains) on non-trading investments, net		(7,396)	(7,557)
Adjustments of property and equipment, net		(2,473)	(1,494)
Depreciation and amortization		88,689	111,107
Impairment charge for other financial assets		-	47,244
Impairment charge for financing assets		252,242	242,303
Operating profit before changes in operating assets and liabilities		660,687	483,923
Net (increase) / decrease in operating assets:			
Statutory deposits with SAMA		(190,350)	(206,098)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition		(403,073)	(999,801)
Investments		700,486	(50,575)
Financing		(1,742,161)	(1,518,014)
Other assets		(34,096)	47
Net increase/ (decrease) in operating liabilities:			
Due to SAMA		-	(150,000)
Due to banks and other financial institutions		39,408	334,102
Customer deposits		6,105,519	3,211,788
Other liabilities		152,267	208,825
Net cash from operating activities		5,288,687	1,314,197
INVESTING ACTIVITIES			
Purchase of non-trading investments		(252,559)	(159,294)
Proceeds from sales of non-trading investments		201,555	149,414
Purchase of property and equipment		(83,635)	(57,167)
Proceeds from sale of property and equipment		10,873	166
Net cash (used in) investing activities		(123,766)	(66,881)
FINANCING ACTIVITIES			
shares for employee share plan, net		1,039	(8)
Net cash from/(used in) financing activities		1,039	(8)
Increase in cash and cash equivalents		5,165,960	1,247,308
Cash and cash equivalents at beginning of the year		3,841,864	2,594,556
Cash and cash equivalents at end of the year	24	9,007,824	3,841,864
Income received from investing and financing assets		703,695	604,307
Return paid on deposits and financial liabilities		31,196	15,728
Supplemental non cash information			
Net changes in fair value reserve		(17,375)	8,467

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

1. GENERAL

a) Incorporation and operation

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

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

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

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, 'AlBilad Investment Company' and 'AlBilad Real Estate Company' (collectively referred to as "the Group"). The Group's objective is to provide a full range of banking services, financing and investing activities through various Islamic instruments. The activities of the Bank are conducted in accordance with Islamic Shariah and within the provisions of the Articles and Memorandum of Association, by-laws and the Banking Control Law. The activities are monitored by an independent Shariah authority established by the Bank. The Bank provides these services through 82 banking branches (2010: 75) and 126 exchange and remittance centers (2010: 104) in the Kingdom of Saudi Arabia.

b) Shariah Authority

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

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency ("SAMA") and with International Financial Reporting Standards ("IFRS"). The Bank also prepares its consolidated financial statements to comply with the requirements of Banking Control Law and the Regulations of Companies in the Kingdom of Saudi Arabia and the Bank's Articles of Association.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held at Fair Value through Income Statement (FVIS) and available-for-sale financial assets.

c) Functional and presentation currency

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

d) Critical accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management uses estimates, assumptions or exercised judgments are as follows:

(i) Impairment losses on financing assets

The Bank reviews its financing portfolio to assess specific and collective impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers with the Bank.

Management uses estimates based on historical loss experience for financing with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Fair value of unquoted financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counter party), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Unquoted equity financial instruments are stated at cost less impairment if the fair value of the investments cannot be reliably measured.

(iii) Classification of held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

(iv) Impairment of available-for-sale equity investments

The Bank exercises judgment to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

e) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies used in the preparation of these consolidated financial statements are consistent with those of the prior year except for amendments to the existing standards, as mentioned below:

a) IAS 24 Related Party Disclosures (revised 2009)
The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

b) Amendments to IFRIC 14, IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction.
These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than as an expense.

c) Amendments to IFRS 7 – Financial Instruments: Disclosures - Transfers of Financial Assets.
These amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:

- Financial assets that are not derecognized in their entirety; and
- Financial assets that are derecognized in their entirety but for which the entity retains continuing involvement.

d) Improvements to IFRSs 2010 – IFRS 7 Financial Instruments; Disclosures

These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

e) Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements

IAS 1 was amended to clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in equity or in the notes.

Other amendments resulting from improvements to IFRSs to the following standards did not have any material impact on the accounting policies, financial position, and performance of the Group:

- IFRS 3;
- IFRS 7;
- IAS 1;
- IAS 27; and
- IAS 32.

a) Basis of the preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which the control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represent the portion of net income and net assets attributable to interests which are not owned, directly or indirectly, by the Bank in its subsidiaries. As at December 31, 2011, non-controlling interest of 1% of net assets in AlBilad Investment Company and is owned by representative shareholders and hence is not presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position. AlBilad Real Estate Company is 100% owned by the Bank.

Inter-group balances and any income and expenses arising from intra-group transactions, are eliminated in preparing these 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.

b) Trade date accounting

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

All other financial asset and liabilities (including assets and liabilities designated at fair value through consolidated income statement are initially recognized on trade date at which the Bank become a party to the contractual provision of the instrument.

c) Foreign currencies

Transactions in foreign currencies are translated into Saudi Riyals ('SAR') at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into SAR at exchange rates prevailing at the date of the consolidated statement of financial position.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated income statement.

d) Offsetting

Financial assets and liabilities are offset and reported net in the statement of financial position 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.

e) Due from banks and financial institution, Investments and financing

1. Due from banks and other financial institutions

Due from banks and other financial institution are initially measured at fair value and subsequently measured at amortized cost.

2. Investments - The Bank classifies its investments as follows:

Following initial recognition, subsequent transfers between the various classes of investments and financing are not ordinarily permissible. The subsequent period-end reporting values for each class of investment are determined on the basis set out in the following paragraphs.

Available for sale investments - Available–for–sale investments are non-derivative financial instruments that are either designated as AFS or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale investments are initially recognized at fair value including acquisition charges associated with the investments and are subsequently measured at fair value. Unrealized gain / loss for a change in fair value is recognized in "other reserves" under equity. On de-recognition gain / loss previously recognized in equity is included in the consolidated income statement.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date. Fair value of managed assets and investments in mutual funds are determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Held to maturity investments - Held to maturity investments are not-derivatives financial assets with fixed and determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold.

Held to maturity investments are initially recognised at fair value including acquisition charges associated with the investments and are subsequently measured at amortized cost less any amount written off and the provision for impairment.

3. **Financing -** Financing comprising of Bei-ajel, installment sales and Musharakah, originated by the Bank, are initially recognized at fair value including acquisition costs and is subsequently measured at cost less any amounts written off, and provision for impairment, if any. Financing is recognised when cash is advanced to borrowers, and are derecognized when either customer repays their obligations, or the financing are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Bei-ajel and installment sales - These financing contracts are based on Murabaha whereby the Bank sells to customers a commodity or an asset which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Bei ajel is used for corporate customers whereas installment sales are used for retail customers.

Ijarah is an agreement whereby the Bank, acting as a lessor, purchases or constructs an asset for lease according to the customer (lessee) request, based on his promise to lease the asset for an agreed rent and for a specific period. Ijarah could end by transferring the ownership of the leased asset to the lessee.

