BANK ALJAZIRA

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction
We have reviewed the accompanying interim consolidated statement of financial position of Bank AlJazira ("the Bank") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2016 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods ended 30 June 2016, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended, along with the notes from 1 through 21 which form an integral part of these interim condensed consolidated financial statements. We have not reviewed note 18, nor the information related to "Basel III Pillar III Disclosure" cross-referenced therein, which is not required to be within the scope of our review. The Bank's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with applicable Accounting Standards for Financial Institutions and certain capital adequacy disclosure requirements issued by the Saudi Arabian Monetary Agency ("SAMA") and with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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

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

Other regulatory matters
As required by SAMA, certain capital adequacy information has been disclosed in note 17 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 17 to the relevant analysis prepared by the Bank for submission to SAMA and found no material inconsistencies.

for Ernst & Young

Hussain Saleh Asiri
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for KPMG Al Fozan & Partners
Certified Public Accountants

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04 August 2016
01 Dhul Qidah 1437H

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Bank AlJazira
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
ASSETS				
Cash and balances with SAMA		**4,389,367**	3,728,044	5,594,046
Due from banks and other financial institutions		**1,793,901**	4,704,469	6,577,503
Investments	5	**16,434,134**	11,272,601	11,529,991
Positive fair value of derivatives	9	**146,317**	197,511	236,158
Loans and advances, net	6	**44,212,411**	42,173,847	42,401,166
Investment in an associate	7	**125,880**	128,334	125,191
Other real estate, net		**36,031**	44,126	44,126
Property and equipment, net		**698,554**	679,088	634,438
Other assets		**515,374**	336,114	486,933
Total assets		**68,351,969**	63,264,134	67,629,552
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and other financial institutions		**6,643,988**	4,057,311	2,602,920
Customers' deposits	8	**50,729,768**	49,765,193	55,961,892
Negative fair value of derivatives	9	**474,598**	371,953	369,964
Subordinated Sukuk	15	**2,006,649**	1,006,936	1,006,606
Other liabilities		**685,946**	649,272	544,168
Total liabilities		**60,540,949**	55,850,665	60,485,550
EQUITY				
Share capital	13	**4,000,000**	4,000,000	4,000,000
Statutory reserve		**1,727,119**	1,727,119	1,405,500
General reserve		**68,000**	68,000	68,000
Other reserves		**(333,751)**	(172,656)	(117,902)
Retained earnings		**2,349,652**	1,791,006	1,788,404
Total equity		**7,811,020**	7,413,469	7,144,002
Total liabilities and equity		**68,351,969**	63,264,134	67,629,552

Tarek Al-Kasabi Chairman	Nabil Al-Hoshan CEO and Managing Director	Shahid Amin Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the three months period ended		For the six months period ended	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
		SR'000	SR'000	**SR'000**	SR'000
Special commission income		**577,058**	470,250	**1,092,725**	939,001
Special commission expense		**(192,541)**	(66,838)	**(338,111)**	(139,358)
Net special commission income		**384,517**	403,412	**754,614**	799,643
Fees and commission income, net		**162,597**	168,080	**328,871**	348,609
Exchange income, net		**25,671**	20,241	**54,442**	44,434
Trading income, net		**4,700**	13,160	**1,180**	32,659
Dividend income		**-**	1,210	**-**	1,215
Gain on sale of other real estate	14	**-**	572,649	**210,518**	572,649
Other operating income		**2,378**	5,523	**3,483**	9,448
Total operating income		**579,863**	1,184,275	**1,353,108**	1,808,657
Salaries and employee-related expenses		**219,493**	219,308	**435,284**	426,596
Rent and premises-related expenses		**32,238**	32,358	**63,262**	63,771
Depreciation		**20,406**	20,296	**40,267**	41,406
Other general and administrative expenses		**101,272**	108,055	**199,996**	207,028
Impairment charge for credit losses, net		**30,671**	68,465	**58,395**	105,142
Other operating expenses		**267**	914	**929**	1,776
Total operating expenses		**404,347**	449,396	**798,133**	845,719
Income from operating activities		**175,516**	734,879	**554,975**	962,938
Share in net income / (loss) of an associate		**2,001**	872	**3,851**	(188)
Net income for the period		**177,517**	735,751	**558,826**	962,750
Basic and diluted earnings per share for the period (expressed in SR)	13	**0.45**	1.84	**1.40**	2.41

