
BANK ALJAZIRA

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2010 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 Bank AlJazira (“the Bank”) and its subsidiaries as at March 31, 2010, comprising the consolidated statement of financial position as at March 31, 2010, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the three-month period then ended, along with condensed notes 1 through 11.

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.

For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence Number 356

**For PricewaterhouseCoopers Al Juraid**

Omar M. Al Sagga
Certified Public Accountant
Licence Number 369



April 19, 2010
Jumad Awal 5, 1431 H

Bank AlJazira

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		March 31, 2010 (Unaudited) <u>SR'000</u>	December 31, 2009 (Audited) <u>SR'000</u>	March 31, 2009 (Unaudited) <u>SR'000</u>
	<u>Notes</u>			
ASSETS				
Cash and balances with SAMA		1,376,313	1,405,183	1,374,162
Due from banks and other financial institutions		4,334,860	7,235,983	4,934,464
Investments	5	4,215,694	4,283,681	3,528,872
Loans and advances, net		16,338,949	15,504,094	15,311,452
Other real estate, net	6	691,667	691,667	683,400
Property and equipment, net		490,738	501,051	493,441
Other assets		342,431	354,945	740,254
Total assets		27,790,652	29,976,604	27,066,045
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		3,430,965	2,690,639	398,055
Customers' deposits		19,202,924	22,142,476	21,374,996
Other liabilities		428,361	449,155	455,390
Total liabilities		23,062,250	25,282,270	22,228,441
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	10	3,000,000	3,000,000	3,000,000
Statutory reserve		1,390,000	1,390,000	1,383,000
General reserve		68,000	68,000	68,000
Other reserve		-	-	(12,930)
Retained earnings		40,478	27,867	121,070
Proposed dividend	10	-	-	170,100
Total equity attributable to equity holders of the parent		4,498,478	4,485,867	4,729,240
Non-controlling interest		229,924	208,467	108,364
Total equity attributable to equity holders of the parent and non-controlling interest		4,728,402	4,694,334	4,837,604
Total liabilities and equity		27,790,652	29,976,604	27,066,045

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

Bank AlJazira

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CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED)

	Three Months Ended	
	March 31, 2010 <u>SR'000</u>	March 31, 2009 <u>SR'000</u>
Special commission income	207,425	270,078
Special commission expense	(38,988)	(97,491)
Net special commission income	168,437	172,587
Fees and commission income, net	67,662	96,031
Foreign exchange income, net	6,046	4,412
Trading income / (loss), net	9,278	(3,759)
Dividend income	-	1,818
Income from FVIS financial instrument	53,397	-
Gain on non-trading investments, net	-	5,164
Other operating income	277	351
Total operating income	305,097	276,604
Salaries and employee-related expenses	102,000	93,445
Rent and premises-related expenses	15,604	9,579
Depreciation	20,299	20,269
Other general and administrative expense	44,447	43,633
Charge for / (reversal of) provision for credit losses, net	110,000	(545)
Impairment of other financial assets	-	5,392
Other operating expenses	340	2,671
Total operating expenses	292,690	174,444
Net income for the period	12,407	102,160
Attributable to:		
Equity holders of the parent	12,611	102,227
Non-controlling interest	(204)	(67)
	12,407	102,160
<u>Earnings per share</u>		
Weighted average number of outstanding shares (in thousands) (note 10)	300,000	300,000
Basic and diluted earnings per share (expressed in SR)	0.04	0.34

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

Bank AlJazira

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED)

