

# **Bank AlJazira**

(A Saudi Joint Stock Company)

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## **BANK ALJAZIRA**

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
31 MARCH 2012 AND REVIEW REPORT**

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## REVIEW REPORT

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

We have reviewed the accompanying interim consolidated statements of financial position of Bank AlJazira ("the Bank") and its subsidiaries as of 31 March 2012, and the related interim consolidated income statement, consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the three-months period then ended, along with condensed notes from 1 through 14. 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". 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 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 Institution issued by SAMA and with International Accounting Standard No. 34.

### **Other Regulatory Matters**

As required by SAMA, certain capital adequacy information has been disclosed in Note 13 of the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 13 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  
License Number 356



April 16, 2012  
24 Jumada'I, 1433

For Deloitte & Touche  
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin  
Certified Public Accountant  
License Number 296



# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	31 March 2011 (Unaudited) SR'000
	<u>Notes</u>			
<b>ASSETS</b>				
Cash and balances with SAMA		6,105,744	4,379,043	3,411,785
Due from banks and other financial institutions		2,882,121	4,331,024	6,427,694
Investments	5	7,443,629	5,396,915	4,618,160
Loans and advances, net	6	25,069,903	23,307,451	19,942,197
Other real estate, net		680,778	680,778	678,950
Property and equipment, net		455,868	446,829	456,354
Other assets		620,352	356,210	377,615
<b>Total assets</b>		<b>43,258,395</b>	<b>38,898,250</b>	<b>35,912,755</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and other financial institutions		2,101,513	1,305,778	928,060
Customers' deposits	7	34,602,089	31,158,531	28,758,408
Other liabilities		462,595	497,078	485,235
Subordinated sukuk		1,000,000	1,000,000	1,000,000
<b>Total liabilities</b>		<b>38,166,197</b>	<b>33,961,387</b>	<b>31,171,703</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</b>				
Share capital	12	3,000,000	3,000,000	3,000,000
Statutory reserve		1,474,000	1,474,000	1,398,000
General reserve		68,000	68,000	68,000
Other reserve		86,856	24,250	81,804
Retained earnings		149,325	6,287	1,720
Proposed dividend		160,000	160,000	-
<b>Total equity attributable to equity holders of the Bank</b>		<b>4,938,181</b>	<b>4,732,537</b>	<b>4,549,524</b>
Non-controlling interests		154,017	204,326	191,528
<b>Total equity attributable to equity holders of the Bank and non-controlling interest</b>		<b>5,092,198</b>	<b>4,936,863</b>	<b>4,741,052</b>
<b>Total liabilities and equity</b>		<b>43,258,395</b>	<b>38,898,250</b>	<b>35,912,755</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira

(A Saudi Joint Stock Company)

## INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Notes	For the Three Months Ended	
	31 March 2012 <u>SR'000</u>	31 March 2011 <u>SR'000</u>
Special commission income	276,562	224,951
Special commission expense	(57,938)	(41,717)
<b>Net special commission income</b>	<b>218,624</b>	<b>183,234</b>
Fees and commission income, net	185,649	75,611
Foreign exchange income, net	5,786	4,313
Trading income, net	15,988	8,390
Dividend income	56	4,703
Other operating income	997	10
<b>Total operating income</b>	<b>427,100</b>	<b>276,261</b>
Salaries and employee-related expenses	142,808	111,928
Rent and premises-related expenses	16,279	15,721
Depreciation	16,385	18,624
Other general and administrative expenses	51,597	50,189
Impairment charge for credit losses, net	47,725	(4,248)
Other operating expenses	8,554	22,107
<b>Total operating expenses</b>	<b>283,348</b>	<b>214,321</b>
<b>Net income for the period</b>	<b>143,752</b>	<b>61,940</b>
<b>Attributable to:</b>		
Equity holders of the Bank	143,038	62,286
Non-controlling interest	714	(346)
<b>Net income for the period</b>	<b>143,752</b>	<b>61,940</b>
<b><u>Earnings per share</u></b>		
Weighted average number of outstanding shares (in thousands) (note 12)	300,000	300,000
<b>Basic and diluted earnings per share (expressed in SR)</b>	<b>0.48</b>	<b>0.21</b>

