BANK ALJAZIRA
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 statement of financial position of Bank AlJazira ("the Bank") and its subsidiaries as of 30 June 2012, and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three month and six month periods ended 30 June 2012, the related interim consolidated statements of changes in equity and cash flows for the six-month period then ended, along with condensed notes from 1 through 14.. We have not reviewed note 15, nor the information related to "Basel II Pillar III Disclosures" 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". 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 Institutions 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

Husam Faisal Bawared
Certified Public Accountant
Licence Number 393

19 July 2012
29 Sha'aban 1433 H

إرنست ويونغ
ترخيص
مهني رقم ٤٥
PROFESSIONAL LICENCE NO. 45
ERNST & YOUNG

**For Deloitte & Touche
Bakr Abulkhair & Co.**

Al-Mutahhar Y.Hamiduddin
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Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
ASSETS				
Cash and balances with SAMA		**5,649,161**	4,379,043	3,542,210
Due from banks and other financial institutions		**4,036,416**	4,331,024	4,293,412
Investments	5	**8,841,209**	5,396,915	5,299,471
Loans and advances, net	6	**27,231,791**	23,307,451	22,034,472
Other real estate, net		**674,778**	680,778	678,450
Property and equipment, net		**456,622**	446,829	451,565
Other assets		**377,140**	356,210	442,215
Total assets		**47,267,117**	38,898,250	36,741,795
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**3,389,625**	1,305,778	1,410,047
Customers' deposits	7	**37,254,210**	31,158,531	29,081,698
Other liabilities		**668,183**	497,078	466,987
Subordinated sukuk		**1,000,000**	1,000,000	1,000,000
Total liabilities		**42,312,018**	33,961,387	31,958,732
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
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		**(13,527)**	24,250	41,210
Retained earnings		**278,494**	6,287	65,923
Proposed dividend		**-**	160,000	-
Total equity attributable to equity holders of the Parent		**4,806,967**	4,732,537	4,573,133
Non-controlling interests		**148,132**	204,326	209,930
Total equity attributable to equity holders of the Parent and non-controlling interest		**4,955,099**	4,936,863	4,783,063
Total liabilities and equity		**47,267,117**	38,898,250	36,741,795

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 INCOME STATEMENT (UNAUDITED)

	Notes	For the Three Months Ended		For the Six Months Ended	
		June 30, 2012 SR'000	June 30, 2011 SR'000	**June 30, 2012 SR'000**	June 30, 2011 SR'000
Special commission income		**296,789**	239,147	**573,351**	464,098
Special commission expense		**(55,730)**	(47,485)	**(113,668)**	(89,202)
Net special commission income		**241,059**	191,662	**459,683**	374,896
Fees and commission income, net		**160,624**	101,199	**346,273**	176,810
Foreign exchange income, net		**6,096**	5,362	**11,882**	9,675
Trading (loss) / income, net		**(2,169)**	6,606	**13,819**	14,996
Dividend income		**5,330**	-	**5,386**	4,703
Other operating income		**(1,454)**	3,462	**(457)**	3,472
Total operating income		**409,486**	308,291	**836,586**	584,552
Salaries and employee-related expenses		**139,764**	117,817	**282,572**	229,745
Rent and premises-related expenses		**17,037**	15,070	**33,316**	30,791
Depreciation		**16,097**	15,885	**32,482**	34,509
Other general and administrative expense		**49,183**	44,421	**100,780**	94,610
Impairment charge for credit losses, net		**56,813**	43,986	**104,538**	39,738
Other operating expenses		**1,963**	6,208	**10,517**	28,315
Total operating expenses		**280,857**	243,387	**564,205**	457,708
Net income for the period		**128,629**	64,904	**272,381**	126,844
Attributable to:					
Equity holders of the Parent		**129,169**	64,203	**272,207**	126,489
Non-controlling interests		**(540)**	701	**174**	355
Net income for the period		**128,629**	64,904	**272,381**	126,844
Earnings per share					
Weighted average number of outstanding shares (in thousands) (note 12)		**300,000**	300,000	**300,000**	300,000
Basic and diluted earnings per share (expressed in SR)		**0.43**	0.22	**0.91**	0.42

