BANK ALJAZIRA

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

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REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Bank AlJazira ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2015 and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods ended 30 September 2015, the related interim consolidated statements of changes in equity and cash flows for the nine months period then ended, along with the notes from 1 through 19 which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note 17, nor the information related to "Disclosure under Basel III Framework" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements 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" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia applicable to review engagements and with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with applicable Accounting Standards for Financial Institutions issued by SAMA and with IAS 34.

Other regulatory matters

As required by SAMA, certain capital adequacy information has been disclosed in note 16 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 16 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

for Ernst & Young

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22 October 2015
9 Muharram 1437H

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2015 (Unaudited) SR'000**	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
ASSETS				
Cash and balances with SAMA		**7,315,469**	6,552,141	8,410,855
Due from banks and other financial institutions		**5,725,385**	4,908,991	2,333,256
Investments	5	**11,289,534**	11,334,970	12,159,473
Loans and advances, net	6	**41,872,636**	41,244,551	40,253,311
Investment in an associate	7	**125,191**	125,588	123,745
Other real estate, net		**44,126**	660,097	664,470
Property and equipment, net		**645,235**	598,920	554,992
Other assets		**1,290,770**	1,128,671	1,132,818
Total assets		**68,308,346**	66,553,929	65,632,920
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**3,038,860**	3,736,476	3,910,002
Customers' deposits	8	**55,917,922**	54,569,273	53,706,910
Subordinated Sukuk		**1,000,000**	1,000,000	1,000,000
Other liabilities		**1,136,737**	1,090,134	983,587
Total liabilities		**61,093,519**	60,395,883	59,600,499
EQUITY				
Share capital	13	**4,000,000**	4,000,000	4,000,000
Statutory reserve		**1,405,500**	1,405,500	1,262,500
General reserve		**68,000**	68,000	68,000
Other reserves		**(212,814)**	(141,317)	(67,752)
Retained earnings		**1,954,141**	825,863	769,673
Total equity		**7,214,827**	6,158,046	6,032,421
Total liabilities and equity		**68,308,346**	66,553,929	65,632,920

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the three months period ended 30 September 2015 SR'000	30 September 2014 SR'000	For the nine months period ended 30 September 2015 SR'000	30 September 2014 SR'000
Special commission income		**485,421**	457,383	**1,424,422**	1,314,184
Special commission expense		**(74,921)**	(79,785)	**(214,279)**	(258,644)
Net special commission income		**410,500**	377,598	**1,210,143**	1,055,540
Fees and commission income, net		**127,075**	164,045	**475,684**	492,256
Exchange income, net		**21,525**	14,783	**65,959**	38,752
Trading (loss) / income, net		**(30,374)**	23,546	**2,285**	48,612
Dividend income		**397**	594	**1,612**	2,374
Gains on non-trading investments		**250**	25	**250**	3,684
Gain on sale of other real estate	14	**-**	-	**572,649**	18,795
Other operating income		**2,674**	2,236	**12,122**	9,386
Total operating income		**532,047**	582,827	**2,340,704**	1,669,399
Salaries and employee-related expenses		**238,542**	184,936	**665,138**	523,957
Rent and premises-related expenses		**35,226**	29,141	**98,997**	82,709
Depreciation		**18,432**	19,863	**59,838**	58,773
Other general and administrative expenses		**113,684**	90,158	**320,712**	261,892
Impairment (reversal) / charge for credit losses, net		**(39,810)**	211,186	**65,332**	367,747
Other operating expenses		**236**	876	**2,012**	3,040
Total operating expenses		**366,310**	536,160	**1,212,029**	1,298,118
Income from operating activities		**165,737**	46,667	**1,128,675**	371,281
Share of net income / (loss) of an associate		**-**	571	**(188)**	1,996
Net income for the period		**165,737**	47,238	**1,128,487**	373,277
Basic and diluted earnings per share for the period (expressed in SR)	13	**0.41**	0.12	**2.82**	0.93