Musharakah is an agreement between the Bank and a customer to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the customer of the full ownership. The profit or loss is shared as per the terms of the agreement.

a. Impairment of financial assets

Financial assets carried at amortized cost

An assessment is made at the date of each statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, the difference between the asset's carrying amount and the present value of estimated future cash flows is calculated and any impairment loss 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 a provision account, and the amount of the adjustment is included in the consolidated income statement.
Specific provisions are evaluated individually. 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 necessarily 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 the specific provisions described above, the Bank also makes collective impairment provisions, which are evaluated on a portfolio

basis and are created for losses, where there is objective evidence that unidentified losses exist at the reporting date. The amount of the provision is estimated based on the historical default patterns of the investment and financing counter-parties as well as their credit ratings, taking into account the current economic climate.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or profit;
- cash flow difficulties experienced by the customer;
- breach of repayment covenants or conditions;
- initiation of bankruptcy proceedings against the customer;
- deterioration of the customer's competitive position; and
- deterioration in the value of collateral.

When financing amount is uncollectible, it is written-off against the related provision for impairment. Such financing is written-off after all necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the customer's credit rating), the previously recognized impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognized in the consolidated income statement in impairment charge. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

Available for sale equity investments

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through consolidated income statement as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is included in the consolidated income statement.

b. Revenue recognition

Income from investing and financing assets is recognized in the consolidated income statement using the effective yield method on the outstanding balance over the term of the contract.

Fee and commission are recognized when the service has been provided. Financing commitment fee that are likely to be drawn down are deferred and, together with the related direct cost, are recognized as an adjustment to the effective yield on the financing.

Portfolio and other management advisory and service fee are recognized based on the applicable service contracts, usually on a time-proportionate basis.

Fees received on asset management, wealth management, custody services and other similar services that are provided over an extended period of time, are recognized over the period when the service is being provided. When a financing commitment is not expected to result in the draw-down of a financing, financing commitment fees are recognised on a straight-line basis over the commitment period.

Special commission income against commodity Murabaha with SAMA is recognised in the consolidated income statement on a time proportion basis.

Exchange income/loss is recognized when earned/incurred.

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

c. Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised, when the contractual rights to receive the cash flows from the financial asset expires.

In instances where the Bank is assessed to have transferred a financial asset, the asset is derecognised if the Bank has transferred substantially all the risks and rewards of ownership. Where the Bank has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Bank has not retained control of the financial asset. The Bank recognises separately, as assets or liabilities, any rights and obligations created or retained in the process.

A financial liability (or a part of a financial liability) can only be derecognised when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

d. Zakat and Withholding Tax

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

Zakat is not charged to the Bank's consolidated income statement as it is deducted from the dividends paid to the shareholders.

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

e. Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

f. Contingent assets and liabilities

Contingent assets are not recognized by the Bank, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

In ordinary course of business, the Bank gives financial guarantees, consisting of letter of credit, guarantees and acceptances. The premium received on financial guarantees is initially recognised in the financial statements at fair value in other liabilities. The premium received is recognised in the consolidated income statement in “Fee and commission income, net" on a straight line basis over the life of the guarantee.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-financial position transactions and are disclosed as contingent liabilities and commitments.

g. Accounting for leases

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

h. 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 statutory deposits, and due from banks and other financial institutions with a maturity of three months or less from the date of acquisition.

i. Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation, amortization and impairment, if any. The cost of property and equipment and other fixed assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets, as follows:

Building	20 years
Leasehold improvements	10 years or the lease period, whichever is shorter
Equipment and furniture	4 to 6 years
Computer hardware and software	5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

j. Financial liabilities

All customer deposits, due to banks and other financial institution and other financial liabilities are initially recognized at fair value and subsequently are measured at amortized cost

k. Investment services

The Bank offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with professional investment advisors. The Bank's share of these funds is included in the available-for-sale investment and fee income earned from managing these funds is disclosed under related party transactions.

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly, are not included in the Bank's consolidated financial statements.

l. Income excluded from the consolidated income statement

The Shariah Authority of the Bank conducts from time to time Shariah reviews to ensure compliance of its Shariah decisions. In cases where revenues have been wrongly or inadvertently recognized, the Board of Directors of the Bank shall, at the request of the Chief Executive Officer (CEO), authorize the exclusion of such revenues from the Bank's income for its final disposal.

m. Employee share plan

The bank offers its eligible employees an equity settled share based payment plan as approved by SAMA and CMA. The cost of the plan is measured by reference to the fair value at the date on which the shares are granted. The cost of the plan is recognized over the period in which the service condition is fulfilled on straight line bases, ending on the date at which the relevant employees become fully entitled to the shares (the vesting date). At each reporting date, Management revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employee share plan reserve.

Under the terms of the plan, the Group has already purchased certain number of Treasury shares for the purposes of the above scheme. As per the approved scheme with the approval of SAMA, primarily for discharging its obligation under share based payment plans and are carried at cost., the custodianship of the above mentioned shares has been given to an independent Investment company ('the custodian"). The custodian shall only keep the shares, along with any benefits accrued there on, during the vesting period and shall have no voting rights during the same period. Upon completion of the vesting period the title of the shares will be transferred to the eligible employees along with any benefits accrued thereon in the shape of dividends, rights, bonus etc.

n. End of service benefits

Benefits payable to employees of the banks at the end of their service are accrued in accordance with the guidelines set by the Saudi Arabian Labor Regulations and included in other liabilities in the consolidated statement of financial position.

4. CASH AND BALANCES WITH SAMA

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

	2011 SAR'000	2010 SAR'000
Cash in hand	**1,115,535**	772,976
Statutory deposit	**1,180,808**	990,458
Other balances	**3,538,359**	733,848
Total	**5,834,702**	**2,497,282**

In accordance with the Banking Control Law and Regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customers' deposits, calculated at the end of each month. The statutory deposit with SAMA is not available to finance the Banks' day to day operations and therefore is not part of cash and cash equivalents.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

a. Due from banks and other financial institutions, net as of December 31, comprise the following:

	2011 SAR'000	2010 SAR'000
Current accounts	**1,302,182**	**129,654**
Commodity murabaha	**5,248,446**	3,999,013
Provision for impairment on commodity murabaha	**(96,262)**	(96,262)
	5,152,184	**3,902,751**
Total	**6,454,366**	**4,032,405**

b. Movement of allowance for impairment are summarized as followings:

	2011 SAR' 000	2010 SAR' 000
Balance at beginning of the year	**96,262**	49,018
Provided during the year	**-**	47,244
Balance at end of the year	**96,262**	**96,262**

6. INVESTMENTS, NET

Investments comprise the following as of December 31:

	2011		
	Quoted SAR' 000	**Unquoted SAR' 000**	**Total SAR' 000**
Available-for-sale investments			
Equities	**122,296**	**150,000**	**272,296**
Mutual fund	**20,791**	**-**	**20,791**
Sukuk	**58,000**	**-**	**58,000**
	201,087	**150,000**	**351,087**
Held at amortized cost			
Commodity murabaha with SAMA	**-**	**600,371**	**600,371**
	201,087	**750,371**	**951,458**

