BANK ALJAZIRA

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 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 2013(the "Group"), and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-months period then ended, along with condensed notes from 1 through 15. 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 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 IAS 34.

Other Regulatory Matters

As required by SAMA, certain capital adequacy information has been disclosed in Note 14 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 14 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

For Ernst & Young

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21 April 2013
11 Jumada Thani 1434 H

ارنست ويونغ
ترخيص رقم ٤٥
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Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000 (Restated)	31 March 2012 (Unaudited) SR'000 (Restated)
ASSETS				
Cash and balances with SAMA		**7,200,469**	7,082,421	6,102,762
Due from banks and other financial institutions		**3,567,655**	3,138,622	2,882,121
Investments	5	**9,165,392**	8,994,394	7,287,238
Loans and advances, net	6	**32,408,433**	29,896,782	25,069,903
Other real estate, net		**660,446**	660,446	680,778
Property and equipment, net		**479,898**	466,103	455,868
Other assets		**653,290**	542,634	620,534
Total assets		**54,135,583**	50,781,402	43,099,204
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**5,810,586**	3,286,044	2,101,513
Customers' deposits	7	**41,421,562**	40,675,290	34,602,089
Other liabilities		**740,552**	808,215	457,421
Subordinated sukuk		**1,000,000**	1,000,000	1,000,000
Total liabilities		**48,972,700**	45,769,549	38,161,023
EQUITY				
Share capital		**3,000,000**	3,000,000	3,000,000
Statutory reserve		**1,599,500**	1,599,500	1,474,000
General reserve		**68,000**	68,000	68,000
Other reserve		**(32,775)**	(37,644)	86,856
Retained earnings		**528,158**	381,997	149,325
Proposed dividend		**-**	-	160,000
Total equity		**5,162,883**	5,011,853	4,938,181
Total liabilities and equity		**54,135,583**	50,781,402	43,099,204

The accompanying notes 1 to 15 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 Ended 31 March 2013 SR'000	31 March 2012 SR'000 (Restated)
Special commission income		**354,010**	276,562
Special commission expense		**(88,310)**	(57,938)
Net special commission income		**265,700**	218,624
Fees and commission income, net		**124,955**	186,208
Foreign exchange income, net		**10,545**	5,786
Trading income, net		**15,293**	14,067
Dividend income		**4,212**	56
Gain on non-trading investments		**10,227**	-
Other operating income		**11,687**	997
Total operating income		**442,619**	425,738
Salaries and employee-related expenses		**149,358**	142,808
Rent and premises-related expenses		**18,781**	16,279
Depreciation		**17,615**	16,385
Other general and administrative expenses		**55,119**	50,949
Impairment charge for credit losses, net		**55,484**	47,725
Other operating expenses		**2,020**	8,554
Total operating expenses		**298,377**	282,700
Net income for the period		**144,242**	143,038

Earnings per share

	Note	31 March 2013	31 March 2012
Weighted average number of outstanding shares (in thousands)	12	**300,000**	300,000
Basic and diluted earnings per share (expressed in SR)		**0.48**	0.48

The accompanying notes 1 to 15 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 2013 SR'000	31 March 2012 SR'000 (Restated)
Net income for the period	**144,242**	143,038
Net other comprehensive income to be reclassified to statement of income:		
Cash flow hedges:		
Fair value gain / (loss) on cash flow hedges	**1,389**	(1,284)
Net amount transferred to consolidated statement of income	**5,004**	(176)
Net other comprehensive income not being reclassified to statement of income in subsequent periods:		
Net changes in fair value and gain on sales of investment classified as at fair value through other comprehensive income (FVTOCI)	**395**	64,066
Other comprehensive income for the period	**6,788**	62,606
Total comprehensive income for the period	**151,030**	205,644

The accompanying notes 1 to 15 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 2013 AND 2012 (UNAUDITED)