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months period ended		For the nine months period ended	
	30 September 2015 SR'000	30 September 2014 SR'000	**30 September 2015 SR'000**	30 September 2014 SR'000
Net income for the period	**165,737**	47,238	**1,128,487**	373,277
Other comprehensive income				
Net other comprehensive income to be reclassified to consolidated statement of income in subsequent periods:				
Cash flow hedges:				
Fair value (loss) / gain on cash flow hedges	**(92,178)**	6,302	**(67,009)**	(71,836)
Net amount transferred to interim consolidated statement of income	**158**	404	**470**	2,662
Share of other comprehensive loss of an associate	**-**	-	**(209)**	-
Net other comprehensive income not to be reclassified to consolidated statement of income in subsequent periods:				
Net changes in fair value and gain on sale of investments classified as at Fair Value Through Other Comprehensive Income (FVTOCI)	**(200)**	80	**112**	(227)
Other comprehensive (loss) / income for the period	**(92,220)**	6,786	**(66,636)**	(69,401)
Total comprehensive income for the period	**73,517**	54,024	**1,061,851**	303,876

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015 AND 2014 (UNAUDITED)

	Share capital SR'000	**Statutory reserve SR'000**	**General reserve SR'000**	**Other reserves SR'000**	**Retained earnings SR'000**	**Total equity SR'000**
Balance at 1 January 2015 (audited)	4,000,000	1,405,500	68,000	(141,317)	825,863	6,158,046
Net income for the period	-	-	-	-	1,128,487	1,128,487
Other comprehensive income	-	-	-	(66,427)	(209)	(66,636)
Others (note 18)	-	-	-	(5,070)	-	(5,070)
Balance at 30 September 2015 (unaudited)	**4,000,000**	**1,405,500**	**68,000**	**(212,814)**	**1,954,141**	**7,214,827**
Balance at 1 January 2014 (audited)	3,000,000	1,762,500	68,000	1,649	896,396	5,728,545
Net income for the period	-	-	-	-	373,277	373,277
Other comprehensive loss	-	-	-	(69,401)	-	(69,401)
Issue of bonus shares (note 13)	1,000,000	(500,000)	-	-	(500,000)	-
Balance at 30 September 2014 (unaudited)	4,000,000	1,262,500	68,000	(67,752)	769,673	6,032,421

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015 AND 2014
(UNAUDITED)

	2015 SR'000	2014 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**1,128,487**	373,277
Adjustments to reconcile net income to net cash from operating activities:		
Trading income, net	**(2,285)**	(48,612)
Impairment charge for credit losses, net	**65,332**	367,747
Share of net loss / (income) of an associate	**188**	(1,996)
Depreciation	**59,838**	58,773
Gains on non-trading investments	**(250)**	(3,684)
Dividend income	**(1,612)**	(2,374)
(Gain) / loss on sale of property and equipment	**(3,235)**	390
	1,246,463	743,521
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	**(25,496)**	(404,955)
Due from banks and other financial institutions maturing after three months from the date of acquisition	**106,250**	(1,181,250)
Investments held at fair value through income statement	**(45,807)**	29,291
Loans and advances	**(693,417)**	(5,626,299)
Other real estate, net	**615,971**	8,015
Other assets	**(111,555)**	(357,845)
Net (decrease) / increase in operating liabilities:		
Due to banks and other financial institutions	**(697,616)**	(448,736)
Customers' deposits	**1,348,649**	5,624,385
Other liabilities	**(75,647)**	40,327
Net cash from / (used in) operating activities	**1,667,795**	(1,573,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	**300,000**	2,461,750
Acquisition of non-trading investments	**(206,013)**	(2,006,236)
Acquisition of property and equipment	**(110,155)**	(106,444)
Proceeds from sale of property and equipment	**7,237**	55
Dividends received	**1,612**	2,374
Net cash (used in) / from investing activities	**(7,319)**	351,499
Net increase / (decrease) in cash and cash equivalents	**1,660,476**	(1,222,047)
Cash and cash equivalents at the beginning of the period	**6,806,404**	7,090,500
Cash and cash equivalents at the end of the period (note 11)	**8,466,880**	5,868,453
Special commission income received during the period	**1,380,276**	1,201,666
Special commission expense paid during the period	**198,976**	251,792