The accompanying notes 1 to 14 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 Ended	
	31 March 2012 <u>SR'000</u>	31 March 2011 <u>SR'000</u>
Net income for the period	143,752	61,940
<b>Other comprehensive income / (loss):</b>		
Net changes in fair value of investment classified as at Fair Value through other comprehensive income (FVTOCI)	64,066	(28,280)
Cash flow hedges:		
Fair value (loss) on cash flow hedges	(1,284)	-
Amount transferred to income statement	(176)	-
Other comprehensive income / (loss) for the period	62,606	(28,280)
<b>Total comprehensive income for the period</b>	<b>206,358</b>	<b>33,660</b>
<b>Attributable to:</b>		
Equity holders of the Bank	205,644	34,006
Non-controlling interests	714	(346)
<b>Total comprehensive income for the period</b>	<b>206,358</b>	<b>33,660</b>

The accompanying notes 1 to 14 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 THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (UNAUDITED)

	2012							2011		
	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 Bank SR'000	Non-controlling interests SR'000	Total SR'000	
<b>Balance at January 1, 2012 (audited)</b>	3,000,000	1,474,000	68,000	24,250	6,287	160,000	4,732,537	204,326	4,936,863	
Net Income for the period	-	-	-	-	143,038	-	143,038	714	143,752	
Other comprehensive income	-	-	-	62,606	-	-	62,606	-	62,606	
Total comprehensive income for the period	-	-	-	62,606	143,038	-	205,644	714	206,358	
Net changes in non-controlling interest	-	-	-	-	-	-	-	(51,023)	(51,023)	
<b>Balance at March 31, 2012 (unaudited)</b>	<b>3,000,000</b>	<b>1,474,000</b>	<b>68,000</b>	<b>86,856</b>	<b>149,325</b>	<b>160,000</b>	<b>4,938,181</b>	<b>154,017</b>	<b>5,092,198</b>	
<b>Balance at January 1, 2011 (audited)</b>	3,000,000	1,398,000	68,000	739	48,779	-	4,515,518	290,164	4,805,682	
Effect of the early adoption of IFRS 9 (note 4(b))	-	-	-	109,345	(109,345)	-	-	-	-	
Net Income for the period	-	-	-	-	62,286	-	62,286	(346)	61,940	
Other comprehensive income	-	-	-	(28,280)	-	-	(28,280)	-	(28,280)	
Total comprehensive (loss) / income for the period	-	-	-	(28,280)	62,286	-	34,006	(346)	33,660	
Net changes in non-controlling interest	-	-	-	-	-	-	-	(98,290)	(98,290)	
<b>Balance at March 31, 2011 (unaudited)</b>	<b>3,000,000</b>	<b>1,398,000</b>	<b>68,000</b>	<b>81,804</b>	<b>1,720</b>	<b>-</b>	<b>4,549,524</b>	<b>191,528</b>	<b>4,741,052</b>	

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira

(A Saudi Joint Stock Company)

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)

	2012 SR'000	2011 SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period attributable to equity holders of the Bank	143,038	62,286
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Trading income	(15,988)	(8,390)
Impairment charge for credit losses	47,725	(4,248)
Depreciation	16,385	18,624
Dividend Income	(56)	(4,703)
Property and equipment written off	2,030	-
	<u>193,134</u>	<u>63,569</u>
<b>Net (increase) / decrease in operating assets:</b>		
Statutory deposit with SAMA	(210,564)	(5,604)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	187,500	41,922
Investment held at fair value through income statement	(346,027)	108,121
Other real estate, net	-	850
Loans and advances	(1,810,177)	(1,233,507)
Other assets	(263,951)	59,958
<b>Net increase / (decrease) in operating liabilities:</b>		
Due to banks and other financial institutions	795,735	539,341
Customers' deposits	3,443,558	1,413,490
Other liabilities	(31,299)	6,394
	<u>1,957,909</u>	<u>994,534</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity and sale of non-trading investments	1,450,000	300,000
Acquisition of non-trading investments	(3,117,733)	(500,000)
Acquisition of property and equipment	(27,454)	(12,485)
Dividend received	56	4,703
	<u>(1,695,131)</u>	<u>(207,782)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(61)
Issuance of subordinated sukuk	-	1,000,000
Net movements in non-controlling interests	(8,044)	(98,636)
	<u>(8,044)</u>	<u>901,303</u>
<b>Net cash (used in) / from financing activities</b>		
Net increase in cash and cash equivalents	254,734	1,688,055
Cash and cash equivalents at the beginning of the period	5,971,431	4,905,463
	<u>6,226,165</u>	<u>6,593,518</u>
Special commission received during the period	230,822	228,835
Special commission paid during the period	68,059	54,190
<b>SUPPLEMENTAL NON-CASH INFORMATION</b>		
Net changes in fair values	64,066	(28,280)

The accompanying notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 1. GENERAL

Bank AlJazira (the “Bank”) is a Saudi 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 51 branches (2011: 51 branches) in the Kingdom of Saudi Arabia. The Bank’s Head Office is located at the following address:

Bank AlJazira  
AL-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.

