

Bank AlJazira
(A Saudi Joint Stock Company)

BANK ALJAZIRA
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2013 AND REVIEW REPORT**

P. O. Box 1994
Jeddah 21441
Saudi Arabia

P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323 issued
11/3/1992

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 (the “Group”) as of 30 June 2013, and the related interim consolidated statements of income and comprehensive income for the three months and six months period ended 30 June 2013, the related interim consolidated statements of changes in equity and cash flows for the six months period then ended, along with condensed notes from 1 through 16. We have not reviewed note 15, nor the information related to “Basel III 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” (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 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.

The comparative figures shown in these interim condensed consolidated financial statements were audited / reviewed by Ernst & Young and another auditor, whose audit / review report contained an unqualified opinion/ conclusion.

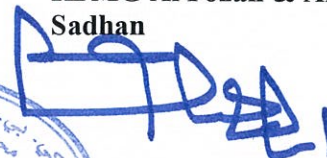
For Ernst & Young



Husam Faisal Bawared
Certified Public Accountant
Licence Number 393



KPMG Al Fozan & Al
Sadhan



Ebrahim Oboud Baeshen
Certified Public Accountant
License No. 382



21 July 2013
13 Ramadan 1434 H

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2013 (Unaudited) Notes	31 December 2012 (Audited) SR'000 (Restated)	30 June 2012 (Unaudited) SR'000 (Restated)
ASSETS			
Cash and balances with SAMA	5,190,882	7,082,421	5,644,409
Due from banks and other financial institutions	6,060,209	3,138,622	4,036,416
Investments	5 9,863,082	8,994,394	8,715,967
Loans and advances, net	6 33,311,965	29,896,782	27,231,791
Other real estate, net	674,386	660,446	674,778
Property and equipment, net	492,443	466,103	456,622
Other assets	658,447	542,634	356,078
Total assets	56,251,414	50,781,402	47,116,061
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	3,967,660	3,286,044	3,389,625
Customers' deposits	7 45,197,774	40,675,290	37,254,210
Other liabilities	708,016	808,215	665,259
Subordinated sukuk	1,000,000	1,000,000	1,000,000
Total liabilities	50,873,450	45,769,549	42,309,094
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 reserves	10,134	(37,644)	(13,527)
Retained earnings	700,330	381,997	278,494
Total equity	5,377,964	5,011,853	4,806,967
Total liabilities and equity	56,251,414	50,781,402	47,116,061

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

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INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the Three Months Ended		For the Six Months Ended	
		30 June 2013 <u>SR'000</u>	30 June 2012 <u>SR'000</u> (Restated)	30 June 2013 <u>SR'000</u>	30 June 2012 <u>SR'000</u> (Restated)
Special commission income		375,788	296,789	729,798	573,351
Special commission expense		(73,807)	(55,730)	(162,117)	(113,668)
Net special commission income		301,981	241,059	567,681	459,683
Fees and commission income, net		115,946	161,194	240,901	347,402
Exchange income, net		7,658	6,096	18,203	11,882
Trading income / (loss), net		3,311	(3,241)	18,604	10,826
Dividend income		-	5,330	4,186	5,386
Gains on non-trading investments		13,205	-	23,432	-
Other operating income		6,365	(1,926)	18,078	(929)
Total operating income		448,466	408,512	891,085	834,250
Salaries and employee-related expenses		152,469	139,764	301,827	282,572
Rent and premises-related expenses		20,525	17,037	39,306	33,316
Depreciation		17,116	16,097	34,731	32,482
Other general and administrative expenses		58,546	47,685	113,665	98,634
Impairment charge for credit losses, net		31,051	56,813	86,535	104,538
Other operating expenses		1,366	1,947	3,386	10,501
Total operating expenses		281,073	279,343	579,450	562,043
Net income for the period		167,393	129,169	311,635	272,207
Basic and diluted earnings per share (expressed in SR)	12	0.56	0.43	1.04	0.91