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		For the Six Months Ended	
	June 30, 2012 SR'000	June 30, 2011 SR'000	**June 30, 2012 SR'000**	June 30, 2011 SR'000
Net income for the period	**128,629**	64,904	**272,381**	126,844
Other comprehensive (loss) / income:				
Net changes in fair value of investment classified as at Fair Value through other comprehensive income (FVTOCI)	**(73,048)**	(42,261)	**(8,982)**	(70,541)
Cash flow hedges:				
Fair value (loss) / gain on cash flow hedge	**(27,165)**	1,667	**(28,449)**	1,667
Amount transferred to income statement	**(170)**	-	**(346)**	-
Other comprehensive loss for the period	**(100,383)**	(40,594)	**(37,777)**	(68,874)
Total comprehensive income for the period	**28,246**	24,310	**234,604**	57,970
Attributable to:				
Equity holders of the parent	**28,786**	23,609	**234,430**	57,615
Non-controlling interests	**(540)**	701	**174**	355
Total comprehensive income for the period	**28,246**	24,310	**234,604**	57,970

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 SIX MONTHS ENDED 30 JUNE 2012 AND 2011 (UNAUDITED)

2012	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Proposed dividend SR'000	Total equity attributable to equity holders of the Parent SR'000	Non-controlling interests SR'000	Total SR'000
Balance at January 1, 2012 (audited)	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	-	-	-	-	272,207	-	272,207	174	**272,381**
Other comprehensive income	-	-	-	(37,777)	-	-	(37,777)	-	**(37,777)**
Total comprehensive income for the period	-	-	-	(37,777)	272,207	-	234,430	174	**234,604**
Net changes in non-controlling interest	-	-	-	-	-	-	-	(56,368)	**(56,368)**
Gross dividend for 2011 (approved)	-	-	-	-	-	(160,000)	(160,000)	-	**(160,000)**
Balance at June 30, 2012 (unaudited)	**3,000,000**	**1,474,000**	**68,000**	**(13,527)**	**278,494**	**-**	**4,806,967**	**148,132**	**4,955,099**
2011									
Balance at January 1, 2011 (audited)	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	-	-	-	-	126,489	-	126,489	355	126,844
Other comprehensive income	-	-	-	(68,874)	-	-	(68,874)	-	(68,874)
Total comprehensive (loss) / income for the period	-	-	-	(68,874)	126,489	-	57,615	355	57,970
Net changes in non-controlling interest	-	-	-	-	-	-	-	(80,589)	(80,589)
Balance at June 30, 2011 (unaudited)	3,000,000	1,398,000	68,000	41,210	65,923	-	4,573,133	209,930	4,783,063

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 SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(UNAUDITED)

	2012 SR'000	2011 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period attributable to equity holders of the Parent	**272,207**	126,489
Adjustments to reconcile net income to net cash from operating activities:		
Trading loss	**(13,819)**	(14,996)
Impairment charge for credit losses	**104,538**	39,738
Depreciation	**32,482**	34,509
Dividend Income	**(5,386)**	(4,703)
Property and equipment written off	**2,030**	-
	392,052	181,037
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	**(365,016)**	(11,754)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	**116,250**	(929,342)
Investment held at fair value through income statement	**(331,705)**	96,615
Other real estate, net	**6,000**	1,350
Loans and advances	**(4,028,878)**	(3,369,768)
Other assets	**(20,850)**	(4,642)
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	**2,083,847**	1,021,328
Customers' deposits	**6,095,679**	1,736,780
Other liabilities	**147,439**	(10,092)
Net cash from / (used in) operating activities	**4,094,818**	(1,288,488)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	**2,250,000**	400,000
Acquisition of non-trading investments	**(5,414,180)**	(1,305,460)
Acquisition of property and equipment	**(44,305)**	(23,581)
Dividend received	**5,386**	4,703
Net cash used in investing activities	**(3,203,099)**	(924,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(158,272)**	(156)
Issuance of subordinated sukuk	**-**	1,000,000
Net movements in non-controlling interests	**(6,703)**	(80,234)
Net cash (used in) / from financing activities	**(164,975)**	919,610
Net increase / (decrease) in cash and cash equivalents	**726,744**	(1,293,216)
Cash and cash equivalents at the beginning of the period	**5,971,431**	4,905,463
Cash and cash equivalents at the end of the period (note 10)	**6,698,175**	3,612,247
Special commission received during the period	**596,518**	448,194
Special commission paid during the period	**111,473**	103,603
SUPPLEMENTAL NON-CASH INFORMATION		
Net changes in fair values	**(8,982)**	(68,874)

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 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.