### 2. BASIS OF PREPARATION

The Bank prepares these interim condensed consolidated financial statements in accordance with the applicable Accounting Standards for Financial Institutions and promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard (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 disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011 (for changes in accounting policies, see note 4).

The preparation of interim 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 condensed (consolidated) interim 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 (consolidated) financial statements as at and for the year ended December 31, 2011

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



# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries, namely Al-Thoraiya European Equities Fund, Al-Jazira Real Estate Residential Projects Fund, 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 period as that of the Bank, using consistent accounting policies.

Al-Mashareq (Japanese) Equities Fund was consolidated in the financial statements of the Bank up to 31 December 2011. Due to the reduction in ownership interest of the Bank in Al-Mashareq (Global) Equities Fund to 22.06% the Bank has ceased to consolidate this fund with effect from 1 January 2012, as management believes that the control is transferred from the Bank.

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies, so as to obtain benefits from their 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 statement and within equity in the interim consolidated statement of financial position, separately from parent shareholders' equity.

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

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 4. CHANGES IN ACCOUNTING POLICIES

#### a) Accounting policies

The accounting policies used in preparation of these interim condensed consolidated financial statements are consistent with those of the annual consolidated financial statements for the year ended 31 December 2011, except for adoption of the amendments and revisions to existing standards mentioned in the paragraph below which has had no financial impact on the interim condensed consolidated financial statements of the Bank.

These amendments emphasis the principle in IAS 34 that the disclosure about significant events and transaction in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The amendments add examples to the list of events or transaction that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

#### b) Impact of early adoption of IFRS 9 on other reserves and retained earnings

Bank had early adopted IFRS 9 effective January 1, 2011 and the investments are presented in these Financial Statements according to the classifications as per IFRS 9.

The impact of the early adoption on the opening retained earnings and other reserves classified in equity as at 1 January 2011, and on the classification of financial assets as at 1 January 2011, are as follows:

#### Impact on other reserves and retained earnings

	Carrying amount as at 31 December 2010 <u>SR'000</u>	Carrying amount as at 1 January 2011 upon adoption of IFRS 9 <u>SR'000</u>	Impact of early adoption <u>SR'000</u>
Other reserves	739	110,084	109,345
Retained earnings	48,779	(60,566)	(109,345)

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 5. INVESTMENTS

	31 March 2012 (Unaudited) <u>SR'000</u>	31 December 2011 (Audited) <u>SR'000</u>	31 March 2011 (Unaudited) <u>SR'000</u>
Classification under IFRS 9 (see note below):			
<b>Fair Value through Income Statement (FVTIS)</b>			
Mandatorily measured at FVTIS	792,509	565,440	1,515,793
Designated as at FVTIS	381,671	293,824	294,593
	<u>1,174,180</u>	<u>859,264</u>	<u>1,810,386</u>
Fair Value through Other Comprehensive Income (FVTOCI)	362,383	298,317	361,082
Held at amortized cost	5,907,066	4,239,334	2,446,692
<b>Total</b>	<u><u>7,443,629</u></u>	<u><u>5,396,915</u></u>	<u><u>4,618,160</u></u>

### 6. LOANS AND ADVANCES, NET

	31 March 2012 (Unaudited) <u>SR'000</u>	31 December 2011 (Audited) <u>SR'000</u>	31 March 2011 (Unaudited) <u>SR'000</u>
Consumer loans	8,228,589	7,230,960	5,429,783
Commercial loans and overdrafts	16,965,284	16,169,005	14,236,761
Others	99,492	87,242	74,170
	<u>25,293,365</u>	<u>23,487,207</u>	<u>19,740,714</u>
Non- performing loans and advances	1,034,708	1,030,688	1,321,300
Gross loans and advances	<u>26,328,073</u>	<u>24,517,895</u>	<u>21,062,014</u>
Provision for credit losses	<u>(1,258,170)</u>	<u>(1,210,444)</u>	<u>(1,119,817)</u>
Loans and advances, net	<u><u>25,069,903</u></u>	<u><u>23,307,451</u></u>	<u><u>19,942,197</u></u>

The loans and advances, net, represent Islamic Shariah compliant (non-interest based) financing products comprising of Murabaha, Istisna'a, Ijarah and Tawaraq.