Tarek Al-Kasabi	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	For the three months period ended		For the six months period ended	
	30 June 2016 SR'000	30 June 2015 SR'000	**30 June 2016 SR'000**	30 June 2015 SR'000
Net income for the period	**177,517**	735,751	**558,826**	962,750
Other comprehensive income				
Net other comprehensive income to be reclassified to interim consolidated statement of income in subsequent periods:				
Cash flow hedges:				
Fair value (loss) / gain on cash flow hedges	**(68,336)**	96,233	**(160,070)**	25,169
Net amount transferred to interim consolidated statement of income	**157**	155	**314**	312
Net other comprehensive income not to be reclassified to interim consolidated statement of income in subsequent periods:				
Net changes in fair value and gain on sale of investments classified as at Fair Value Through Other Comprehensive Income (FVTOCI)	**97**	177	**(246)**	312
Other comprehensive (loss) / income for the period	**(68,082)**	96,565	**(160,002)**	25,793
Share of other comprehensive loss of an associate	**(98)**	(51)	**(180)**	(209)
Total comprehensive income for the period	**109,337**	832,265	**398,644**	988,334

Tarek Al-Kasabi	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

The accompanying notes 1 to 21 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 MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

	Share capital SR'000	Statutory reserve SR'000	General reserve SR'000	Other reserve SR'000	Retained earnings SR'000	Total equity SR'000
Balance at 1 January 2016 (audited)	**4,000,000**	**1,727,119**	**68,000**	**(172,656)**	**1,791,006**	**7,413,469**
Net income for the period	-	-	-	-	558,826	558,826
Other comprehensive loss	-	-	-	(160,002)	-	(160,002)
Share in Zakat of an associate	-	-	-	-	(180)	(180)
Other (note 19)	-	-	-	(1,093)	-	(1,093)
Balance at 30 June 2016 (unaudited)	**4,000,000**	**1,727,119**	**68,000**	**(333,751)**	**2,349,652**	**7,811,020**
Balance at 1 January 2015 (audited)	4,000,000	1,405,500	68,000	(141,317)	825,863	6,158,046
Net income for the period	-	-	-	-	962,750	962,750
Other comprehensive Income	-	-	-	25,793	-	25,793
Share in Zakat of an associate	-	-	-	-	(209)	(209)
Other (note 19)	-	-	-	(2,378)	-	(2,378)
Balance at 30 June 2015 (unaudited)	4,000,000	1,405,500	68,000	(117,902)	1,788,404	7,144,002

Tarek Al-Kasabi Chairman	Nabil Al-Hoshan CEO and Managing Director	Shahid Amin Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

Bank AlJazira

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

	Notes	2016 SR'000	2015 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		**558,826**	962,750
Adjustments to reconcile net income to net cash from operating activities:			
Trading income, net		**(1,180)**	(32,659)
Impairment charge for credit losses, net		**58,395**	105,142
Share of (income) / loss of an associate		**(3,851)**	188
Depreciation		**40,267**	41,406
Dividend income		**-**	(1,215)
Loss / (gain) on sale / write off of property and equipment		**3,416**	(3,016)
		655,873	1,072,596
Net decrease / (increase) in operating assets:			
Statutory deposit with SAMA		**(45,213)**	(26,454)
Due from banks and other financial institutions maturing after three months from the date of acquisition		**343,750**	593,750
Investments held at fair value through income statement		**128,637**	(86,076)
Positive fair value of derivatives		**51,194**	20,039
Loans and advances		**(2,096,959)**	(954,966)
Other real estate, net		**8,095**	615,971
Other assets		**(179,260)**	636
Net (decrease) / increase in operating liabilities:			
Due to banks and other financial institutions		**2,586,677**	(1,133,986)
Customers' deposits		**964,575**	1,301,784
Negative fair value of derivatives		**102,645**	(45,182)
Other liabilities		**(124,406)**	(9,535)
Net cash from operating activities		**2,395,608**	1,348,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of non-trading investments		**136,749**	-
Acquisition of non-trading investments		**(5,425,739)**	(5,279)
Investment in an associate		**6,125**	-
Acquisition of property and equipment		**(63,250)**	(81,211)
Proceeds from sale of property and equipment		**101**	7,303
Dividends received		**-**	1,215
Net cash used in investing activities		**(5,346,014)**	(77,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Subordinated Sukuk	15	**2,000,000**	-
Payment of Subordinated Sukuk		**(1,000,287)**	-
Dividends paid		**(15)**	-
Net cash from financing activities		**999,698**	-
Net (decrease) / increase in cash and cash equivalents		**(1,950,708)**	1,270,605
Cash and cash equivalents at the beginning of the period		**4,913,830**	6,813,512
Cash and cash equivalents at the end of the period	11	**2,963,122**	8,084,117
Special commission income received during the period		**1,073,916**	894,855
Special commission expense paid during the period		**476,317**	124,055