2013	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 SR'000
Balance at January 1, 2013 (audited)	**3,000,000**	**1,599,500**	**68,000**	**(37,644)**	**381,997**	**-**	**5,011,853**
Net Income for the period	-	-	-	-	144,242	-	144,242
Other comprehensive income	-	-	-	6,788	-	-	6,788
Transfer of fair value and gain on sale of investments classified as at FVTOCI	-	-	-	(1,919)	1,919	-	-
Total comprehensive income for the period	-	-	-	4,869	146,161	-	151,030
Balance at March 31, 2013 (unaudited)	**3,000,000**	**1,599,500**	**68,000**	**(32,775)**	**528,158**	**-**	**5,162,883**
2012							
Balance at January 1, 2012 (audited) (Restated)	3,000,000	1,474,000	68,000	24,250	6,287	160,000	4,732,537
Net Income for the period	-	-	-	-	143,038	-	143,038
Other comprehensive income	-	-	-	62,606	-	-	62,606
Total comprehensive income for the period	-	-	-	62,606	143,038	-	205,644
Balance at March 31, 2012 (unaudited) (Restated)	3,000,000	1,474,000	68,000	86,856	149,325	160,000	4,938,181

The accompanying notes 1 to 15 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, 2013 AND 2012
(UNAUDITED)

	2013 SR'000	2012 SR'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	**144,242**	143,038
Adjustments to reconcile net income to net cash from operating activities:		
Trading income	**(15,293)**	(14,067)
Impairment charge for credit losses	**55,484**	47,725
Depreciation	**17,615**	16,385
Gain on non-trading investments	**(10,227)**	-
Dividend Income	**(4,212)**	(56)
Property and equipment written off	**-**	2,030
	187,609	195,055
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	**(113,026)**	(210,564)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	**(63,000)**	187,500
Investment held at fair value through income statement	**(246,533)**	(347,318)
Loans and advances	**(2,567,135)**	(1,810,177)
Other assets	**24,158**	(195,765)
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	**2,524,542**	795,735
Customers' deposits	**746,272**	3,443,558
Other liabilities	**(196,019)**	(94,519)
Net cash from operating activities	**296,868**	1,963,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	**1,445,625**	1,450,000
Acquisition of non-trading investments	**(1,344,175)**	(3,120,653)
Acquisition of property and equipment	**(31,410)**	(27,454)
Dividend received	**4,212**	56
Net cash from / (used in) investing activities	**74,252**	(1,698,051)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	**(65)**	-
Cash used in financing activity	**(65)**	-
Net increase in cash and cash equivalents	**371,055**	265,454
Cash and cash equivalents at the beginning of the period	**7,088,775**	5,957,729
Cash and cash equivalents at the end of the period (note 10)	**7,459,830**	6,223,183
Special commission received during the period	**337,850**	230,822
Special commission paid during the period	**108,259**	68,059

The accompanying notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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 58 branches (2012: 54 branches) in the Kingdom of Saudi Arabia and employed 1,648 staff (2012: 1,620 staff). 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 Shari'ah compliant (non-commission based) banking services.

The Bank provides to its customers Shari'ah compliant (non-commission 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 2012.

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 December 31, 2012, except for as mentioned in note 4 to these interim condensed consolidated financial statements.

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

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its 100% owned subsidiaries, namely 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.

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 three criteria must be met, including:

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 year, 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 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.

c) Associates

Associates are enterprises over which the Bank 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 or the recoverable amount.

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

3. BASIS OF CONSOLIDATION (continued)

c) Associates (continued)

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 (before provision for impairment) or the recoverable amount.

d) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the interim condensed consolidated financial statements.

4. CHANGES IN 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 December 31, 2012, except for the impact of IFRS 10: Consolidated financial statements (refer note 4(c)), and IFRS 13(refer note 13): Fair value measurements and adopting the following:

a) New standards

IFRS 11: Joint arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 jointly controlled entities – Non Monetary contributions by venturers and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using equity accounting method.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13: Fair value measurements

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements, except for the requirements in case of share based payments, leasing transactions and measurements that have some similarities to fair value but are not fair value. IFRS 13 does not change requirement when the entity is required to use fair value, rather it provides guidance on how to measure the fair values.

4. CHANGES IN ACCOUNTING POLICIES (continued)

a) New standards (continued)

IFRS 13: Fair value measurements (continued)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are also specifically required for financial instruments by IAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 13.

b) Amendments and improvements to existing standards

- Amendments to IFRS 7 Financial Instruments: Disclosure: Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

- Amendments to IAS 1 Presentation of financial statements: amends IAS 1 to revise the way other comprehensive income is presented.

