
BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2008 AND REVIEW REPORT**

REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of Bank AlJazira ("the Bank") and its subsidiaries as of March 31, 2008, and the related interim consolidated statements of income, changes in equity and cash flows for the three months period then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Scope of Review

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

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


Conclusion

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

Other Regulatory Matters

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


For Ernst & Young

By: 
Sami Farah
Registration Number 168

April 9, 2008
Rabi Thani 3, 1429H



For Al Juraid & Company
Member firm of
PricewaterhouseCoopers

By: 
Omar M. Al Sagga
Registration Number 369



Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEETS

	March 31, 2008 (Unaudited) <u>Notes</u> <u>SR'000</u>	December 31, 2007 (Audited) <u>SR'000</u>	March 31, 2007 (Unaudited) <u>SR'000</u>
ASSETS			
Cash and balances with SAMA	1,302,055	1,490,783	819,618
Due from banks and other financial institutions	2,858,817	3,662,768	6,519,220
Investments	4 4,993,969	4,963,619	2,070,931
Loans and advances, net	11,913,652	9,879,236	6,846,166
Other real estate, net	75,797	75,797	84,020
Property and equipment, net	469,543	459,303	399,313
Other assets	1,290,593	1,032,482	383,041
Total assets	22,904,426	21,563,988	17,122,309
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	1,662,556	716,690	199,764
Customers' deposits	15,930,974	15,647,087	12,040,666
Other liabilities	415,298	411,122	399,505
Total liabilities	18,008,828	16,774,899	12,639,935
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	8 2,250,000	2,250,000	1,125,000
Statutory reserve	1,327,000	1,327,000	1,125,000
General reserve	68,000	68,000	68,000
Other reserve	92,537	142,493	93,802
Retained earnings	928,453	775,104	1,734,355
Proposed dividend	135,000	135,000	274,500
Total equity attributable to equity holders of the parent	4,800,990	4,697,597	4,420,657
Minority interests in mutual fund subsidiaries	94,608	91,492	61,717
Total shareholders' equity and minority interests	4,895,598	4,789,089	4,482,374
Total liabilities and equity	22,904,426	21,563,988	17,122,309

The accompanying notes 1 to 9 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

	Three Months Ended	
	March	March
	31, 2008	31, 2007
	SR'000	SR'000
Special commission income	269,304	205,173
Special commission expense	(102,392)	(66,427)
Net special commission income	166,912	138,746
Fees from banking services, net	167,334	255,003
Exchange income, net	3,833	3,358
Trading (loss) / income, net	(4,705)	4,456
Dividend income	4,336	1,101
Gain on non-trading investments, net	4,003	9,189
Other operating income	41	3,314
Total operating income	341,754	415,167
Salaries and employee-related expenses	102,009	74,725
Rent and premises-related expenses	16,251	12,449
Depreciation	17,312	11,650
Other general and administrative expenses	50,817	34,389
Change for / (reversal of) provision for credit losses, net	1,719	(21,347)
Other operating expenses	551	984
Total operating expenses	188,659	112,850
Net income for the period	153,095	302,317
Loss attributable to minority interests	254	137
Net income for the period attributable to equity holders of the parent	153,349	302,454
<u>Earnings per share</u>		
Weighted average number of outstanding shares (in thousands) (note 8)	225,000	225,000
Basic and diluted earnings per share (expressed in SR)	0.68	1.34