Tarek Al-Kasabi	Nabil Al-Hoshan	Shahid Amin
Chairman	CEO and Managing Director	Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

1. GENERAL

These interim condensed consolidated financial statements comprise the financial statements of Bank AlJazira (the "Bank") and its subsidiaries (collectively referred to as the "Group"). Bank AlJazira is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and formed pursuant to Royal Decree number 46/M dated 12 Jumad Al-Thani 1395H (21 June 1975). The Bank commenced its business on 16 Shawwal 1396H (9 October 1976) with the takeover of The National Bank of Pakistan's branches in the Kingdom of Saudi Arabia and operates under commercial registration number 4030010523 dated 29 Rajab 1396H (27 July 1976) issued in Jeddah, through its 78 branches (31 December 2015: 76 branches, 30 June 2015: 74 branches) in the Kingdom of Saudi Arabia. The Bank's Head Office is located at the following address:

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

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

The Bank's subsidiaries are as follows:

	Country of incorporation	**Nature of business**	**Ownership (direct and indirect) 30 June 2016**	Ownership (direct and indirect) 31 December 2015	Ownership (direct and indirect) 30 June 2015
AlJazira Capital Company	Kingdom of Saudi Arabia	Brokerage and asset management	**100%**	100%	100%
Aman Development and Real Estate Investment Company	Kingdom of Saudi Arabia	Holding and managing real estate collaterals on behalf of the Bank	**100%**	100%	100%

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Accounting Standard No. 34 – "Interim Financial Reporting". The Bank prepares its interim condensed consolidated financial statements to comply with the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements do not include all of the informational disclosures required for annual consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended 31 December 2015.

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 2015.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. There have been no material changes in the risk management department or in any risk management policies since the year end.

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

3. BASIS OF CONSOLIDATION

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

a) Subsidiaries

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

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

3. BASIS OF CONSOLIDATION (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which the control is transferred from the Bank. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

b) Non-controlling interests

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

c) Transactions eliminated on consolidation

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

d) Associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ending 31 December 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which had an insignificant financial impact on the interim consolidated financial statements of the Group for the current period or prior period and is expected to have an insignificant effect in future periods:

a. Applicable new standards

- IFRS 14 – "Regulatory Deferral Accounts", applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

b. Amendments to existing standards

- Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates", applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- Amendments to IFRS 11 – "Joint Arrangements", applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – "Business Combinations" and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Further, the entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Amendments to existing standards (continued)

- Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;

  - The materiality requirements in IAS 1;
  - That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 41 – "Agriculture", applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance", instead of IAS 41.

- Amendments to IAS 27 – "Separate Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Annual improvements

- Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

    - IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

    - IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

    - IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

    - IAS 34 – "Interim Financial Reporting" – amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

d. Accounting standards not yet applicable

- Following new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group has yet to assess the impact of these new standards and interpretations:

    - IFRS 15 – "Revenue from Contracts with Customers" - The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

    - IFRS 9 "Financial Instruments" – the Group has already early adopted the measurement part. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

    - IFRS 16 – "Leases" – The new Standard is based on the principal that a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.