	2010		
	Quoted SAR' 000	Unquoted SAR' 000	Total SAR' 000
Available-for-sale investments			
Equities	121,873	150,000	**271,873**
Mutual fund	38,187	-	**38,187**
	160,060	**150,000**	**310,060**
Held at amortized cost			
Commodity Murabaha with SAMA	-	1,300,858	**1,300,858**
	160,060	**1,450,858**	**1,610,918**

a) Movement in other reserves is summarized as follows:

	2011 SAR'000	**2010 SAR'000**
Balance at beginning of the year	23,611	15,144
transfer during the year	(17,375)	8,467
Balance at the end of the year	**6,236**	**23,611**

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

	2011 SAR'000	2010 SAR'000
Corporate	**330,296**	271,873
Banks and other financial institutions	**20,791**	38,187
SAMA	**600,371**	1,300,858
Total	**951,458**	**1,610,918**

c) Equities reported under available-for-sale investments in the stock market include unquoted shares for SAR 150 million (2010: SAR 150) that are carried at cost, as their fair value cannot be reliably measured.

7. FINANCING, NET

Financing, net as of December 31, comprise the following:

2011	Performing SAR' 000	Non performing SAR' 000	Total SAR' 000	Provisions SAR' 000	Net SAR' 000
Bei ajel	7,037,464	601,311	7,638,775	(706,794)	**6,931,981**
Installment sales	5,597,065	44,847	5,641,912	(127,032)	**5,514,880**
Ijarah	352,968	-	352,968	-	**352,968**
Musharakah	991,113	39,057	1,030,170	(50,253)	**979,917**
Total	**13,978,610**	**685,215**	**14,663,825**	**(884,079)**	**13,779,746**

2010					
Bei ajel	**6,244,515**	**628,775**	**6,873,290**	**(554,911)**	**6,318,379**
Installment sales	**4,451,825**	**29,727**	**4,481,552**	**(45,540)**	**4,436,012**
Ijarah	**375,103**	**-**	**375,103**	**-**	**375,103**
Musharakah	**1,143,622**	**49,288**	**1,192,910**	**(32,578)**	**1,160,332**
Total	**12,215,065**	**707,790**	**12,922,855**	**(633,029)**	**12,289,826**

a) Impairment charge for financing assets:

The movement in the impairment provision for financing for the years ended 31 December is as follows:

	2011 SAR' 000	2010 SAR' 000
Balance at beginning of the year	**633,029**	390,775
Provided during the year	**252,242**	242,303
Amounts written off during the year	**(1,192)**	(49)
Balance at end of the year	884,079	633,029

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

2011	**Performing financing SAR' 000**	**Non-performing financing SAR' 000**	**Provisions SAR' 000**	**Financing, net SAR' 000**
Commercial	1,966,850	83,147	(85,388)	**1,964,609**
Industrial	990,395	358,484	(377,886)	**970,993**
Building and construction	2,712,422	5,576	(52,055)	**2,665,943**
Transportation and communication	5,478	-	(94)	**5,384**
Services	363,029	50,998	(59,273)	**354,754**
Agriculture and fishing	732,639	1,410	(13,963)	**720,086**
Personal	5,597,065	44,847	(127,032)	**5,514,880**
Other	1,610,732	140,753	(168,388)	**1,583,097**
Total	**13,978,610**	**685,215**	**(884,079)**	**13,779,746**

2010	**Performing financing SAR '000**	**Non-performing financing SAR '000**	**Provisions SAR '000**	**Financing, net SAR '000**
Commercial	1,995,093	61,496	(40,428)	**2,016,161**
Industrial	1,175,942	361,852	(363,517)	**1,174,277**
Building and construction	2,301,028	6,251	(5,151)	**2,302,128**
Transportation and communication	6,281	-	-	**6,281**
Services	460,126	57,401	(59,343)	**458,184**
Agriculture and fishing	560,135	22,443	(5,611)	**576,967**
Personal	4,451,825	29,727	(45,540)	**4,436,012**
Other	1,264,635	168,620	(113,439)	**1,319,816**
Total	**12,215,065**	**707,790**	**(633,029)**	**12,289,826**

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

For presentation purposes, the Bank has categorized its portfolio of financing that are neither past due nor impaired into five sub categories i.e. excellent, good, satisfactory, fair risk and watch list.

Grades	2011 SAR' 000	2010 SAR' 000
Excellent	579,160	879,448
Good	7,853,733	5,753,906
Satisfactory	1,642,804	832,506
Fair risk	3,340,982	4,111,389
Watch list	432,007	484,045
Total	**13,848,686**	**12,061,294**

Excellent:
Strong financial position with excellent liquidity, capitalization, earnings, cash flow, management and capacity to repay are excellent.

Good:
Healthy financial position with good liquidity, capitalization, earnings, cash flow, management and capacity to repay are good.

Satisfactory:
Acceptable financial position with reasonable liquidity, capitalization, earnings, cash flow, management and capacity to repay are good.

Fair risk:
Financial position is fair but volatile. However, capacity to repay remains acceptable.

Watch list:
Cash flow problems may result in delay in payment of profit / installment. Facilities require frequent monitoring, however management considers that full repayment will be received.

d) The table below sets out gross balances of individually impaired financing, together with the fair value of related collaterals held by the Bank as at 31 December:

2011	**Bei Ajel SAR '000**	**Installment sales SAR '000**	**Ijarah SAR '000**	**Musharakah SAR '000**	**Total SAR '000**
Individually impaired loan	601,311	44,847	-	39,057	**685,215**
Fair value of collateral	494,964	2,396	-	80,309	**577,669**

2010	**Bei Ajel SAR '000**	**Installment sales SAR '000**	**Ijarah SAR '000**	**Musharakah SAR '000**	**Total SAR '000**
Individually impaired loan	628,775	29,727	-	49,288	707,790
Fair value of collateral	619,591	1,210	-	72,493	693,294

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

2011	**Bei Ajel SAR '000**	**Installment sales SAR '000**	**Ijarah SAR '000**	**Musharakah SAR '000**	**Total SAR '000**
1 to 30 days	45,281	15,809	-	-	**61,090**
31 to 90 days	59,843	8,991	-	-	**68,834**
91 to 180 days	-	-	-	-	-
Above 180 days	-	-	-	-	-
Total	105,124	24,800	-	-	**129,924**
Fair value of collateral	**639,108**	**9,123**	**-**	**-**	**648,231**
2010					
1 to 30 days	-	119,506	-	-	**119,506**
31 to 90 days	2,352	23,828	-	8,085	**34,265**
91 to 180 days	-	-	-	-	**-**
Above 180 days	-	-	-	-	**-**
Total	**2,352**	**143,334**	**-**	**8,085**	**153,771**
Fair value of collateral	**2,352**	**59,217**	**-**	**-**	**61,569**

Neither past due nor impaired and past due but not impaired comprise the total performing financing.

f) Collateral

The Bank in the ordinary course of its financing activities holds collateral as security to mitigate credit risk. The collateral mostly includes deposits, financial guarantees, local equities and real estate. Collateral is principally held against corporate and real estate facilities and is managed against relevant exposures at their net realizable values.