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 7. CUSTOMERS' DEPOSIT

	31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	31 March 2011 (Unaudited) SR'000
Demand	13,479,874	10,052,986	8,239,336
Time	20,000,098	20,639,890	20,057,241
Other	1,122,117	465,655	461,831
Total	<u>34,602,089</u>	<u>31,158,531</u>	<u>28,758,408</u>

Time deposits comprise deposits received on Shariah Compliant (non-interest based) Murabaha basis.

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 8. DERIVATIVES

The table below sets out the fair values of the Bank'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 Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	31 March 2012 (Unaudited) SR'000		31 December 2011 (Audited) SR'000		30 March 2011 (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
<b>Derivative used as held for trading:</b>									
Options	3,931	-	2,571,271	14,292	-	2,189,570	-	-	-
Options	-	3,931	2,571,271	-	14,292	2,189,570	-	-	-
Special commission rate swaps	17,875	-	1,089,910	-	-	-	-	-	-
Special commission rate swaps	-	17,875	1,089,910	-	-	-	-	-	-
<b>Total</b>	<b>21,806</b>	<b>21,806</b>	<b>7,322,362</b>	<b>14,292</b>	<b>14,292</b>	<b>4,379,140</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative used as fair value hedge:</b>									
Special commission rate swaps	-	-	-	-	-	-	3,811	-	187,500
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,811</b>	<b>-</b>	<b>187,500</b>
<b>Derivative used as cash flow hedge:</b>									
Special commission rate swaps	5,157	-	250,000	3,715	-	365,000	-	-	-
Special commission rate swaps	-	4,661	969,375	-	1,430	425,250	-	-	-
<b>Total</b>	<b>5,157</b>	<b>4,661</b>	<b>1,219,375</b>	<b>3,715</b>	<b>1,430</b>	<b>790,250</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 8. DERIVATIVES (continued)

#### Derivative financial instruments held for hedging purposes

The Bank uses Shariah compliant derivatives for hedging purposes in order to reduce its exposure to commission rate risk. This is achieved by hedging specific investments.

### 9. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	31 March 2011 (Unaudited) SR'000
Letters of guarantee	2,465,165	2,473,018	2,175,503
Letters of credit	820,572	602,881	696,844
Acceptances	457,210	407,612	226,808
Irrevocable commitments to extend credit	2,185,095	664,417	1,764,216
<b>Total</b>	<b>5,928,042</b>	<b>4,147,928</b>	<b>4,863,371</b>

### 10. CASH AND CASH EQUIVALENTS

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

	31 March 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	31 March 2011 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	4,425,294	2,909,157	2,183,060
Due from banks and other financial institutions with an original maturity of ninety days or less	1,800,871	3,062,274	4,410,458
<b>Total</b>	<b>6,226,165</b>	<b>5,971,431</b>	<b>6,593,518</b>

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 11. 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 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 business segments are recorded based on the Group's transfer pricing methodology. Segment assets and liabilities mainly comprise operating assets and liabilities.

#### **Fund Transfer Pricing**

During the year 2011, the Group had redefined and modified its funds transfer pricing system in order to achieve the objective of better product pricing, profitability and liquidity management. The assigned transfer rate within the operating segments is based on its maturity and prevailing commission rates. Long maturity pools receive a long-term commission rate, while short-term pools receive a transfer rate reflective of their shorter tenor. The Group has developed an assumption based model for each class of asset and liability and the pricing is applied to the funds accordingly. The pricing is based on the market rate prevailing at the time of transaction. The segment wise results for the period ended 31 March 2012 have been prepared using such methodology and basis. The results for the corresponding period ended 31 March 2011 have also been presented accordingly.

For management purposes, the Bank is organized into following main business segments:

#### **Retail banking**

Deposit, credit and investment products for individuals.

#### **Corporate and Institutional banking**

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

#### **Brokerage and asset management**

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

#### **Treasury**

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

#### **Takaful Ta'awuni**

Takaful Ta'awuni provides protection and saving products services and is fully Shariah compliant and is substitute to conventional life insurance products.