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated 12 Jumad Al-Thani 1395H (21 June 1975). The Bank commenced its business on 16 Shawwal 1396H (9 October 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 29 Rajab 1396H (27 July 1976) issued in Jeddah, through its 74 branches (31 December 2014: 70 branches, 30 September 2014: 69 branches) in the Kingdom of Saudi Arabia. The Bank's Head Office is located at the following address:

Bank AlJazira
Al-Nahda District, Malik Street,
P. O. Box 6277-Jeddah 21442
Kingdom of Saudi Arabia

The objective of the Bank is to provide a full range of Shari'ah compliant (non-commission based) banking products and services comprising of Murabaha, Istisna'a, Ijarah and Tawaraq, which are approved and supervised by an independent Shari'ah Board appointed by the Bank.

The Bank's subsidiaries are as follows:

	Country of incorporation	**Nature of business**	**Ownership (direct and indirect) 30 September 2015**	Ownership (direct and indirect) 31 December 2014	Ownership (direct and indirect) 30 September 2014
AlJazira Capital Company	Kingdom of Saudi Arabia	Brokerage and asset management	**100%**	100%	100%
Aman Development and Real Estate Investment Company	Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	**100%**	100%	100%

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the accounting standards for financial institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – "Interim Financial Reporting". The Bank 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.

The interim condensed consolidated financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended 31 December 2014.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2014.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands except where otherwise stated.

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries as set out in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

a) Subsidiaries

Subsidiaries are entities which are controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

i. the Bank has power over an entity;
ii. the Bank has exposure, or rights, to variable returns from its involvement with the entity; and
iii. the Bank has the ability to use its power over the entity to affect the amount of the entity's returns.

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 date of the acquisition or up to the date of disposal, as appropriate.

b) Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in its subsidiaries and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated statement of financial position, separately from the Bank's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

c) Transactions eliminated on consolidation

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

3. BASIS OF CONSOLIDATION (continued)

d) Associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial information) less impairment, if any.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim consolidated statement of income, such that the carrying amount of investment in the interim consolidated statement of financial position remains at the lower of the equity-accounted value (before provision for impairment) or the recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had an insignificant financial impact on the interim condensed consolidated financial statements of the Group for the current period or prior period and is expected to have an insignificant effect in future periods:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is as follows:
  - IFRS 1 - "First Time Adoption of IFRS": the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
  - IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
  - IFRS 3 - "Business Combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
  - IFRS 8 - "Operating Segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.
  - IFRS 13 has been amended to clarify measurement of commission free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
  - IAS 16 - "Property Plant and Equipment" and IAS 38 - "Intangible Assets": - the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
  - IAS 24 - "Related Party Disclosures"- the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
  - IAS 40 - "Investment Property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.
- Following new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group. The Group has yet to assess the impact of these new standards and interpretations:
  - IFRS 15 – “Revenue from Contracts with Customers” - The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
  - IFRS 9 “Financial Instruments” – the Group has already early adopted the measurement part. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

5. INVESTMENTS

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Fair Value Through Income Statement (FVTIS)			
- Designated as at FVTIS	**446,297**	398,204	355,897
Fair Value Through Other Comprehensive Income (FVTOCI)	**10,544**	10,432	9,050
Held at amortised cost	**10,832,693**	10,926,334	11,794,526
Total	**11,289,534**	11,334,970	12,159,473

6. LOANS AND ADVANCES, NET

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Consumer loans	**15,795,202**	14,868,491	13,915,423
Commercial loans and overdrafts	**26,046,151**	26,360,158	26,307,919
Others	**328,356**	284,539	269,918
Performing loans and advances	**42,169,709**	41,513,188	40,493,260
Non- performing loans and advances	**442,112**	369,860	369,898
Total loans and advances	**42,611,821**	41,883,048	40,863,158
Impairment allowance for credit losses	**(739,185)**	(638,497)	(609,847)
Loans and advances, net	**41,872,636**	41,244,551	40,253,311

6. LOANS AND ADVANCES, NET (continued)

a) Movement in impairment allowance for credit losses are as follows:

	30 September 2015 (Unaudited) SR'000	30 September 2014 (Unaudited) SR'000
Balance at the beginning of the period	**638,497**	661,427
Provided during the period, net	**124,558**	422,002
Bad debts written off	**(1,280)**	(430,943)
Reversal / recoveries of amounts previously provided	**(22,590)**	(42,639)
Balance at the end of the period	**739,185**	609,847

The net charge amounting to SR 65.3 million (30 September 2014: SR 367.7 million) for credit losses in the consolidated statement of income is presented net of recoveries of SR 36.6 million (30 September 2014: SR 11.4 million) from amounts previously written off.