The financing balances at December 31 as per the type of collateral are as follows:

2011	**Bei Ajel SAR '000**	**Musharaka SAR '000**	**Ijarah SAR '000**	**Installment sales SAR '000**	**Total SAR '000**
Real estate	2,989,493	128,335	-	1,450,278	**4,568,106**
Shares and investment	1,456,285	163,236	-	-	**1,619,521**
Third party guarantee	2,516,334	663,593	-	-	**3,179,927**
Unsecured	676,663	75,006	352,968	4,191,634	**5,296,271**
Total	**7,638,775**	**1,030,170**	**352,968**	**5,641,912**	**14,663,825**

2010	Bei Ajel SAR '000	Musharaka SAR '000	Ijarah SAR '000	Installment sales SAR '000	Total SAR '000
Real estate	2,263,150	91,800	-	1,175,721	**3,530,671**
Shares and investment	1,607,089	327,772	-	-	**1,934,861**
Third party guarantee	2,484,210	643,455	-	-	**3,127,665**
Unsecured	518,841	129,883	375,103	3,305,831	**4,329,658**
Total	**6,873,290**	**1,192,910**	**375,103**	**4,481,552**	**12,922,855**

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net comprise the following as of December 31:

SAR '000	**Lands and building**	**Leasehold improvements**	**Equipment and furniture**	**Computer hardware and software**	**Total 2011**	**Total 2010**
Cost:						
January 1	**-**	**369,647**	**185,316**	**301,842**	**856,805**	**799,811**
Additions during the year	**12,304**	**31,592**	**25,588**	**14,151**	**83,635**	**57,167**
disposal / Adjustments	**-**	**-**	**(22,915)**	**(1,385)**	**(24,300)**	**(173)**
At December 31	**12,304**	**401,239**	**187,989**	**314,608**	**916,140**	**856,805**
Accumulated depreciation and amortization:						
January 1	**-**	**136,993**	**134,923**	**242,999**	**514,915**	**405,309**
Charge for the year	**118**	**38,932**	**18,722**	**30,917**	**88,689**	**111,107**
disposal / Adjustments	**-**	**-**	**(14,515)**	**(1,385)**	**(15,900)**	**(1,501)**
At December 31	**118**	**175,925**	**139,130**	**272,531**	**587,704**	**514,915**
Net book value:						
At December 31, 2011	**12,186**	**225,314**	**48,859**	**42,077**	**328,436**	
At December 31, 2010	**-**	**232,654**	**50,393**	**58,843**		**341,890**

Leasehold improvements include work-in-progress as of December 31, 2011 amounting to SAR 11 Million (2010: SAR 11 million).

.

9. OTHER ASSETS

Other assets comprise the following as of December 31:

	Note	**2011** **SAR'000**	2010 SAR'000
Prepaid rental expenses		**15,613**	11,736
Advances to suppliers		**18,712**	11,879
Management fee receivable		**33,359**	5,764
Other	9.1	**310,777**	314,986
Total		**378,461**	**344,365**

9.1 Included in "Other" is an amount of SAR 280 million (2010: SAR 280 million) representing cost of land purchased by the Bank.

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise the following as of December 31:

	2011 **SAR'000**	2010 SAR'000
Current accounts	**9,256**	4,753
Time investments	**412,581**	377,676
Total	**421,837**	**382,429**

11. CUSTOMER DEPOSITS

Customer deposits comprise the following as of December 31:

	Notes	**2011** **SAR'000**	2010 SAR'000
Current accounts	11.1	**18,582,336**	11,372,006
AlBilad accounts		**2,929,251**	2,518,512
Customers' time investments		**1,192,169**	2,779,786
Other deposits	11.2	**334,178**	262,111
Total		**23,037,934**	**16,932,415**

11.1 Current accounts include foreign currency deposits of SAR 1,257 million (2010: SAR 34 million).

11.2 Other deposits include Current accounts on behalf of the Bank's mutual funds of SAR 5 million (2010: SAR 6 million) and margins held for irrevocable commitments of SAR 329 million (2010: SAR 256 million).

12. OTHER LIABILITIES

Other liabilities comprise the following as of December 31:

	2011	2010
	SAR'000	SAR'000
Accounts payable	**516,255**	483,203
Accrued expenses - Staff	**100,510**	86,266
Accrued operating expenses	**89,630**	55,933
Other	**144,753**	73,479
Total	**851,148**	**698,881**

13. SHARE CAPITAL

The authorized issued and fully paid capital of the Bank consists of 300 million shares of SAR 10 each. (2010: 300 million shares of SAR 10 each)

14. STATUTORY RESERVE

In accordance with Article 13 of the Saudi Arabian Banking Control Law, a minimum of 25% of the annual net income is required to be transferred to the statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 82 million (2010: SAR 23 million) has been transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

15. OTHER RESERVE

Other reserve represents the net unrealized revaluation gains/(losses) of available for sale investments. This reserve is not available for distribution to shareholders.

16. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

As of December 31, 2011, there were routine legal proceedings outstanding against the Bank. No provisions have been made as professional legal advice indicates that it is not probable that any significant loss will arise.

b) Capital commitments

As of December 31, 2011, the Bank had capital commitments of SAR 88 million (2010: SAR 38 million) relating to leasehold improvements on leased branches and ATM.

c) Credit related commitments and contingencies

Credit related commitments and contingencies mainly comprise letters of guarantee, standby letters of credit, acceptances 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 financing.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate, and therefore, carry less risk.

Cash requirements under letters of credit and guarantee are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Commitments to extend credit represent unused portions of authorization to extend credit, principally in the form of financing, guarantees or letters of credit. With respect to credit risk relating to commitments to extend unused credit, the Bank is potentially exposed to a loss in an amount which is equal to the total unused commitments. The amount of any related loss, which cannot be reasonably estimated, is expected to be considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

(i) The contractual maturity structure of the Bank's commitments and contingencies is as follows:

2011 (SAR'000)	**Less than 3 months**	**From 3 months to 12 months**	**From 1 to 5 years**	**Total**
Letters of credit	**194,761**	**376,070**	**48,711**	**619,542**
Letters of guarantee	**181,896**	**701,384**	**964,188**	**1,847,468**
Acceptances	**186,778**	**91,606**	**-**	**278,384**
Underwriting	**-**	**-**	**-**	**-**
Total	**563,435**	**1,169,060**	**1,012,899**	**2,745,394**

2010 (SAR'000)	Less than 3months	From 3 months to 12 months	From 1 to 5 years	Total
Letters of credit	345,478	413,583	21,883	**780,944**
Letters of guarantee	225,576	742,153	682,145	**1,649,874**
Acceptances	197,460	45,228	-	**242,688**
Underwriting	-	300,000	-	**300,000**
Total	**768,514**	**1,500,964**	**704,028**	**2,973,506**

The outstanding unused portion of commitments, as of December 31, 2011, which can be revoked at any time by the Bank amounts to SAR 3,2 billion (2010: SAR 3.5 billion).