5. INVESTMENTS

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Fair Value Through Income Statement (FVTIS) - (designated)	**233,599**	361,056	516,940
Fair Value Through Other Comprehensive Income (FVTOCI)	**11,374**	11,620	10,744
Held at amortised cost	**16,189,161**	10,899,925	11,002,307
Total	**16,434,134**	11,272,601	11,529,991

6. LOANS AND ADVANCES, NET

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Consumer loans	**17,388,361**	16,151,645	15,768,793
Commercial loans and overdrafts	**26,699,120**	25,930,633	26,674,796
Others	**378,376**	350,846	302,990
Performing loans and advances	**44,465,857**	42,433,124	42,746,579
Non- performing loans and advances	**374,921**	355,327	429,260
Total loans and advances	**44,840,778**	42,788,451	43,175,839
Impairment allowance for credit losses	**(628,367)**	(614,604)	(774,673)
Loans and advances, net	**44,212,411**	42,173,847	42,401,166

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

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Balance at the beginning of the period	**614,604**	638,497	638,497
Impairment charge for credit losses, net	**84,273**	146,857	140,311
Bad debts written off	**(65,784)**	(126,076)	(728)
Reversal / recoveries of amounts previously impaired	**(4,726)**	(44,674)	(3,407)
Balance at the end of the period	**628,367**	614,604	774,673

The "impairment charge for credit losses, net" in the interim consolidated statement of income amounting to SR 58.39 million (30 June 2015: SR 105.14 million) was net of recoveries of SR 21.15 million (30 June 2015: SR 31.76 million) from the amounts previously written off.

7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the investment made by the Group in AlJazira Takaful Ta'awuni Company (ATT). The Group effectively holds a 35% shareholding in ATT.

The share of total comprehensive income in an associate represents the Group's share in the total comprehensive income of ATT and was based on the latest available financial information of ATT. ATT is listed with Saudi Stock Exchange (Tadawul) and the market value of the investment in ATT as of 30 June 2016 was SR 356.6 million (31 December 2015: SR 409.4 million; 30 June 2015: SR 615.9 million) based on Tadawul market price.

8. CUSTOMERS' DEPOSITS

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Demand	**24,664,171**	24,945,426	26,592,176
Time	**25,189,648**	23,587,187	28,113,300
Other	**875,949**	1,232,580	1,256,416
Total	**50,729,768**	49,765,193	55,961,892

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

9. DERIVATIVES

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

	30 June 2016 (Unaudited) SR'000			31 December 2015 (Audited) SR'000			30 June 2015 (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	**40,232**	**40,232**	**3,757,129**	75,799	75,799	4,256,960	30,520	30,520	3,878,012
Special commission rate swaps	**71,146**	**71,146**	**6,183,453**	93,076	93,076	5,859,548	185,766	185,766	5,996,037
Foreign exchange swaps	**268**	**260**	**826,575**	-	-	187,500	-	-	375,000
Structured deposits	**4,380**	**4,380**	**1,650,000**	7,980	7,980	1,650,000	-	-	1,705,336
Total	**116,026**	**116,018**	**12,417,157**	176,855	176,855	11,954,008	216,286	216,286	11,954,385
Held as cash flow hedge:									
Special commission rate swaps	**-**	**318,114**	**5,624,063**	-	158,044	3,186,563	778	114,970	3,186,563
Total	**116,026**	**434,132**	**18,041,220**	176,855	334,899	15,140,571	217,064	331,256	15,140,948
Special commission	**30,291**	**40,466**	**-**	20,656	37,054	-	19,094	38,708	-
Total	**146,317**	**474,598**	**18,041,220**	197,511	371,953	15,140,571	236,158	369,964	15,140,948

The negative fair values of special commission rate swaps is mainly due to a downward shift in the yield curve during the period. The fair values of these swaps are expected to be settled on or before April 2044 (30 June 2015: April 2044). The cash flow hedge of special commission rate swap were highly effective in offsetting the variability of special commission expenses. During the period a net unrealized loss of SR 160.07 million (30 June 2015: gain of SR 25.17 million) was included in the interim consolidated statement of comprehensive income. During the period, an amount of SR 0.31 million (30 June 2015: 0.31 million) is removed from statement of comprehensive income and included in the "special commission expense" in the interim consolidated statement of income.

10. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

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

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Letters of guarantee	**4,306,776**	4,684,990	3,728,220
Letters of credit	**802,125**	740,374	1,223,831
Acceptances	**618,485**	447,402	462,919
Irrevocable commitments to extend credit	**110,000**	150,000	135,833
Total	**5,837,386**	6,022,766	5,550,803

b) The Bank has filed its Zakat returns for the financial years up to and including the year 2015 with the General Authority of Zakat and Income Tax (GAZT). The Bank has received Zakat assessments for the years up to and including 2011 raising additional demands aggregating to SR 462.2 million. The above additional exposure is mainly on account of disallowance of certain long term investments by the GAZT. The basis for this additional aggregate Zakat liability is being contested by the Bank in conjunction with all the Banks in Saudi Arabia. The Bank has also formally contested these assessments and is awaiting a response from the tax authorities / appeal committees.