- IAS 28 Investments in Associates and Joint Ventures (2011): The majority of these revisions result from the incorporation of Joint ventures into IAS 28 (2011) and the fundamental approach to accounting for equity accounted investments has not changed.

- The IASB has published Annual Improvements to IFRSs: 2009-2011 cycle of improvements that contain amendments to the following standards with consequential amendments to other standards:

  - IAS 1 - Presentation of financial statements: Comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes;
  - IAS 34 - Interim Financial Reporting: Segment assets and liabilities.

c) IFRS 10 Consolidated financial statements: IFRS 10

IFRS 10 replaces the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').

As a result of the application of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities.

4. CHANGES IN ACCOUNTING POLICIES (continued)

c) IFRS 10 Consolidated financial statements: IFRS 10 (continued)

In accordance with the transitional requirements of IFRS 10, the Group re-assessed the control conclusion for its investees as of 1 January 2013. As a consequence, the Group has changed its consolidation conclusions for mutual funds managed by the Group. Al-Thoraiya European Equities Fund and Al-Jazira Residential Projects Fund were consolidated in the financial statements of the Bank up to 31 December 2012. However, as a consequence of re-assessment, the Group has concluded that it does not control those mutual funds. The Group acts as fund manager to a number of mutual funds. Determining whether the Group controls such mutual funds usually focuses on the assessment of power, exposure to variability in returns and a linkage between the two. Considering the above factors the management of the group believes that it is acting as an agent for most of the mutual funds managed by the Group, and therefore has not consolidated these funds. Accordingly the Group has restated its comparatives in these interim consolidated financial statements to reflect the deconsolidation of the funds.

The following table summarises the adjustments made to the Group's consolidated statement of financial position at 31 December 2012 and the interim consolidated statement of financial position at 31 March 2012, interim consolidated statements of income, comprehensive income and cash flows for the three months period ended 31 March 2012, as a result of the deconsolidation of the mutual funds:

	December 31, 2012 (SR '000)		
Consolidated statement of financial position	As previously reported	Adjustments	As restated
Cash and balances with SAMA	7,109,044	(26,623)	7,082,421
Investments	9,098,734	(104,340)	8,994,394
Other assets	586,791	(44,157)	542,634
Overall impact on total assets	16,794,569	(175,120)	16,619,449
Other liabilities	(809,590)	1,375	(808,215)
Overall impact on total liabilities	(809,590)	1,375	(808,215)
Non-controlling interests	173,745	(173,745)	-
Overall impact on total equity	173,745	(173,745)	-

4. CHANGES IN ACCOUNTING POLICIES (continued)

c) IFRS 10 Consolidated financial statements: IFRS 10 (continued)

	March 31, 2012 (SR '000)		
Interim consolidated statement of financial position	As previously reported	Adjustments	As restated
Cash and balances with SAMA	6,105,744	(2,982)	6,102,762
Investments	7,443,629	(156,391)	7,287,238
Other assets	620,352	182	620,534
Overall impact on total assets	14,169,725	(159,191)	14,010,534
Other liabilities	(462,595)	5,174	(457,421)
Overall impact on total liabilities	(462,595)	5,174	(457,421)
Non-controlling interests	154,017	(154,017)	-
Overall impact on total equity	154,017	(154,017)	-

	March 31, 2012 (SR '000)		
Interim consolidated statement of income	As previously reported	Adjustments	As restated
Fees and commission income, net	185,649	559	186,208
Trading income, net	15,988	(1,921)	14,067
Other general and administrative expenses	(51,597)	648	(50,949)
Non-controlling interests	(714)	714	-

	March 31, 2012 (SR '000)		
Interim consolidated statement of comprehensive income	As previously reported	Adjustments	As restated
Net income for the year	143,752	(714)	143,038
Non-controlling interests	(714)	714	-

	March 31, 2012 (SR '000)		
Interim consolidated statement of cash flows	As previously reported	Adjustments	As restated
Net cash from operating activities	1,957,909	5,596	1,963,505
Net cash used in financing activities	8,044	(8,044)	-