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

	2011 **SAR'000**	2010 SAR'000
Corporate	**2,613,626**	2,868,052
Financial institutions (Guarantees)	**110,108**	72,444
Other	**21,660**	33,010
Total	**2,745,394**	**2,973,506**

d) Operating lease commitments

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

	2011 **SAR'000**	2010 SAR'000
Less than one year	**64,731**	59,200
One year to five years	**172,069**	210,840
Over five years	**61,562**	57,236
Total	**298,362**	**327,276**

e) Restricted investment accounts

	2011 **SAR'000**	2010 SAR'000
Under Wakalah arrangement	**1,189,256**	**188,409**

The Bank accepts restricted investment from customers under Wakalah arrangements. These investments are invested by the Bank in commodity Murabaha with banks and other financial institutions. Management fee are charged on these accounts.

f) Zakat

The Bank received Zakat assessments from the Department of Zakat and Income Tax (DZIT) in respect of prior years from 2006 to 2008. The assessments resulted in additional Zakat liability of SR 62, SR 60 and SR 55 million for years 2006, 2007 and 2008 respectively and is primarily due to the disallowance of financing and other financial assets from the Zakat base of the Bank and disallowance of certain expenses.

The Bank has filed appeals against all the assessments' years. The DZIT upheld the assessment for the year 2006.The Bank has now filed an appeal against the decision with the Appeal Committee.

Further, the Bank in consultation with its advisors has contested the assessment made by DZIT and along with the Saudi banking industry has raised this issue with SAMA for a satisfactory resolution. The Bank has accordingly not recognised the additional zakat liability as assessed by DZIT for the years 2006, 2007 and 2008 in the consolidated financial statements.

Zakat due from the shareholders for the year ended December 31, 2011 amounted to SAR 10 million (2010: SAR 3.6 million). Zakat will be paid by the Bank on behalf of the shareholders and will be deducted from their future dividends.

17. INCOME FROM INVESTING AND FINANCING ASSETS

Income from investing and financing assets for the years ended December 31 comprises the following:

	2011 SAR'000	2010 SAR'000
Held at amortized cost		
Investments		
Commodity murabaha with SAMA	**3,985**	3,807
Commodity murabaha with banks and financial institutions	**23,457**	18,314
Profit From Sukuk Investments	**206**	-
Financing		
Bei ajel	**320,470**	313,877
Installment sales	**331,369**	266,139
Ijarah	**2,943**	3,610
Mushrakah	**45,504**	40,445
Total	**727,934**	**646,192**

18. RETURN PAID ON DEPOSITS AND FINANCIAL LIABILITES

Return paid on deposits and financial liabilities for the years ended December 31, comprises the following:

	2011 SAR'000	2010 SAR'000
AlBilad accounts	**3,521**	1,979
Time investments from customers and financial institutions	**21,427**	19,468
Total	**24,948**	**21,447**

19. FEES AND COMMISSION INCOME, NET

Fees and commission income, net for the years ended December 31, comprise the following:

	2011	2010
	SAR'000	SAR'000
Fee and commission income		
ATM and point of sale fee income	**82,044**	68,215
Brokerage commission	**25,871**	18,600
Letter of credit and guarantee fee	**15,574**	16,487
Remittance fee	**325,829**	243,696
Management fee (mutual fund and others)	**21,969**	23,427
Facilities management fee	**67,058**	42,596
Documentation fee	**20,138**	18,538
Others	**9,227**	6,457
Total fee income	**567,710**	**438,016**
Fee and commission expenses		
ATM and point of sale fee expenses	**101,270**	89,565
Fee paid to brokers	**2,840**	3,081
Others	**5,304**	3,491
Total fee expenses	**109,414**	**96,137**
Fee and commission income, net	**458,296**	**341,879**

20. DIVIDEND INCOME

Dividend income for the years ended December 31, comprise the following:

	2011	2010
	SAR'000	SAR'000
Available-for-sale investments	**10,884**	3,478

21. GAINS ON NON-TRADING INVESTMENTS, NET

Gains on non – trading investments for the years ended December 31, comprise the following:

	2011	2010
	SAR'000	SAR'000
Available-for-sale investments	**7,396**	7,557

22. OTHER OPERATING INCOME

Other operating income for the years ended December 31, comprise the following:

	2011 SAR'000	2010 SAR'000
Gains on sale of property and equipment	**2,582**	166
Others	**1,928**	145
Total	**4,510**	**311**

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2011 and 2010 are calculated by dividing the net income for the year by 300 million shares outstanding as of December 31, 2011 and 2010.

24. CASH AND CASH EQUIVALENTS

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

	2011 SAR'000	2010 SAR'000
Cash	**1,115,535**	772,976
Due from banks and other financial institutions (maturing within ninety days from acquisition)	**4,353,930**	2,335,040
Balances with SAMA (excluding statutory deposit)	**3,538,359**	733,848
Total	9,007,824	**3,841,864**

25. SEGMENTAL INFORMATION

Operating segments, based on customers, groups are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Assets and Liabilities Committee (ALCO), the Chief Operating Decision Maker, in order to allocate resources to the segments and to assess its performance. The Bank's main business is conducted in the Kingdom of Saudi Arabia.

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

Retail banking
Services and products to individuals, including deposits, financing, remittances and currency exchange.

Corporate banking
Services and products including deposits, financing and trade services to corporate and commercial customers.

Treasury
Dealing with other financial institutions and providing treasury services to all segments.

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

Other
All other support functions.

Transactions between the above segments are under the terms and conditions of the approved Fund Transfer Pricing (FTP) system. The support segments and Head Office expenses are allocated to business segments, based on approved criteria.

a) The Bank's total assets and liabilities, together with its total operating income and expenses, and net income /(loss), for the years ended December 31, for each segment are as follows:

SAR'000	2011					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	7,507,819	9,832,503	9,322,791	791	1,063,265	27,727,169
Capital expenditures	54,149	69	6	188	29,223	83,635
Total liabilities	14,094,315	8,952,875	412,581	3,892	847,256	24,310,919
Net income from investing and financing assets	350,844	321,881	18,581	-	11,680	702,986
Fee, commission and other income, net	444,918	86,274	74,610	42,940	21,780	670,522
Total operating income	795,762	408,155	93,191	42,940	33,460	1,373,508
Impairment charge for financing assets	81,509	170,733	-	-	-	252,242
Depreciation and amortization	77,181	10,172	965	371	-	88,689
Total operating expenses	650,848	334,907	32,259	25,869	-	1,043,883
Net income for the year	144,914	73,248	60,932	17,071	33,460	329,625