	Three Months Ended	
	March 31, 2010 <u>SR'000</u>	March 31, 2009 <u>SR'000</u>
Net income for the period	<u>12,407</u>	<u>102,160</u>
Other comprehensive income (loss):		
Net changes in fair value of available for sale investments	-	(10,017)
Transfer to consolidated statements of income:		
Gain on non-trading investments, net	-	(5,164)
Impairment charge for available for sale investments	-	5,392
Other comprehensive loss for the period	<u>-</u>	<u>(9,789)</u>
Total comprehensive income for the period	<u><u>12,407</u></u>	<u><u>92,371</u></u>
Attributable to:		
Equity holders of the parent	<u>12,611</u>	92,438
Non-controlling interest	<u>(204)</u>	(67)
Total comprehensive income for the period	<u><u>12,407</u></u>	<u><u>92,371</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (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	Non- controlling interest SR'000	Total SR'000
2010									
Balance at January 1, 2010 (audited)	3,000,000	1,390,000	68,000	-	27,867	-	4,485,867	208,467	4,694,334
Total comprehensive income / (loss) for the period	-	-	-	-	12,611	-	12,611	(204)	12,407
Net changes in non-controlling interest	-	-	-	-	-	-	-	21,661	21,661
Balance at March 31, 2010 (unaudited)	<u>3,000,000</u>	<u>1,390,000</u>	<u>68,000</u>	<u>-</u>	<u>40,478</u>	<u>-</u>	<u>4,498,478</u>	<u>229,924</u>	<u>4,728,402</u>
2009									
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 / (loss) for the period	-	-	-	(9,789)	102,227	-	92,438	(67)	92,371
Proposed gross dividend for 2008	-	-	-	-	(170,100)	170,100	-	-	-
Net changes in non-controlling interest	-	-	-	-	-	-	-	7,410	7,410
Balance at March 31, 2009 (unaudited)	<u>3,000,000</u>	<u>1,383,000</u>	<u>68,000</u>	<u>(12,930)</u>	<u>121,070</u>	<u>170,100</u>	<u>4,729,240</u>	<u>108,364</u>	<u>4,837,604</u>

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

Bank AlJazira

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED)

	2010 SR'000	2009 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period attributable to equity holders of the parent	12,611	102,227
Adjustments to reconcile net income to net cash used in operating activities:		
Trading (income) / loss, net	(9,278)	3,759
Gain on non-trading investments, net	(53,397)	(5,164)
Charge for / (reversal of) provision for credit losses, net	110,000	(545)
Depreciation	20,299	20,269
Loss on sale of property and equipment	21	31
Property and equipment written off	518	-
Impairment of other financial assets	-	5,392
	<u>80,774</u>	<u>125,969</u>
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	(17,540)	(56,169)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	517,315	(323,256)
Investments held for trading	(520,355)	340,447
Loans and advances	(944,855)	(785,357)
Other assets	12,514	5,589
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	740,326	(968,590)
Customers' deposits	(2,939,552)	474,628
Other liabilities	(20,719)	(59,379)
	<u>(3,092,092)</u>	<u>(1,246,118)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	1,368,750	1,025,315
Purchase of non-trading investments	(725,000)	-
Purchase of property and equipment	(10,577)	(20,329)
Proceed from sale of property and equipment	52	91
Dividend received	7,267	958
	<u>640,492</u>	<u>1,006,035</u>
Net cash from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(75)	(100)
Net movements in non-controlling interests	21,457	7,343
	<u>21,382</u>	<u>7,243</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(2,430,218)	(232,840)
Cash and cash equivalents at the beginning of the period	3,997,783	3,876,023
	<u>1,567,565</u>	<u>3,643,183</u>
Cash and cash equivalents at the end of the period (Note 8)		
Special commission received during the period	<u>184,985</u>	<u>319,374</u>
Special commission paid during the period	<u>59,582</u>	<u>118,209</u>
SUPPLEMENTAL NON-CASH INFORMATION		
Net changes in fair values	-	(9,789)
Real estate acquired in settlement of loans and advances	-	607,603

The accompanying notes 1 to 11 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 THREE MONTHS ENDED MARCH 31, 2010 AND 2009

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 48 branches (2009: 26 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.

In accordance with regulatory requirements in Saudi Arabia, the Bank has transferred asset management activities to AlJazira Capital Company during 2009.

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 do not include all information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

These interim condensed consolidated financial statements were approved by the Board of Directors on _____.

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

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (continued)

3. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries, namely Al-Khair Global Equities Fund, Al-Thoraiya European Equities Fund, Al-Mashareq Japanese Equities Fund, AlJazira Capital Company and Aman Real Estate (collectively referred to as “the Bank”). The financial statements of the subsidiaries are prepared for the same reporting period 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 period, if any, are included in the interim consolidated statement of income from the effective date of the acquisition or up to the effective date of disposal, as appropriate.

Non-Controlling 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 consolidated income statements and within equity in the interim 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 consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (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, 2009, except for the amendment of IAS 27 (amended) as mentioned below, effective from 1 January 2010. The Group will apply this amendment to transactions occurring subsequent to 1 January 2010.

- IAS 27 (amended) 'Consolidated and separate financial statements':

The amendment requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss.