The accompanying notes 1 to 16 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	
	30 June 2013 <u>SR'000</u>	30 June 2012 <u>SR'000</u> (Restated)	30 June 2013 <u>SR'000</u>	30 June 2012 <u>SR'000</u> (Restated)
Net income for the period	<u>167,393</u>	<u>129,169</u>	<u>311,635</u>	<u>272,207</u>
Net other comprehensive income to be reclassified to statement of income:				
Cash flow hedges:				
Fair value gain / (loss) on cash flow hedges	21,380	(27,165)	22,769	(28,449)
Net amount transferred to consolidated statement of income	7,972	(170)	12,976	(346)
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)	<u>18,336</u>	<u>(73,048)</u>	<u>18,731</u>	<u>(8,982)</u>
Other comprehensive income / (loss) for the period	<u>47,688</u>	<u>(100,383)</u>	<u>54,476</u>	<u>(37,777)</u>
Total comprehensive income for the period	<u><u>215,081</u></u>	<u><u>28,786</u></u>	<u><u>366,111</u></u>	<u><u>234,430</u></u>

The accompanying notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013 AND 2012 (UNAUDITED)

	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserves SR'000	Retained earnings SR'000	Proposed dividend SR'000	Total equity SR'000
2013							
Balance at 1 January 2013 (audited)	3,000,000	1,599,500	68,000	(37,644)	381,997	-	5,011,853
Net Income for the period	-	-	-	-	311,635	-	311,635
Other comprehensive income	-	-	-	54,476	-	-	54,476
Transfer of gain on sale of investments classified as at FVTOCI	-	-	-	(6,698)	6,698	-	-
Total comprehensive income for the period	-	-	-	47,778	318,333	-	366,111
Balance at 30 June 2013 (unaudited)	3,000,000	1,599,500	68,000	10,134	700,330	-	5,377,964
2012							
Balance at 1 January 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	-	-	-	-	272,207	-	272,207
Other comprehensive income	-	-	-	(37,777)	-	-	(37,777)
Total comprehensive income for the period	-	-	-	(37,777)	272,207	-	234,430
Gross dividend for 2011 (approved)	-	-	-	-	-	(160,000)	(160,000)
Balance at 30 June 2012 (unaudited) (Restated)	3,000,000	1,474,000	68,000	(13,527)	278,494	-	4,806,967

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Bank AlJazira

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013 AND 2012 (UNAUDITED)

	2013 <u>SR'000</u>	2012 <u>SR'000</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	311,635	272,207
Adjustments to reconcile net income to net cash from operating activities:		
Trading income	(18,604)	(10,826)
Impairment charge for credit losses	86,535	104,538
Depreciation	34,731	32,482
Gain on non-trading investments	(23,432)	-
Dividend income	(4,186)	(5,386)
Property and equipment written off	-	2,030
	<u>386,679</u>	<u>395,045</u>
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA	(426,250)	(365,016)
Due from banks and other financial institutions maturing after ninety days from the date of acquisition	(475,500)	116,250
Investment held at fair value through income statement	(262,798)	(355,889)
Loans and advances	(3,501,718)	(4,028,878)
Other real estate, net	(13,940)	6,000
Other assets	113,253	(4,357)
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions	681,616	2,083,847
Customers' deposits	4,522,484	6,095,679
Other liabilities	(293,438)	211,974
	<u>730,388</u>	<u>4,154,655</u>
Net cash from operating activities		
	<u>730,388</u>	<u>4,154,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of non-trading investments	2,528,240	2,250,000
Acquisition of non-trading investments	(3,073,363)	(5,471,770)
Acquisition of property and equipment	(61,071)	(44,305)
Dividend received	4,186	5,386
	<u>(602,008)</u>	<u>(3,260,689)</u>
Net cash used in investing activities		
	<u>(602,008)</u>	<u>(3,260,689)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	(82)	(158,272)
	<u>(82)</u>	<u>(158,272)</u>
Cash used in financing activity		
	<u>(82)</u>	<u>(158,272)</u>
Net increase in cash and cash equivalents	128,298	735,694
Cash and cash equivalents at the beginning of the period	7,088,775	5,957,729
	<u>7,217,073</u>	<u>6,693,423</u>
Cash and cash equivalents at the end of the period (note 10)		
	<u>7,217,073</u>	<u>6,693,423</u>
Special commission received during the period	696,183	596,518
	<u>696,183</u>	<u>596,518</u>
Special commission paid during the period	181,138	111,473
	<u>181,138</u>	<u>111,473</u>

The accompanying notes 1 to 16 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 SIX MONTHS PERIOD ENDED 30 JUNE 2013 AND 2012

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 59 branches (2012: 54 branches) in the Kingdom of Saudi Arabia and employed 1,693 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 products and services comprising of Murabaha, Istisna'a, Ijarah and Tawaraq, which are approved and supervised by an independent Shari'ah Board established by the Bank.