SAR'000	2010					
	Retail Banking	Corporate Banking	Treasury	Investment banking and brokerage	Other	Total
Total assets	6,194,816	8,047,032	5,942,340	331	932,167	21,116,686
Capital expenditures	31,128	26	10	834	25,169	57,167
Total liabilities	11,867,061	5,461,089	500,191	277	185,107	18,013,725
Net income from investing and financing assets	271,964	290,725	61,199	-	859	624,747
Fee, commission and other income, net	299,299	62,557	66,087	32,956	13,486	474,385
Total operating income	571,263	353,282	127,286	32,956	14,345	1,099,132
Impairment charge for financing assets	23,319	218,984	-	-	-	242,303
Impairment charge for investing and other financial assets	-	-	47,244	-	-	47,244
Depreciation and amortization	90,934	14,816	3,594	1,578	185	111,107
Total operating expenses	590,080	322,365	66,521	23,245	4,601	1,006,812
Net income (loss) for the year	(18,817)	30,917	60,765	9,711	9,744	92,320

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

2011 **SAR'000**	**Retail banking segment**	**Corporate**	**Treasury**	**Total**
Total asset	**5,514,880**	**8,264,866**	**6,454,366**	**20,234,112**
Commitments and Contingencies	**-**	**1,422,325**	**-**	**1,422,325**

2010 SAR'000				
Total asset	**4,436,012**	**7,853,814**	**4,032,405**	**16,322,231**
Commitments and Contingencies	**-**	**1,295,601**	**-**	**1,295,601**

Bank credit exposure is comprised of due from bank and other financial institutions, investments and financing. The credit equivalent value of commitments and contingencies are included in credit exposure.

26. FINANCIAL RISK MANAGEMENT

Banking activities involve varieties of financial risks which are assessed by conducting set of analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Exposing to risk centers in the banking business, and these risks are an inevitable consequence of participating in financial markets and products. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance with ultimate objective of enhancing the shareholders value.

The Bank's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigates and controls. The Bank reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practice.

Risk management is governed by set of policies that are approved by the Board of directors which are reviewed regularly. Credit and Market risk are managed via identification, measurement and control of financial risks in close co-operation with the Bank's operating units. The most important types of risks identified by the Bank are credit risk, operational risk, liquidity risk and market risk. Market risk includes currency risk, profit rate risk and price risk.

27. CREDIT RISK

The Bank manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arrive principally in financing and investment activities. There is also credit risk in off-financial position financial instruments, such as letters of credit, letter of guarantees and financing commitments.

The Bank assesses the probability of default of counterparties using internal rating tools. Also, the Bank uses external ratings of the major rating agencies, where available.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The Bank also seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant facilities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Bank regularly reviews its risk management policies and systems to reflect changes in market products and emerging best practice.

Analysis of financing by counter-party is provided in note 6(b). For details of the composition of financing refer to note 7. For commitments and contingencies refer to note 16. The information on the Bank's maximum credit and credit risk exposure by operating business segment and the total bank level is given in note 25(2).

a) Geographical Concentration

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

2011 **SAR'000**	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	**5,766,435**	**12,206**	**12,102**	**-**	**43,959**	**5,834,702**
Due from banks and other financial institutions, net	**2,676,210**	**2,345,248**	**1,366,223**	**39,934**	**26,751**	**6,454,366**
Investments, net	**951,458**	**-**	**-**	**-**	**-**	**951,458**
Financing, net	**13,779,746**	**-**	**-**	**-**	**-**	**13,779,746**
Total	**23,173,849**	**2,357,454**	**1,378,325**	**39,934**	**70,710**	**27,020,272**
Liabilities						
Due to banks and other financial institutions	**318,813**	**100,517**	**1,682**	**-**	**825**	**421,837**
Customer deposits	**23,037,934**	**-**	**-**	**-**	**-**	**23,037,934**
Total	**23,356,747**	**100,517**	**1,682**	**-**	**825**	**23,459,771**
Commitments and contingencies	**2,745,394**	**-**	**-**	**-**	**-**	**2,745,394**
Credit risk (stated at credit equivalent amounts) **on Commitments and Contingencies**	**1,422,325**	**-**	**-**	**-**	**-**	**1,422,325**

2010 **SAR'000**	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Assets						
Cash and balances with SAMA	**2,425,158**	**29,744**	**2,715**	**-**	**39,665**	**2,497,282**
Due from banks and other financial institutions, net	**2,145,015**	**1,798,168**	**6,413**	**68,536**	**14,273**	**4,032,405**
Investments, net	**1,610,918**	**-**	**-**	**-**	**-**	**1,610,918**
Financing, net	**12,289,826**	**-**	**-**	**-**	**-**	**12,289,826**
Total	**18,470,917**	**1,827,912**	**9,128**	**68,536**	**53,938**	**20,430,431**
Liabilities						
Due to banks and other financial institutions	**272,666**	**109,204**	**559**	**-**	**-**	**382,429**
Customer deposits	**16,932,415**	**-**	**-**	**-**	**-**	**16,932,415**
Total	**17,205,081**	**109,204**	**559**	**-**	**-**	**17,314,844**
Commitments and contingencies	**2,973,506**	**-**	**-**	**-**	**-**	**2,973,506**
Credit risk (stated at credit equivalent amounts) on **Commitments and Contingencies**	**1,295,601**	-	-	-	-	**1,295,601**

Credit equivalent amounts reflect the amounts that result from translating the Bank's off-financial position commitments and contingencies into the risk equivalent of financing facilities 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.

ii) The geographical distribution of the impaired investing and financing assets and the impairments provision for investing and financing assets is set out as below:

2011 **SAR'000**	**Kingdom of Saudi Arabia**	**Other GCC and Middle East**	**Europe**	**South East Asia**	**Other countries**	**Total**
Non- performing financing assets	**685,215**	**-**	**-**	**-**	**-**	**685,215**
Provision for impairment on financing assets	**884,078**	**-**	**-**	**-**	**-**	**884,078**
Non- performing other financial assets	**-**	**96,262**	**-**	**-**	**-**	**96,262**
Provision for impairment on other financial assets	**-**	**96,262**	**-**	**-**	**-**	**96,262**

2010 SAR'000						
Non- performing financing assets	**707,790**	**-**	**-**	**-**	**-**	**707,790**
Provision for impairment On financing assets	**633,029**	**-**	**-**	**-**	**-**	**633,029**
Non- performing other financial assets	**-**	**96,262**	**-**	**-**	**-**	**96,262**
Provision for impairment on other financial assets	**-**	**96,262**	**-**	**-**	**-**	**96,262**

28. MARKET RISK

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

a. Profit rate risk

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Bank does not have any significant exposure to the effects of fluctuations in prevailing level of market profit rates on its future cash flows as a significant portion of profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortized cost. In addition to this, a substantial portion of the Bank's financial liabilities are non-interest bearing.

b. Foreign exchange rate risk

i. The Bank is exposed to the effects of fluctuations in foreign currency exchange rates on both its financial position and on its cash flows. The Bank's management sets limits on the level of exposure by individual currency and in total for intra day positions, which are monitored daily.

