
BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2009 AND REVIEW REPORT**

REVIEW REPORT

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

We have reviewed the accompanying interim condensed consolidated financial statements of the Bank AlJazira ("the Bank") and its subsidiaries as at June 30, 2009, comprising the consolidated statement of financial position as at June 30, 2009, and the related consolidated statement of income and consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2009 and the consolidated statements of changes in equity and cash flows for the six-month period then ended, along with condensed notes 1 through 11. We have not reviewed Note 12, 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 11 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 11 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.


Ernst & Young

By: 
Ahmed I. Reda
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July 7, 2009
Rajab 14, 1430 H



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Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June	December	June
	30, 2009	31, 2008	30, 2008
	(Unaudited)	(Audited)	(Unaudited)
<u>Notes</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
ASSETS			
Cash and balances with SAMA	1,430,469	2,258,459	1,906,318
Due from banks and other financial institutions	5,806,912	3,903,582	2,758,879
Investments	5 4,142,601	4,909,368	4,431,820
Loans and advances, net	15,823,534	15,133,153	14,000,752
Other real estate, net	6 683,299	75,797	75,797
Property and equipment, net	490,098	493,503	467,061
Other assets	562,255	745,843	639,594
Total assets	<u>28,939,168</u>	<u>27,519,705</u>	<u>24,280,221</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	1,452,998	1,366,645	1,643,829
Customers' deposits	22,147,952	20,900,368	17,287,197
Other liabilities	494,715	514,869	442,521
Total liabilities	<u>24,095,665</u>	<u>22,781,882</u>	<u>19,373,547</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	10 3,000,000	3,000,000	3,000,000
Statutory reserve	1,383,000	1,383,000	1,327,000
General reserve	68,000	68,000	68,000
Other reserve	-	(3,141)	120,701
Retained earnings	244,798	188,943	278,343
Total equity attributable to equity holders of the parent	<u>4,695,798</u>	<u>4,636,802</u>	<u>4,794,044</u>
Minority interest (non-controlling interest)	147,705	101,021	112,630
Total shareholders' equity and minority interest	<u>4,843,503</u>	<u>4,737,823</u>	<u>4,906,674</u>
Total liabilities and equity	<u>28,939,168</u>	<u>27,519,705</u>	<u>24,280,221</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009 SR'000	June 30, 2008 SR'000	June 30, 2009 SR'000	June 30, 2008 SR'000
Special commission income	264,499	254,450	534,577	523,754
Special commission expense	(78,020)	(86,676)	(175,511)	(189,068)
Net special commission income	186,479	167,774	359,066	334,686
Fees from banking services, net	122,197	147,180	218,227	314,514
Exchange income, net	3,639	5,204	8,051	9,037
Trading income, net	18,085	6,489	14,326	1,784
Dividend income	2,986	1,994	4,804	6,330
Gain on non-trading investments, net	15,565	-	20,729	4,003
Other operating income	463	2,676	814	2,717
Total operating income	349,414	331,317	626,017	673,071
Salaries and employee-related expenses	96,729	119,870	190,174	221,879
Rent and premises-related expenses	16,338	15,430	25,917	31,681
Depreciation	21,267	18,771	41,536	36,083
Other general and administrative expense	48,173	53,679	91,806	104,701
Impairment charge for credit losses, net	39,652	23,484	39,107	25,203
Impairment charge for other financial assets	-	-	5,392	-
Other operating expenses	5,408	21	8,079	367
Total operating expenses	227,567	231,255	402,011	419,914
Net income for the period	121,847	100,062	224,006	253,157
(Income) / loss attributable to minority interest (non-controlling interest)	(618)	(172)	(551)	82
Net income for the period attributable to equity holders of the parent	121,229	99,890	223,455	253,239
<u>Earnings per share</u>				
Weighted average number of outstanding shares (in thousands)	300,000	300,000	300,000	300,000
Basic and diluted earnings per share (expressed in SR)	0.40	0.33	0.74	0.84