The Zakat assessment for the years 2012 to 2015 have not been finalized by the GAZT and the Bank is not be able to determine reliably the impact of such assessments.

11. CASH AND CASH EQUIVALENTS

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

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Cash and balances with SAMA, excluding statutory deposit	**1,594,221**	978,111	2,581,614
Due from banks and other financial institutions with an original maturity of three month or less from the date of acquisition	**1,368,901**	3,935,719	5,502,503
Total	**2,963,122**	4,913,830	8,084,117

11. CASH AND CASH EQUIVALENTS (continued)

The reconciliation of cash and cash equivalents to cash and balances with SAMA is as follows:

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Cash and cash equivalents as per cash flow statements	**2,963,122**	4,913,830	8,084,117
Statutory deposit	**2,795,146**	2,749,933	2,889,932
Due from banks and other financial institutions with original maturity of 90 days or less	**(1,368,901)**	(3,935,719)	(5,502,503)
Others	**-**	-	122,500
Cash and balances with SAMA at end of the period	**4,389,367**	3,728,044	5,594,046

12. OPERATING SEGMENTS

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

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement. Segment assets and liabilities comprise operating assets and liabilities.

For management purposes, the Group is organized into following main operating segments:

Personal banking
Deposit, credit and investment products for individuals.

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

Treasury
Treasury includes money market, foreign exchange, trading and treasury services.

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

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

The Group's total assets and liabilities at 30 June 2016 and 30 June 2015, its total operating income and expenses, and its net income for the six month period then ended, by operating segment, are as follows:

12. OPERATING SEGMENTS (continued)

30 June 2016 (SR'000)

	Personal banking	Corporate banking	Treasury	Brokerage and asset management	Takaful Ta'awuni	Others	Total
Total assets	20,616,032	24,282,780	22,835,840	477,604	13,833	125,880	68,351,969
Total liabilities	25,801,040	23,034,819	11,554,806	72,904	77,380	-	60,540,949
Inter - segment operating (loss) / income	(16,437)	(45,253)	58,147	3,543	-	-	-
Total operating income	497,203	231,405	364,188	104,903	9,263	146,146	1,353,108
Net special commission income	296,060	157,059	298,348	4,132	276	(1,261)	754,614
Fee and commission income, net	151,393	66,263	7,401	96,129	8,960	(1,275)	328,871
Trading income / (loss), net	(406)	150	366	1,633	-	(563)	1,180
Share of net income of an associate	-	-	-	-	-	3,851	3,851
Impairment charge for credit losses, net	(2,301)	(56,094)	-	-	-	-	(58,395)
Depreciation	(20,865)	(7,520)	(7,791)	(3,606)	(485)	-	(40,267)
Total operating expenses	(396,873)	(201,226)	(114,937)	(75,652)	(11,439)	1,994	(798,133)
Net income / (loss)	100,330	30,179	249,251	29,251	(2,176)	151,991	558,826

12. OPERATING SEGMENTS (continued)

30 June 2015 (SR'000)

	Personal Banking	Corporate Banking	Treasury	Brokerage and Asset Management	Takaful Ta'awuni	Others	Total
Total assets	19,652,101	23,185,670	24,078,930	578,169	9,491	125,191	67,629,552
Total liabilities	27,609,909	21,493,587	11,261,163	66,524	54,367	-	60,485,550
Inter - segment operating (loss) / income	(25,706)	(23,827)	47,092	2,441	-	-	-
Total operating income	431,883	327,417	324,491	182,710	10,812	531,344	1,808,657
Net special commission income	303,850	241,315	251,403	3,894	199	(1,018)	799,643
Fee and commission income, net	85,403	73,678	15,675	163,418	10,612	(177)	348,609
Trading income, net	4,495	4,568	9,767	13,735	-	94	32,659
Share in loss of an associate	-	-	-	-	-	(188)	(188)
Impairment charge for credit losses, net	(105,328)	186	-	-	-	-	(105,142)
Depreciation	(22,264)	(8,795)	(5,423)	(3,967)	(957)	-	(41,406)
Total operating expenses	(488,828)	(180,015)	(87,554)	(81,011)	(10,304)	1,993	(845,719)
Net (loss) / income	(56,945)	147,402	236,937	101,699	508	533,149	962,750

13. SHARE CAPITAL AND EARNINGS PER SHARE

The authorized, issued and fully paid share capital of the Bank consists of 400 million shares of SR 10 each (31 December 2015: 400 million shares of SR 10 each; 30 June 2015: 400 million shares of SR 10 each).