The Bank's total assets and liabilities at 31 March 2012 and 2011, its total operating income and expenses, and its net income for the three months then ended, by business segment, are as follows:

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 11. OPERATING SEGMENTS (continued)

#### 31 March 2012 (SR'000)

	<u>Retail Banking</u>	<u>Corporate &amp; Institutional Banking</u>	<u>(SR'000) Brokerage and asset management</u>	<u>Treasury</u>	<u>Takaful Ta'awuni</u>	<u>Others</u>	<u>Total</u>
Total assets	10,739,490	15,659,028	670,431	16,019,012	11,243	159,191	43,258,395
Total liabilities	14,495,972	19,202,629	50,400	4,374,185	37,817	5,194	38,166,197
Operating income from external customers	145,619	123,921	102,664	50,489	7,588	(3,181)	427,100
Inter – segment operating income/(loss)	(52,709)	(6,187)	14,084	46,247	11	(1,446)	-
Total operating income	92,910	117,734	116,748	96,736	7,599	(4,627)	427,100
Net special commission	60,500	82,521	2,685	72,280	11	627	218,624
Fee and commission income, net	22,661	30,660	113,044	12,254	7,589	(559)	185,649
Trading income	4,928	2,967	76	6,096	-	1,921	15,988
<b>Operating expenses:</b>							
Impairment charge for credit losses, net	27,725	20,000	-	-	-	-	47,725
Depreciation	10,976	1,495	2,393	720	801	-	16,385
Total operating expenses including non- controlling interest	149,917	62,729	36,833	21,187	13,278	118	284,062
Net (loss) / income attributable to equity holders of the Bank	(57,007)	55,005	79,915	75,549	(5,679)	(4,745)	143,038



# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 11. OPERATING SEGMENTS (continued)

#### 31 March 2011 (SR'000)

	Retail Banking	Corporate & Institutional Banking	(SR'000) Brokerage and asset management	Treasury	Takaful Ta'awuni	Others	Total
Total assets	7,249,444	14,201,998	575,209	13,647,740	40,908	197,456	35,912,755
Total liabilities	10,894,007	17,443,354	44,701	2,747,376	36,317	5,948	31,171,703
Operating income from external customers	106,137	108,556	34,633	18,843	9,575	(1,483)	276,261
Inter – segment operating income/(loss)	(32,825)	(7,425)	11,452	29,766	(58)	(910)	-
Total operating income	73,312	101,131	46,085	48,609	9,517	(2,393)	276,261
Net special commission	59,368	78,764	2,832	41,994	(58)	334	183,234
Fee and commission income, net	7,503	19,343	43,316	(683)	9,575	(3,443)	75,611
Trading income	404	244	(63)	1,966	-	5,839	8,390
<b>Operating expenses:</b>							
Impairment charge for credit losses, net	(3,879)	(369)	-	-	-	-	(4,248)
Depreciation	10,319	1,649	3,246	2,515	895	-	18,624
Total operating expenses including non- controlling interest	96,736	33,851	33,668	15,964	32,604	1,152	213,975
Net (loss) / income attributable to equity holders of the Bank	(23,424)	67,280	12,417	32,645	(23,087)	(3,545)	62,286

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

### 12. SHARE CAPITAL, EARNINGS PER SHARE AND PROPOSED DIVIDEND

The authorized, issued and fully paid share capital of the Bank consists of 300 million shares of SR 10 each (31 December 2011: 300 million shares of SR 10 each; 31 March 2011: 300 million shares of SR 10 each).

The Earning per share for three months ended 31 March 2012 was SR 0.48 (2011: 0.21).

The Board of Directors approved a proposed gross dividend on 26 December 2011, for the year ended 31 December 2011 of SR 160 million, which was approved by the shareholders in their annual general assembly meeting held on 4 April 2012.

### 13. 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.

Capital adequacy and the use of regulatory capital are monitored daily 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 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.

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

	<b>31 March 2012 (Unaudited) SR'000</b>	31 December 2011 (Audited) SR'000	31 March 2011 (Unaudited) SR'000
Credit Risk RWA	33,747,735	30,819,867	27,071,007
Operational Risk RWA	2,102,541	2,102,541	2,043,119
Market Risk RWA	1,325,011	1,785,681	2,450,455
<b>Total Pillar-I RWA</b>	<b>37,175,287</b>	<b>34,708,089</b>	<b>31,564,581</b>
Tier I Capital	4,938,181	4,732,537	4,549,524
Tier II Capital	1,351,991	1,305,864	1,200,139
<b>Total Tier I &amp; II Capital</b>	<b>6,290,172</b>	<b>6,038,401</b>	<b>5,749,663</b>
Capital Adequacy Ratio (%)			
Tier I ratio	13.28	13.64	14.41
Tier I + Tier II ratio	16.92	17.40	18.22

# Bank AlJazira

(A Saudi Joint Stock Company)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011 (continued)

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### 14. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.