7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company (ATT). The Group collectively holds a 35% shareholding in ATT. ATT commenced its commercial operations in January 2014.

The share of total comprehensive income in an associate represents the Group's share in ATT and was based on the latest available financial information of ATT. The market value of the investment in ATT as of 30 September 2015 was SR 446.02 million (31 December 2014: SR 794.29 million; 30 September 2014: SR 979.39 million).

8. CUSTOMERS' DEPOSITS

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Demand	**27,190,937**	26,436,759	24,329,044
Time	**27,745,826**	27,129,743	28,480,266
Other	**981,159**	1,002,771	897,600
Total	**55,917,922**	54,569,273	53,706,910

Time deposits comprise deposits received on a Shari'ah Compliant (non-commission based) Murabaha basis.

9. DERIVATIVES

The table below sets out the fair values of the Group's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	30 September 2015 (Unaudited) SR'000			31 December 2014 (Audited) SR'000			30 September 2014 (Unaudited) SR'000		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value	Notional amount
Held for trading:									
Options	**51,236**	**51,236**	**4,139,355**	59,133	59,133	5,187,560	27,840	27,840	5,666,668
Special commission rate swaps	**179,112**	**179,112**	**5,936,989**	179,802	179,802	5,939,438	152,551	152,551	5,959,697
Foreign exchange swaps	**7,880**	**7,880**	**1,705,337**	-	-	599,344	-	-	-
Structured deposits	**-**	**-**	**-**	-	-	-	-	-	750,000
Total	**238,228**	**238,228**	**11,781,681**	238,935	238,935	11,726,342	180,391	180,391	12,376,365
Held as cash flow hedge:									
Special commission rate swaps	**-**	**206,370**	**3,186,562**	344	139,704	3,186,562	11,380	75,638	3,186,563
Total	**238,228**	**444,598**	**14,968,243**	239,279	378,639	14,912,904	191,771	256,029	15,562,928

The negative fair values of special commission rate swaps is mainly due to a downward shift in the yield curve during the period. The fair values of the these swaps is expected to be settled on or before April 2044 (2014: April 2044). The cash flow hedge of special commission rate swap were highly effective in offsetting the variability of special commission expenses. During the period a net unrealized loss of SR 67 million (2014: SR 71.84 million) included in the statement of comprehensive income. During the period, an amount of SR 0.47 million (2014: 2.7 million) is removed from statement of comprehensive income and included in the "special commission expense" in the statement of income.

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Letters of guarantee	**4,660,590**	3,685,005	3,684,143
Letters of credit	**841,721**	1,054,444	937,759
Acceptances	**367,222**	330,387	424,809
Irrevocable commitments to extend credit	**148,333**	186,174	166,669
Total	**6,017,866**	5,256,010	5,213,380

b) During the period ended 30 September 2015, the Bank received a revised Zakat assessment for the year(s) 2006 to 2009 from Department of Zakat and Income Tax (DZIT) based on Preliminary Appeal Committee (PAC). The DZIT reduced the Zakat demand from SR 286.7 million to SR 267.5 million. The Bank has also received Zakat assessment for the year 2010 and 2011 raising additional demands aggregating to SR 195.21 million. The Bank has formally contested these assessments and is awaiting a response from DZIT. In addition to previous assessments, there has been no change in the status of the Bank's Zakat assessments. The Bank's position with respect to stance on these assessments, has remained same as disclosed in the annual consolidated financial statements for the year ended 31 December 2014.

11. CASH AND CASH EQUIVALENTS

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

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	**4,303,995**	3,566,163	5,466,447
Due from banks and other financial institutions with an original maturity of three months or less from the date of acquisition	**4,162,885**	3,240,241	402,006
Total	**8,466,880**	6,806,404	5,868,453

12. OPERATING SEGMENTS

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

Transactions between the operating segments are recorded based on the Group's transfer pricing methodology. Segment assets and liabilities mainly comprise of operating assets and liabilities.