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June</u> <u>30, 2009</u> <u>SR'000</u>	<u>June</u> <u>30, 2008</u> <u>SR'000</u>	<u>June</u> <u>30, 2009</u> <u>SR'000</u>	<u>June</u> <u>30, 2008</u> <u>SR'000</u>
Net income for the period	<u>121,847</u>	<u>100,062</u>	<u>224,006</u>	<u>253,157</u>
Other comprehensive income (loss):				
Net changes in fair value of available for sale investments	<u>28,495</u>	<u>28,164</u>	<u>23,870</u>	<u>(17,789)</u>
Transfer to consolidated income statement:				
Gain on non-trading investments, net	<u>(15,565)</u>	<u>-</u>	<u>(20,729)</u>	<u>(4,003)</u>
Other comprehensive income / (loss) for the period	<u>12,930</u>	<u>28,164</u>	<u>3,141</u>	<u>(21,792)</u>
Total comprehensive income for the period	<u>134,777</u>	<u>128,226</u>	<u>227,147</u>	<u>231,365</u>
Attributable to:				
Equity holders of the parent	<u>134,159</u>	<u>128,054</u>	<u>226,596</u>	<u>231,447</u>
Minority interest (non-controlling interest)	<u>618</u>	<u>172</u>	<u>551</u>	<u>(82)</u>
Total comprehensive income for the period	<u>134,777</u>	<u>128,226</u>	<u>227,147</u>	<u>231,365</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (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 interest SR'000	Total SR'000
Balance at January 1, 2009 (audited)	3,000,000	1,383,000	68,000	(3,141)	188,943	-	4,636,802	101,021	4,737,823
Total comprehensive income for the period	-	-	-	3,141	223,455	-	226,596	551	227,147
Proposed gross dividend for 2008	-	-	-	-	(170,100)	170,100	-	-	-
Gross dividend for 2008 (approved)	-	-	-	-	-	(170,100)	(170,100)	-	(170,100)
Zakat and income tax relating to a subsidiary	-	-	-	-	(10,586)	-	(10,586)	-	(10,586)
Zakat and income tax relating to a subsidiary reimbursed by the shareholders	-	-	-	-	13,086	-	13,086	-	13,086
Net changes in minority interest	-	-	-	-	-	-	-	46,133	46,133
Balance at June 30, 2009 (unaudited)	3,000,000	1,383,000	68,000	-	244,798	-	4,695,798	147,705	4,843,503
Balance at January 1, 2008 (audited)	2,250,000	1,327,000	68,000	142,493	775,104	135,000	4,697,597	91,492	4,789,089
Total comprehensive income / (loss) for the period	-	-	-	(21,792)	253,239	-	231,447	(82)	231,365
Bonus share issue	750,000	-	-	-	(750,000)	-	-	-	-
Gross dividend for 2007 (approved)	-	-	-	-	-	(135,000)	(135,000)	-	(135,000)
Net changes in minority interest	-	-	-	-	-	-	-	21,220	21,220
Balance at June 30, 2008 (unaudited)	3,000,000	1,327,000	68,000	120,701	278,343	-	4,794,044	112,630	4,906,674

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)