The Bank had the following summarized exposure to foreign currency exchange rate risk as at December 31:

	2011		2010	
	Saudi Riyal SAR '000	**Foreign Currency SAR '000**	Saudi Riyal SAR '000	Foreign Currency SAR '000
Assets				
Cash and balances with SAMA	**5,766,435**	**68,267**	2,425,159	72,123
Due from banks and other financial institutions, net	**4,516,649**	**1,937,717**	2,922,357	1,110,048
Investments, net	**951,458**	**-**	1,610,918	-
Financing, net	**13,426,778**	**352,968**	11,914,723	375,103
Property and equipment, net	**328,436**	**-**	341,890	-
Other assets	**378,305**	**156**	344,188	177
Total	**25,368,061**	**2,359,108**	**19,559,235**	**1,557,451**
Liabilities and equity				
Due to banks and other financial institutions	**4,150**	**417,687**	34,345	348,084
Customer deposits	**21,741,182**	**1,296,752**	16,863,102	69,313
Other liabilities	**838,087**	**13,061**	684,726	14,155
Equity	**3,416,250**	**-**	3,102,961	-
Total	**25,999,669**	**1,727,500**	**20,685,134**	**431,552**

A substantial portion of the net foreign currency exposure to the Bank is in US Dollars, where the SAR is pegged to the US Dollar. The other currency exposures are not considered significant to the Bank's foreign exchange rate risks and as a result the Bank is not exposed to major foreign exchange rate risks.

ii. Currency Position

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

	2011 SAR '000 Long/(short)	2010 SAR '000 Long/(short)
US Dollar	**513,133**	1,014,424
Euro	**1,017**	(388)
Pakistan Rupees	**19,591**	5,985
Qatar Riyal	**53,861**	47,483
UAE Dirham	**9,024**	13,464
Bangladeshi Taka	**2,653**	10,660
Others	**32,329**	34,271
Total	**631,608**	**1,125,899**

The Bank has performed a sensitivity analysis over one year time horizon for the probability of changes in foreign exchange rates, other than US Dollars, using historical average exchange rates and has determined that there is no significant impact on its net foreign currency exposures.

c. Equity Price Risk

Equity risk refers to the risk of decrease in fair values of equities in the Bank's available-for-sale investment portfolio as a result of reasonable possible changes in levels of equity indices over a one year time horizon and the value of individual stocks.

The effect on the Bank's equity investments held as available for sale due to reasonable possible change in equity indices, with all other variables held constant is as follows:

	December 31, 2011		**December 31, 2010**	
Market Indices	**Change in equity price %**	**Effect in SAR '000**	**Change in equity price %**	**Effect in SAR '000**
Tadawul	± 10	**20,087**	± 10	16,006
Unquoted	± 2	**3,000**	± 2	3,000

29. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected discounted cash inflows.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Bank and operating subsidiary. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7% (2010: 7%) of total demand deposits and 4% (2010: 4%) of time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20% of its total deposits, in the form of cash and assets, which can be converted into cash within a period not exceeding 30 days.

The Bank has the ability to raise additional funds through special investment arrangements facilities with SAMA.

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

2011 **SAR'000**	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Assets						
Cash and balances with SAMA	4,653,894	-	-	-	-	4,653,894
Statutory deposit with SAMA	-	-	-	-	1,180,808	1,180,808
Due from banks and other financial institutions, net	5,329,915	1,124,451	-	-	-	6,454,366
Investments, net	200,107	400,264	-	-	351,087	951,458
Financing, net	2,719,249	4,454,573	5,694,561	911,363	-	13,779,746
Property and equipment, net	-	-	-	-	328,436	328,436
Other assets	-	-	-	-	378,461	378,461
Total assets	12,903,165	5,979,288	5,694,561	911,363	2,238,792	27,727,169
Due to banks and other financial institutions	421,837	-	-	-	-	421,837
Customers' deposits	21,868,799	1,167,635	1,500	-	-	23,037,934
Other liabilities	-	-	-	-	851,148	851,148
Shareholders' equity	-	-	-	-	3,416,250	3,416,250
Total liabilities and equity	22,290,636	1,167,635	1,500	-	4,267,398	27,727,169

2010 **SAR'000**	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**Over 5 Years**	**No fixed maturity**	**Total**
Assets						
Cash and balances with SAMA	**1,506,824**	**-**	**-**	**-**	**-**	**1,506,824**
Statutory deposit with SAMA	**-**	**-**	**-**	**-**	**990,458**	**990,458**
Due from banks and other financial institutions, net	**3,663,230**	**369,175**	**-**	**-**	**-**	**4,032,405**
Investments, net	**1,300,858**	**-**	**-**	**-**	**310,060**	**1,610,918**
Financing, net	**2,960,440**	**3,204,018**	**6,125,368**	**-**	**-**	**12,289,826**
Property and equipment, net	**-**	**-**	**-**	**-**	**341,890**	**341,890**
Other assets	**-**	**-**	**-**	**-**	**344,365**	**344,365**
Total assets	**9,431,352**	**3,573,193**	**6,125,368**	**-**	**1,986,773**	**21,116,686**
Liabilities and equity						
Due to banks and other financial institutions	**382,429**	**-**	**-**	**-**	**-**	**382,429**
Customers' deposits	**15,403,022**	**1,380,524**	**148,869**	**-**	**-**	**16,932,415**
Other liabilities	**-**	**-**	**-**	**-**	**698,881**	**698,881**
Shareholders' equity	**-**	**-**	**-**	**-**	**3,102,961**	**3,102,961**
Total liabilities and equity	**15,785,451**	**1,380,524**	**148,869**	**-**	**3,801,842**	**21,116,686**

b) Analysis of financial liabilities by the remaining contractual maturities as of December 31, are as follows

2011 SAR'000	Within 3 Months	3 months to 1 year	One year to 5 years	Over 5 Years	No fixed Maturity	Total
Financial liabilities						
Due to banks and other financial institutions	421,858	-	-	-	-	421,858
Customer deposits	21,868,824	1,177,063	1,509	-	-	23,047,396
2010 SAR'000						
Financial liabilities						
Due to banks and other financial institutions	382,516	-	-	-	-	382,516
Customer deposits	15,403,945	1,394,099	148,869	-	-	16,946,913

30. 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 and, willing parties, in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking):

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

2011 **SAR' 000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments available for sale	201,087	-	150,000	351,087
2010 SAR' 000				
Financial Assets				
Financial investments available for sale	160,060	-	150,000	310,060

Level 3 investments comprise of unquoted available-for-sale investments that are carried at cost, as their fair value cannot be reliably measured (Note 6 (c)).

The fair values of on-statement of financial position financial instruments are not significantly different from the carrying values included in the financial statements. The fair values of financing due from, due to banks and held to maturity investment which are carried at amortized cost are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.