The Bank's subsidiaries (collectively referred to as the "Group") are as follows:

	Country of incorporation	Nature of business	Ownership (direct and indirect) June 30, 2013	Ownership (direct and indirect) December 31, 2012
AlJazira Capital Company	Saudi Arabia	Brokerage and asset management	100%	100%
Aman Real Estate	Saudi Arabia	Holding and managing collateral on behalf of the Bank	100%	100%

Bank AlJazira

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013 AND 2012

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 are prepared on the historical cost convention except for the measurement at fair value of derivatives, financial instruments held as at Fair Value through Income Statement (FVTIS) and Fair Value through Other Comprehensive Income Statement (FVTOCI). In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise carried at cost, are carried at fair value to the extent of risk being hedged.

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 31 December 2012, except for the adoption of newly effective standards, 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira and its subsidiaries. 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 the following three criteria must be met, including:

- i. the Group has power over an entity;
- ii. the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii. the Group 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

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 31 December 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

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. IFRS 10 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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

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 30 June 2012, interim consolidated statements of income, comprehensive income and cash flows for the three months and six months period ended 30 June 2012, as a result of the deconsolidation of the mutual funds:

	December 31, 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Consolidated statement of financial position			
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	<u>16,794,569</u>	<u>(175,120)</u>	<u>16,619,449</u>
Other liabilities	<u>(809,590)</u>	<u>1,375</u>	<u>(808,215)</u>
Overall impact on total liabilities	<u>(809,590)</u>	<u>1,375</u>	<u>(808,215)</u>
Non-controlling interests	<u>173,745</u>	<u>(173,745)</u>	<u>-</u>
Overall impact on total equity	<u>173,745</u>	<u>(173,745)</u>	<u>-</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

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

	30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of financial position			
Cash and balances with SAMA	5,649,161	(4,752)	5,644,409
Investments	8,841,209	(125,242)	8,715,967
Other assets	377,140	(21,062)	356,078
Overall impact on total assets	14,867,510	(151,056)	14,716,454
Other liabilities	(668,183)	2,924	(665,259)
Overall impact on total liabilities	(668,183)	2,924	(665,259)
Non-controlling interests	148,132	(148,132)	-
Overall impact on total equity	148,132	(148,132)	-

	For the three months period ended 30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of income			
Fees and commission income, net	160,624	570	161,194
Trading loss, net	(2,169)	(1,072)	(3,241)
Other operating income	(1,454)	(472)	(1,926)
Other general and administrative expenses	(49,183)	1,498	(47,685)
Non-controlling interests	540	(540)	-

	For the three months period ended 30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of comprehensive income			
Net income for the period	128,629	540	129,169
Non-controlling interests	540	(540)	-

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 AND 2012 (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

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

	For the six months period ended 30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of income			
Fees and commission income, net	346,273	1,129	347,402
Trading income, net	13,819	(2,993)	10,826
Other operating income	(457)	(472)	(929)
Other general and administrative expenses	(100,780)	2,146	(98,634)
Non-controlling interests	(174)	174	-

	For the six months period ended 30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of comprehensive income			
Net income for the period	272,381	(174)	272,207
Non-controlling interests	(174)	174	-

	For the six months period ended 30 June 2012 (SR '000)		
	As previously reported	Adjustments	As restated
Interim consolidated statement of cash flows			
Net cash from operating activities	4,094,818	59,837	4,154,655
Net cash used in financing activities	(164,975)	6,703	(158,272)

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5. INVESTMENTS

	30 June 2013 (Unaudited) <u>SR'000</u>	31 December 2012 (Audited) <u>SR'000</u> (Restated)	30 June 2012 (Unaudited) <u>SR'000</u> (Restated)
Fair Value through Income Statement (FVTIS)			
Mandatorily measured at FVTIS	805,713	800,710	795,063
Designated as at FVTIS	441,965	165,566	228,056
	<u>1,247,678</u>	<u>966,276</u>	<u>1,023,119</u>
Fair Value through Other Comprehensive Income (FVTOCI)			
Held as at amortized cost	138,852	260,441	289,322
	<u>8,476,552</u>	<u>7,767,677</u>	<u>7,403,526</u>
Total	<u><u>9,863,082</u></u>	<u><u>8,994,394</u></u>	<u><u>8,715,967</u></u>

