



BANK ALJAZIRA
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 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 June 30, 2008, and the related consolidated statements of income for the three-month and six-month periods ended June 30, 2008 and the consolidated statements of changes in equity and cash flows and the notes from 1 to 9 for the six-month period then ended. We have not reviewed Note 10, nor the information related to "Basel II disclosures" cross-referenced therein, which is not required to be within the scope of our review.

Management's Responsibility for the 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

For PricewaterhouseCoopers Al Juraid

By: Sami Farah

By: Omar M. Al Sagga

Registration Number 168

Registration Number 369

July 12, 2008

Rajab 9, 1429H



CONSOLIDATED BALANCE SHEETS

	Notes	June 30, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	June 30, 2007 (Unaudited) SR'000
ASSETS				
Cash and balances with SAMA		1,906,318	1,490,783	1,018,146
Due from banks and other financial institutions		2,758,879	3,662,768	4,037,450
Investments	4	4,431,820	4,963,619	2,559,583
Loans and advances, net		14,000,752	9,879,236	7,196,661
Other real estate, net		75,797	75,797	81,978
Property and equipment, net		467,061	459,303	442,595
Other assets		639,594	1,032,482	383,570
Total assets		24,280,221	21,563,988	15,719,983
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		1,643,829	716,690	373,704
Customers' deposits		17,287,197	15,647,087	10,594,003
Other liabilities		442,521	411,122	353,917
Total liabilities		19,373,547	16,774,899	11,321,624

	Notes	June 30, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	June 30, 2007 (Unaudited) SR'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	9	3,000,000	2,250,000	2,250,000
Statutory reserve		1,327,000	1,327,000	1,125,000
General reserve		68,000	68,000	68,000
Other reserve		120,701	142,493	65,810
Retained earnings		278,343	775,104	816,638
Proposed dividend		-	135,000	-
Total equity attributable to equity holders of the parent		4,794,044	4,697,597	4,325,448
Minority interests in mutual fund subsidiaries		112,630	91,492	72,911
Total shareholders' equity and minority interests		4,906,674	4,789,089	4,398,359
Total liabilities and equity		24,280,221	21,563,988	15,719,983

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2008 SR'000	June 30, 2007 SR'000	June 30, 2008 SR'000	June 30, 2007 SR'000
Special commission income	254,450	227,177	523,754	432,350
Special commission expense	(86,676)	(71,438)	(189,068)	(137,865)
Net special commission income	167,774	155,739	334,686	294,485
Fees from banking services, net	147,180	177,003	314,514	432,006
Exchange income, net	5,204	3,915	9,037	7,273
Trading income, net	6,489	7,385	1,784	11,841
Dividend income	1,994	5,501	6,330	6,602
Gain on non-trading investments, net	-	13,312	4,003	22,501
Other operating income	2,676	473	2,717	3,787
Total operating income	331,317	363,328	673,071	778,495
Salaries and employee-related expenses	119,870	87,096	221,879	161,821
Rent and premises-related expenses	15,430	12,513	31,681	24,962
Depreciation	18,771	15,171	36,083	26,821
Other general and administrative expense	53,679	43,909	104,701	78,298
Charge for / (reversal of) provision for credit losses, net	23,484	(2,327)	25,203	(23,674)
Other operating expenses	21	289	367	1,273
Total operating expenses	231,255	156,651	419,914	269,501
	100,062	206,677	253,157	508,994
Net income for the period				
(Income) / loss attributable to minority interests	(172)	606	82	743
Net income for the period attributable to equity holders of the parent	99,890	207,283	253,239	509,737
Earnings per share				
Weighted average number of outstanding shares (in thousands) (note 8)	300,000	300,000	300,000	300,000
Basic and diluted earnings per share (expressed in SR)	0.33	0.69	0.84	1.70

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)