The earnings per share for six month period ended 30 June 2016 was SR 1.4 (for six month period ended 30 June 2015: SR 2.41).

14. GAIN ON SALE OF OTHER REAL ESTATE

This includes a gain of SR 208.6 million from a land with a carrying value of SR 9 million, previously included in “other real estate, net” sold for SR 217.56 million during the month of February 2016 (31 December 2015: SR 572.65 million and 30 June 2015: SR 572.65 million).

15. SUBORDINATED SUKUK

As per the terms mentioned in the related offering circular and on meeting certain conditions, the Bank on 29 March 2016 exercised its call option for 1,000 Subordinated Sukuk Certificates of SR 1 million each issued on 29 March 2011.

On 2 June 2016, the Bank issued 2,000 Subordinated Sukuk Certificates (Sukuk) of SR 1 million each, with a profit distribution rate based on 6 month Saudi Inter-Bank Offered Rate (SIBOR), reset semiannually in advance, plus a margin of 190 basis point per annum and payable semi-annually in arrears on 2 June and 2 December each year until 2 June 2026, on which date the Sukuk will expire. The Bank has a call option which can be exercised on or after 2 June 2021 on meeting certain conditions and as per the terms mentioned in the related offering circular. The Sukuk may also be called upon occurrence of certain other conditions as per the terms specified in the above Offering Circular. These Sukuk are registered with Saudi Stock Exchange (Tadawul).

16. 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and

Level 3: valuation techniques for which any significant input is not based on observable market data.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

a) The following table presents the Group's financial assets and liabilities that are measured at fair values:

		30 June 2016 (SR'000) Fair Value			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
FVTIS - Mutual Funds	**232,289**	**232,289**	**-**	**-**	**232,289**
FVTIS – Equities	**1,310**	**1,310**	**-**	**-**	**1,310**
FVTOCI - Equities	**11,374**	**7,936**	**-**	**3,438**	**11,374**
Derivatives	**146,317**	**-**	**146,317**	**-**	**146,317**
Total	**391,290**	**241,535**	**146,317**	**3,438**	**391,290**
Financial liabilities measured at fair value:					
Derivatives	**474,598**	**-**	**474,598**	**-**	**474,598**

		31 December 2015 (SR'000) Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
FVTIS - Mutual Funds	321,981	321,981	-	-	321,981
FVTIS - Equities	39,075	39,075	-	-	39,075
FVTOCI - Equities	11,620	8,182	-	3,438	11,620
Derivatives	197,511	-	197,511	-	197,511
Total	570,187	369,238	197,511	3,438	570,187
Financial liabilities measured at fair value:					
Derivatives	371,953	-	371,953	-	371,953

		30 June 2015 (SR'000) Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
FVTIS - Mutual Funds	465,392	465,392	-	-	465,392
FVTIS - Equities	51,548	51,548	-	-	51,548
FVTOCI - Equities	10,744	7,306	-	3,438	10,744
Derivatives	236,158	-	236,158	-	236,158
Total	763,842	524,246	236,158	3,438	763,842
Financial liabilities measured at fair value:					
Derivatives	369,964	-	369,964	-	369,964

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

Fair value of quoted investments is based on price quoted on the reporting date. Level 2 trading and hedging derivatives comprise foreign exchange, options, interest rate swaps and structured deposits. These foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps, options and structured deposits are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

b) Following table represent fair values of financial assets and liabilities measured at amortised cost.