	2009 <u>SR'000</u>	2008 <u>SR'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	223,455	253,239
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Trading income, net	(14,326)	(1,784)
Gain on non-trading investments, net	(20,729)	(4,003)
Provision for credit losses, net	39,107	25,203
Depreciation	41,536	36,083
Loss on sale of property and equipment	31	-
Impairment of other financial assets	5,392	-
	<u>274,466</u>	<u>308,738</u>
Net (increase) decrease in operating assets:		
Statutory deposit with SAMA	(121,345)	(575,177)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	12,382	25,511
Investments held for trading	(290,363)	469,619
Loans and advances	(1,337,091)	(4,146,719)
Other real estate	101	-
Other assets	183,588	392,888
Net increase (decrease) in operating liabilities:		
Due to banks and other financial institutions	86,353	927,139
Customers' deposits	1,247,584	1,640,110
Other liabilities	(49,394)	30,464
Net cash from / (used in) operating activities	<u>6,281</u>	<u>(927,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	1,261,401	235,126
Purchase of non-trading investments	(175,000)	(191,636)
Purchase of property and equipment	(38,279)	(43,841)
Proceed from sale of property and equipment	117	-
Dividend received	3,533	2,685
Net cash from investing activities	<u>1,051,772</u>	<u>2,334</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(138,360)	(134,065)
Net movements in minority interests	46,684	21,138
Net cash used in financing activities	<u>(91,676)</u>	<u>(112,927)</u>
Net increase / (decrease) in cash and cash equivalents	966,377	(1,038,020)
Cash and cash equivalents at the beginning of the period	3,876,023	3,891,962
Cash and cash equivalents at the end of the period (Note 8)	<u>4,842,400</u>	<u>2,853,942</u>
Special commission received during the period	536,667	544,753
Special commission paid during the period	197,378	187,629
SUPPLEMENTAL NON-CASH INFORMATION		
Net changes in fair values	3,141	(21,792)
Real estate acquired in settlement of loans and advances	607,603	-

The accompanying notes 1 to 12 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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 30 branches (2008: 25 branches) in the Kingdom of Saudi Arabia. The Bank’s Head Office is located at the following address:

Bank AlJazira
Nahda Center, Malik 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 formed a new capital market company, namely, AlJazira Capital Company, a Saudi Closed Joint Stock Company formed in accordance with Capital Market Authority’s Resolution no. 2-38-2007 dated 8 Rajab 1428H (July 22, 2007), registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177603 dated 17 Rabi Awal 1429H (March 25, 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 were taken over by AlJazira Capital Company, with effect from April 5, 2008.

In accordance with new regulatory requirements in Saudi Arabia, the Bank is in the process of completing the legal formalities to transfer asset management activities to AlJazira Capital Company. The actual transfer of the activities / operations is expected to take place during 2009.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

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, 2008.

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

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries, namely Al Khair, Al Thoraiya and Al Mashareq Mutual Funds, AlJazira Capital Company and Aman Real Estate (collectively referred to as “the Group”). 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 an ownership interest of more than one half of the voting rights. Subsidiaries are consolidated from the date on which 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, if any, are included in the interim condensed consolidated income statement from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Minority interests represent the portion of net income and net assets not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the interim condensed consolidated income statement and within equity in the interim condensed consolidated balance sheet, separately from parent shareholders' equity.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

4. 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, 2008 as described in the annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of IFRS 8 (operating segments) and amendments to the revised IAS 1 (presentation of financial statements) as mentioned below, effective from January 1, 2009.

- IFRS 8 'Operating Segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Therefore, the segments are reported in a manner that is more consistent with the internal reporting provided to senior management. This had no impact on the classification of the segments presented.

- IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with shareholders in their capacity as shareholders (i.e. shareholder changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-shareholder changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income).

The Bank has adopted the standard and amendments with retrospective effect which had no impact on the financial position and financial performance of the Group. The comparative information has been represented, where required, to conform to current year presentation.

5. INVESTMENTS

	June 30, 2009 (Unaudited) <u>SR'000</u>	December 31, 2008 (Audited) <u>SR'000</u>	June 30, 2008 (Unaudited) <u>SR'000</u>
Held for trading	825,913	524,757	230,824
Other investments held at amortised cost	3,313,120	4,238,120	3,788,120
Available for sale	3,568	146,491	412,876
Total	<u>4,142,601</u>	<u>4,909,368</u>	<u>4,431,820</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

6. OTHER REAL ESTATE, NET

During March 2009, the Bank acquired other real estate in settlement of a loan of a customer amounting to SR 607.6 million. The Bank has ascertained that the fair value of the other real estate acquired exceeds the carrying value of the loan settled.