6. LOANS AND ADVANCES, NET

	30 June 2013 (Unaudited) <u>SR'000</u>	31 December 2012 (Audited) <u>SR'000</u>	30 June 2012 (Unaudited) <u>SR'000</u>
Consumer loans	11,868,530	10,498,093	9,247,723
Commercial loans and overdrafts	21,646,383	19,593,526	18,129,868
Others	178,871	142,714	122,492
	<u>33,693,784</u>	<u>30,234,333</u>	<u>27,500,083</u>
Performing loans and advances			
Non- performing loans and advances	1,074,227	1,040,219	1,041,988
	<u>34,768,011</u>	<u>31,274,552</u>	<u>28,542,071</u>
Total loans and advances			
Provision for credit losses	(1,456,046)	(1,377,770)	(1,310,280)
	<u>33,311,965</u>	<u>29,896,782</u>	<u>27,231,791</u>

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

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7. CUSTOMERS' DEPOSITS

	30 June 2013 (Unaudited) <u>SR'000</u>	31 December 2012 (Audited) <u>SR'000</u>	30 June 2012 (Unaudited) <u>SR'000</u>
Demand	18,334,808	16,697,067	14,313,673
Time	25,841,145	23,135,130	22,253,239
Other	1,021,821	843,093	687,298
Total	<u>45,197,774</u>	<u>40,675,290</u>	<u>37,254,210</u>

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

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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 2013 (Unaudited)		31 December 2012 (Audited)		30 June 2012 (Unaudited)		Notional amount
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value	
Held for trading:							
Options	9,325	9,325	4,330	4,330	4,663	4,663	4,945,196
Special commission rate swaps	122,261	122,261	136,857	136,857	104,598	104,598	3,841,284
	131,586	131,586	141,187	141,187	109,261	109,261	8,786,480
Held as cash flow hedge:							
Special commission rate swaps	15,977	16,977	10,070	58,805	18,716	45,386	2,438,125
Total	147,563	148,563	151,257	199,992	127,977	154,647	11,224,605

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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 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000	30 June 2012 (Unaudited) SR'000
Letters of guarantee	2,707,596	2,452,338	2,503,084
Letters of credit	737,871	888,337	1,027,099
Acceptances	544,630	329,948	334,018
Irrevocable commitments to extend credit	806,109	1,671,447	1,637,075
Total	4,796,206	5,342,070	5,501,276

10. CASH AND CASH EQUIVALENTS

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

	30 June 2013 (Unaudited) SR'000	31 December 2012 (Audited) SR'000 (Restated)	30 June 2012 (Unaudited) SR'000 (Restated)
Cash and balances with SAMA, excluding statutory deposit	2,756,864	5,074,653	3,809,507
Due from banks and other financial institutions with an original maturity of ninety days or less	4,460,209	2,014,122	2,883,916
Total	7,217,073	7,088,775	6,693,423

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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 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 the new Insurance Law of Saudi Arabia.

After the approval of initial public offering ("IPO") of AlJazira Takaful Ta'awuni ("Takaful") by Capital Market Authority (CMA) the new insurance company had a successful IPO from 13 May 2013 to 19 May 2013. Subsequent to 30 June 2013, Takaful has been issued with Commercial Registration Certificate (CR) and will start writing business on the issuance of license.

The Group's total assets and liabilities at 30 June 2013 and 2012, its total operating income and expenses, and its net income for the six months then ended, by business segment, are as follows:

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11. OPERATING SEGMENTS (continued)

30 June 2013 (SR'000)

	<u>Personal Banking</u>	<u>Corporate Banking</u>	<u>Treasury</u>	<u>Brokerage and Asset Management</u>	<u>Takaful Ta'awuni</u>	<u>Others</u>	<u>Total</u>
Total assets	14,828,395	19,846,158	20,742,062	825,233	9,566	-	56,251,414
Total liabilities	17,444,731	27,015,785	6,131,924	237,707	43,303	-	50,873,450
Total operating income	285,913	222,758	254,437	138,447	10,133	(20,603)	891,085
Net special commission income	199,730	170,744	192,811	4,222	88	86	567,681
Fee and commission income, net	52,544	44,033	2,876	131,406	10,042	-	240,901
Trading income, net	1,504	1,261	13,574	2,265	-	-	18,604
Operating expenses:							
Impairment charge for credit losses, net	55,093	31,442	-	-	-	-	86,535
Depreciation	19,911	4,653	4,557	4,333	1,277	-	34,731
Total operating expenses	309,020	114,416	72,425	70,424	15,848	(2,683)	579,450
Net (loss) / income	(23,107)	108,342	182,012	68,024	(5,716)	(17,920)	311,635