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Proposed dividend SR'000	Total equity attributable to equity holders of the parent SR'000	Minority interests in mutual fund subsidiaries SR'000	Total SR'000
Balance at January 1, 2008	2,250,000	1,327,000	68,000	142,493	775,104	135,000	4,697,597	91,492	4,789,089
Net changes in fair values of available-for-sale investments	-	-	-	(45,953)	-	-	(45,953)	-	(45,953)
Transfer to consolidated statements of income	-	-	-	(4,003)	-	-	(4,003)	-	(4,003)
Net loss directly recognized in equity	-	-	-	(49,956)	-	-	(49,956)	-	(49,956)
Net income for the period	-	-	-	-	153,349	-	153,349	-	153,349
Total recognised income and expense for the period	-	-	-	(49,956)	153,349	-	103,393	-	103,393
Net changes in minority interests in mutual fund subsidiaries	-	-	-	-	-	-	-	3,116	3,116
Balance at March 31, 2008	2,250,000	1,327,000	68,000	92,537	928,453	135,000	4,800,990	94,608	4,895,598
Balance at January 1, 2007	1,125,000	1,125,000	68,000	169,444	1,431,901	274,500	4,193,845	56,307	4,250,152
Net changes in fair values of available-for-sale investment	-	-	-	(66,453)	-	-	(66,453)	-	(66,453)
Transfer to consolidated statements of income	-	-	-	(9,189)	-	-	(9,189)	-	(9,189)
Net loss directly recognized in equity	-	-	-	(75,642)	-	-	(75,642)	-	(75,642)
Net income for the period	-	-	-	-	302,454	-	302,454	-	302,454
Total recognised income and expense for the period	-	-	-	(75,642)	302,454	-	226,812	-	226,812
Net changes in minority interests in mutual fund subsidiaries	-	-	-	-	-	-	-	5,410	5,410
Balance at March 31, 2007	1,125,000	1,125,000	68,000	93,802	1,734,355	274,500	4,420,657	61,717	4,482,374

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Bank AlJazira

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

	2008 <u>SR'000</u>	2007 <u>SR'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	153,349	302,454
Adjustments to reconcile net income to net cash from operating activities:		
Trading income, net	4,705	(3,457)
Gain on non-trading investments, net	(4,003)	(9,189)
Provision for credit losses, net	7,339	-
Depreciation	17,312	11,650
	<u>178,702</u>	<u>301,458</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(230,128)	54,192
Due from banks and other financial institutions maturing after ninety days	(105,375)	(828,751)
Investments held for trading	(52,112)	588,394
Loans and advances	(2,041,755)	(575,046)
Other real estate, net	-	(1,293)
Other assets	(258,111)	(46,690)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	945,866	26,204
Customers' deposits	283,887	1,123,578
Other liabilities	4,548	27,803
	<u>(1,274,478)</u>	<u>669,849</u>
Net cash (used in) from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	16,376	10,146
Purchase of non-trading investments	(46,012)	(1,500,000)
Purchase of property and equipment	(27,552)	(16,552)
Dividend received	740	-
	<u>(56,448)</u>	<u>(1,506,406)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(372)	(372)
Net movements in minority interests	3,116	5,410
	<u>2,744</u>	<u>5,038</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(1,328,182)	(831,519)
Cash and cash equivalents at the beginning of the period	3,891,962	6,543,525
Cash and cash equivalents at the end of the period (Note 6)	<u><u>2,563,780</u></u>	<u><u>5,712,006</u></u>
Special commission received during the period	<u>316,234</u>	<u>203,292</u>
Special commission paid during the period	<u>100,617</u>	<u>63,159</u>
SUPPLEMENTAL NON-CASH INFORMATION		
Net changes in fair values	<u>(45,953)</u>	<u>(66,453)</u>

The accompanying notes 1 to 9 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

1. GENERAL

Bank AlJazira (the "Bank") is a Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated Jumad Al-Thani 12, 1395H (June 21, 1975). The Bank commenced its business on Shawwal 16, 1396H (October 9, 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia and operates under commercial registration number 4030010523 dated Rajab 29, 1396H (July 27, 1976) issued in Jeddah, through its 25 branches (2007: 24 branches) in the Kingdom of Saudi Arabia. The Bank's Head Office is located at the following address:

Bank AlJazira
Khalid Bin Al-Walid Street, P.O. Box 6277
Jeddah 21442, Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of banking services.

The Bank provides to its customers Shari'ah compliant (non-interest based) banking products comprising of Murabaha, Istisna'a, Ijarah and Tawaraq, which are approved and supervised by an independent Shari'ah Board established by the Bank.

In accordance with new regulatory requirements in Saudi Arabia, all banks are required to spin-off asset management, brokerage and advisory services into new entities to be licensed by the Capital Market Authority ("CMA"). Accordingly, the Bank has obtained the required license from the CMA. The actual transfer of the activities/operations is expected to take place during the remaining period of 2008.

2. BASIS OF PREPARATION

The Bank prepares these interim condensed consolidated financial statements in accordance with the applicable Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and IAS 34 – Interim Financial Reporting. The Bank also prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (continued)

2. BASIS OF PREPARATION (continued)

These interim condensed consolidated financial statements comprise the accounts of Bank AlJazira and its subsidiaries, namely Al Khair, Al Thoraiya and Al Mashareq Mutual Funds, after elimination of all material inter-group transactions.