31. Staff compensations

	Number of Employees	Fixed Compensation SAR'000	Variable Compensation Paid in 2011		
			Cash SAR'000	Shares SAR'000	Total SAR'000
Senior executives requiring SAMA no objection	8	10,773	2,938	-	2,938
Employees engaged in risk taking activities	1,595	160,775	7,248	-	7,248
Employees engaged in control functions	116	88,222	1,840	-	1,840
Other employees	739	54,674	4,872	-	4,872
Total	2,458	314,444	16,898	-	16,898
Variable Compensation accrued in 2011		25,039			
Other employee related benefits		109,494			
Total Salaries and employee related expenses per financial statements		448,977			

The Bank has a very comprehensive Compensation Policy, the aim of which is to recruit, train, develop, promote and retain the best available talents who shall contribute to and assist the bank in realizing its business goals and objectives. The aim of this policy is also to ensure that, at all times, The Bank has the adequate number of employees with the right qualifications, skills and traits to perform jobs that will result in achieving short and long-term objectives and goals of the Bank and are align to the overall risk strategy of the Bank. The Bank encourages internal recruitment to provide its existing employees with career enhancement opportunities as long as this does not conflict with or hinder the plans of the employee's existing unit.

The compensation policy in addition to the monthly remuneration and benefits, includes performance incentive scheme for all employees which is based on the performance of the Bank as a whole, performance of the respective Group / Division /Department and the performance of the individual employee. All these factors are assessed on periodical basis and the results are shared with the stakeholders based on which the incentive is announced at the close of each accounting period.

The Board of Directors of the Bank has established a Remuneration Incentive Committee, comprising of the following members:

1. Mr. Abdulrahman bin Mohammed Ramzi Addas – Chariman.
2. Mr. Nasser bin Mohammed AlSubaie – Member.
3. Mr. Khaled bin Abdulaziz AlMograirn – Member.
4. Mr. Mohammed bin Abdullah AlGwaiz – Member.
5. Mr. Khaled AlHathaal – Member.

The mandate of the Committee is to oversee the compensation system design and operation, prepare and periodically review the compensation policy and evaluate its effectiveness in line with the industry practice.

32. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, the Bank transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and the regulations issued by SAMA. The nature and balances of transactions with the related parties for the years ended December 31 are as follows:

	2011 SAR'000	2010 SAR'000
a) Directors, and other major shareholders and their affiliates balances:		
Bei ajel	**1,601,817**	711,054
Musharaka	**34,663**	102,855
Commitments and contingencies	**67,965**	8,103
Current accounts	**20,726**	24,538
Al Bilad account	**1,583**	8,159
Direct investments	**-**	90,001

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

	2011 SAR'000	2010 SAR'000
b) Bank's Mutual funds:		
These are the outstanding balances with Bank's mutual funds as of December 31:		
Customer deposits	**5,274**	6,202

c) Related party income and expense:

The following is an analysis of the related party income and expenses included in the consolidated income statement for the years ended December 31:

	2011 SAR'000	2010 SAR'000
Income from financing	**21,233**	24,197
Income from commitments and contingencies	**743**	691
Management fees (AlBilad mutual funds)	**11,043**	13,332
Board of Directors' remunerations	**4,180**	4,091
Compensations, remuneration and bonuses and end of service benefits to executive management members	**37,304**	31,775

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

33. CAPITAL ADEQUACY

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern; and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management. SAMA requires to hold minimum level of regulatory capital and maintain a ratio of 8% of total regulatory capital to the risk-weighted assets.

	(Unaudited)	
	2011 SAR'000	2010 SAR'000
Credit Risk RWA	**17,182,708**	15,100,311
Operational Risk RWA	**2,167,026**	1,933,075
Market Risk RWA	**631,838**	1,126,288
Total Pillar-I RWA	**19,981,572**	**18,159,674**
Tier I Capital	**3,086,625**	3,010,642
Tier II Capital	**572,528**	155,335
Total Tier I & II Capital	**3,659,153**	**3,165,977**
Capital Adequacy Ratio %		
Tier I ratio	**15.45%**	**16.58%**
Tier I + Tier II ratio	**18.31%**	**17.43%**

34. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Bank offers investment management services to its customers through its subsidiary, AlBilad Investment Company. These services include the management of five mutual funds with assets totaling SAR 795 million (2010: SAR 961 million). All of these funds comply with Shariah rules and are subject to Shariah controls on a regular basis. Some of these mutual funds are managed in association with external professional investment advisors. The Bank also manages private investment portfolios on behalf of its customers. The financial statements of these funds and private portfolios are not included in the financial statements of the Bank. However, the transactions between the Bank and the funds are disclosed under related party transactions (see Note 32).

35. 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) as required by SAMA. Such disclosures are not subject to review or audit by the external auditors.

36. ISSUED IFRS' BUT NOT YET EFFECTIVE

New or revised IAS/IFRS

The Bank has chosen not to early adopt the following new/revised standards issued by IASB and is currently assessing their impact:

- **IAS 27 Separate Financial Statements (2011)**: revised version of IAS 27 applicable from 1 January 2013 now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*

- **IFRS 9 Financial instruments (2010):** revised version of IFRS 9 applicable from 1 January 2015. This incorporates revised requirements for the classification and measurement of financial liabilities and carries over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

- **IFRS 10 Consolidated financial statements:** IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities and is applicable from 1 January 2013. The Standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

- **IFRS 12 Disclosure of Interests in Other Entities:** Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows and is applicable from 1 January 2013.

- **IFRS 13 Fair value measurements:** Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and is applicable from 1 January 2013. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value and is applicable from 1 January 2013.

Amendments to IAS/IFRS

The Bank has chosen not to early adopt the following amendments to existing IAS/IFRS issued by IASB and is currently assessing their impact:

- **Amendment to IAS 19 Employee Benefits (2011)**: Amends IAS 19 with revised requirements for pensions and other postretirement benefits, termination benefits and other changes and is applicable from 1 January 2013.

- **Amendments to IAS 1 Presentation of financial statements**: Amends IAS 1 to revise the way other comprehensive income is presented and is applicable from 1 January 2013.

- **Amendments to IFRS 7 Financial Instruments**: **Disclosure**: Amends the disclosure requirements in IFRS 7 to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32 and is applicable from 1 January 2013.

- **Amendments to IAS 32 Financial instruments presentation:** Amends IAS 32 to clarify certain aspects relating to requirements on offsetting and is applicable from 1 January 2014.

37. Employee share plan (ESP)

Significant features of the share based payment plan is as follows:

Grant date	17th December 2011
Maturity Date	1st January 2014
Number of share offered on the grant date	159,000
Share price on the grant date (SAR)	19.60
Value of shares offered on grant date (SAR'000)	3,116
Vesting period	3 years
Vesting condition	Employees to remain in service
Method of settlement	Equity

The movement in the number of shares is as follows	2011
Beginning of the year	-
Granted during the year	159,000
Forfeited	-
Exercised	-
End of the year	159,000

The shares are granted only under a service condition with no market condition associated with them.

38. COMPARATIVE FIGURES

Prior year's figures have been reclassified to conform to the current year presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Bank's Board of Directors on 21 Rabi' Al-awwal 1433H (corresponding to 13 February, 2012).