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11. OPERATING SEGMENTS (continued)

30 June 2012 (SR'000) (Restated)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	11,820,127	16,654,196	17,905,249	726,246	10,243	-	47,116,061
Total liabilities	15,739,262	20,823,469	5,637,468	70,158	38,737	-	42,309,094
Total operating income	181,776	224,109	208,436	220,750	13,216	(14,037)	834,250
Net special commission income	124,526	169,009	161,292	5,270	15	(429)	459,683
Fee and commission income, net	46,781	50,884	25,560	210,976	13,201	-	347,402
Trading income, net	188	128	8,939	1,571	-	-	10,826
Operating expenses:							
Impairment charge for credit losses, net	55,613	48,925	-	-	-	-	104,538
Depreciation	20,543	3,453	2,088	4,769	1,629	-	32,482
Total operating expenses	287,191	134,014	37,603	72,515	33,208	(2,488)	562,043
Net (loss) / income	(105,416)	90,096	170,833	148,236	(19,993)	(11,549)	272,207

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12. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 300 million shares of SR 10 each (31 December 2012: 300 million shares of SR 10 each; 30 June 2012: 300 million shares of SR 10 each).

Basic earnings for the period ended June 30, 2013 and 2012 is calculated by dividing the net income for the periods by the weighted average number of shares outstanding during the period.

The calculation of diluted earnings per share is not applicable to the Group.

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 condensed consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from/to banks and other financial institutions. The estimated fair values 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 30 June 2013	Carrying amount	Fair value
Held as at amortised cost	<u>8,476,552</u>	<u>8,509,207</u>

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.

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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,
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

	30 June 2013 (SR'000)			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets</u>				
FVTIS	1,247,678	-	-	1,247,678
FVTOCI	135,414	-	3,438	138,852
Derivatives	-	147,563	-	147,563
<u>Financial liabilities</u>				
Derivatives	-	(148,563)	-	(148,563)
Net	<u>1,383,092</u>	<u>(1,000)</u>	<u>3,438</u>	<u>1,385,530</u>

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

	30 June 2013 SR (000)
Financial investments as at FVTOCI	
Opening balance	3,438
Net unrealised gain (loss) recognised during the period	-
Closing balance	<u>3,438</u>

During the six months period ended 30 June 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 period are classified under the relevant categories.

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14. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Group'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 Group's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total eligible capital to the risk-weighted assets at or above the agreed minimum of 8%.

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Group'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 the framework and guidance regarding implementation of the capital reforms under Basel III - which are effective from 1 January 2013. Accordingly, the Group's consolidated Risk Weighted Assets (RWA), total capital and related ratios on a consolidated group basis, calculated under the Basel III framework. For the purposes of presentation, the RWAs, total capital and related ratios as at 30 June 2013 are calculated using the framework and the methodologies defined under the Basel III framework. The comparative balances and ratios as at 31 December 2012 and 30 June 2012 are calculated under Basel II and have not been restated. The following table summarizes the Bank's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	30 June 2013 (Unaudited) <u>SR'000</u>	31 December 2012 (Audited) <u>SR'000</u>	30 June 2012 (Unaudited) <u>SR'000</u>
Credit Risk RWA	40,364,679	37,157,226	34,389,263
Operational Risk RWA	2,412,388	2,412,388	2,102,541
Market Risk RWA	1,878,251	1,779,882	1,517,091
Total Pillar-I RWA	44,655,318	41,349,496	38,008,895
Tier I Capital	5,347,045	5,011,853	4,806,967
Tier II Capital	1,233,046	1,467,673	1,403,764
Total Tier I & II Capital	6,580,091	6,479,526	6,210,731
Capital Adequacy Ratio (%)			
Tier I ratio	11.97	12.12	12.65
Total Tier I & II Capital	14.74	15.67	16.34

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15. BASEL III PILLAR III DISCLOSURES

Certain additional quantitative disclosures are required under Basel III Pillar 3. These disclosures will be published on the Bank's website www.baj.com.sa within 60 days after 30 June 2013 as required by SAMA. Such disclosures are not subject to review/audit by the external auditors of the Group. The comparative disclosures as at 31 December 2012 and 30 June 2012 are calculated under Basel II framework and have not been restated.

16. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified and restated (refer note 4 (c)) to conform with the presentation in the current period.