For management purposes, the Group is organized into following main operating 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
Treasury includes money market, foreign exchange, trading and treasury services.

Brokerage and asset management
Provides shares brokerage services to customers (this segment includes the activities of the Bank's subsidiary AlJazira Capital Company).

Takaful Ta'awuni
Provides protection and saving products services. As required by the Insurance Law of Saudi Arabia, the Group has spun off its insurance business in a separate entity named AlJazira Takaful Ta'awuni Company (ATT) formed under the new Insurance Law of Saudi Arabia. The current division represents the insurance portfolio which will be transferred to ATT at an agreed value and date duly approved by SAMA.

The Group's total assets and liabilities at 30 September 2015 and 30 September 2014, its total operating income and expenses, and its net income for the nine months period then ended, by operating segment, are as follows:

12. OPERATING SEGMENTS (continued)

30 September 2015 (SR'000)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	19,452,205	23,298,217	24,839,300	582,643	10,789	125,191	68,308,345
Total liabilities	28,079,871	22,471,282	10,402,569	74,622	65,175	-	61,093,519
Total operating income	645,437	472,076	480,504	217,272	16,101	509,314	2,340,704
Net special commission income	459,330	360,611	385,667	5,514	334	(1,313)	1,210,143
Fee and commission income, net	129,627	101,297	16,201	212,971	15,766	(178)	475,684
Trading income, net	(1,118)	(1,136)	8,139	(3,648)	-	48	2,285
Share in loss of an associate	-	-	-	-	-	(188)	(188)
Impairment charge for credit losses, net	(67,784)	2,452	-	-	-	-	(65,332)
Depreciation	(31,636)	(13,221)	(8,205)	(5,395)	(1,381)	-	(59,838)
Total operating expenses	(662,109)	(275,734)	(133,060)	(121,941)	(22,176)	2,991	(1,212,029)
Net (loss) / income	(16,672)	196,342	347,444	95,331	(6,075)	512,117	1,128,487

12. OPERATING SEGMENTS (continued)

30 September 2014 (SR'000)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	18,962,632	23,200,094	22,617,122	722,219	7,108	123,745	65,632,920
Total liabilities	24,576,633	26,304,864	8,593,124	82,018	43,860	-	59,600,499
Total operating income	545,224	397,106	456,455	293,577	16,796	(39,759)	1,669,399
Net special commission income	379,365	287,499	383,036	6,357	197	(914)	1,055,540
Fee and commission income, net	130,692	91,891	9,952	243,122	16,599	-	492,256
Trading income, net	1,642	2,111	3,387	41,020	-	452	48,612
Share in profit of an associate	-	-	-	-	-	1,996	1,996
Impairment charge for credit losses, net	(92,085)	(275,662)	-	-	-	-	(367,747)
Depreciation	32,538	12,259	6,786	5,723	1,467	-	58,773
Total operating expenses	(578,436)	(491,840)	(101,529)	(111,472)	(18,521)	3,680	(1,298,118)
Net (loss) / income	(33,212)	(94,734)	354,926	182,105	(1,725)	(34,083)	373,277

13. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 400 million shares of SR 10 each (31 December 2014: 400 million shares of SR 10 each; 30 September 2014: 400 million shares of SR 10 each). The shareholders of the Bank in their meeting held on 20 May 2014 (corresponding to 21 Rajab 1435H) approved the increase in the Bank's share capital from SR 3 billion to SR 4 billion through the issuance of bonus shares to shareholders of the Bank (one share for each three shares). The legal formalities relating to the increase in share capital have been completed. Accordingly the authorized, issued and fully paid share capital of the Bank consists of 400 million shares of SR 10 each (31 December 2014: 400 million shares of SR 10 each; 30 June 2014: 400 million shares of SR 10 each).

The earnings per share for nine months period ended 30 September 2015 was SR 2.82 (for nine months period ended 30 September 2014: SR 0.93).