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

3. ACCOUNTING POLICIES

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

4. INVESTMENTS

	March 31, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	March 31, 2007 (Unaudited) SR'000
Held for trading	748,008	701,344	189,945
Other investments held at amortised cost	3,843,630	3,843,630	1,618,750
Available for sale	383,581	399,895	224,736
Held to maturity	18,750	18,750	37,500
Total	4,993,969	4,963,619	2,070,931

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (continued)

5. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

The Bank's credit related commitments and contingencies are as follows:

	March 31, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	March 31, 2007 (Unaudited) SR'000
Letters of guarantee	1,620,168	1,438,373	820,698
Letters of credit	482,700	319,834	320,246
Acceptances	265,942	118,927	133,178
Irrevocable commitments to extend credit	771,077	334,956	681,063
Other	3,931	3,931	4,100
Total	3,143,818	2,216,021	1,959,285

6. CASH AND CASH EQUIVALENTS

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

	March 31, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	March 31, 2007 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	411,588	830,444	325,283
Due from banks and other financial institutions maturing within ninety days	2,152,192	3,061,518	5,386,723
Total	2,563,780	3,891,962	5,712,006

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (continued)

7. BUSINESS SEGMENTS

All of the Bank's operations are based in the Kingdom of Saudi Arabia.

For management purposes, the Bank is organized into three major business segments:

Personal Banking

Deposit, credit and investment products for individuals.

Corporate Banking

Loans, deposits and other credit products for corporate, small to medium-sized businesses and institutional customers.

Treasury Banking

Money market, trading and treasury services. Commission is charged to business segments based on a pool rate, which approximates the marginal cost of funds.

Other

Other operations of the Bank comprise funds management and other residual businesses, none of which constitutes a separately reportable segment.

Transactions between the business segments are recorded based on the Bank's transfer pricing methodologies. Segment assets and liabilities mainly comprise operating assets and liabilities.

The Bank's total assets and liabilities at March 31, 2008 and 2007, its total operating income and expenses, and its net income for the three months then ended, by business segment, are as follows:

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (continued)

7. BUSINESS SEGMENTS (continued)

March 31, 2008 (SR'000)

	Personal banking (Unaudited)	Corporate banking (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	2,489,025	10,220,303	10,195,098	22,904,426
Total liabilities	10,159,106	1,626,100	6,223,622	18,008,828
Total operating income	196,275	102,812	42,667	341,754
Total operating expenses net of minority interests	142,330	22,466	23,609	188,405
Net income	53,945	80,346	19,058	153,349

March 31, 2007 (SR'000)

	Personal banking (Unaudited)	Corporate banking (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	1,094,067	6,138,879	9,889,363	17,122,309
Total liabilities	8,488,664	792,770	3,358,501	12,639,935
Total operating income	311,416	49,661	54,090	415,167
Total operating expenses net of minority interests	98,824	(2,753)	16,642	112,713
Net income	212,592	52,414	37,448	302,454

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (continued)

8. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 225 million shares of SR 10 each (December 31, 2007: 225 million shares of SR 10 each; March 31, 2007: 112.5 million shares of SR 10 each).

The Board of Directors in their meeting held on December 10, 2007 have proposed a bonus issue of 75 million shares of SR 10 each (one share for every three shares held) from net income for 2007, which is subject to approval of the shareholders at an extraordinary general assembly meeting.

A bonus issue of 112.5 million shares of SR 10 each (one share for every one share held) was approved by the shareholders in their extraordinary general assembly meeting held on April 30, 2007 for holders of record as of that date. The Bank obtained the regulatory approval in this respect and the bonus shares were issued on May 5, 2007.

As required by International Accounting Standard 33 – Earnings Per Share, earnings per share for the period ended March 31, 2007 has been adjusted retrospectively to reflect the issue of bonus shares during 2007.

9. 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.

The Bank monitors the adequacy of its capital using the ratios and weights established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires the bank to hold the minimum level of the regulatory capital and maintain a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

	March 31, 2008	
	Total capital ratio %	Tier 1 capital ratio %
Top consolidated level	17.43	16.4