2008	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Proposed dividend SR'000	Proposed dividend SR'000	Total equity attributable to equity holders of the parent	Minority interests in mutual fund subsidiaries	Total
								SR'000	SR'000	SR'000
Balance at January 1, 2008	2,250,000	1,327,000	68,000	142,493	775,104	135,000	135,000	4,697,597	91,492	4,789,089
Net changes in fair values of available-for-sale investments	-	-	-	(17,789)	-	-	-	(17,789)	-	(17,789)
Transfer to consolidated statements of income	-	-	-	(4,003)	-	-	-	(4,003)	-	(4,003)
Net loss directly recognized in equity	-	-	-	(21,792)	-	-	-	(21,792)	-	(21,792)
Net income for the period	-	-	-	-	253,239	-	-	253,239	-	253,239
Total recognised income and expense for the period	-	-	-	(21,792)	253,239	-	-	231,447	-	231,447
Bonus share issue (note 8)	750,000	-	-	-	(750,000)	-	-	-	-	-
Gross dividend for 2007 (approved)	-	-	-	-	-	(135,000)	(135,000)	(135,000)	-	(135,000)
Net changes in minority interests in mutual fund subsidiaries	-	-	-	-	-	-	-	-	21,138	21,138
Balance at June 30, 2008	3,000,000	1,327,000	68,000	120,701	278,343	-	-	4,794,044	112,630	4,906,674

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)

2007	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Proposed dividend 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, 2007	1,125,000	1,125,000	68,000	169,444	1,431,901	274,500	4,193,845	56,307	4,250,152	4,250,152
Net changes in fair values of available-for-sale investment	-	-	-	(81,133)	-	-	(81,133)	-	(81,133)	(81,133)
Transfer to consolidated statements of income	-	-	-	(22,501)	-	-	(22,501)	-	(22,501)	(22,501)
Net loss directly recognized in equity	-	-	-	(103,634)	-	-	(103,634)	-	(103,634)	(103,634)
Net income for the period	-	-	-	-	509,737	-	509,737	-	509,737	509,737
Total recognised income and expense for the period	-	-	-	(103,634)	509,737	-	406,103	-	406,103	406,103
Bonus share issue (note 8)	1,125,000	-	-	-	(1,125,000)	-	-	-	-	-
Gross dividend for 2006 (approved)	-	-	-	-	-	(274,500)	(274,500)	-	(274,500)	(274,500)
Net changes in minority interests in mutual fund subsidiaries	-	-	-	-	-	-	-	16,604	16,604	16,604
Balance at June 30, 2007	2,250,000	1,125,000	68,000	65,810	816,638	-	4,325,448	72,911	4,398,359	4,398,359

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(UNAUDITED)

	2008 SR'000	2007 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	253,239	509,737
Adjustments to reconcile net income to net cash from operating activities:		
Trading income, net	(1,784)	(11,841)
Gain on non-trading investments, net	(4,003)	(22,501)
Provision for credit losses, net	32,190	-
Depreciation	36,083	26,821
	315,725	502,216
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(575,177)	79,436
Due from banks and other financial institutions maturing after ninety days	25,511	(221,879)
Investments held for trading	469,619	601,818
Loans and advances	(4,153,706)	(925,541)
Other real estate, net	-	749
Other assets	392,888	(47,219)
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	927,139	200,144
Customers' deposits	1,640,110	(323,085)
Other liabilities	30,464	(47,341)
Net cash used in operating activities	(927,427)	(180,702)

	2008 SR'000	2007 SR'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	235,126	25,203
Purchase of non-trading investments	(191,636)	(2,023,429)
Purchase of property and equipment	(43,841)	(75,005)
Dividend received	2,685	-
Net cash from (used in) investing activities	2,334	(2,073,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(134,065)	(245,316)
Net movements in minority interests	21,138	16,604
Net cash used in financing activities	(112,927)	(228,712)
Net decrease in cash and cash equivalents	(1,038,020)	(2,482,645)
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)	2,853,942	4,060,880
Special commission received during the period	544,753	395,862
Special commission paid during the period	187,629	166,824
SUPPLEMENTAL NON-CASH INFORMATION		
Net changes in fair values	(21,792)	(103,634)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 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 24 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.