The Bank has adopted the amended standard with retrospective effect which had no impact on the financial position and financial performance of the Bank.

5. INVESTMENTS

	March 31, 2010 (Unaudited) SR'000	December 31, 2009 (Audited) SR'000	March 31, 2009 (Unaudited) SR'000
Held for trading	1,429,809	907,444	179,593
Other investments held at amortised cost	2,411,370	3,055,120	3,238,120
Available for sale	4,568	4,568	111,159
Held at FVIS	369,947	316,549	-
Total	<u>4,215,694</u>	<u>4,283,681</u>	<u>3,528,872</u>

6. OTHER REAL ESTATE, NET

During 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (continued)

7. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	March 31, 2010 (Unaudited) SR'000	December 31, 2009 (Audited) SR'000	March 31, 2009 (Unaudited) SR'000
Letters of guarantee	2,226,232	2,183,076	2,051,021
Letters of credit	564,417	433,108	572,272
Acceptances	570,337	556,249	411,766
Irrevocable commitments to extend credit	1,079,956	355,834	855,995
Total	4,440,942	3,528,267	3,891,054

8. CASH AND CASH EQUIVALENTS

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

	March 31, 2010 (Unaudited) SR'000	December 31, 2009 (Audited) SR'000	March 31, 2009 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	385,622	432,032	351,941
Due from banks and other financial institutions with an original maturity of ninety days or less	1,181,943	3,565,751	3,291,242
Total	1,567,565	3,997,783	3,643,183

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (continued)

9. BUSINESS SEGMENTS

The operating segments have been 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.

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 and Other

Treasury includes 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 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 March 31, 2010 and 2009, 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, 2010 AND 2009 (continued)

9. BUSINESS SEGMENTS (continued)

March 31, 2010 (SR'000)

	Personal banking (Unaudited)	Corporate banking (Unaudited)	Brokerage (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	4,041,801	13,660,703	569,373	9,518,775	27,790,652
Total liabilities	10,362,657	1,591,365	32,974	11,075,254	23,062,250
Operating income from external customers	55,350	142,515	40,550	66,682	305,097
Inter-segment operating income / (loss)	12,999	(17,414)	266	4,149	-
Total operating income	68,349	125,101	40,816	70,831	305,097
Charge for provision for credit losses, net	2,145	107,855	-	-	110,000
Impairment of other financial assets	-	-	-	-	-
Depreciation	8,772	1,412	4,037	6,078	20,299
Total operating expenses net of non-controlling interests	86,851	133,804	42,287	29,544	292,486
Net (loss) / income	(18,502)	(8,703)	(1,471)	41,287	12,611

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (continued)

9. BUSINESS SEGMENTS (continued)

March 31, 2009 (SR'000)

	Personal banking (Unaudited)	Corporate banking (Unaudited)	Brokerage (Unaudited)	Treasury and other (Unaudited)	Total (Unaudited)
Total assets	2,791,313	13,255,637	544,646	10,474,449	27,066,045
Total liabilities	9,744,206	2,696,802	41,713	9,745,720	22,228,441
Operating income from external customers	59,655	138,712	64,312	13,925	276,604
Inter-segment operating income / (loss)	23,165	(42,095)	2,991	15,939	-
Total operating income	82,820	96,617	67,303	29,864	276,604
(Reversal of) / charge for provision for credit losses	(813)	268	-	-	(545)
Impairment of other financial assets	-	-	-	5,392	5,392
Depreciation	8,336	3,068	5,167	3,698	20,269
Total operating expenses net of non-controlling interests	71,314	29,328	41,572	32,163	174,377
Net income / (loss)	11,506	67,289	25,731	(2,299)	102,227

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (continued)

10. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 300 million shares of SR 10 each (December 31, 2009: 300 million shares of SR 10 each; March 31, 2009: 300 million shares of SR 10 each).

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.

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 ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires to hold the minimum level of the regulatory capital and maintain a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum of 8%.

	2010		2009	
	Eligible Capital SR '000	Capital Adequacy Ratio %	Eligible Capital SR '000	Capital Adequacy Ratio %
Core capital (Tier 1)	4,498,478	16.24	4,726,491	18.18
Supplementary capital (Tier 2)	160,700		138,369	
Core and supplementary capital (Tier 1 + Tier 2)	4,659,178	16.82	4,864,860	18.71