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 equity attributable to the equity holders of the parent.

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.

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 as follows:

i. Amendments and revisions to existing standards

The amendments and revisions to existing standards as explained in the coming paragraph has had no financial impact on the interim condensed consolidated financial statements of the Bank.

(a) 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) Amendments to IFRS 7 – Financial Instruments: Disclosures (Transfers of Financial Assets):

These amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

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

Bank had early adopted IFRS 9 effective 1 January 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:

4. CHANGES IN ACCOUNTING POLICIES (continued)

b) Impact on other reserves and retained earnings (continued)

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

5. INVESTMENTS

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Fair Value through Income Statement (FVTIS)			
Mandatorily measured at FVTIS	**795,063**	565,440	1,516,169
Designated as at FVTIS	**353,298**	293,824	312,329
	1,148,361	859,264	1,828,498
Fair Value through Other Comprehensive Income (FVTOCI)	**289,322**	298,317	318,821
Held at amortized cost	**7,403,526**	4,239,334	3,152,152
Total	**8,841,209**	5,396,915	5,299,471

6. LOANS AND ADVANCES, NET

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Consumer loans	**9,247,723**	7,230,960	6,194,824
Commercial loans and overdrafts	**18,129,868**	16,169,005	15,885,968
Others	**122,492**	87,242	79,650
Performing loans and advances	**27,500,083**	23,487,207	22,160,442
Non- performing loans and advances	**1,041,988**	1,030,688	1,040,182
Gross loans and advances	**28,542,071**	24,517,895	23,200,624
Provision for credit losses	**(1,310,280)**	(1,210,444)	(1,166,152)
Loans and advances, net	**27,231,791**	23,307,451	22,034,472

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

7. CUSTOMERS' DEPOSIT

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Demand	**14,313,673**	10,052,986	9,363,993
Time	**22,253,239**	20,639,890	19,111,399
Other	**687,298**	465,655	606,306
Total	**37,254,210**	31,158,531	29,081,698

Time deposits comprise the 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.

	30 June 2012 (Unaudited) SR'000			31 December 2011 (Audited) SR'000			30 June 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
Derivative used as held for trading:									
Options	4,663	-	2,472,598	14,292	-	2,189,570	-	-	-
Options	-	4,663	2,472,598	-	14,292	2,189,570	-	-	-
Special commission rate swaps	104,598	-	1,920,642	-	-	-	-	-	-
Special commission rate swaps	-	104,598	1,920,642	-	-	-	-	-	-
Total	109,261	109,261	8,786,480	14,292	14,292	4,379,140	-	-	-
Derivative used as fair value hedge:									
Special commission rate swaps	-	-	-	-	-	-	4,595	-	187,500
Total	-	-	-	-	-	-	4,595	-	187,500
Derivative used as cash flow hedge:									
Special commission rate swaps	18,716	-	850,000	3,715	-	365,000	1,667	-	436,000
Special commission rate swaps	-	45,386	1,588,125	-	1,430	425,250	-	-	-
Total	18,716	45,386	2,438,125	3,715	1,430	790,250	1,667	-	436,000

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:

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Letters of guarantee	**2,503,084**	2,473,018	2,217,448
Letters of credit	**1,027,099**	602,881	699,375
Acceptances	**334,018**	407,612	231,185
Irrevocable commitments to extend credit	**1,637,075**	664,417	1,969,724
Total	**5,501,276**	4,147,928	5,117,732

10. CASH AND CASH EQUIVALENTS

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

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	**3,814,259**	2,909,157	2,307,335
Due from banks and other financial institutions with an original maturity of ninety days or less	**2,883,916**	3,062,274	1,304,912
Total	**6,698,175**	5,971,431	3,612,247

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 30 June 2012 have been prepared using such methodology and basis. The results for the corresponding period ended 30 June 2011 are also presented accordingly.

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

Retail banking group
The group offers to the individuals, the Shari'ah complaint solutions; such as current accounts, "Naqaa" time deposits, in addition to financing products such as Personal Finance, Real Estate Finance and credit cards.

Corporate and Institutional banking group
The Group provides solutions for deposits, loans 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 business 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.