During 2008, the Bank has formed a new capital market company, namely, AlJazira Capital Company, a Saudi Joint Stock Company formed in accordance with Capital Market Authority's Resolution no. 22007-38- dated 8 Rajab 1428H (July 22, 2007), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177603 dated 17 Rabi Awal 1429H (March 26, 2008). The Bank has 99.99% direct ownership interest in the subsidiary, AlJazira Capital Company, and an indirect ownership of 0.01% (the indirect ownership is held on behalf and for the beneficial interest of the Bank by minority shareholders). The activities of Brokerage Division of the Bank have been taken over by the AlJazira Capital Company, with effect from April 5, 2008.

In accordance with new regulatory requirements in Saudi Arabia, all banks are also required to spin-off asset management and advisory services into a new entity to be licensed by the

Capital Market Authority ("CMA"). Accordingly, the Bank has obtained a further license from the CMA. The actual transfer of the activities/operations is expected to take place during the remaining period of 2008, after incorporation of the related entity.

2. BASIS OF PREPARATION

The Bank prepares these interim condensed consolidated financial statements in accordance with the applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued 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.

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, and AlJazira Capital Company, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

4. INVESTMENTS

	June 30, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	June 30, 2007 (Unaudited) SR'000
Held for trading	230,824	701,344	184,905
Other investments held at amortised cost	3,788,120	3,843,630	2,118,750
Available for sale	412,876	399,895	218,428
Held to maturity	-	18,750	37,500
Total	4,431,820	4,963,619	2,559,583

5. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	June 30, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	June 30, 2007 (Unaudited) SR'000
Letters of guarantee	1,664,778	1,438,373	847,737
Letters of credit	814,735	319,834	336,592
Acceptances	168,728	118,927	103,508
Irrevocable commitments to extend credit	1,365,200	334,956	681,819
Other	-	3,931	3,931
Total	4,013,441	2,216,021	1,973,587

6. CASH AND CASH EQUIVALENTS

	June 30, 2008 (Unaudited) SR'000	December 31, 2007 (Audited) SR'000	June 30, 2007 (Unaudited) SR'000
Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:			
Cash and balances with SAMA, excluding statutory deposit	230,824	701,344	184,905
Due from banks and other financial institutions maturing within ninety days	412,876	399,895	218,428
Total	4,431,820	4,963,619	2,559,583

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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 four 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.

Brokerage

Provides shares brokerage services to 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 June 30, 2008 and 2007, its total operating income and expenses, and its net income for the six months then ended, by business segment, are as follows:

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

7. BUSINESS SEGMENTS (continued)

June 30, 2008 (SR'000)	Personal banking (Unaudited)	Corporate banking (Unaudited)	Brokerage (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	3,111,540	11,593,084	49,192	9,526,405	24,280,221
Total liabilities	8,712,473	2,163,632	42,013	8,455,339	19,373,547
Total operating income	175,967	220,617	213,751	62,736	673,071
Total operating expenses net of minority interests	145,811	68,331	151,730	53,960	419,832
Net income	30,156	152,286	62,021	8,776	253,239

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

7. BUSINESS SEGMENTS (continued)

June 30, 2007 (SR'000)	Personal banking (Unaudited)	Corporate banking (Unaudited)	Treasury and other (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	1,100,724	6,474,404	8,144,855	9,526,405	15,719,983
Total liabilities	7,637,175	2,019,468	1,664,981	8,455,339	11,321,624
Total operating income	551,889	106,257	120,349	62,736	778,495
Total operating expenses net of minority interests	210,874	18,284	39,600	53,960	268,758
Net income	341,015	87,973	80,749	8,776	509,737