5. INVESTMENTS

	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000 (Restated)	31 March 2012 (Unaudited) SR'000 (Restated)
Fair Value through Income Statement (FVTIS)			
Mandatorily measured at FVTIS	**803,406**	800,710	792,509
Designated as at FVTIS	**424,697**	165,566	225,280
	1,228,103	966,276	1,017,789
Fair Value through Other Comprehensive Income (FVTOCI)	**198,349**	260,441	362,383
Held at amortized cost	**7,738,940**	7,767,677	5,907,066
Total	**9,165,392**	8,994,394	7,287,238

6. LOANS AND ADVANCES, NET

	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000	31 March 2012 (Unaudited) SR'000
Consumer loans	**11,418,687**	10,498,093	8,228,589
Commercial loans and overdrafts	**21,189,923**	19,593,526	16,965,284
Others	**162,948**	142,714	99,492
Performing loans and advances	**32,771,558**	30,234,333	25,293,365
Non- performing loans and advances	**1,066,875**	1,040,219	1,034,708
Total loans and advances	**33,838,433**	31,274,552	26,328,073
Provision for credit losses	**(1,430,000)**	(1,377,770)	(1,258,170)
Loans and advances, net	**32,408,433**	29,896,782	25,069,903

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

7. CUSTOMERS' DEPOSITS

	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000	31 March 2012 (Unaudited) SR'000
Demand	**16,166,605**	16,697,067	13,479,874
Time	**24,025,311**	23,135,130	20,000,098
Other	**1,229,646**	843,093	1,122,117
Total	**41,421,562**	40,675,290	34,602,089

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

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 2013 (Unaudited) SR'000			31 December 2012 (Audited) SR'000			31 March 2012 (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	9,347	9,347	6,727,306	4,330	4,330	2,246,545	3,931	3,931	5,142,542
Special commission rate swaps	156,476	156,476	3,833,313	136,857	136,857	3,833,313	17,875	17,875	2,179,820
	165,823	165,823	10,560,619	141,187	141,187	6,079,858	21,806	21,806	7,322,362
Held as cash flow hedge:									
Special commission rate swaps	-	26,908	1,385,625	10,070	58,805	2,550,625	5,157	4,661	1,219,375
Total	165,823	192,731	11,946,244	151,257	199,992	8,630,483	26,963	26,467	8,541,737

8. DERIVATIVES (continued)

Derivative financial instruments held for hedging purposes

The Bank uses Shariah complaint 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 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000	31 March 2012 (Unaudited) SR'000
Letters of guarantee	**2,496,686**	2,452,338	2,465,165
Letters of credit	**1,109,504**	888,337	820,572
Acceptances	**522,092**	329,948	457,210
Irrevocable commitments to extend credit	**1,236,520**	1,671,447	2,185,095
Total	**5,364,802**	5,342,070	5,928,042

10. CASH AND CASH EQUIVALENTS

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

	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000 (Restated)	31 March 2012 (Unaudited) SR'000 (Restated)
Cash and balances with SAMA, excluding statutory deposit	**5,079,675**	5,074,653	4,422,312
Due from banks and other financial institutions with an original maturity of ninety days or less	**2,380,155**	2,014,122	1,800,871
Total	**7,459,830**	7,088,775	6,223,183

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

As required by Insurance Law of Saudi Arabia, the Group has decided to spin off its insurance business in a separate entity formed under new Insurance Law of Saudi Arabia.

On 14 April 2013, the Capital Market Authority (CMA) Board has issued its resolution approving the initial public offering of AlJazira Takaful Ta'awuni Company. Once the new insurance company is incorporated and licensed, the assets, liabilities and operations of the insurance business will be transferred to the new insurance company at the valuation approved by the CMA.

The Group's total assets and liabilities at 31 March 2013 and 2012, its total operating income and expenses, and its net income for the three months then ended, by business segment, are as follows:

11. OPERATING SEGMENTS (continued)

31 March 2013 (SR'000)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	14,413,202	19,408,264	19,518,395	809,650	9,629	(23,557)	54,135,583
Total liabilities	15,321,898	25,145,515	8,390,480	68,325	46,482	-	48,972,700
Total operating income	150,906	99,499	126,923	72,362	5,008	(12,079)	442,619
Net special commission	98,497	72,058	92,990	2,114	44	(3)	265,700
Fee and commission income, net	30,489	21,455	2,485	65,562	4,964	-	124,955
Trading income	1,881	1,502	7,776	4,134	-	-	15,293
Operating expenses:							
Impairment charge for credit losses, net	45,046	10,438	-	-	-	-	55,484
Depreciation	10,256	2,216	2,236	2,237	670	-	17,615
Total operating expenses	164,625	56,941	35,353	34,710	8,090	(1,342)	298,377
Net (loss) / income	(13,719)	42,558	91,570	37,652	(3,082)	(10,737)	144,242