11. OPERATING SEGMENTS (continued)

The Bank's total assets and liabilities at 30 June 2012 and 2011, its total operating income and expenses, and its net income for the six months then ended, by business segment, are as follows:

30 June 2012 (SR'000)

	Retail Banking (unaudited)	Corporate & Institutional Banking (unaudited)	(SR'000) Brokerage and asset management (unaudited)	Treasury (unaudited)	Takaful Ta'awuni (unaudited)	Others (unaudited)	Total (unaudited)
Total assets	11,820,127	16,654,196	732,050	17,899,444	10,243	151,057	47,267,117
Total liabilities	15,739,262	20,823,469	70,158	5,637,468	38,717	2,944	42,312,018
Operating income from external customers	293,139	239,509	190,030	109,490	13,201	(8,783)	836,586
Inter – segment operating income / (loss)	(111,363)	(15,400)	30,720	98,946	15	(2,918)	-
Total operating income	181,776	224,109	220,750	208,436	13,216	(11,701)	836,586
Net special commission	124,526	169,009	5,270	161,292	15	(429)	459,683
Fee and commission income, net	46,781	50,884	210,976	25,560	13,201	(1,129)	346,273
Trading income, net	189	128	1,570	8,939	-	2,993	13,819
Operating expenses:							
Impairment charge for credit losses, net	55,613	48,925	-	-	-	-	104,538
Depreciation	20,543	3,453	4,769	2,088	1,629	-	32,482
Total operating expenses including non-controlling interest	287,190	134,014	72,515	37,603	33,209	(152)	564,379
Net (loss) / income attributable to equity holders of the Bank	(105,414)	90,095	148,235	170,833	(19,993)	(11,549)	272,207

11. OPERATING SEGMENTS (continued)

30 June 2011 (SR'000)

	Personal banking (unaudited)	Corporate & Institutional Banking (unaudited)	Brokerage and asset management (unaudited)	Treasury (unaudited)	Takaful Ta'awuni (unaudited)	Others (unaudited)	Total (unaudited)
Total assets	8,053,128	15,247,442	586,733	12,619,005	16,644	218,843	36,741,795
Total liabilities	10,796,412	17,658,390	43,330	3,419,698	31,964	8,938	31,958,732
Operating income from external customers	222,971	221,945	83,775	42,165	18,936	(5,240)	584,552
Inter – segment operating (loss) / income	(71,191)	(11,349)	23,303	61,316	(141)	(1,938)	-
Total operating income	151,780	210,596	107,078	103,481	18,795	(7,178)	584,552
Net special commission	119,704	162,731	5,679	86,373	(141)	550	374,896
Fee and commission income, net	21,712	42,722	98,544	(621)	18,936	(4,483)	176,810
Trading income, net	(73)	(50)	(54)	6,728	-	8,445	14,996
Operating expenses:							
Impairment charge for credit losses, net	32,028	7,710	-	-	-	-	39,738
Depreciation	20,168	3,431	7,894	1,242	1,774	-	34,509
Total operating expenses including non-controlling interest	230,655	81,503	67,712	29,316	47,403	1,474	458,063
Net (loss) / income attributable to equity holders of the Bank	(78,875)	129,093	39,366	74,165	(28,608)	(8,652)	(126,489)

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; 30 June 2011: 300 million shares of SR 10 each).

The Earning per share for six months ended 30 June 2012 was SR 0.91 (2011: 0.42).

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 minimum level 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.

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000	30 June 2011 (Unaudited) SR'000
Credit Risk RWA	**34,389,263**	30,819,867	28,402,356
Operational Risk RWA	**2,102,541**	2,102,541	1,805,163
Market Risk RWA	**1,517,091**	1,785,681	2,043,119
Total Pillar-I RWA	**38,008,895**	34,708,089	32,250,638
Tier I Capital	**4,806,967**	4,732,537	4,573,133
Tier II Capital	**1,403,764**	1,305,864	1,250,285
Total Tier I & II Capital	**6,210,731**	6,038,401	5,823,418
Capital Adequacy Ratio (%)			
Tier I ratio	**12.65**	13.64	14.18
Tier I + Tier II ratio	**16.34**	17.40	18.06

14. COMPARATIVE FIGURES

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

15. BASEL II PILLAR III QUANTITATIVE DISCLOSURES

Basel II Pillar III quantitative semi-annual disclosures are required by SAMA to be presented on the Bank's website www.baj.com.sa, within 60 working days after June 30, 2012 as required by SAMA. Such disclosures are not subject to review or audit by the external auditors of the Bank.