14. GAIN ON SALE OF OTHER REAL ESTATE

During the period May 2015, the Bank sold a land with a carrying value of SR 615.97 million previously included under “other real estate, net”. The sale proceed of land amounting to SR 1,188.62 million resulted in a gain of SR 572.65 million.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

The fair values of financial instruments, except for investments held as at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, due from/to banks and other financial institutions which are carried at amortised cost, are not significantly different from the carrying values included in the interim condensed consolidated 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/ to banks and other financial institutions. The estimated fair values of investments held as at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate sukuk. The fair values of these investments are disclosed below.

The fair values of derivatives and other credit related contingencies and commitments are determined by using the appropriate valuation techniques.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Held as at amortised cost (SR'000)	Carrying amount	Fair value
Financial assets as at 30 September 2015	**10,832,693**	**10,868,183**
Financial assets as at 31 December 2014	10,926,334	10,951,137
Financial assets as at 30 September 2014	11,794,526	11,821,008

The fair values of investments held as at amortised cost are not significantly different from their carrying values. Some of the investments disclosed above are quoted in a market but not actively traded, whilst the remaining are unquoted.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date,

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.

	30 September 2015 (SR'000)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investments				
- FVTIS	**446,297**	**-**	**-**	**446,297**
- FVTOCI	**7,106**	**-**	**3,438**	**10,544**
Derivatives	**-**	**238,228**	**-**	**238,228**
Financial liabilities				
Derivatives	**-**	**(444,598)**	**-**	**(444,598)**
Total	**51,403**	**(206,370)**	**3,438**	**250,471**

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2014 (SR'000)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments				
- FVTIS	398,204	-	-	398,204
- FVTOCI	6,994	-	3,438	10,432
Derivatives	-	239,279	-	239,279
Financial liabilities				
Derivatives	-	(378,639)	-	(378,639)
Total	405,198	(139,360)	3,438	269,276

	30 September 2014 (SR'000)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments				
- FVTIS	355,897	-	-	355,897
- FVTOCI	5,612	-	3,438	9,050
Derivatives	-	191,771	-	191,771
Financial liabilities				
Derivatives	-	(256,029)	-	(256,029)
Total	361,509	(64,258)	3,438	300,689

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, options, spot and forward foreign exchange contracts, currency options and other derivative financial instruments. These derivatives are fair valued using valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

During the nine months period ended 30 September 2015 and nine months period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. New investments acquired during the period are classified under the relevant categories.

16. CAPITAL ADEQUACY

The Group'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 on a regular basis by the Bank's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum of 8%.

The Group 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.

16. CAPITAL ADEQUACY (continued)

The following table summarizes the Group's Pillar-I Risk Weighted Assets ("RWA"), Tier I and Tier II Capital and Capital Adequacy Ratios:

	30 September 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000	30 September 2014 (Unaudited) SR'000
Credit Risk RWA	**49,598,719**	48,209,708	47,077,187
Operational Risk RWA	**3,481,813**	3,481,813	2,842,575
Market Risk RWA	**2,120,050**	1,750,988	1,419,188
Total Pillar-I RWA	**55,200,582**	53,442,509	51,338,950
Tier I Capital	**7,642,017**	6,299,361	6,111,693
Tier II Capital	**1,176,549**	1,209,132	1,180,845
Total Tier I and II Capital	**8,818,566**	7,508,493	7,292,538
Capital Adequacy Ratio (%)			
Tier I ratio	**13.84%**	11.79	11.90
Total Tier I and II Capital	**15.98%**	14.05	14.20

17. BASEL III PILLAR III DISCLOSURES

Certain disclosures on the Bank's capital structure are required to be published on the Bank's website. These disclosures will be published on the Bank's website www.baj.com.sa as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Bank.

18. ISSUANCE OF RIGHT SHARES

With an aim to strengthen the capital base of the Bank, the Board of Directors has recommended to increase share capital by raising SR 3 billion through a rights issue. The increase is conditional on taking the necessary approvals from the relevant authorities and the General Assembly in the extraordinary meeting and determine the offering price of the shares and numbers. The Bank has incurred initial expenses of SR 5.07 million in respect of the legal and professional matters.

19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 9 Muharram 1437H corresponding to 22 October 2015.