11. OPERATING SEGMENTS (continued)

31 March 2012 (SR'000)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	10,739,490	15,659,028	16,019,012	670,431	11,243	-	43,099,204
Total liabilities	14,495,972	19,202,649	4,374,185	50,400	37,817	-	38,161,023
Total operating income	92,910	117,734	96,736	116,748	7,599	(5,989)	425,738
Net special commission	60,500	82,521	72,280	2,685	11	627	218,624
Fee and commission income, net	22,661	30,660	12,254	113,044	7,589	-	186,208
Trading income	4,928	2,967	6,096	76	-	-	14,067
Operating expenses:							
Impairment charge for credit losses, net	27,725	20,000	-	-	-	-	47,725
Depreciation	10,976	1,495	720	2,393	801	-	16,385
Total operating expenses	149,917	62,729	21,187	36,833	13,278	(1,244)	282,700
Net (loss) / income	(57,007)	55,005	75,549	79,915	(5,679)	(4,745)	143,038

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 2012: 300 million shares of SR 10 each; 31 March 2012: 300 million shares of SR 10 each).

The Earning per share for three months ended 31 March 2013 was SR 0.48 (2012: 0.48).

13. 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 values of on-balance sheet financial instruments, except for investments held as at amortised cost, are not significantly different from the carrying values included in the interim 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 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 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 bonds respectively. The fair values of these investments are disclosed below.

The fair values of derivatives and other off-balance sheet financial instruments are based on the quoted market prices when available or by using the appropriate valuation techniques.

Financial assets as at 31 March 2013	**Carrying amount**	**Fair value**
Held as at amortised cost	**7,738,940**	**7,776,605**

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

13. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 instrument (i.e., without modification or repacking),

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.

	31 March 2013 (SR'000)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
FVTIS	**1,228,103**	**-**	**-**	**1,228,103**
FVTOCI	**194,911**	**-**	**3,438**	**198,349**
Derivatives	**-**	**165,823**	**-**	**165,823**
Financial liabilities				
Derivatives	**-**	**(192,731)**	**-**	**(192,731)**
Net	**1,423,014**	**(26,908)**	**3,438**	**1,399,544**

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

Financial investments as at FVTOCI	**31 March 2013 SR (000)**
Opening balance	**3,438**
Net unrealised gain (loss) recognised during the period	**-**
Closing balance	**3,438**

During the three month period ended 31 March 2013, 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 year are classified under the relevant categories.

14. 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 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 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 has issued its final guidelines regarding implementation of Basel III Framework effective January 1, 2013. The new framework has brought significant amendments in the computation of Regulatory Capital and Pillar-I Risk Weighted Assets. The following table summarises the Bank's Pillar-I Risk Weighted Assets, Regulatory Capital and Capital Adequacy Ratios calculated in accordance with the new Basel III Framework for current period only. Comparative periods summarizes the Bank's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios using Basel II Framework which was applicable to the Bank for the prior periods presented in these condensed interim financial statements:

	31 March 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000	31 March 2012 (Unaudited) SR'000
Credit Risk RWA	**39,842,383**	37,157,226	33,747,735
Operational Risk RWA	**2,412,388**	2,412,388	2,102,541
Market Risk RWA	**2,189,801**	1,779,882	1,325,011
Total Pillar-I RWA	**44,444,572**	41,349,496	37,175,287
Tier I Capital	**5,129,169**	5,011,853	4,938,181
Tier II Capital	**1,144,685**	1,467,673	1,351,991
Total Tier I & II Capital	**6,273,854**	6,479,526	6,290,172
Capital Adequacy Ratio (%)			
Tier I ratio	**11.54**	12.12	13.28
Total Tier I & II Capital	**14.12**	15.67	16.92

15. COMPARATIVE FIGURES

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