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	June 30, 2009 (Unaudited) SR'000	December 31, 2008 (Audited) SR'000	June 30, 2008 (Unaudited) SR'000
Letters of guarantee	2,099,624	2,107,838	1,664,778
Letters of credit	599,019	618,031	814,735
Acceptances	578,681	285,324	168,728
Irrevocable commitments to extend credit	464,177	1,236,157	1,365,200
Total	3,741,501	4,247,350	4,013,441

8. CASH AND CASH EQUIVALENTS

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

	June 30, 2009 (Unaudited) SR'000	December 31, 2008 (Audited) SR'000	June 30, 2008 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	343,072	1,292,407	670,802
Due from banks and other financial institutions with an original maturity of ninety days or less	4,499,328	2,583,616	2,183,140
Total	4,842,400	3,876,023	2,853,942

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

9. BUSINESS SEGMENTS

The Bank has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance. Following the adoption of IFRS 8, the identification of the Bank's reportable segments has not changed.

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

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.

For management purposes, the Bank is organized into following main 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 (this segment includes the activities of the Bank's subsidiary AlJazira Capital Company).

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.

The Bank's total assets and liabilities at June 30, 2009 and 2008, its total operating income and expenses, and its net income for the six months then ended, by business segment, are as follows:

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

9. BUSINESS SEGMENTS (continued)

June 30, 2009 (SR'000)

	Personal banking (Unaudited)	Corporate banking (Unaudited)	Brokerage (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	3,248,272	13,188,776	571,540	11,930,580	28,939,168
Total liabilities	10,307,544	2,227,834	48,047	11,512,240	24,095,665
Operating income from external customers	93,782	356,115	143,769	32,351	626,017
Inter-segment operating income / (loss)	35,554	(69,323)	5,739	28,030	-
Total operating income	129,336	286,792	149,508	60,381	626,017
Charge for provision for credit losses, net	1,299	37,808	-	-	39,107
Impairment of other financial assets	-	-	-	5,392	5,392
Depreciation	20,526	4,815	10,155	6,040	41,536
Total operating expenses net of minority interests	163,503	93,309	92,024	53,726	402,562
Net (loss) / income	(34,167)	193,483	57,484	6,655	223,455

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

9. 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	19,373,457
Operating income from external customers	71,989	352,947	219,467	28,668	673,071
Inter-segment operating income / (loss)	103,978	(132,330)	(5,716)	34,068	-
Total operating income	175,967	220,617	213,751	62,736	673,071
Charge for provision for credit losses, net	5,337	19,866	-	-	25,203
Depreciation	20,208	2,354	10,358	3,163	36,083
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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

10. SHARE CAPITAL

- a) The authorized, issued and fully paid share capital of the Bank consists of 300 million shares of SR 10 each (December 31, 2008: 300 million shares of SR 10 each; June 30, 2008: 300 million shares of SR 10 each).

During 2008, a bonus issue of 75 million share of SR 10 each (one share for every three shares held) was approved by the shareholders in their extraordinary general assembly meeting held on April 16, 2008 for holders of record as of that date. The Bank obtained the regulatory approval in this respect and the bonus shares were issued on April 19, 2008.

- b) On January 6, 2009, the Board of Directors proposed a gross dividend for the year 2008 of SR 170.1 million, which was approved by the shareholders in their annual general assembly meeting held on April 19, 2009.

On December 10, 2007, the Board of Directors proposed a gross dividend for the year 2007 of SR 135 million, which was approved by the shareholders in their annual general assembly meeting held on April 16, 2008.

11. 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 and commitments 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%.

	Capital Adequacy Ratio	
	June 30, 2009	June 30, 2008
	%	%
	(Unaudited)	(Unaudited)
Core capital (Tier 1)	17.28	21.69
Core and supplementary capital (Tier 1 and Tier 2)	17.79	22.32

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (continued)

12. BASEL II PILLAR III QUANTITATIVE DISCLOSURES

Basel II Pillar III quantitative semi-annual disclosures are required to be presented by SAMA on the Bank's website www.baj.com.sa, within 60 working days after June 30, 2009 as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.