	30 June 2016 (SR'000)		31 December 2015 (SR'000)	
	Amortised cost	**Fair value**	Amortised cost	Fair value
Financial assets:				
Due from banks and other financial institutions	**1,793,901**	**1,793,597**	4,704,469	4,704,265
Investment held at amortised cost	**16,189,161**	**16,201,260**	10,899,925	10,851,590
Loans and advances, net	**44,212,411**	**45,640,798**	42,173,847	43,995,043
Total	**62,195,473**	**63,635,655**	57,778,241	59,550,898
Financial liabilities:				
Due to banks and other financial institutions	**6,643,988**	**6,645,370**	4,057,311	4,058,748
Customers' deposits	**50,729,768**	**50,725,403**	49,765,193	49,760,072
Total	**57,373,756**	**57,370,773**	53,822,504	53,818,820

The fair value of the cash and balances with SAMA, other assets and other liabilities and subordinated Sukuks approximate to their carrying amount.

17. 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 periodic 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%.

17. CAPITAL ADEQUACY (continued)

The Group monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

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

	30 June 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000	30 June 2015 (Unaudited) SR'000
Credit Risk RWA	**50,893,724**	49,807,212	49,443,524
Operational Risk RWA	**4,614,063**	3,952,088	3,481,813
Market Risk RWA	**1,010,638**	1,215,251	2,163,588
Total Pillar-I RWA	**56,518,425**	54,974,551	55,088,925
Tier I Capital	**8,136,014**	7,578,707	7,484,542
Tier II Capital	**2,472,904**	1,121,227	1,209,237
Total Tier I and II Capital	**10,608,918**	8,699,934	8,693,779
Capital Adequacy Ratio (%)			
Tier I ratio	**14.40**	13.79	13.59
Total Tier I and II Capital	**18.77**	15.83	15.78

18. BASEL III PILLAR III DISCLOSURES

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

19. ISSUANCE OF RIGHT SHARES

With an aim to strengthen the capital base of the Bank, the Board of Directors has recommended to increase share capital by raising SR 3 billion through a right issue. The increase is conditional on taking the necessary approvals from the relevant authorities and the General Assembly in the extraordinary meeting and determine the offering price of the shares and numbers. Included in the "other reserves" are total expenses of SR 15.56 million (30 June 2015: SR 2.34 million) incurred in respect of the legal and professional matters for right issue.

20. COMPARATIVE FIGURES

During the period of 2016, accrued special commission income and accrued special commission expense relating to prior periods have been reclassified to respective financial assets and liabilities in the interim consolidated statement of financial position to conform to the current period's presentation. Derivative financial instruments previously classified within other assets and other liabilities have now been disclosed separately on the interim consolidated statement of financial position. There is no impact of these reclassifications on the current and prior periods interim consolidated income statements.

The impact of these reclassifications on the interim condensed consolidated financial statements is disclosed below.

31 December 2015	As originally reported	Reclassification	Amounts reported after reclassification
Assets			
Investments, net	11,201,821	70,780	**11,272,601**
Loans and advances, net	41,863,473	310,374	**42,173,847**
Due from banks and other financial institutions	4,691,538	12,931	**4,704,469**
Positive fair value derivatives	-	197,511	**197,511**
Other assets	927,710	(591,596)	**336,114**
	58,684,542	-	**58,684,542**
Liabilities			
Due to banks and other financial institutions	4,054,511	2,800	**4,057,311**
Customers' deposits	49,673,599	91,594	**49,765,193**
Negative fair value derivatives	-	371,953	**371,953**
Subordinated Sukuk	1,000,000	6,936	**1,006,936**
Other liabilities	1,122,555	(473,283)	**649,272**
	55,850,665	-	**55,850,665**

30 June 2015	As originally reported	Reclassification	Amounts reported after reclassification
Assets			
Investments	11,460,415	69,576	**11,529,991**
Loans and advances, net	42,131,906	269,260	**42,401,166**
Due from banks and other financial institutions	6,565,280	12,223	**6,577,503**
Positive fair value derivatives	-	236,158	**236,158**
Other assets	1,074,150	(587,217)	**486,933**
	61,231,751	-	**61,231,751**
Liabilities			
Due to banks and other financial institutions	2,601,646	1,274	**2,602,920**
Customers' deposits	55,882,457	79,435	**55,961,892**
Negative fair value derivatives	-	369,964	**369,964**
Subordinated Sukuk	1,000,000	6,606	**1,006,606**
Other liabilities	1,001,447	(457,279)	**544,168**
	60,485,550	-	**60,485,550**

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 2 August 2016.